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No end to tariff wars, for now

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The consolidation in the telecom sector will not mean the end of the ongoing tariff wars, as long as Reliance Jio continues to offer discounted rates. With five strong operators remaining in the fray, each will continue to seek dominance by offering cheaper services.

“You still have five pretty solid players. You still have a very competitive market, and it still remains an intensely competitive market,” said Kumar Mangalam Birla, Chairman of the Aditya Birla Group.

With as many as 12 operators in 2010, the Indian telecom industry was the fastest growing in the world but with the lowest tariffs.

The tariffs continued to stay low, despite a consolidation in the industry that has now resulted in the number of major players being reduced to five.

Fewer players

The ongoing consolidation is expected to further reduce the number of operators to three-four strong players. On Monday, apart from the Idea



Cellular-Vodafone India merger, Reliance Communications got the Competition Commission of India's approval for the merger of its wireless business with Aircel.

“We don't expect the price war to diminish for the next couple of quarters and after that there will be some stabilising of the market. This is because companies will now look to provide data services, value-added services, additional applications and 5G among others,” said Cellular Operators' Association of India Director-General Rajan S Mathews.

“I think the intensity will begin to ease after a couple of

quarters. With the emergence of data in India, what we will see is high volumes and low margin, and therefore the big push will be to have stable prices, increasing customer base and stable customers,” he said, adding this will also see the subscriber base across companies increasing.

Data market penetration is likely to increase from the current 15 per cent to 50-55 per cent over the next three years, mainly on rationalisation and improvement in quality of services.

However, the present tariff war is an attempt by incumbents to match RJio's free offer, on till March 31. Further, the company will not be levying charges for voice calls while only data usage will be billed.

“Industry consolidation is not the end of the tariff war, because the ongoing war has been triggered by RJio with its stated objective of gaining significant market share. This will probably end only when RJio has reached the targets they have set for themselves,” said Arpita Pal Agrawal, Partner and Leader-Telecom at PwC India.