

# Competition dials up

The top two players are neck and neck, with neither ready to bite the bullet on tariffs

April, 2021

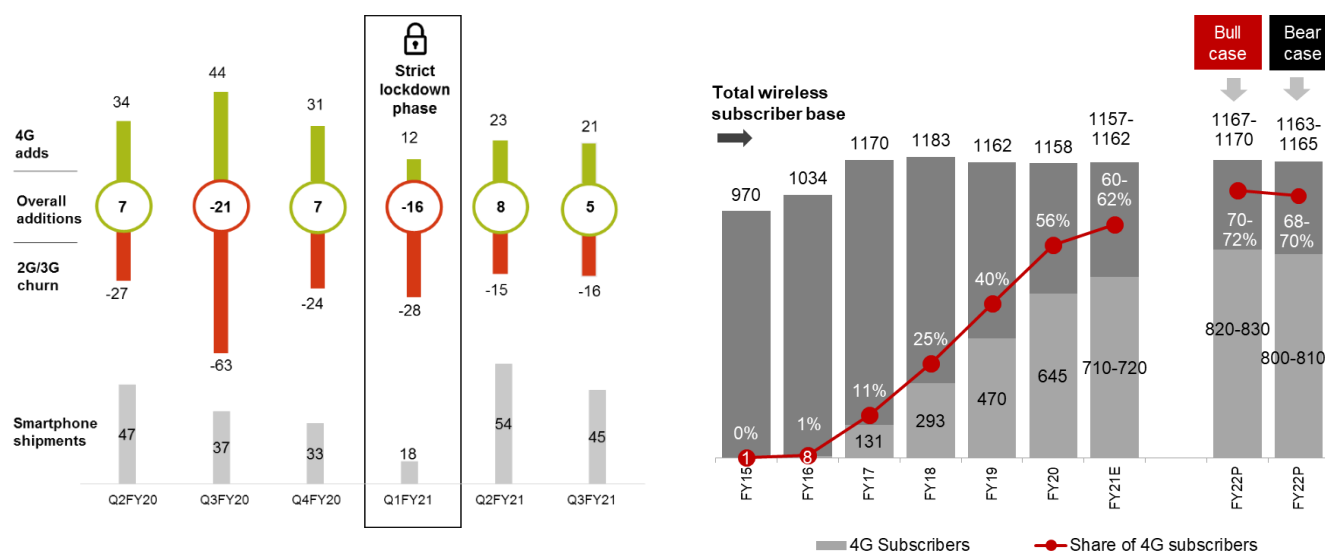


## 4G subscriber base seen rising to ~820 million this fiscal despite the second Covid-19 wave

India’s wireless-telecom subscriber base rebounded to ~1.159 billion in January 2021 – similar to pre-pandemic levels – after dialling down to ~1.140 billion in June 2020 following a massive churn during the lockdown, which saw reverse migration causing a labour crisis.

The pandemic also slowed 4G subscriber additions to ~12 million in the June 2020 quarter, with smartphone shipments probing new lows. There was recovery in the quarters that followed, but growth in 4G subscriber additions remain below the pre-pandemic rate. However, the March 2021 quarter would have been better because India’s 4G subscriber base is expected to have risen to 710-720 million in fiscal 2021.

### Gain in pace after the pandemic-driven deceleration



Note: All figures in million; 4G subscribers are taken from the top three Private players in Indian wireless market  
Source: TRAI, IDC, company reports, CRISIL Research

