

No major announcement likely for telecom sector in Budget 2022

Synopsis

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NEW DELHI: **Telecom** sector investors would be keenly following this coming **Budget** with hopes of reduction in licence fees and SUC rate, duty exemptions on key telecom equipment, input tax credit against GST paid on telecom towers and smooth reforms for 5G rollouts.

But if we go by analysts, no material

announcement is likely this time.



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reducing spectrum usage charge (SUC) rate by 3 per cent on spectrum acquired in past auctions.

The Cellular Operators Association of India (COAI) has sought refunding of unutilised input tax credit of Rs 35,000 crore, which cannot be utilised in the near future. It also wants the government to suspend the universal service obligation fund (USOF), as the existing USO fund corpus of Rs 59,000 crore is sufficient to meet USO objectives for the next few years.

Emkay Global said that it does not hold any major expectations from the Budget as the government is already planning to announce the second set of reforms outside of Budget.

Most of the likely reform measures would be aimed at ease of doing business and procedural-related and, hence, sentimentally positive for the sector, Emkay said.

"We expect some measures on USOF given the headroom," said ICICIdirect, which believes any such move should benefit all the three telcos Bharti Airtel, Vodafone Idea and Reliance Jio.

Morgan Stanley did not anticipate any major reform in the budget.

The government in September 2021 approved the much-awaited reforms for the telecom sector and announced the revival package.

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adjusted gross revenues (AGR) and spectrum dues, the government has addressed the liquidity woes of the telecom sector to a large extent.

Care Ratings feels that the sector now needs an aggressive capex strategy for 4G network expansion, 5G rollouts, and significant growth of passive infrastructure.

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