

---

## *PwC view*

# Five trends to watch in India's telecom sector in 2017



# Indian telecom sector in 2017: Our forecast of key trends



#01

**Data realisation per MB to continue to fall and decrease by 20–25% in 2017:** The Jio pre-launch unleashed a price war on mobile data in India. Consequently, telcos will experience reduced data realisation in 2017 as the increase in data traffic will not compensate for the reduction in data revenues. Telcos will have no choice but to accelerate the transformation of their delivery model towards a low cost per MB model, leading to large cost-efficiency initiatives and optimisation of their 2G/3G/4G network.

#02

**Acceleration of fiberisation in India:** Data price reduction, along with a consequent surge in data demand, will accelerate focus on fibre deployment. Poor fibre infrastructure is a bottleneck in providing cheap data services in India. With less than 20% of towers fiberised, India has a lot of ground to cover. We forecast the strong acceleration of the fiberisation of networks in 2017.

#03

**Market to witness very affordable LTE- and VoLTE-compliant smartphones in 2017:** With its LYF smartphones, Jio has been a game changer both in terms of reduced price points and LTE and VoLTE compliance across models. We expect that the other players will follow suit and further reduce price points so that LTE and VoLTE become default features. Such smartphones will also have a market demand pull on the back of reduced data prices expected in 2017.

#04

**GST-related tax impact on telcos expected to be minimal but telcos to face significant compliance costs in the new GST regime:** Output tax will increase and will be offset to a large extent by input tax credits and supply chain efficiencies. However, GST compliance costs related to multiple state registrations will be a significant burden on telcos.

#05

**Mobile advertising to be a key talking point but traditional advertising to continue to get lion's share:** The industry is predicting 30+% growth in mobile Internet users from the existing nearly 370 million user base. A recent survey shows that these users are spending nearly 70% of their time online.<sup>1</sup> This finding, coupled with predictions on smartphone growth and lower data charges, indicates that mobile advertising will attract attention. Nevertheless, the traditional advertising media of print and broadcast will continue to dominate, accounting for nearly 90% of advertising spends.

1. Alawadhi, N. (November 2016). India to have over 500 million mobile internet users by 2017. ETPanache. Retrieved from <http://economictimes.indiatimes.com/magazines/panache/india-to-have-over-500-million-mobile-internet-users-by-2017/articleshow/55543589.cms> on 24 November 2016

# Indian telecom in 2017: Top wish



*Explosion in the adoption of digital services like payments, e-governance and entertainment enabled by huge investments in mobile data networks*



# *Indian telecom in 2016: Top wish – still work in progress*



*While work on the BharatNet (NOFN) project is ongoing, more traction is required.*



# Revisiting our forecast of key Indian telecom trends of 2016: Hits and misses



*Five trends we had predicted for Indian telecom in 2016*

*Were we right?*

*Where do we stand now?*

**#01**  
*Consolidation towards 5+1 network market*



Jio has been an accelerating factor in the consolidation of the Indian market, with announcements related to intra-circle roaming (ICR) agreements, site-sharing agreements and intended exit being indicators of the expected level of sector consolidation.

**#02**  
*Network experience to prevail over customer service experience as selection criteria*



Telco efforts were uniformly focused on increasing coverage and capacity building of their network.

**#03**  
*Fulcrum of data monetisation to shift away from telcos*



2016 saw primarily non-telcos (OTT players) capturing the lion's share of customer spend in the areas of m-wallets, e-commerce and mobile entertainment.

**#04**  
*OEMs to go up the value chain*



Several announcements by OEMs related to customer network usage-based analytics, packet probing and advertisement content-based offerings were made in 2016, but on-ground materialisation is still work in progress.

**#05**  
*Enhanced regulator focus and scrutiny on network quality*



A lot of regulatory deliberations happened in 2016 on mandating specific call quality parameters, but until now, no mechanism to implement the same has been agreed upon by the regulator and the industry.

## ***Acknowledgements***

Achint Saraf, Director, Consulting  
Aditya Rao, Partner, Advisory  
Amit Peswani, Partner, Assurance  
Hemant Arora, Executive Director, Consulting  
Neeraj Katariya, Director, Consulting  
Paul Desjonquieres, Director, Consulting  
Pratik P Jain, Partner, Indirect tax  
Sandeep Chaufla, Partner, Tax  
Sanveer Gosain, Telecom Sector Driver  
Vishwa Kirti, Executive Director, Risk Assurance

## ***Contact us***



**Arpita Pal Agrawal**  
Telecom Leader, PwC India  
Phone: +91 124 3306003  
Email: [arpita.p.agrawal@in.pwc.com](mailto:arpita.p.agrawal@in.pwc.com)

# About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 2,23,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com)

In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit [www.pwc.com/in](http://www.pwc.com/in)

PwC refers to the PwC International network and/or one or more of its member firms, each of which is a separate, independent and distinct legal entity in separate lines of service. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

©2016 PwC. All rights reserved.

## pwc.in

Data Classification: DC0

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2016 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

HS/November2016-8137