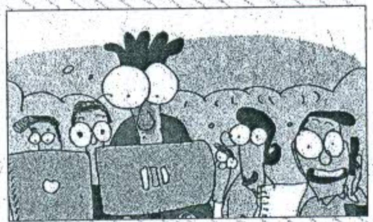
India's Data Usage Set to Go Up 73%



New Delhi India's data consumption is expected to grow at a compounded annual growth rate (CAGR) of about 72.6% to 10,96,58,793 million MB by 2022, according to a study. "The Video on Demand market will be a significant beneficiary of these developments," according to the Assocham-PwC study. The average monthly spend on voice services was ₹124 in 2016, while data spend rose to ₹225. –PTI

IN BRIEF

Data usage in India to grow at 73% CAGR by 2022, says study

India's data consumption is expected to grow at a compound annual growth rate (CAGR) of about 72.6 per cent to 10,96,58,793 million megabytes (MB) by 2022, according to a study. "With lower than ever data tariffs and increasing number of smartphone penetration in the country, which is around 40 per cent as of 2017, it is safe to assume that the Video on Demand (VoD) market will be a significant beneficiary of these developments. Internet consumption is clearly on the rise in India," according to the Assocham-PwC study. Data consumption in India will grow from the level of 71,67,103 million MB in 2017 to 10,96,58,793 million MB (megabytes) in 2022, growing at a compound annual growth rate (CAGR) of about 72.6 per cent, it said. PTI

Data usage in India to grow at 73% CAGR by 2022: Study

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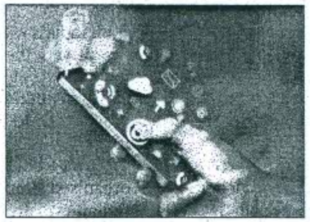
While the average Indian used to spend more on voice services than on mobile data services until 2013, the majority of an average mobile bill is now spent on data.

The average monthly spend on voice services in 2013 was Rs 214 compared to Rs 173 spent on data. In 2016, the spend on voice fell to Rs 124, while data spend rose to Rs 225, according to the report. Video streaming constitutes



roughly 65 75 per cent of the traffic, as per the Nokia Mobile Broadband Index 2018. While internet penetration is increasing in India, with mobile internet penetration set to reach 56.7 per cent in 2022 from a mere 30.2 per cent in 2017, connectivity and consistency in speed issues need to be addressed, said the study titled 'Video on Demand: Entertainment reimagined'.

It further said that in a country where approximately 65-70 per cent of the population resides in rural areas, no service meant for the masses can afford to ignore this market.

Internet connectivity and speed issues are significant in rural areas as against urban areas. It is important for OTT (over-the-top) players to cater to the rural market if they wish to stay relevant. Thus, apps like YouTube, which support low Internet connectivity, will be able to penetrate faster into rural areas, according to the study.

The report also noted that there has been a value shift to platforms.

"Social media and technology platforms, instead of content creators and packagers, have emerged as the primary beneficiaries of the increase in user time and spending," it added.

Another major aspect in the journey of OTT players will be the ability to personalise experiences. Emerging technologies would help companies create unique experiences that add value to the services provided to users. PTI

"Many actions of the government have helped. The Mauritius route of bringing in your own money has been virtually plugged"

Piruz Khambatta,
Chairman, Rasna & CII (Western Region)

Rise & Fall with Tides

A crackdown by the Reserve Bank of India on loan defaulters has virtually changed the face of India Inc.

Consider Essar steel, Reliance Communications, Electrosteel Steels, Bhushan Steel and Jaypee Group. All are facing action at the National Company Law Tribunal. ArcelorMittal is also set to take over Essar Steel. Or take Jet Airways, the one-time leader in Indian aviation which is now unable to manage its debt burden of ₹8,000 crore and contemplating a change in management. Around 23 of its aircraft – nearly a fifth of its fleet – have been grounded by lessors. Or consider Vedanta and its problems with its copper smelter plant in Tamil Nadu and its iron ore mining operations in Goa.

The Chinese slowdown Ranade points to, for instance, may open up opportunities for Indian companies, it is also creating its own share of problems. Some Indian businesses were running on the back of the Chinese boom too.

