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Industry Insights - Financial Performance & Valuation Trends

Telecommunication Industry
October 23

Background (Coverage & Approach)

Transique Corporate Advisors takes immense pleasure in presenting its Ninth Industry Insight report capturing the financial performance and valuation trends over 3 year period across of “Telecommunication Industry Insight Report” and its sub industries including Telecom- Equipment & Accessories, other Telecom Services, Telecom-Cellular & Fixed line services, Telecom-infrastructure. These trends are based on the data of last two audited financial years (FY 2020-21 and FY 2021-22) and trailing twelve months (TTM) consolidated financials as on July 2023.

The purpose of this “Telecommunication Industry Insight Report” is to provide an executive summary of Telecommunication Industry including its emerging Industry trends and Investment opportunities, macro understanding of the financial performance and movement in the median valuation multiples of companies operating in Telecommunication Industry and its Sub-Industries.

For preparation of this Telecommunication Industry Insight report on we have analysed 40 companies listed on NSE/BSE. After applying our proprietary filtration criteria for eliminating the outliers and adjusting for Infrequently Traded Companies, we have done detailed analysis of 13 companies which has been summarised in this report.

We hope this Industry Report Series: Financial performance and Valuation trends would be of use to the Corporates, Investors and Professionals. If you require any guidance or support or have any feedback, you may write to us at info@transique.in

To read about more such Industry Insights and Valuations of 21 Industries and 193 Sub Industries, click here: https://www.transiqueadvisors.com/transique-insight/

Executive Summary : Telecommunication Industry

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Background	India is currently the second-largest telecommunication market and has the second-highest number of internet users in the world. The number of internet subscribers in the country increased at a 11.73% CAGR from 391.5 million in 2016 to 865.90 million in 2022-23. India's, tele-density (defined as the number of telephone connections per 100 individuals) stood at 84.51%, as of March 2023. Total broadband subscriptions in the country grew from 149.75 million in FY16 to 846.57 million in FY23 (April-March).
Contribution to GDP	Approximately 6%
Employment Generation	4 million people directly and indirectly
Key Achievements	Up to July 2022, 5,84,747 km length of Open Fiber Control (OFC) is laid connecting 1,87,245 Gram Panchayats. In 1,81,888 Gram Panchayats the service is ready on fiber and satellite. As of March 2023, the PLI scheme for Large-Scale Electronics Manufacturing (LSEM) has attracted investment of US$ 726.77 million (Rs. 5,998 crore) and led to a total production of US$ 33.55 billion (Rs. 276,903 crore), including exports of US$ 15.61 billion (Rs. 1,28,886 crore).
Present Scenario	India currently has the world's second-largest subscriber base of 1.17 billion. India followed the world in 4G, marched with the world in 5G and now aims to lead the world in 6G, India has covered more than 700 districts across the country of 5G rollout till now. Mobile data tariff has reduced from Rs. 269/GB (2014) to Rs. 10.1/GB (2023). The number of wired and wireless broadband subscriptions stood at 33.49 Mn and 813.08 Mn respectively in FY23.
Growth Drivers	In Union Budget 2023-24, the Department of Telecommunications was allocated Rs. 97,579.05 crore (US$ 11.92 billion). Of this, US$ 48.88 million (Rs. 400 crore) is for Research and Development, US$ 611.1 million (Rs. 5,000 crore) is for Bharatnet. In May 2023, STT GDC invested US$ 242.33 million (Rs. 2,000 crore) in two more data centres in Pune.
Future Outlook	The industry's exponential growth over the last few years is primarily driven by affordable tariffs, wider availability, roll-out of Mobile Number Portability (MNP). By 2025, India will need ~22 million skilled workers in 5G-centric technologies such as Internet of Things (IoT), Artificial Intelligence (AI), robotics and cloud computing. India is aiming to manufacture mobile phones worth $126 Bn by 2025-26. The number of internet subscribers in the country is expected to reach 900 million by 2025. India's 5G subscriptions to have 350 million by 2026, accounting for 27% of all mobile subscriptions. Average wireless data usage per wireless data subscriber was 14.6 GB per month in FY21 and is expected to reach to 40 GB by 2026.

Source: IBEF, Invest India

Investment Opportunities

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FDI in telecom sector has been increased to 100% from 74%.

Union Budget 2022-23 announced design led manufacturing for 5G products. It provided additional incentive of 1% over and above the existing incentives for products that are designed and manufactured in India.

The Government of India intends to establish one hundred labs for creating applications using 5G services in engineering universities as part of the Union Budget 2023, in order to realize a new range of possibilities, business models, and job potential.

As per GSMA, India is on its way to becoming the second-largest smartphone market globally by 2025 with around 1 Bn installed devices and is expected to have 920 Mn unique mobile subscribers by 2025 which will include 88 Mn 5G connections. It is also estimated that 5G technology will contribute approximately $450 Bn to the Indian Economy in the period of 2023-2040.

