

Financial services company Jefferies is expecting a subdued fourth quarter earnings for 2017-18 coupled with declining average revenue per user (ARPU). The company has maintained its cautious stand on the Indian telecom sector.

According to Jefferies, the quarter will be subdued with both Bharti Airtel and Idea Cellular reporting losses. It expects mobile revenues to decline 3 per cent quarter-on-quarter led by sharp ARPU moderation post the price cuts at the start of the quarter and downgrades in post-paid plans. In addition, cost pressures will also likely increase led by network and content costs leading to a drop in margin of 200 base points.

According to the report, it expects ARPU to decline by 6-7 per cent quarter-on-quarter, led by price cuts and addition of low ARPU subscribers. Further, the company expects the post-paid segment to also see downgrades and further downtick in coming quarters as consumers continue to downgrade packs and competitive intensity remains high.

The company sees recovery ensuing gradually from mid 2019-20 and increase in ARPU will require investment in both capacity and content.

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