

A slow build-up to wired broadband battle

Reliance JioFiber's tariffs unlikely to shake things up the way they did in wireless telecom

September 2019



Analytical contacts

Hetal Gandhi

Director-CRISIL Research
CRISIL Limited
B: +91 22 3342 3000
hetal.gandhi@crisil.com

Isha Chaudhary

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

Koustav Mazumdar

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

Vamsi Arni

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

Media contacts

Saman Khan

Media Relations
CRISIL Limited
D: +91 22 3342 3895
M: +91 95940 60612
B: +91 22 3342 3000
saman.khan@crisil.com

Hiral Jani Vasani

Media Relations
CRISIL Limited
D: +91 22 3342 5916
M: +91 982003 9681
B: +91 22 3342 3000
hiral.vasani@crisil.com

Parmeshwari Bhumkar

Media Relations
CRISIL Limited
D: +91 22 3342 1812
M: +91 841184 3388
B: +91 22 3342 3000
parmeshwari.bhumkar@crisil.com

Jio's fibre-to-home pricing non-disruptive

The wired telecom sector has created significant interest over the past few weeks with the entry of Reliance Jio. On September 5, 2019, JioFiber launched its service offerings starting at Rs 699 for 100 Mbps, or the Bronze pack, going up to Rs 8,499 for 1 Gbps, or the Titanium pack (*please refer to annexure for details*).

CRISIL Research believes the plans are unlikely to drive a significant churn in the market.

The lack of pricing aggression and non-attractive bundled pricing would result in limited disruption in the under-penetrated wired broadband market. Further, higher non-refundable deposit fee of Rs 2,500 and additional cost for premium content would also dampen prospects. Pricing for mid-size packs continues to remain higher than current wireless pricing on a per GB basis, thereby giving comfort that pricing in the wireless market would stabilise. JioFiber's base plan starts at 100 Mbps for 100 GB data limit (+50 GB extra for six months). The base plan of most other wired broadband providers starts at 50 Mbps for almost the same amount of data, if not more.

While Jio's pricing per GB is approximately Rs 4 for the base plan, rivals are also in a similar range. Government-owned BSNL's is much lower at Rs 2. Among premium plans, JioFiber's price per GB is approximately Rs 1.2-1.6, again in line with competitors.

We believe consolidation in the sector is also some time away. Further, emerging developments in terms of pricing in the television distribution space will remain a monitorable. So intense attrition is unlikely in the road ahead.

Comparative assessment of wired broadband tariff plans

Lower range plans				Mid-range plans				Higher range plans			
Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)	Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)	Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)
JioFiber	699-849	100 Mbps	150-400	JioFiber	1299-2499	250-500 Mbps	750-1500	JioFiber	3999-8499	1 Gbps	2500-5000
BSNL	777-849	50 Mbps	500-600	BSNL	1277-2499	100 Mbps	750-1200	BSNL	4499-9999	100 Mbps	1650-3600
Airtel	799	40 Mbps	100-300	Airtel	1099	100 Mbps	300-800	Airtel	1599	300 Mbps	600-1600
ACT	675-1050	40-100 Mbps	400-750	ACT	1299-1999	150-200 Mbps	1000-1500	ACT	5999	1 Gbps	1500-2500

Note: Above plans are excluding GST

Source: Company websites, CRISIL Research

JioFiber has introduced some differentiated offerings including speeds of 1 Gbps, television set on annual subscription of higher-end plans, and other value-added services such as virtual reality sets, home security, content sharing, and device security. However, these niche services are not the primary hook for customers at present, for 'smart homes' are yet to capture public imagination and wallets. Moreover, current speeds of 50-200 Mbps offered easily fulfil the data needs of households. Giga-speeds would find applications mostly in IOT (internet of things) use-cases, the uptake of which, we believe, is still some time away.