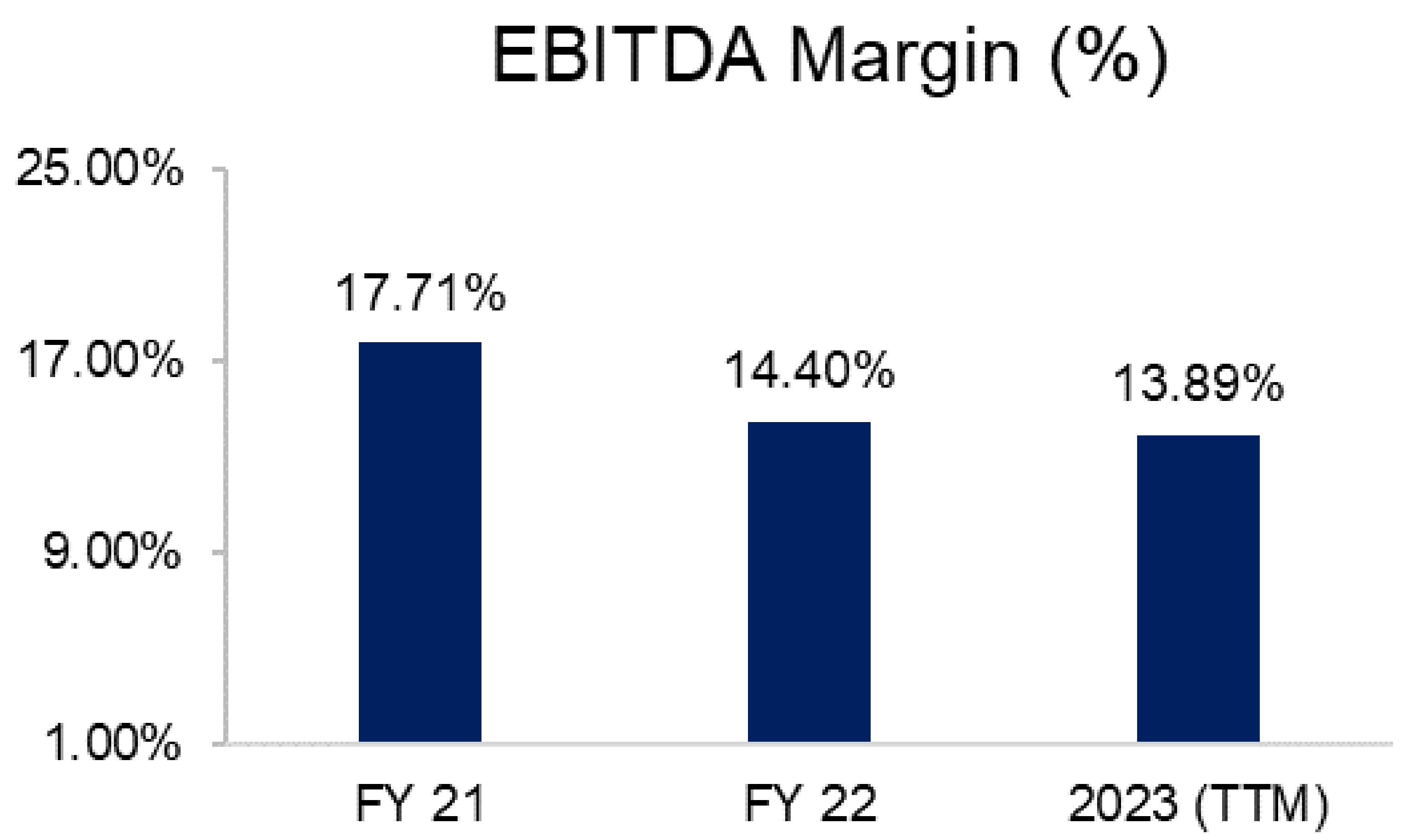
Source: IBEF, Invest India

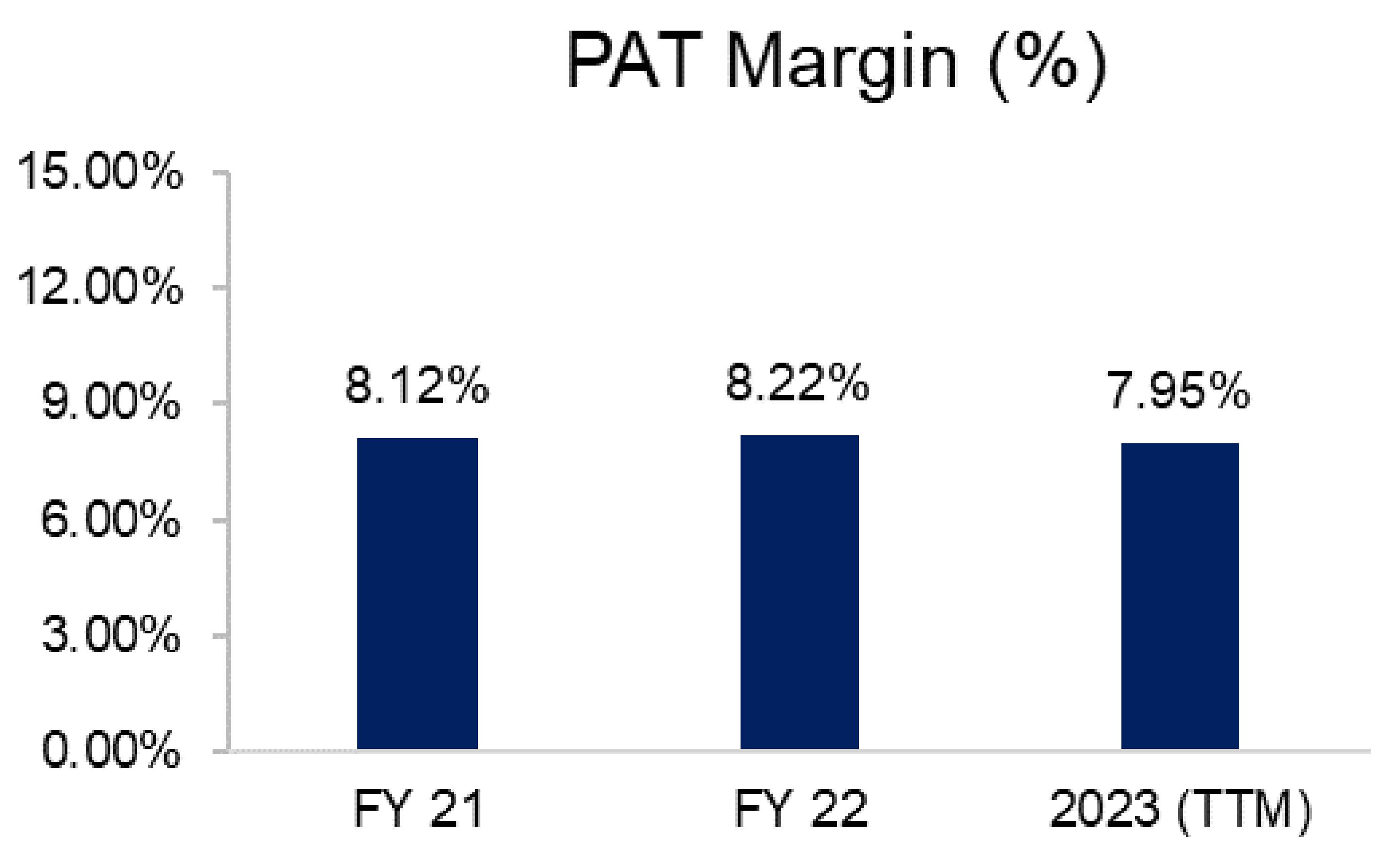
Financial Performance & Valuation Multiples Trends Analysis- Telecommunication Industry

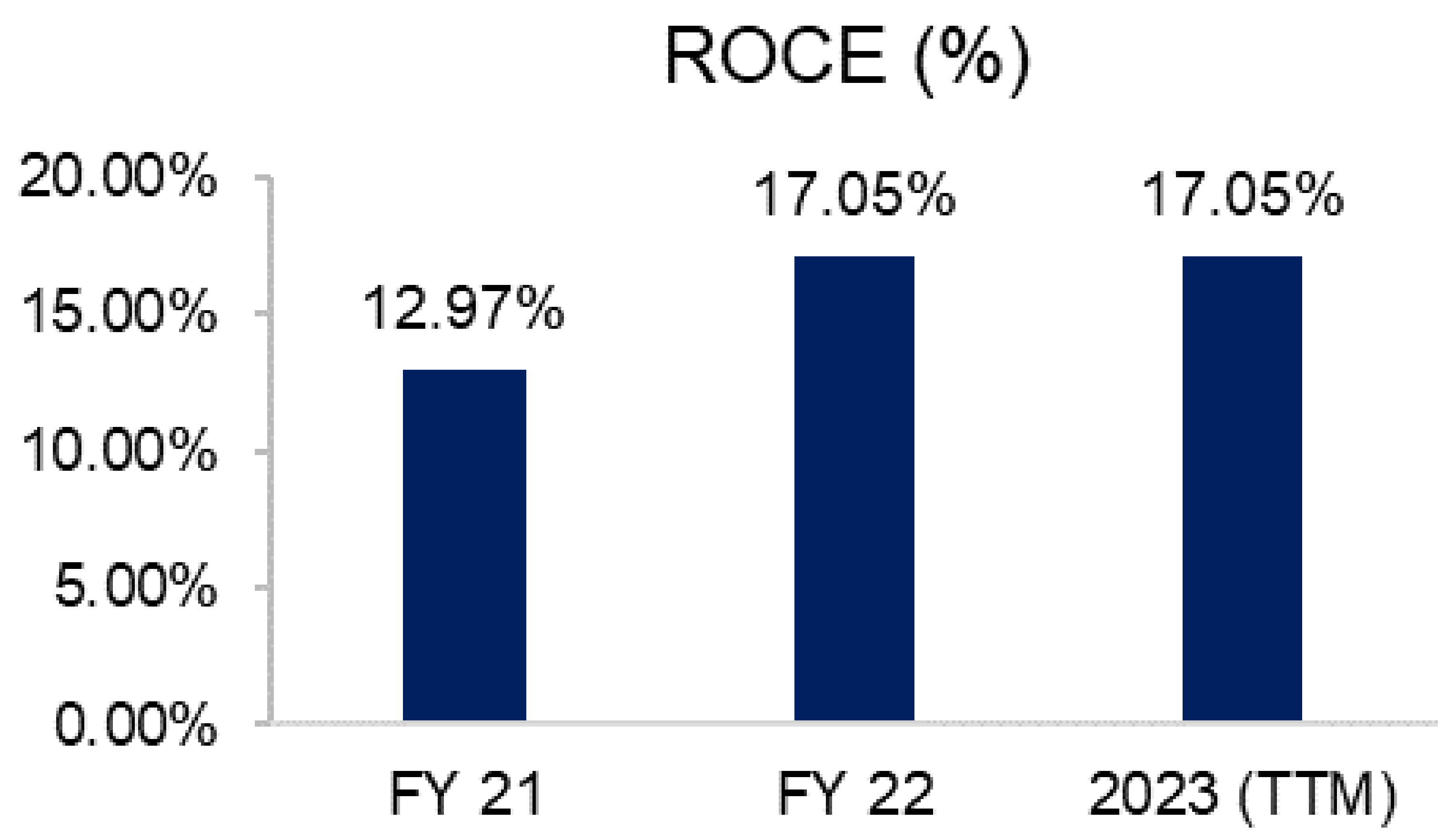
Sub-Industries	Financial Performance: Revenue Growth	Financial Performance: EBITDA Margin	Financial Performance: Debt to Market Cap	Valuation Multiples: EV/EBITDA Multiple
Telecom - Equipment & Accessories	From FY 21 to 2023 at CAGR 56%	Constant at 9% in 2023 in comparison to FY 21	Constant at 0.02 in 2023 in comparison to FY 21	Increased to 26x in 2023 from 9x in FY 21
Other Telecom Services	From FY 21 to 2023 at CAGR 26%	Decreased to 13% in 2023 from 17% in FY 21	Constant at 0.01 in 2023 in comparison to FY 21	Increased to 17x in 2023 from 10x in FY 21
Telecom - Cellular & Fixed line services	From FY 21 to 2023 at CAGR 3%	Constant at 25% in 2023 in comparison to FY 21	Decreased to 0.18 in 2023 from 0.38 in FY 21	Increased to 11x in 2023 from 9x in FY 21
Telecom - Infrastructure	From FY 21 to 2023 at CAGR 34%	Decreased to 24% in 2023 from 38% in FY 21	Decreased to 0.23 in 2023 from 0.31 in FY 21	Increased to 8x in TTM from 7x in FY 21

