Data consumption rose 17.5% in FY21, despite rise in tariffs: CARE Ratings

The surge in data consumption, it said, was also helped by the Big 3 telcos expanding their share of 4G users -- out of their total user base -- by 5% to 70.3%, even though average data rates surged nearly 27% on-year to Rs10.9 per GB in FY21.

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Mobile industry data consumption is estimated to have surged 17.5% on-year to around 12.2 GB per user per month in FY21 despite a rise in data tariffs as vast swathes of India's corporate workforce worked from home during the Covid first wave, CARE Ratings said.

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Growth in the collective 4G user base was also propelled by aggressive refarming of 2G/3G airwaves by the older carriers, Bharti Airtel and Vodafone Idea, for 4G services. Industry average revenue per user (ARPU) – a key performance metric – rose an estimated 20.6% on-year to Rs 96 during FY21, despite a decline in the fiscal fourth quarter after inflows from interconnect usage charges (IUC) disappeared from January 1, 2021.

"Data has become a key to growth of the telecom industry, and as many people stayed indoors due to lockdown restrictions, this is believed to have resulted in higher usage of video streaming applications, online games, which supported the spike in average data consumption during the year," CARE Ratings said in a report issued Monday.

The growth in data volumes, it said, aided the uptick in data prices in FY21. "The price of per GB data that was around Rs 7-to-8.5 in the first 3 quarters of FY21, moved up in Q4FY21, when it saw a sharp sequential increase of 32.9% to Rs 11.2 per GB, backed by price hike," CARE said in its report.

It added that any upward movement in the Big 3 telcos' share of 4G subscribers is auguring well for the industry as this set of users are better paying customers compared to 2G and 3G users.

According to CARE, in the past 3 years (FY19 to FY21), the aggregate 4G subscriber base of the top 3 telcos increased by a healthy 50.8% -- from 474 million in FY19 to 715 million in FY21 -- in turn, expanding the share of 4G users in their total subscriber base to 70.3% in FY21 from 51.4% in FY19.

The ratings agency said the ARPU of the top 3 telcos is estimated to have averaged around Rs 138 in FY21, an 11.6% on-year increase. Telcos like Airtel and Vi, though, have repeatedly maintained that the current ARPU levels are inadequate to turn in a reasonable return on capital, and remain hopeful that they will get to Rs 200 in the short-term, and eventually to Rs 300. However, for that to happen telcos have been counting on the telecom regulator to ring in a floor price for data services. In the aftermath of the AGR payments crisis, telcos, via separate submissions, had urged Trai to fix a floor price only for data services for an interim period to ensure their sustainability and keep competition alive.

"A hike in ARPU appears imminent in the coming months and the price growth needs to be much more during FY22 than seen in FY21, but it remains to be seen if the telcos increase prices or wait for the government's decision on floor tariff," CARE Ratings said in its report.

Reliance Jio, it said, had the largest share (55%) of India's broadband subscriber base of 765 million as on February 2021 followed by Airtel, Vi and BSNL that accounted for 25%, 16% and 3%, respectively. Jio's highest share on this score "is primarily due to its total 4G subscriber base, which is not the case with other telcos."