

Telcos to pay ₹245 bn to govt for old spectrum in 2019

SURAJEET DAS GUPTA
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Telecom companies will have to pay the government ₹245 billion next year as deferred payment for spectrum won earlier. This is equivalent to almost the entire estimated earnings before interest, taxes, depreciation, and amortisation (Ebitda) of these companies this financial year (2018-19).

Some of them are already asking for a deferment of this payment deadline.

Almost half this amount, ₹122 billion, has to be paid by Vodafone Idea. It is facing severe financial pressure, with an Ebitda margin of only 6 per cent in the September quarter. The industry average was 20-22 per cent.

The merged firm also has a huge debt and interest burden. Its debt is 14 times of it — in the September quarter; rival Bharti Airtel's debt-to-Ebitda ratio was 4.

Its promoters have decided to raise equity of up to \$3.5 billion to tide over the crunch and invest in network expansion. Much of this will come from the promoters.

According to the Cellular Operators

WHO OWES HOW MUCH

Deferred payment outgo in 2019
(in ₹ billion)

Vodafone Idea	122.73
Airtel	57.51
Reliance Jio	34.21
TTSI	12.41
MTNL/BSNL	6.42
RCom	5.15
MTS	4.14
Aircel	2.63

Note: Some of these payments are under dispute, as a few companies have folded up and new owners have not cleared the older dues. Source: COAI



ILLUSTRATION:
AJAY MOHANTY

Association of India (COAI) data, the overall revenue of the industry is expected to be about ₹2,500 billion. The adjusted gross revenue (after paying government imposts) would be ₹1,500 billion.

The Ebitda would be 20-22 per cent of the adjusted gross revenue (AGR), which is usually ₹300-350 billion per annum.

While the payment from the telcos will be a major boost to the Centre's Budget, it will cause severe pain to the

companies. They will also be required to pay interest as well as invest in network.

Rajan Mathews, director general, COAI, said: "The current Ebitda of the industry will hardly cover the debt-servicing costs to the government. This means any investment in networks will come from additional debt. This only exacerbates the debt burden of the industry."

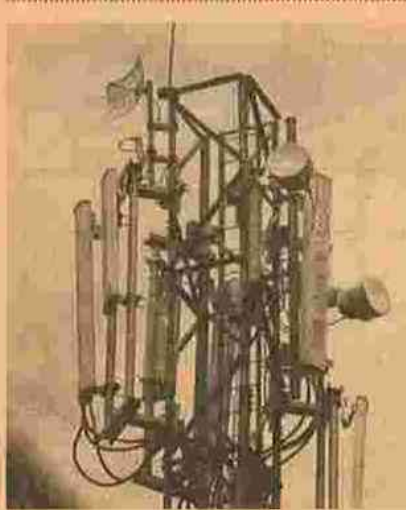
Promoters will also be required to pump in more equity. According to the firms,

they will be investing ₹750 billion annually over the next two years to expand network and fight competition.

In 2018 the outgo for spectrum under the deferred-payment scheme was ₹196 billion. So, it is about 25 per cent higher for 2019.

Vodafone Idea has pitched for deferring it, and had written to the finance and the telecom ministries.

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Sources in the industry said Kumar Mangalam Birla, chairman of the company, had asked payment to the tune of ₹9 billion to be deferred to March 2020, and offered to pay in 12 instalments.

Mathews said the association was also pushing the government for concessions. "We are asking for a moratorium of another two years to 2020, so that the overall term of the loan goes from 18 to 20 years," he said.

Mathews said the COAI had asked for a reduction of the interest rate, currently 9 per cent. It also wants it to be linked to the prime rate, which will be lower. Also, the association is asking for goods and services tax refund to the tune of ₹250 billion.