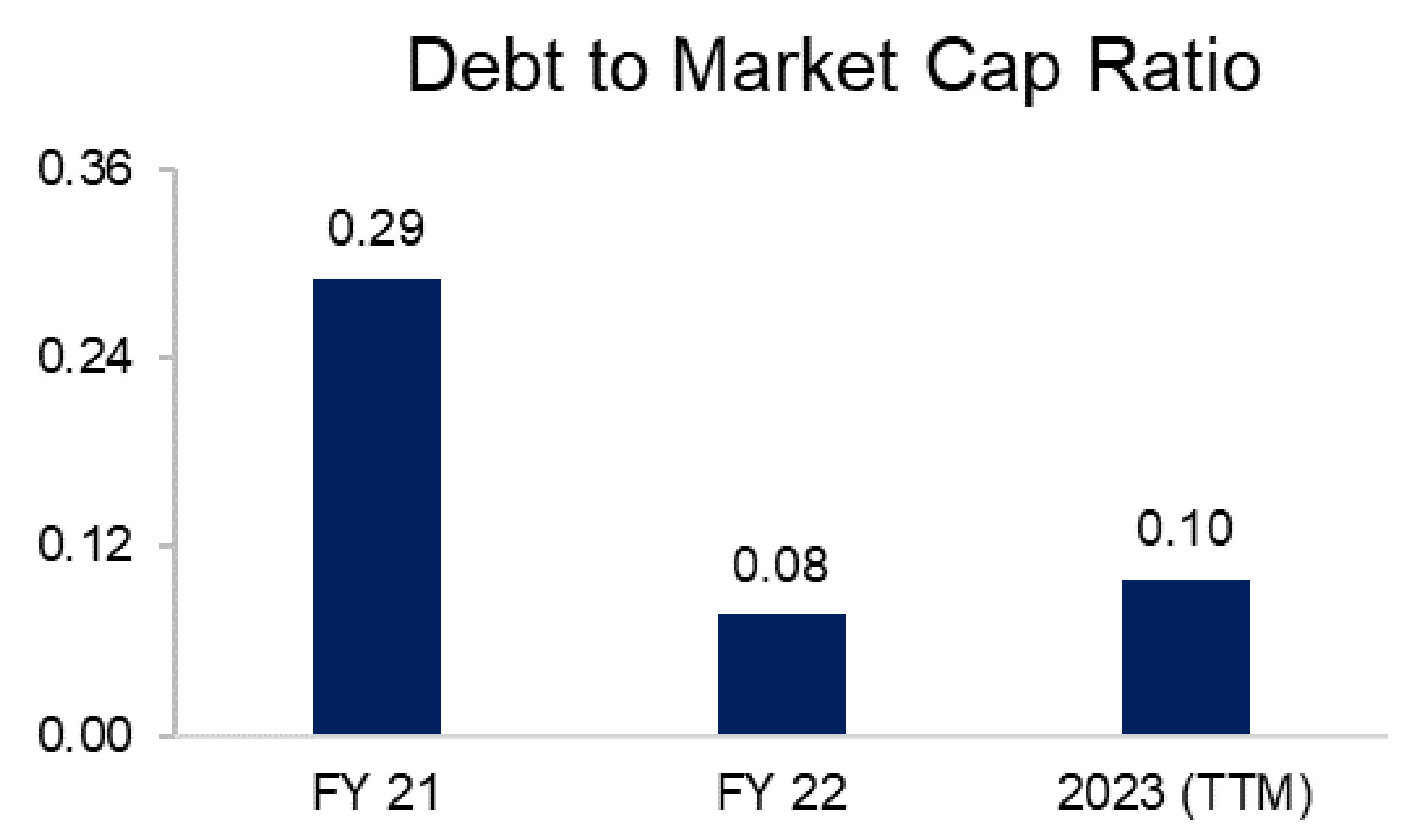
Source: Capitaline
*TTM as on 20 -07-2023

