

Telecom Update: August 2020

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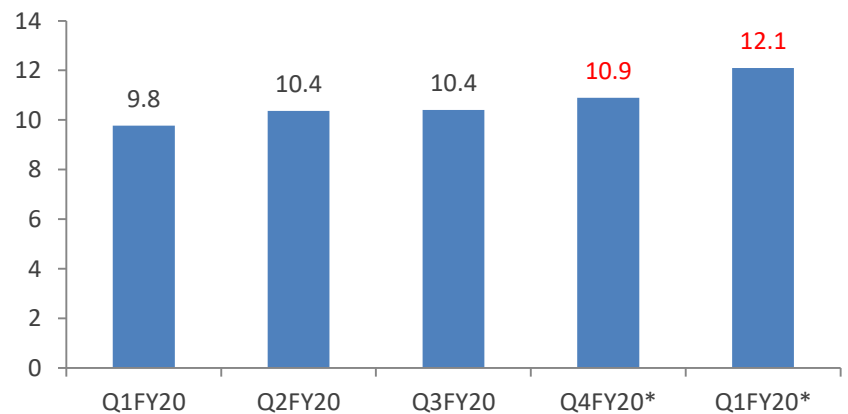
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The telecom industry has played a pivotal role in keeping people in contact with each other with the help of voice and data connection during the tough time of Covid-19 induced lockdown. Also, the industry has kept its subscribers involved by providing them enough entertainment through video streaming applications, online games among others. In addition to this, the industry provided support to the new norm of ‘work from home’ and ‘virtual or online education’ which has gained prominence in the past few months.

Average data consumption estimated to have touched all-time high in Q1FY21

Chart 1: Trend in average data consumption per subscriber per month (in GB)



Source: TRAI and CARE Ratings

Note: * indicates estimates

The first two months (April-May) of FY21 witnessed lockdown due to Covid-19 which restricted the movement of people. This, in turn, encouraged the practice of work from home, online learning, video streaming, online gaming, video calling, digital payments etc. which increased data consumption by subscribers. **Resultantly, average data consumption per subscriber per month is believed to have touched an all-time high of 12.1 GB in Q1FY21.**

During the first 3 quarters of FY20, the average data usage per subscriber per month surged by 50.6% to 10.2 GB on a y-o-y basis. This was backed by lower price for per GB data which on an average declined by a sharp 30.9% to Rs.7.7 during April-December 2019. Also, increase in use of online streaming platforms by subscribers is believed to have supported the growth in data usage. The average data consumption per subscriber per month is believed to have stood at 10.9 GB in the March 2020 quarter.

The low-priced service and increased use of online applications has added more subscribers to the broadband base as shown in the table below. Thus the broadband subscribers’ base as on May 2020 is higher by 17.6%

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y-o-y at 684 million. While the subscriber base has improved on a yearly basis in each of the months post lockdown, the subscriber base declined by 1.6% in the month of April 2020 on a monthly basis primarily due to lockdown related disruptions that resulted in restricted movement of people and closure of various stores. Nevertheless, the broadband subscriber base increased by 1.1% on a m-o-m basis to 684 million in the next month May 2020.

Table 1: Trend in broadband subscribers post lockdown

	Mar-20	Apr-20	May-20
Broadband subscriber base (in million)	687	676	684
% change (y-o-y)	22.0	18.2	17.6
% change (m-o-m)	0.9	-1.6	1.1

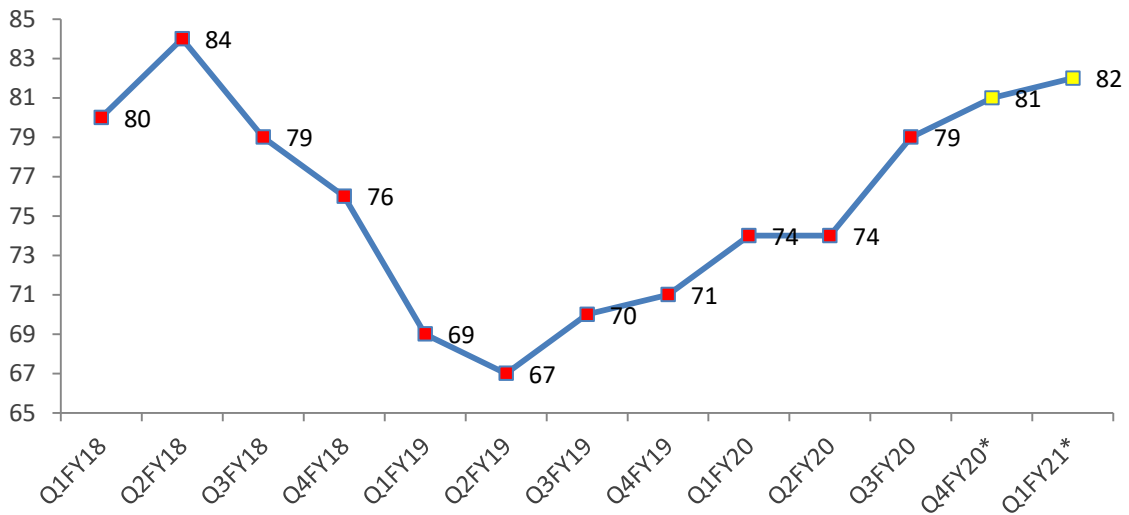
Source: TRAI

The lockdown also had an impact on total telephone subscriber base as it declined in the range of 0.2%-0.7% in each of the months post lockdown (March-May 2020). The total telephone subscriber base fell by 0.5% (m-o-m) and 1.6% (y-o-y) as on May 2020. Lockdown in India came into effect from last week of March 2020.

Industry ARPU estimated to have touched Rs.80 mark after gap of 9 quarters

The telecom industry’s ARPU is estimated to have touched Rs.80 mark in Q4FY20 after a gap of 9 quarters primarily backed by tariff hikes of up to 40% for its prepaid users from the month of December 2019 onwards. The effect of this rate hike is estimated to have increased the ARPU at industry level to Rs.81 and Rs.82 in Q4FY20 and Q1FY21, respectively.

Chart 2: Trend in industry ARPU (in Rs.)



Source: TRAI, CMIE and CARE Ratings

Note: * indicates estimates

The telecom industry’s ARPU averaged at Rs.76 in the first 3 quarters of FY20. This implies a growth of 10.1% compared to the same period a year ago where the average ARPU stood at Rs 69. The ARPU increased in each of the quarters during April-December 2019. Discontinuation of incoming-only customers or minimal ARPU customers on account of minimum recharge plans supported the ARPU growth. Further, price hikes of up to 40% for its prepaid users from December 2019 onwards also supported the price rise.

Concluding remarks

- The average data consumption per subscriber per month is believed to have touched an all-time high of 12.1 GB in Q1FY21 backed by the practice of work from home, online learning, video streaming, online gaming, video calling, digital payments etc. which increased data consumption by subscribers.
- The effect of rate hike undertaken by telcos December 2019 onwards is estimated to have increased the ARPU at industry level to Rs.81 and Rs.82 in Q4FY20 and Q1FY21, respectively. The telecom industry's ARPU is believed to have touched Rs.80 mark in Q4FY20 after a gap of 9 quarters primarily backed by tariff hikes of up to 40% for its prepaid users from the month of December 2019 onwards.

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