Tata Motors' scrip price rose and has now slipped as the performance of JLR, its subsidiary that accounts for the bulk of the automaker's valuation, has slackened. In market capitalisation, Tata Motors tops the list of the Nifty companies with the biggest drops in the last two years.

R Gopalakrishnan, a former director of Tata Sons and author of several management books since retirement, says the problems of India Inc began with a period of hubris and misjudgment, where meaningless league tables of the 'richest' and the 'biggest' were bandied about.

"When the tides rose, every ship rose," says Gopalakrishnan, recalling a 2012 speech by Prime Minister Manmohan Singh where he called for the release of "animal spirits" in business. "If you are on the dance floor, you have to keep tapping your feet. But suddenly, the music stopped and the carpet too was pulled out," says Gopalakrishnan.

Industrialist Harsh Goenka calls the decade-ago period as one of "adventurism" and says the action following implementation of the Insolvency and Bankruptcy Code is the best thing to have happened to India's economy. "No promoter thought he would lose his company and many also created hurdles in the process." Goenka says he expected capacity utilisation in India's manufacturing sector to hit 85% by this time. (It is around 75% now, according RBI data). He also says businesses are forced to make capital investments when capacity utilisation touches 85% and expects that time to come by the end of this year.

Domino Effect

To make matters worse, the banking and financial sector saw a series of debacles in 2018. It began with the Letter of Credit scam at Punjab National Bank involving jeweller Nirav Modi followed by a default on debt payments by IL&FS, an infrastructure sector-focused non-banking financial company (NBFC), and ending with a housing finance meltdown towards. This year, Chanda Kochhar was sacked as CEO of ICICI Bank over allegations of misdemeanour.

The IL&FS default brought the country's entire shadow-banking sector to its knees after other NBFCs faced a bank credit squeeze. As a result, short-term lending by NBFCs and mutual funds to companies whose promoters pledged their shares as security against borrowing came under the scanner. The selling of pledged shares by lenders led to a crash in scrip prices of Zee Entertainment Enterprises Ltd (ZEEL) as well as companies of the Reliance Anil Dhirubhai Ambani Group. To induce stability and bring back confidence in the management Subhash Chandra, promoter of ZEEL, and the Wadhawans, promoters of Dewan Housing Finance Corporation, promised to induct strategic equity partners in their companies. There are few business groups in the country today that are ready to invest, except probably Gautam Adani-led Adani Enterprises, Sajjan Jindal-led JSW Steel and Mukesh Ambani-led Reliance Industries.

Kolkata-based SREI Group, promoted by brothers Hemant and Sunil Kanoria, had to bear the brunt of the IL&FS crisis. The scrip of SREI Infrastructure tanked in the aftermath of the crisis and the group had to abandon its plan to list its equipment finance subsidiary.

"There is no long-term funding available for infrastructure projects or for other greenfield projects. Going forward, banks will not be in a position to indulge in term-lending," SREI vice-chairman Sunil Kanoria told *ET Magazine*.

The tried-and-tested model of banks, flush with saving and current account deposits, funding large infrastructure or capacity addition by companies, has outlived its utility. There is no way to go back. Kanoria says that a new [illegible] led by institutions, especially the ones in development finance, has to be developed.

It is a view echoed by Sandeep Upadhyay, MD of Centrum Infrastructure Advisory, an investment banking firm. He feels much of India's infrastructure funding requirement will have to be catered by the likes of foreign sovereign and pension funds since they are better aligned to the sector's risk-return profile. "While many of these long term investment funds are evaluating buying out operational assets in India, there is limited interest to invest in greenfield projects. I guess it may take another year or two for these pension funds to cultivate interest in greenfield opportunities."

Easy availability of credit in the last decade had led to a model where infrastructure projects were running on 75-80% debt funding. Much of the equity too was also debt money borrowed by the parent entity and infused into projects as equity, effectively increasing the debt component.

IL&FS itself was ticked off recently by accounting firm Grant Thornton that was asked to look into the lender's books. The problem with highly leveraged financing is that there is little buffer left for miscalculations, and this is what afflicted India's infrastructure and power sector leading to series of bankruptcies.