Financial Performance Charts for 3 Years of Telecommunication Industry



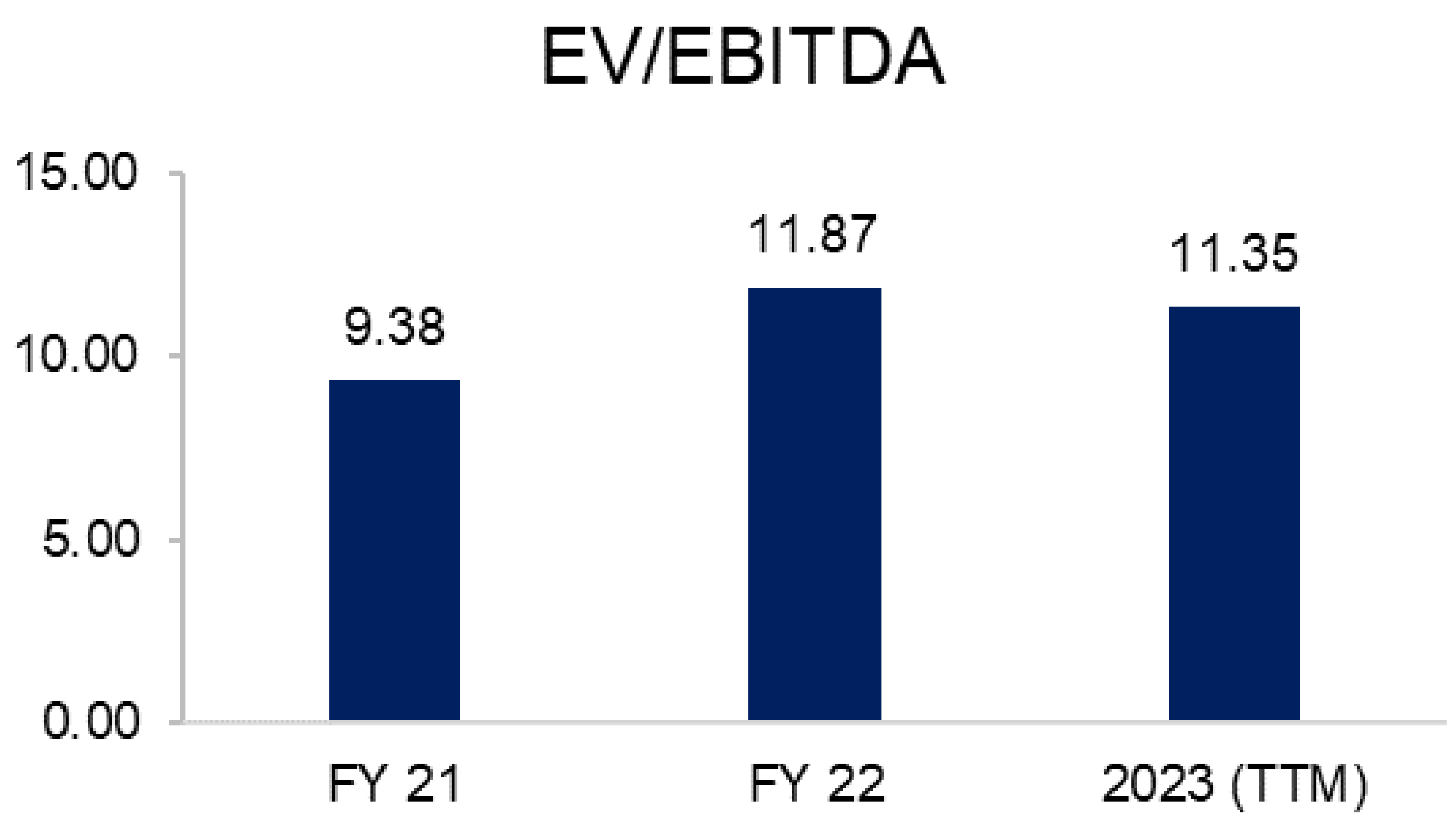