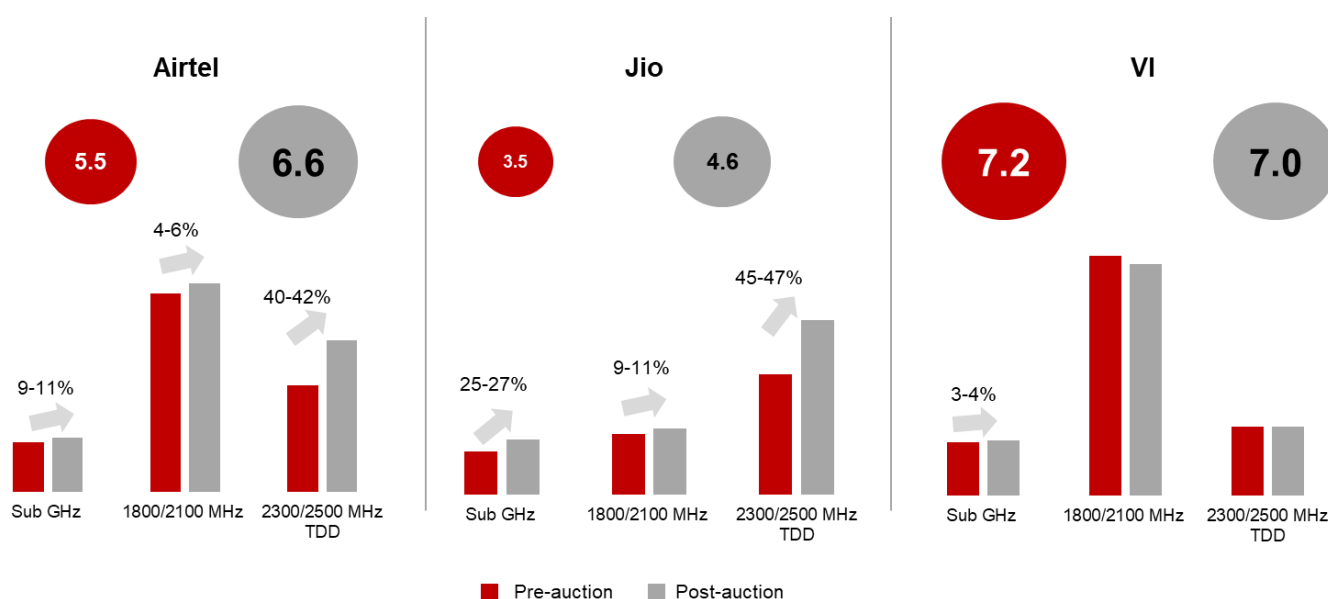
But with the onset of the second wave of the pandemic and the resultant restrictions, there is once again reverse migration of labour. That could mean another quarter of subscriber churn. Also, given the restrictions in major cities, smartphone sales are likely to be impacted as well, which would slow 4G subscriber additions in the current quarter. The pace of additions should pick-up gradually over the remainder of this fiscal as competitive intensity in the wireless-telecom market increases.

In this scenario, our bull case is 4G subscribers rising to ~820 million by the end of this fiscal, assuming restrictions last only for the current quarter. In the bear case, where lockdowns extend through the second quarter, we see that number reaching ~800-810 million.

Whatever be the scenario, we expect 4G subscriber additions this fiscal to be more than in the last fiscal because of higher competitive intensity stemming from the following developments:

- **Significant capacity addition after the spectrum auctions:** The acquisition of spectrum by telcos in March 2021 auction has led to three major players — Airtel, Jio and Vodafone Idea — almost achieving spectrum parity as they are now comparable in terms of MHz/million subscriber metric. Additionally, over the last two years, incumbent operators like Bharti Airtel and Vodafone Idea have re-farmed 3G spectrum for 4G use across a majority of circles, leading to significant 4G capacity addition
- **Removal of IUC charges:** In the current zero interconnect usage charges (IUC) regime, incumbent operators having 2G/3G operations will hasten the migration to 4G-only network to reduce operating costs

### 4G spectrum capacity ramp-up following recent auctions



- Note:
1. The circles on the top represent MHz per million active subscribers
  2. Post auction includes spectrum expiring in 2021
  3. Estimates account for the spectrum trading agreement between Jio and Airtel in April-21

Source: DOT, company reports, CRISIL Research

Specifically, operators will focus on gaining/ retaining/ upgrading the 250-300 million active non-4G subscriber base, comprising mostly non-data users sporting feature phones. While competition to attract this user base did exist before, inadequate spectrum and 4G coverage made operators err on the side of caution.