Not Full Steam

So if we ask: How is the mood inside India Inc and how many are raring to go and take up new opportunities, there are unlikely to be any straightforward answers.

Mining is a key area that brings in heavy investments. In an earlier interview to *ET*, Aditya Birla Group chairman Kumar Mangalam Birla had said that while allocation of natural resources had become more transparent, his group preferred a state-by-state approach as different states acted differently and their risk profiles varied.

A senior banker, who spoke to *ET Magazine* on condition of anonymity, agrees about the investment cycle restarting only in the third quarter of 2019-20 after a new government is in place. He said there is a fear psychosis, but the IBC, although imperfect, has brought in a sigh of relief.

There are structural issues too that companies needs to sort out amid the Income Tax department and the Enforcement Directorate coming down hard on corporate irregularities. Recognising this problem, the Confederation of Indian Industry (CII) has been asking its members to sign a model code of conduct and business ethics document.

"Many actions of the government have helped. The Mauritius route of bringing in your own money has been virtually plugged. It has become tougher to do shady deals," says Piruz Khambatta, chairman of Rasna and chairman of CII's Western Regional Council. Khambatta is someone looking ahead at the election months. Summer is near, and for soft drink maker Rasna, it is an important season.

But every industrialist *ET Magazine* spoke to prefers to wait out the elections, and hopes for a "stable government" before taking any major decision.

BK Goenka, chairman of Welspun Group and president of Associated Chambers of Commerce and Industry of India, feels bold decisions need time to settle down and businesses too need time to adjust to a new paradigm that excludes over-leveraging. "If we get a stable government, the next five years can be golden years." ■

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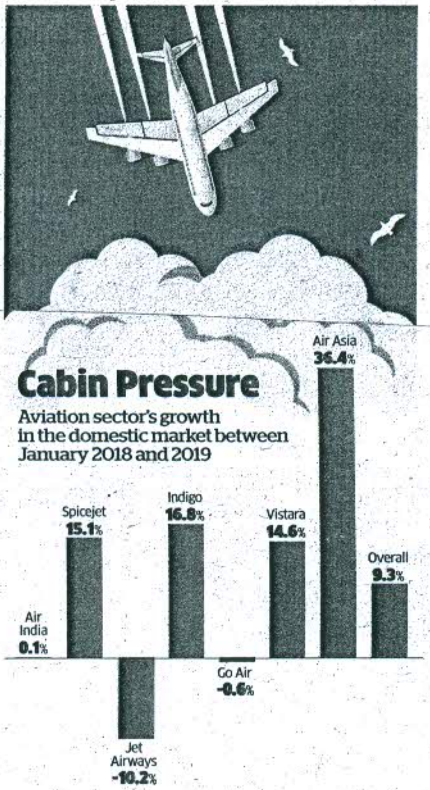
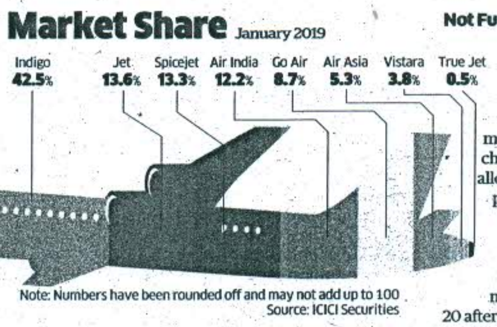
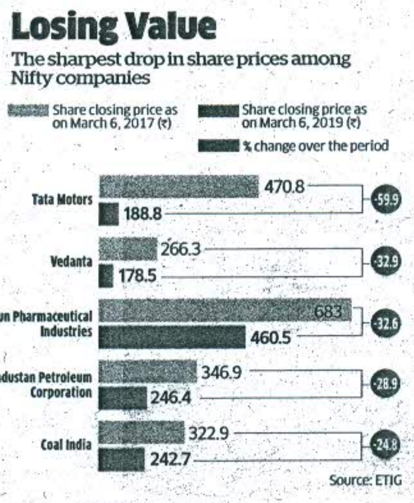




Note: Numbers have been rounded off and may not add up to 100
Source: ICICI Securities



Source: ETIG