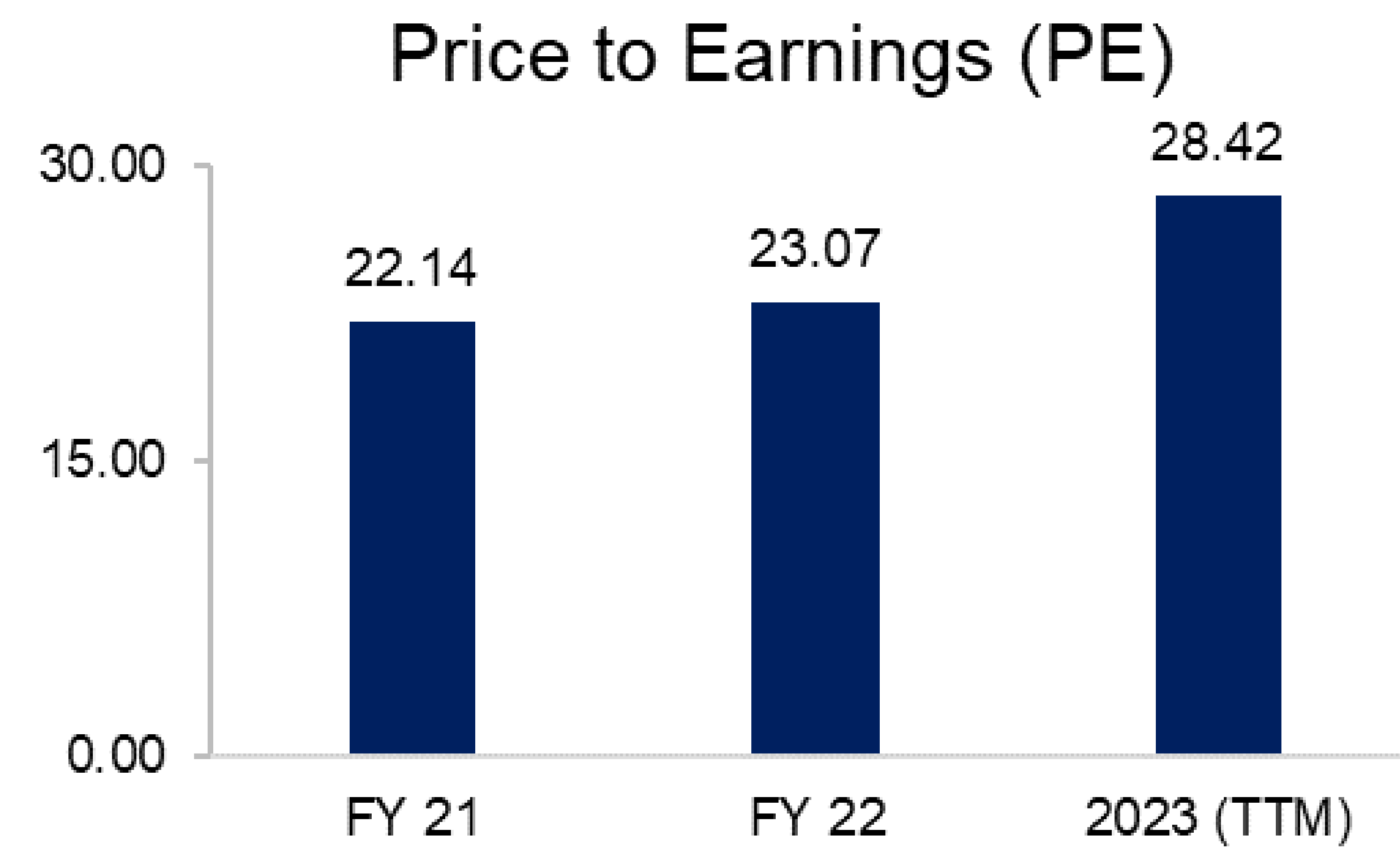


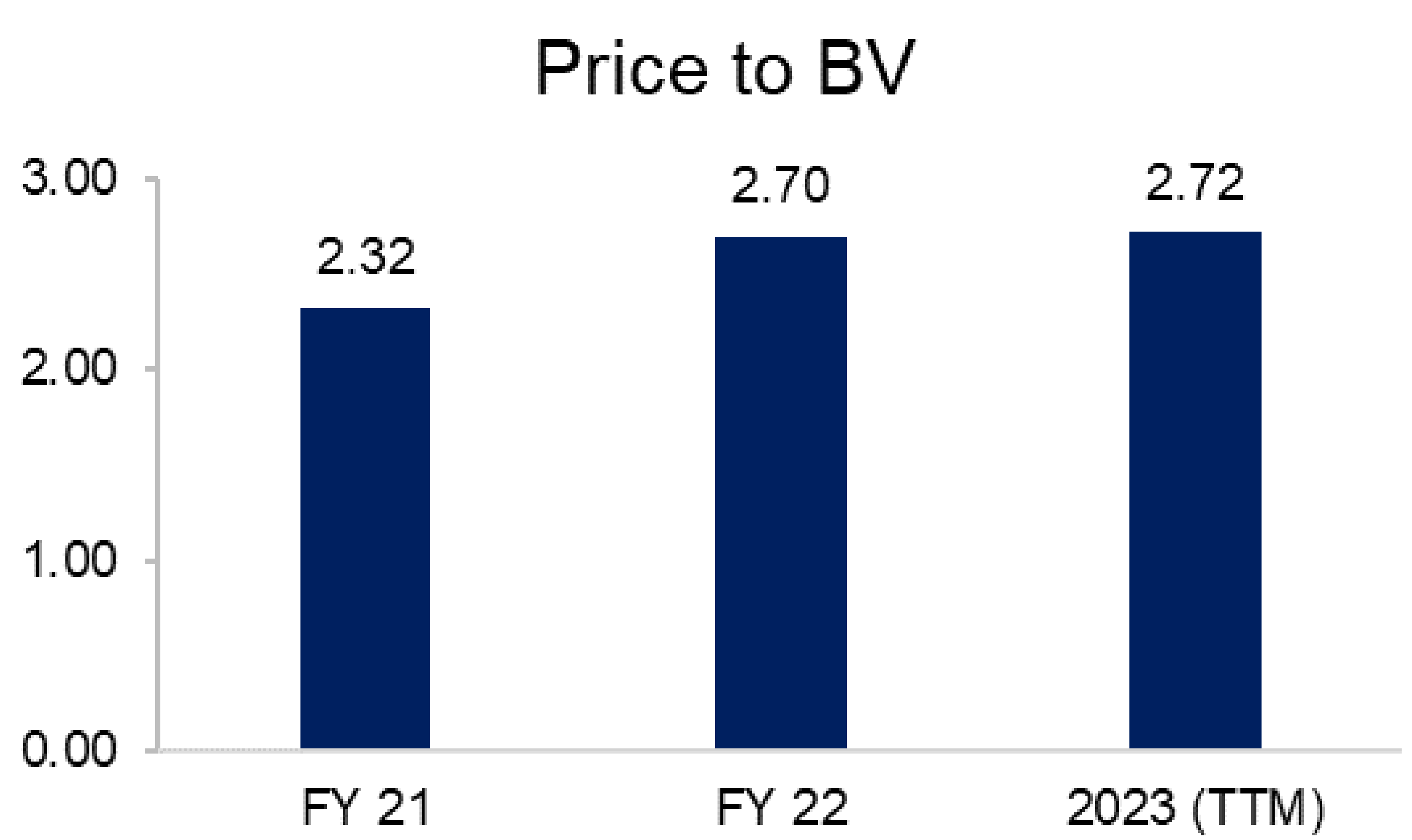


