

News monitored for: JM Financial

Jio, Airtel Profitability to Get a Boost as 5G Capex Moderates

Serious monetisation of 5G services is at least a year away despite Jio and Airtel taking first steps by launching AirFiber or 5G-based FWA services in a few markets

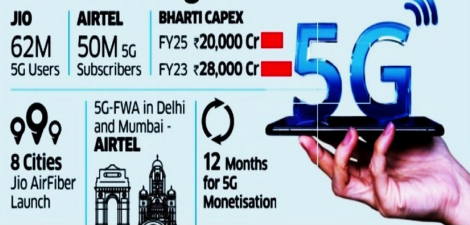
Kalyan.Parbat@timesgroup.com

Kolkata: India's top two telecom operators, Reliance Jio and Bharti Airtel, are likely to post improved profitability and cash generation through fiscal 2025, on the back of a likely moderation in 5G capital expenditure and customer churn from this quarter, FY24 onwards, said analysts.

"Capex will remain elevated in 2QFY24, but we expect moderation in 2HFY24, which will help improve profitability and cash generation...Airtel and Jio are well positioned over the medium-term with growth levers such as subscriber upgrades, market share gains and tariff hikes that are just a matter of time," BNP Paribas said in a note.

Jio and Airtel managements have been guiding for a moderation in network capex from FY25 onwards with accelerated pan-India 5G rollouts likely to be concluded by December 2023 and March 2024, respectively.

Financial Insights



"Bharti's management capex guidance implies (annual) India business capex could decline to ₹20,000 crore from FY25 (versus ₹28,000 crore in FY23) and a similar guidance in FY24, though we continue to conservatively build in ₹27,000 crore for FY25," JM Financial said.

Jio, with more than 62 million 5G users, and Airtel, with over 50 million subscribers for the service, have been expanding their networks since the launch in October 2022.

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DELAYED FUNDS

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Analysts, though, believe serious monetisation of 5G services is at least a year away despite Jio and Airtel recently taking first steps by launching AirFiber or 5G-based fixed wireless access (FWA) services in a few markets.

Some analysts expect Jio to take the lead in hastening monetisation of its 5G-based FWA services by bundling PayTV. "Any meaningful monetisation of 5G

MONETISATION VITAL

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is 12 months away but one aspect which has potential to surprise is Jio AirFiber since Jio Platforms (Jio's parent) is looking to differentiate by bundling PayTV. The intention appears to be trying to be the default PayTV service provider as well," BofA Securities said.

Sector experts believe speedy 5G monetisation is particularly vital for Jio, which has splurged billions of dollars in the next-gen broadband technology. Mo-

re so, since higher spectrum amortisation and interest costs will start fully reflecting in the telco's financials in the coming quarters.

Last month, Jio launched its Jio AirFiber services in eight cities — Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune. Rival Bharti Airtel was the first to launch 5G-FWA services in Delhi and Mumbai.

Analysts believe 5G-based AirFiber services can also help accelerate the overall net additions of the two companies' fibre broadband offerings as the uptake of fixed home broadband has been slow amid last-mile challenges.

According to BofA Securities, AirFiber services can also be deployed to improve the experience of fixed fibre broadband users. For instance, if a fixed fibre user faces a fibre cut, the traffic can be seamlessly shifted to 5G-based FWA to provide uninterrupted service, the global brokerage said.