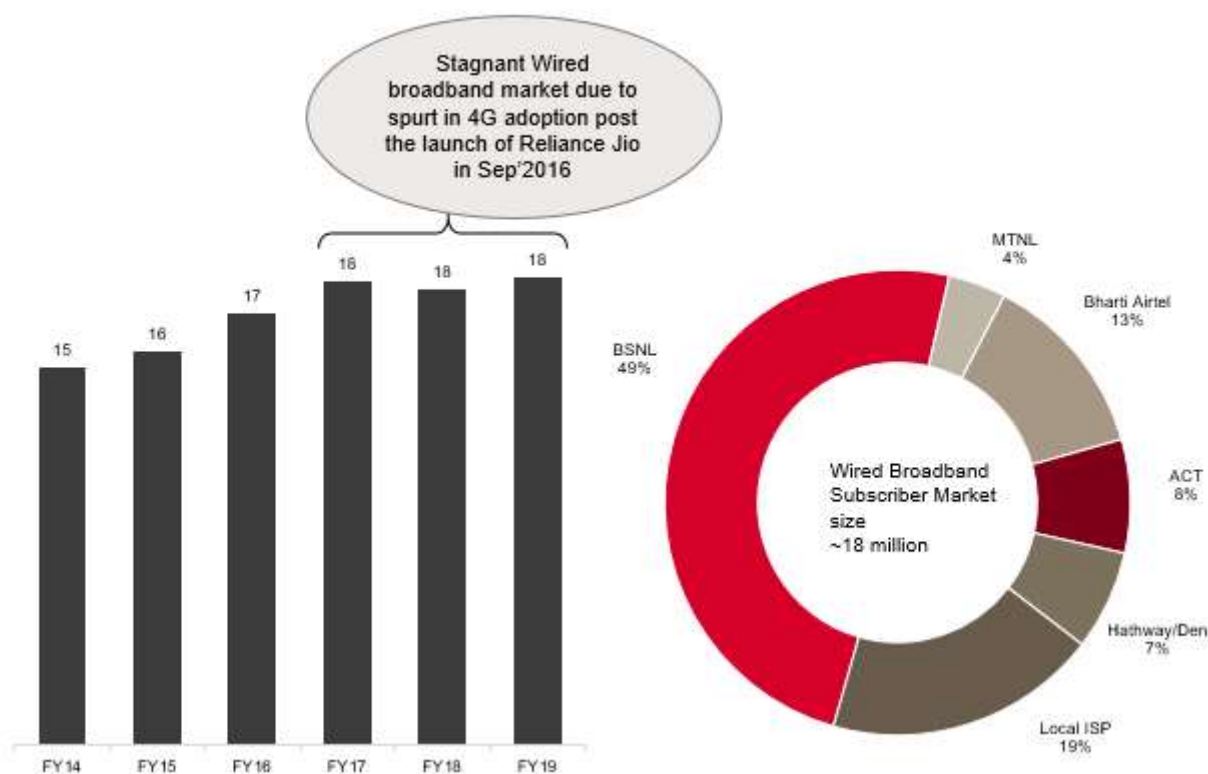
No integrated bundling = no significant uptick in broadband penetration

India currently has 18.4 million broadband subscribers as of March 2019 as per the Telecom Regulatory Authority of India's telecom subscription report. With a mere seven connections per hundred households, India's wired broadband market is highly underpenetrated. In comparison, developed nations such as the United States, the United Kingdom, France, and Japan have 30-50% penetration levels.

Further, the broadband subscriber base has been expanding at a snail's pace over past five years on account of:

- Relatively high tariffs in wired broadband compared with wireless
- Lack of focus among telcos in the wired broadband space

Wired broadband market and competitive landscape



Note: The number on the top of the bars indicate number of wired broadband subscribers in millions.

Source: TRAI Telecom Subscription Report, March 2019

In contrast, India has high television penetration of ~65%, with approximately 190 million households owning cable or direct-to-home (DTH) connections. Of this, ~167 million households are without wired broadband connections (assuming a household with wired broadband will also own television). These households could have been a ready target market had broadband services been bundled with TV subscription at competitive rates.

With the new entrant's pricing giving no indication of bundling TV cable services, this market would largely remain untapped for now, narrowing the possibility of a significant uptake in broadband penetration. However, the acquisition of Hathway and Den networks gives JioFiber access to 14 million cable TV homes to push its broadband offerings.

That can spur some growth in the number of broadband subscribers, which has been stagnant over the past three fiscals. Based on this scenario, we expect broadband subscriptions to reach approximately 22 million over the next 18 months.

No major market churn in broadband segment; ARPU to decline marginally

We do not expect material impact on entities across the value chain given the lack of bundled offerings in low packs and a niche target market for premium packs.