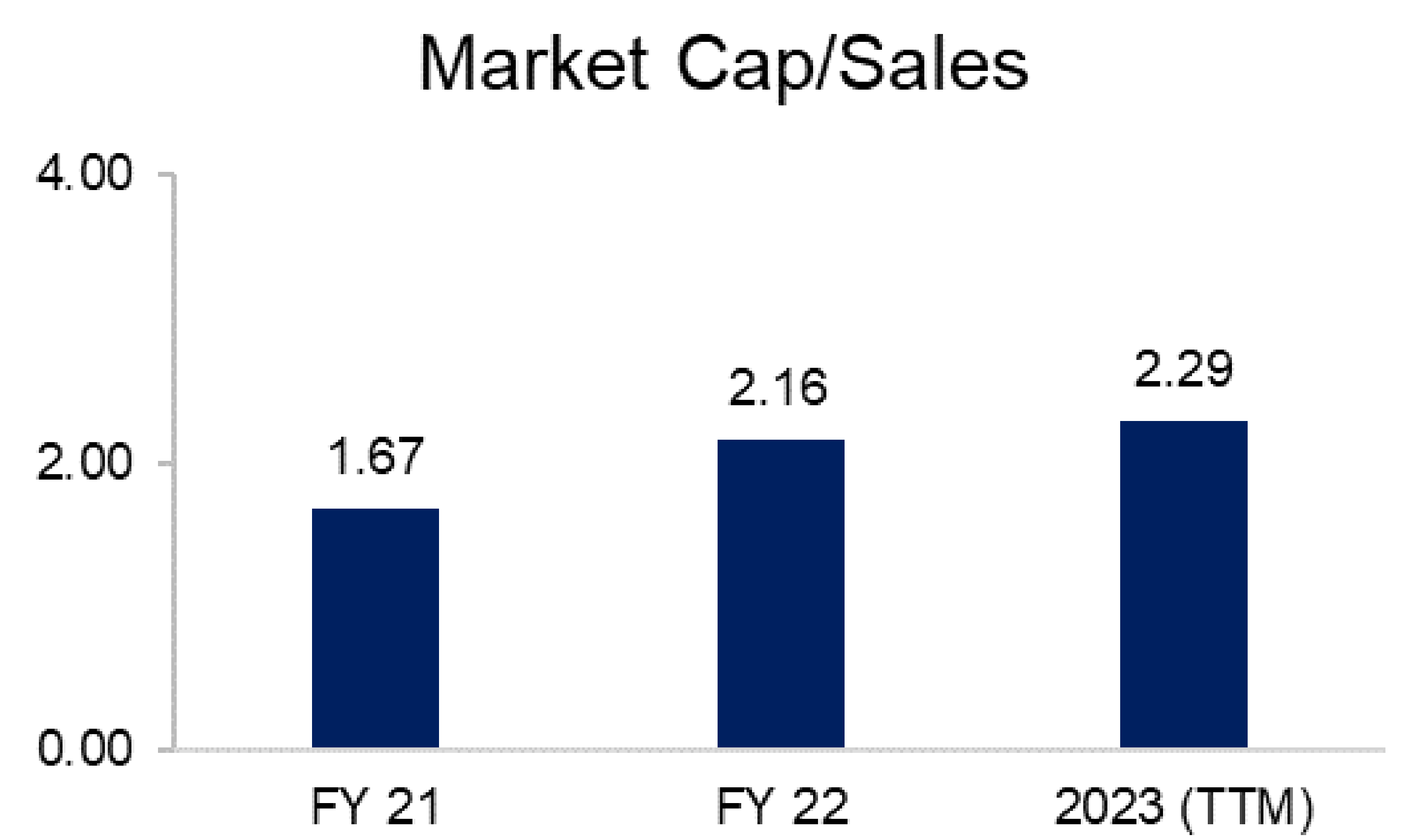
Source: Capitaline
*TTM as on 20 -07-2023

