

# India's new spectrum cap to enhance telecom consolidation efforts

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Telecom Commission has approved the recommendations of TRAI to reduce **spectrum** holding limits or caps — setting the stage for acceleration in telecom consolidation.

The overall spectrum cap will be revised from the current limit of 25 percent to 35 percent in line with the November 2017 recommendation from the TRAI (Telecom Regulatory Authority of India).

Telecom Commission in its meeting on January 9, 2018, has also decided to remove the current intra-band cap and introduce a cap of 50 percent on the combined spectrum holding in the sub-1GHz bands of 700 MHz, 800 MHz and 900 MHz bands.

Currently, there is an over-all cap of 25 percent of the total spectrum assigned in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz bands in each of the telecom service area across India.

In addition, there is a current cap of 50 percent within a given band in each of the telecom service area in India.

Currently, Airtel is in different stages of acquiring telecom operators or spectrum to enhance its mobile Internet presence.

The merger between Vodafone and Idea Cellular is in its advanced stage to create the largest telecom operator in India.

TRAI had stated that policy decisions such as spectrum cap are a continuous process and would be reviewed if the situation demands so and accordingly TRAI has revised the spectrum holding limits as mentioned above.

CARE Ratings chief economist Madan Sabnavis in a statement on Wednesday said that the approval of the TRAI recommendations by the Telecom Commission will smoothen the process of ongoing consolidation in the telecom industry with the number of telecom operators reducing in the industry.

The 50 percent cap on the combined spectrum holding in the sub-1 GHz bands of 700 MHz, 800 MHz and 900 MHz bands will prevent large holding of spectrum by a particular mobile operator and thus will provide competitive advantage to the operators.

India's Telecom Commission has accepted the extension of deferred payment period for spectrum acquisition to 16 years from the existing 10 years period and also agreed to lower the interest rate on penalties paid from 14 percent to 12 percent.

CARE Ratings research analyst Bhagyashree Bhati said the extension of deferred payment period and reduction in interest rate on penalties paid for spectrum acquisition will assist telecom operators to improve their cash-flows.

COAI noted that the Indian telecom sector is currently struggling to manage a debt estimated at INR 4.6 lakh crore, against revenues that have fallen to less than INR 2 lakh crore.

COAI said the decision to increase the overall spectrum cap will facilitate mergers and acquisitions in the sector, bringing in significant costs saving and reduction in hyper-competition, stabilising the sector in the long run.

The decision to allow 100 percent FDI through the automatic route is a welcome step, considering the fact that the Industry needs substantial investment in the coming years.

"The decision to extend the deferred payment of spectrum from the current 10 installments to 16 installments will ease the cash flows in the initial years. Since only the spectrum payment tenure is being extended, there will be no real tangible financial benefit will accrue to the industry," Rajan S Mathews, director general of COAI stated.

COAI said the industry will end up paying more over the life of the debt arising from the lengthened time period of the payments. The additional payment on account of this is expected to be around INR 80,000 crore.

COAI said India government has not done much to address the issues such as reduction in USOF, License Fees and spectrum usage charges etc. as already recommended by the TRAI.

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