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TELECOM TURNS TIDE WITH CAPITAL SPEED AND CONFIDENCE

Record FPI inflows and strong policy support signal a new era for Indian telecom as global investors bet big on its digital growth and resilience.



India's telecom sector is not just about connecting people; it is about connecting ambitions, powering dreams and transforming the nation's digital landscape. As we move through 2025, the sector's remarkable journey from a low-cost, high-volume market to a global leader in digital infrastructure is drawing the world's attention.

The numbers tell their own story: India is now the world's second-largest telecom market, with over 1.2 billion subscribers and a tele-density of 85%. This massive network has become the backbone of India's digital revolution, enabling everything—from digital payments and telemedicine to e-learning and e-governance.

The sector's pivotal role in supporting next-generation technologies, including 5G, Artificial Intelligence (AI), the Internet of Things (IoT), and cloud computing, has made it a magnet for global investors. The telecom sector in India is now seen as a case study for emerging markets looking to leapfrog into the digital age.

TELECOM TOPS CHARTS WITH RECORD FPI INFLOWS IN 2025

If there is one indicator that truly reflects global confidence, it is the flow of foreign portfolio investment (FPI). In 2025, Indian telecom is leading the pack. According to data from the National Securities Depository Ltd. (NSDL), telecom stocks attracted a record USD 1.88 billion in FPI inflows in



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India's telecom story is no longer just about connectivity—it is about resilience, capital confidence, and digital ambition on a global scale.



IN BRIEF

- India's telecom sector drew USD 1.88 billion in FPI in May 2025, accounting for its highest-ever monthly share of 41% of all equity inflows.
- Consolidation, rising ARPU, and growing data demand are driving a structural reset, making the sector healthier and more investment-ready.
- 5G rollout, increasing tele-density, and surging rural demand are narrowing the digital divide and powering India's digital economy.
- Analysts project mid-to-high teen revenue growth for top telcos through FY27, led by ARPU gains, subscriber growth, and 5G monetisation.
- The 2025 Union Budget boosted telecom with Rs 81,005 crore and PLI-linked incentives, making India a manufacturing hub for the sector.
- FPIs and mutual funds are betting big on Indian telecom, signalling long-term confidence in its valuation, infrastructure, and policy stability.

May 2025. To put this in perspective, this accounted for 41% of all overseas equity inflows into India that month, the highest ever for the sector and a dramatic leap from USD 523 million in April.

What triggered this surge?

The sector's ongoing structural reset, marked by consolidation, rising average revenue per user (ARPU) and robust subscriber growth, has put telecom stocks back on the global investor's radar. In total, foreign investors pumped USD 2.32 billion into Indian equities in May 2025, with telecom leading the way. This is a clear indication that the world views the Indian telecom sector as one with strong fundamentals and a promising future.

CONSOLIDATION AND DATA DEMAND RESHAPE THE SECTOR

The Indian telecom industry is undergoing a major structural shift. The days of fierce price wars and a fragmented market are giving way to a more consolidated and healthier ecosystem. By FY27, the telcos are expected to experience significant growth in both revenue and market share among subscribers. This consolidation is fostering a more competitive and efficient market, enabling operators to make bold investments in technology and infrastructure.

India's subscriber base surpassed 1.2 billion in Q1 2025, with urban tele-density reaching a remarkable 131.45% and rural tele-density increasing to 59.06%. Wireless subscribers alone grew by 1.14%, reflecting India's insatiable demand for mobile and data services. The digital divide is narrowing, but bridging the last mile, especially in rural areas, remains a key focus for both the government and private players.

The sector is also witnessing a surge in data usage, driven by the affordability of smartphones, competitive tariffs, and the rapid rollout of 5G services. It is not an exaggeration to say that data is the new oxygen for India's economy.

REVENUE OUTLOOK DRIVEN BY ARPU AND 5G GAINS

The tariff needs to be improved to determine the industry's growth pattern, as well as the necessary financial gains to sustain and further enhance the business. The massive investments required for 5G infrastructure, spectrum acquisition and the rising operational costs need to be borne by the TSPs and thus

From spectrum to smartphones, every layer of India's telecom value chain is now being reshaped by foreign capital and domestic innovation.

need to be funded essentially to secure a healthy and growing telecom ecosystem in the country.

According to analysts, mid-to-high teen percentage revenue growth is expected for the top players between 2025 and 2027, driven by improvements in ARPU and steady subscriber additions, which would be positive for the sector. The monetisation of 5G is also opening up new revenue streams, while the fixed broadband and B2B segments are expected to see strong momentum.

BUDGET ALLOCATIONS AND PLI SUPPORT MANUFACTURING

Government policy has played a crucial role in this resurgence. The Union Budget 2025 allocated Rs 81,005 crore to the telecom sector, prioritising the expansion of BharatNet and domestic telecom manufacturing. The reduction in customs duties on key telecom equipment and fiscal incentives for local manufacturing are making India an attractive base for global telecom manufacturing.

The government's commitment to bridging the digital divide, especially in rural areas and fostering innovation through ease-of-doing-business measures has created a supportive environment for sustained growth. Initiatives such as the Production Linked Incentive (PLI) schemes are further encouraging domestic and foreign investment in telecom manufacturing.

FOREIGN CAPITAL BOOSTS VALUATIONS AND UPGRADES

Foreign portfolio investments are more than just financial inflows; they are catalysts for growth and innovation. Increased FPI provides the capital needed for network expansion, 5G rollout and technology upgrades. These investments complement government initiatives, accelerating digital connectivity and infrastructure development across the nation.

Telecom's status as the top FPI destination is in stark contrast to sectors like healthcare and IT, which have seen outflows due to global margin pressures and trade uncertainties. The positive macroeconomic signals and robust sector fundamentals are drawing sustained foreign interest, further boosting sector valuations and investor confidence.

It is not just foreign investors who are bullish. Domestic mutual funds have also warmed up to the telecom sector. In May, mutual funds purchased Rs 5,768.7 crore worth of telecom stocks. Mutual fund holdings in telecom still trail the sector's 4% weight in the BSE 200 index, suggesting room for further domestic inflows.

BRIGHT OUTLOOK AS TELECOM BUILDS DIGITAL BACKBONE

The outlook for Indian telecom remains bright and full of promise. As tariff hikes improve revenue visibility and sector profitability, foreign investor appetite is expected to stay strong. Market consolidation will further enhance the competitive positioning of major players, attracting even more global capital. The expansion of 5G, data centres, AI and IoT will drive long-term growth and innovation. Of course, challenges remain.

Managing rising costs, navigating the regulatory environment and balancing affordability with profitability will require ongoing adjustments. But with a robust subscriber base, strategic consolidation and supportive policies, Indian telecom is well-equipped to meet these challenges head-on. All of this is underpinned by strong policy support and government incentives for infrastructure and manufacturing, creating a virtuous cycle of growth and investment.

India's telecom sector is a global case study in transformation and resilience. Record FPI inflows in 2025 underscore the world's confidence in our growth trajectory. With continued innovation, infrastructure expansion and policy support, Indian telecom is set to remain a global hotspot for portfolio investments, powering India's digital future and inspiring economies worldwide. The journey ahead will require continued focus on affordability, innovation, and inclusive growth; however, the sector's achievements so far have set the stage for a new era of global leadership. 🌟

The author is a decorated military veteran who retired as the Signal Officer-in-Chief, the head of the Indian Army's ICT division. He was also the first CEO of the Telecom Sector Skill Council and is the Director General of the Cellular Operators Association of India (COAI).

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