Valuation Multiples Trend analysis for 3 Years of Telecommunication Industry









Source: Capitaline
*TTM as on 20 -07-2023

Top Performing Companies in Telecommunication Industry

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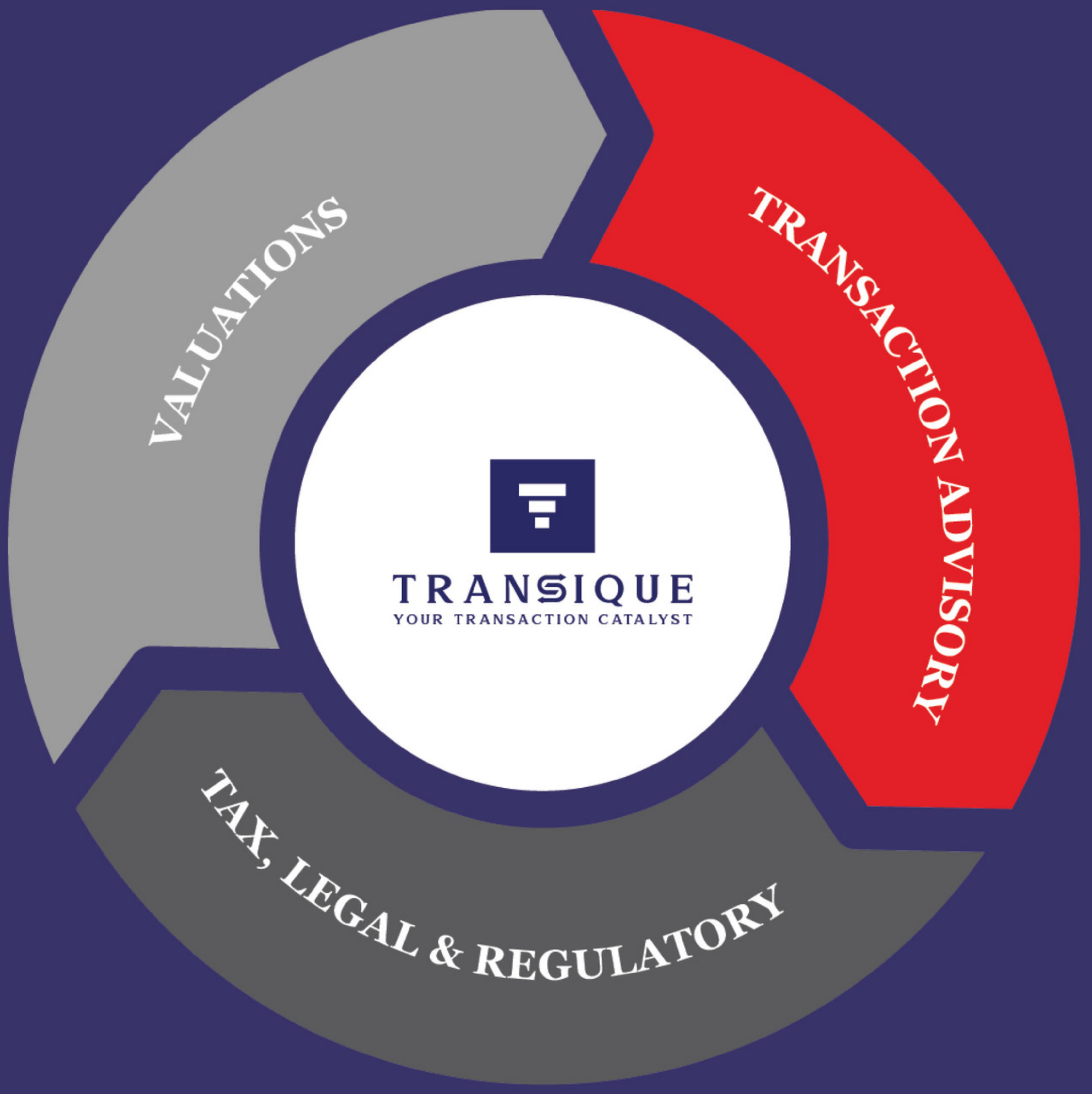
Telecom - Equipment & Accessories	avantel	BIRLA CABLE LTD. (Formerly Birla Ericsson Optical Ltd.)	ADC
Other Telecom Services	routemobile communication simplified	STL	रेलटेल RAILTEL
Telecom - Cellular & Fixed line services	TATA COMMUNICATIONS		
Telecom - Infrastructure	indus TOWERS	HFCL	Vindhya Telelinks Ltd.

Based on Market Capitalization

Industry, Sub Industry & Sub Group Classification

Industry	Sub Industry	Sub-Group	No. of Companies
Telecommunication	Other Telecom Services	Cables - Telephone	1
		Computers - Software - Medium / Small	1
		IT Enabled Services / Business Process Outsourcing	1
		Telecommunications - Service Provider	2
	Telecom - Equipment & Accessories	Cables - Telephone	1
		Telecommunications - Equipment - Medium / Small	2
	Telecom - Cellular & Fixed line services	Telecommunications - Service Provider	1
	Telecom - Infrastructure	Construction - Civil / Turnkey - Medium / Small	1
		Engineering - Turnkey Services	1
		Transmisson Line Towers / Equipment	2
		Total Companies	**13**



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