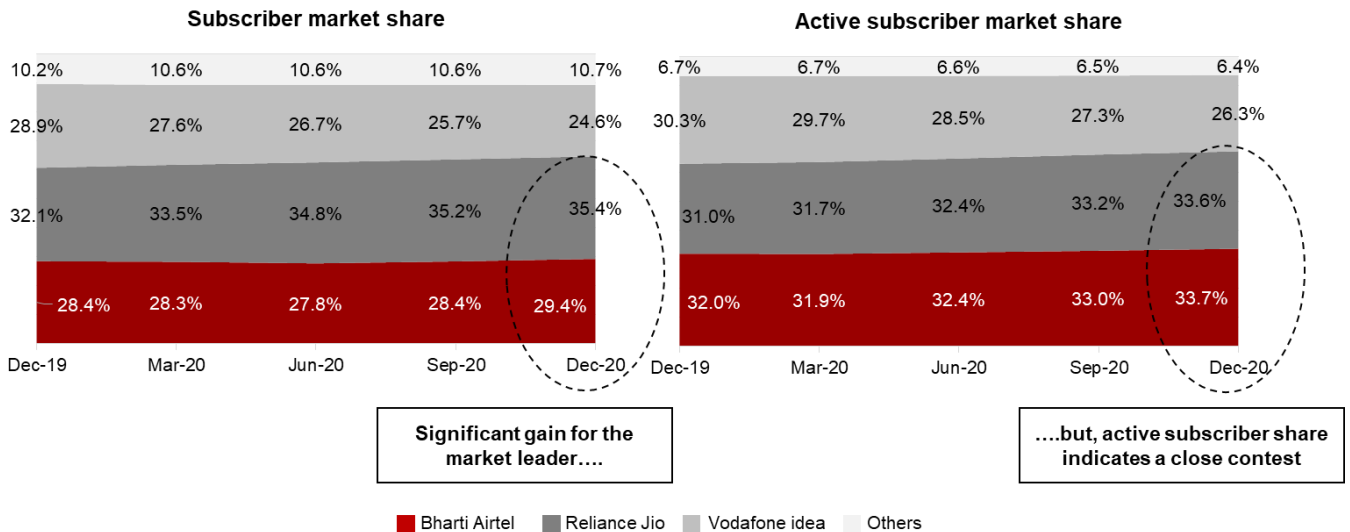
With the recent spectrum acquisition, telcos are well-positioned to handle any surge in data traffic, leading to increased aggression by the players to gain market share. While a price war akin to the one before 2019 is unlikely, competition is expected to be indirect, in the form of tie-ups with smartphone manufactures for low-cost phones, increased bundling of over the top (OTT) content and lower entry points for upgrade customers.

Accordingly, Reliance Jio has recently launched JioPhone 2021 plans (for JioPhone users) offering JioPhone handsets along with one- and two-year unlimited calling validity for Rs 1,499 and Rs 1,999, respectively.

The build-up in competitive intensity also indicates that the industry is **unlikely** to see unanimous tariff hikes at least in the near term, limiting a large upside in average revenue per user (ARPU) in fiscal 2022. However,

individual players will most likely increase tariffs on selected plans given their immediate need to improve ARPU. While all players agree that tariff hikes are paramount, they have differing levels of urgency to implement the hikes.

Also, the active subscriber market share data indicates the top two players are neck and neck, with neither ready to bite the bullet and raise tariffs.



Source: TRAI, CRISIL Research

## Analytical contacts

### Isha Chaudhary

Director  
CRISIL Limited  
D: +91 22 3342 1868  
B: +91 22 3342 3000  
isha.chaudhary@crisil.com

### Koustav Mazumdar

Manager  
CRISIL Limited  
D: +91 22 3342 5916  
B: +91 22 3342 3000  
koustav.mazumdar@crisil.com

### Vamsi Arni

Analyst  
CRISIL Limited  
D: +91 22 3342 5916  
B: +91 22 3342 3000  
vamsi.arni@crisil.com

Argentina | China | Hong Kong | **India** | Poland | Singapore | UK | USA | UAE

**CRISIL Limited:** CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | [www.crisil.com](http://www.crisil.com)

[in/company/crisil](https://www.linkedin.com/company/crisil) [@CRISILimited](https://twitter.com/CRISILimited) [f/CRISILimited](https://www.facebook.com/CRISILimited) [YouTube/user/CRISILimited](https://www.youtube.com/user/CRISILimited) [Instagram/lifeatcrisil](https://www.instagram.com/lifeatcrisil)

**CRISIL**  
An S&P Global Company

## **About CRISIL Limited**

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

## **About CRISIL Research**

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

## **CRISIL Privacy**

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).