

The much anticipated telecom tariff hikes have been announced and would become effective in early Jul-24. Reliance Jio Infocomm led the pack this time around, with hikes broadly ranging at 15-20% on popular prepaid plans; Bharti Airtel and Vodafone Idea followed suit albeit with a tad lower range. We had already built-in ARPU growth of 12-13% YoY each for the three incumbents for FY25, and so such hikes could result in 100-200bps upgrade in ARPU growth. However, due to potential sim consolidation, down-trading of tariff plans by subscribers and long dated plans likely to see back-ended renewals, the actual impact on ARPUs would become evident after a few quarters. RIL's proactive step this time lends credibility to its dominant position and price leadership. We keep our estimates for telcos unchanged for now, but expect ~2% earnings and TP upgrade each for RIL on a consolidated basis. We currently have an ADD rating on RIL with TP of Rs3,200/share, but keep the recommendation and TP for both, Bharti and VI, Under Review.

### Reliance Jio – First mover

Jio has announced 21-22% hikes in unlimited voice plans, and its daily data plans have seen an average hike of 18-19%. On the postpaid front, tariff hike is lower, at 13-17%. Importantly, Jio has now restricted free 5G usage to plans with 2GB/day and above; this indicates gradual monetization of its 5G capex. We anticipate Jio to maintain dominance in terms of subscriber additions.

### Bharti Airtel – Major beneficiary

The mgmt. has been vocal about tariff repairs and the need to prop up ARPU to >Rs300 from ~Rs200 now. This tariff hike is a step in that direction, whereas hike for entry-level plans has been calibrated lower, at 11-15%, and the hike for daily data plans is averaging at 17-18%. Airtel's pricing intensity was akin to Jio's this time, unlike in the past.

### Vodafone Idea – A much needed respite

Vi has been under financial stress, and this tariff hike is likely to provide support in the near term. The company has announced lower hikes for entry-level plans, similar to Airtel; its daily data plans saw an average hike of 17-19% for popular plans. Vi has also guided to higher capex intensity in coming quarters, to enhance quality of 4G service as well as launch 5G. The new tariff plans for Vi are applicable from 4-Jul-24, with Jio and Airtel likely seeing a hike wef 3-Jul-24.

### Tariff hike follows the recent spectrum auction

The tariff hikes closely follow the recent spectrum auction. Airtel emerged as the largest bidder, with an outlay of Rs68.6bn (~60% of total spends). It acquired 97MHz by winning back spectrum that was expiring in the current year and, additionally, purchased spectrum to enhance its mid-band holding across select circles. Of the above, Bharti Hexacom has acquired 15MHz for Rs10bn. Vi acquired 50MHz across both, low and mid bands in 11 circles, at a cost of Rs35.1bn. Besides renewing the 900MHz spectrum in the UP (West) and West Bengal circles, it enhanced the same in seven circles, thus enabling allocation of sufficient funds for 4G. It also acquired 1,800MHz and 2,500MHz spectrums in MP and Bihar respectively. Jio acquired 14.4MHz of spectrum in the 1,800MHz band in the Bihar and Bengal circles, at total cost of Rs9.7bn. This acquisition expands Jio's spectrum footprint to 26.8GHz.

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**Exhibit 1: Tariff hikes on popular plans**

<b>Illustrative Hikes</b>	<b>Data</b>	<b>Validity (no. of days)</b>	<b>Jio</b>	<b>Airtel</b>	<b>Vi</b>
Prepaid - Unlimited Voice	2GB	28	22%	11%	11%
Prepaid - Unlimited Voice	6GB	84	21%	12%	11%
Prepaid - Daily Data	1GB/day	28	19%	13%	11%
Prepaid - Daily Data	1.5GB/day	28	25%	17%	17%
Prepaid - Daily Data	2 or 2.5GB/day	28	16%	14%	19%
Prepaid - Daily Data	1.5GB/day	56	21%	21%	21%
Prepaid - Daily Data	1.5GB/day	84	20%	19%	19%
Prepaid - Daily Data	1.5/2/2.5GB per day	365	20%	20%	21%
Postpaid	50/75GB per day	Monthly	13%	10%	12%
<b>Average</b>			<b>20%</b>	<b>15%</b>	<b>16%</b>

Source: Company, Industry, Emkay Research

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