Research

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A slow build-up to wired broadband battle

Reliance JioFiber's tariffs unlikely to shake things up the way they did in wireless telecom

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Jio's fibre-to-home pricing non-disruptive

The wired telecom sector has created significant interest over the past few weeks with the entry of Reliance Jio. On September 5, 2019, JioFiber launched its service offerings starting at Rs 699 for 100 Mbps, or the Bronze pack, going up to Rs 8,499 for 1 Gbps, or the Titanium pack (*please refer to annexure for details*).

CRISIL Research believes the plans are unlikely to drive a significant churn in the market.

The lack of pricing aggression and non-attractive bundled pricing would result in limited disruption in the under-penetrated wired broadband market. Further, higher non-refundable deposit fee of Rs 2,500 and additional cost for premium content would also dampen prospects. Pricing for mid-size packs continues to remain higher than current wireless pricing on a per GB basis, thereby giving comfort that pricing in the wireless market would stabilise. JioFiber's base plan starts at 100 Mbps for 100 GB data limit (+50 GB extra for six months). The base plan of most other wired broadband providers starts at 50 Mbps for almost the same amount of data, if not more.

While Jio's pricing per GB is approximately Rs 4 for the base plan, rivals are also in a similar range. Government-owned BSNL's is much lower at Rs 2. Among premium plans, JioFiber's price per GB is approximately Rs 1.2-1.6, again in line with competitors.

We believe consolidation in the sector is also some time away. Further, emerging developments in terms of pricing in the television distribution space will remain a monitorable. So intense attrition is unlikely in the road ahead.

Comparative assessment of wired broadband tariff plans

Lower range plans				Mid-range plans				Higher range plans			
Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)	Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)	Service provider	Monthly price (in Rs)	Speed	Data limit (in GB)
JioFiber	699-849	100 Mbps	150-400	JioFiber	1299-2499	250-500 Mbps	750-1500	JioFiber	3999-8499	1 Gbps	2500-5000
BSNL	777-849	50 Mbps	500-600	BSNL	1277-2499	100 Mbps	750-1200	BSNL	4499-9999	100 Mbps	1650-3600
Airtel	799	40 Mbps	100-300	Airtel	1099	100 Mbps	300-800	Airtel	1599	300 Mbps	600-1600
ACT	675-1050	40-100 Mbps	400-750	ACT	1299-1999	150-200 Mbps	1000-1500	ACT	5999	1 Gbps	1500-2500

Note: Above plans are excluding GST

Source: Company websites, CRISIL Research

JioFiber has introduced some differentiated offerings including speeds of 1 Gbps, television set on annual subscription of higher-end plans, and other value-added services such as virtual reality sets, home security, content sharing, and device security. However, these niche services are not the primary hook for customers at present, for 'smart homes' are yet to capture public imagination and wallets. Moreover, current speeds of 50-200 Mbps offered easily fulfil the data needs of households. Giga-speeds would find applications mostly in IOT (internet of things) use-cases, the uptake of which, we believes, is still some time away.

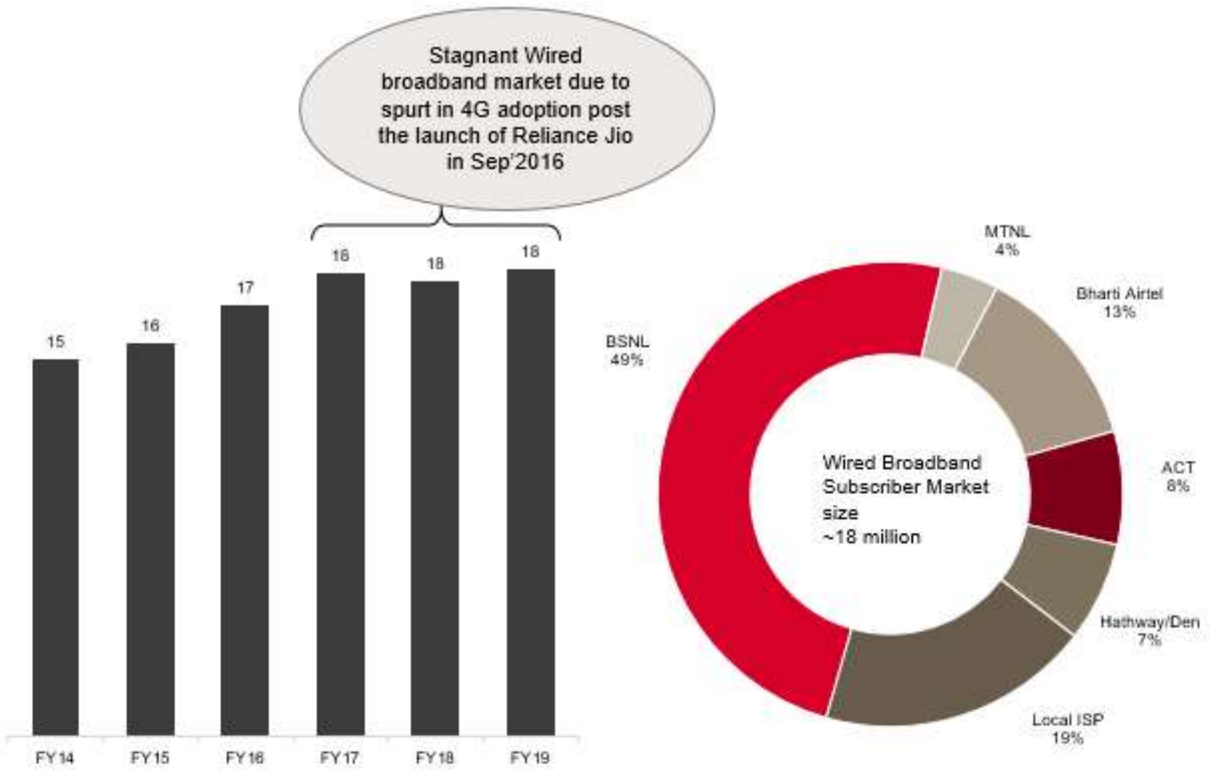
No integrated bundling = no significant uptic in broadband penetration

India currently has 18.4 million broadband subscribers as of March 2019 as per the Telecom Regulatory Authority of India's telecom subscription report. With a mere seven connections per hundred households, India's wired broadband market is highly underpenetrated. In comparison, developed nations such as the United States, the United Kingdom, France, and Japan have 30-50% penetration levels.