To sum up JioFiber’s impact across categories of players:

- **Existing integrated triple-play provider:** Commands 13% share of the wired broadband market and also serves 16 million DTH connections. While we do not expect a churn in broadband, the average revenue per user (ARPU) would fall marginally as the player would try to match JioFiber’s pricing to protect market share
- **Public sector entities:** Already offer higher data limits than rivals and hence would be least impacted
- **Local internet service providers and multi-system operators providing broadband:** Because of small scale, they may find it difficult to thrive in competition. But for now, we expect them to put up a fight by matching their offerings with JioFiber
- **Standalone/DTH operators:** No impact for now. However, the increasing popularity of IPTV (internet protocol TV) and falling data prices may pose a threat in the long run

	Market share	ARPU	Profitability
Existing triple play provider	13% <ul style="list-style-type: none"> • Improvement in broadband market share given recent tactical announcements to match competition • Airtel can readily target captive DTH subscriber base of 16 million 	<ul style="list-style-type: none"> • ARPU to drop by Rs.100 as the players would upgrade existing plans to match up with new entrant 	<ul style="list-style-type: none"> • Profitability to marginally go down due to drop in ARPU, however it is unlikely to have any significant impact given the already high margins in broadband segment
Public sector entity	53% <ul style="list-style-type: none"> • PSU command more than 50% share in wired broadband market • As the current speeds and data plan are largely in line with new entrants, they are expected to retain their share 	<ul style="list-style-type: none"> • ARPU not to be impacted significantly, as the current plans are already one of the lowest • The introduction of tariffs plans at lower price points may marginally drop ARPU. 	<ul style="list-style-type: none"> • Profitability to not be impacted much as the current players are expected to retain their market share
Local Internet Service Providers	19% <ul style="list-style-type: none"> • Local isp's not to witness much subscriber churn as they are expected to upgrade current plans to match up with new entrant 	<ul style="list-style-type: none"> • To stay competitive and protect market share, ARPU to go down marginally 	<ul style="list-style-type: none"> • Profitability to be hit in the short term due to fall in ARPU and minimal subscriber addition
MSO/DTH providing broadband connection	7% <ul style="list-style-type: none"> • These players also would try to match up with new entrant's offering • However, major players in this segment like Hathway, Den have already been acquired by Jio 	<ul style="list-style-type: none"> • ARPU to go down marginally as the players revise their pricing to match with new Entrant 	<ul style="list-style-type: none"> • Profitability to be hit in the short term due to fall in ARPU and minimal subscriber addition
Standalone DTH Operators / MSO	<ul style="list-style-type: none"> • Subscribers of DTH operators to stay for now in absence of bundling of TV services • MSO to get some hand-holding from the new entrant in near to medium term 	<ul style="list-style-type: none"> • Given variable content cost post new tariff order, ARPUs to stay stable 	<ul style="list-style-type: none"> • Impact on profitability to be minimal as there is no indication of bundling TV subscription in new entrants offerings

Note:

1. Existing triple play providers such as Bharti Airtel – they will be able to bundle their mobile, broadband and TV services
2. Public sector entities such as BSNL and MTNL which also provide broadband services
3. Local internet service providers such as ACT Fiber and Tikona

4. MSO/DTH providing broadband connection such as Hathway, Siti Cable, Tata Sky, which operate as both TV distributors and broadband providers
5. Standalone DTH operators such as Dish TV and SunDirect, which operate only the DTH business
6. Numbers in bubbles represent share of particular category in the broadband market.

Annexure

JioFiber's tariff plans

Benefits	Bronze	Silver	Gold	Diamond	Platinum	Titanium
Speed	100 Mbps	100 MBps	250 Mbps	500 Mbps	1 Gbps	1 Gbps
Data Limit	100 GB (+50 GB extra)	200 (+200 GB extra)	500GB(+250 GB extra)	1250GB(+250 GB extra)	2500 Gb	5000 GB
Voice anywhere in India	Included					
Video calling	Included					
Zero latency Gaming	Included					
Content Sharing	Included					
Device security	Included (Upto 5 devices)					
First day first show movies	-	-	-	Included		
OTT content	JioCinema and JioSaavn (3 Months Subscription)	OTT Apps (3 Months Subscription)	OTT Apps (Annual) Subscription)			

Source: Company Website

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.

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/privacy.

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company / entity covered in the Report and no part of this report should be construed as an investment advice. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published/ reproduced in any form without CRISIL's prior written approval.