Further, the broadband subscriber base has been expanding at a snail's pace over past five years on account of:

- Relatively high tariffs in wired broadband compared with wireless
- Lack of focus among telcos in the wired broadband space

Wired broadband market and competitive landscape



Note: The number on the top of the bars of indicate number of wired broadband subscribers in millions.
Source: TRAI Telecom Subscription Report, March 2019

In contrast, India has high television penetration of ~65%, with approximately 190 million households owning cable or direct-to-home (DTH) connections. Of this, ~**167 million households** are without wired broadband connections (assuming a household with wired broadband will also own television). These households could have been a ready target market had broadband services been bundled with TV subscription at competitive rates.

With the new entrant's pricing giving no indication of bundling TV cable services, this market would largely remain untapped for now, narrowing the possibility of a significant uptake in broadband penetration. However, the acquisition of Hathway and Den networks gives JioFiber access to 14 million cable TV homes to push its broadband offerings.

That can spur some growth in the number of broadband subscribers, which has been stagnant over the past three fiscals. Based on this scenario, we expect broadband subscriptions to reach approximately 22 million over the next 18 months.

No major market churn in broadband segment; ARPU to decline marginally

We do not expect material impact on entities across the value chain given the lack of bundled offerings in low packs and a niche target market for premium packs.

To sum up JioFiber's impact across categories of players:

- **Existing integrated triple-play provider:** Commands 13% share of the wired broadband market and also serves 16 million DTH connections. While we do not expect a churn in broadband, the average revenue per user (ARPU) would fall marginally as the player would try to match JioFiber's pricing to protect market share
- **Public sector entities:** Already offer higher data limits than rivals and hence would be least impacted
- **Local internet service providers and multi-system operators providing broadband:** Because of small scale, they may find it difficult to thrive in competition. But for now, we expect them to put up a fight by matching their offerings with JioFiber
- **Standalone/DTH operators:** No impact for now. However, the increasing popularity of IPTV (internet protocol TV) and falling data prices may pose a threat in the long run

		Market share	ARPU	Profitability
Existing triple play provider	13%	• Improvement in broadband market share given recent tactical announcements to match competition • Airtel can readily target captive DTH subscriber base of 16 million	• ARPU to drop by Rs.100 as the players would upgrade existing plans to match up with new entrant	• Profitability to marginally go down due to drop in ARPU, however it is unlikely to have any significant impact given the already high margins in broadband segment
Public sector entity	53%	• PSU command more than 50% share in wired broadband market • As the current speeds and data plan are largely in line with new entrants, they are expected to retain their share	• ARPU not to be impacted significantly, as the current plans are already one of the lowest • The introduction of tariffs plans at lower price points may marginally drop ARPU	• Profitability to not be impacted much as the current players are expected to retain their market share
Local Internet Service Providers	19%	• Local Isp's not to witness much subscriber churn as they are expected to upgrade current plans to match up with new entrant	• To stay competitive and protect market share, ARPU to go down marginally	• Profitability to be hit in the short term due to fall in ARPU and minimal subscriber addition
MSO/DTH providing broadband connection	7%	• These players also would try to match up with new entrant's offering • However, major players in this segment like Hathway, Den have already been acquired by Jio	• ARPU to go down marginally as the players revise their pricing to match with new Entrant	• Profitability to be hit in the short term due to fall in ARPU and minimal subscriber addition
Standalone DTH Operators / MSO		• Subscribers of DTH operators to stay for now in absence of bundling of TV services • MSO to get some hand-holding from the new entrant in near to medium term	• Given variable content cost post new tariff order, ARPUs to stay stable	• Impact on profitability to be minimal as there is no indication of bundling TV subscription in new entrants offerings

Note:

1. Existing triple play providers such as Bharti Airtel – they will be able to bundle their mobile, broadband and TV services
2. Public sector entities such as BSNL and MTNL which also provide broadband services
3. Local internet service providers such as ACT Fiber and Tikona

4. MSO/DTH providing broadband connection such as Hathway, Siti Cable, Tata Sky, which operate as both TV distributors and broadband providers
5. Standalone DTH operators such as Dish TV and SunDirect , which operate only the DTH business
6. Numbers in bubbles represent share of particular category in the broadband market.

Annexure

JioFiber's tariff plans

Benefits	Bronze	Silver	Gold	Diamond	Platinum	Titanium
Speed	100 Mbps	100 MBps	250 Mbps	500 Mbps	1 Gbps	1 Gbps
Data Limit	100 GB (+50 GB extra)	200 (+200 GB extra)	500GB(+250 GB extra)	1250GB(+250 GB extra)	2500 Gb	5000 GB
Voice anywhere in India	Included					
Video calling	Included					
Zero latency Gaming	Included					
Content Sharing	Included					
Device security	Included (Upto 5 devices)					
First day first show movies	-	-	-	Included		
OTT content	JioCinema and JioSaavn (3 Months Subscription)	OTT Apps (3 Months Subscription)	OTT Apps (Annual) Subscription			

Source: Company Website

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