

Refresher on telecom spectrum auctions: March 2021

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After a gap of almost 4 and a half years, the telecom spectrum auctions were revived on 1 March 2021 with the auctions going online. The Department of Telecommunications (DoT) had approved a proposal to conduct spectrum auction on 16 December 2020 for which the applications were invited by DoT on 6 January 2021. This auction will allow incumbent telecom service providers to augment their network capacity and will enable new players to start their services. The previous auction was held in October 2016.

A total of 2,251.25 MHz units are offered for auction which will be spread across different bands. The details of spectrum in each band are detailed below. The spectrum will be valid for a period of 20 years and will come at a total valuation of Rs. 3.9 lakh crore (at reserve price).

Table 1: Band-wise units of spectrum that are up for auction

Spectrum bands	Spectrum units put to auction
700 MHz	660
800 MHz	230
900 MHz	81.4
1800 MHz	313.6
2100 MHz	175
2300 MHz	560
2500 MHz	230

Source: PIB release

Background on spectrum auction

Till 2008, spectrum assignment was done administratively in 800 MHz, 900 MHz and 1800 MHz bands. Post this, it was for the very first time in 2010 that spectrum in 2100 MHz and 2300 MHz bands were assigned through auction mechanisms. Later from February 2012 onwards, spectrum assignment in all bands have been made through auction process. The table below provides a summary of the auctions conducted since 2012.

Table 2: Access Spectrum Auctions conducted in India since 2012

Year	Months	Spectrum bands	Spectrum put to auction	Spectrum sold
2012-13	Nov-12	1800 MHz	295 MHz	127.5 MHz
		800 MHz	95 MHz	No bidder
	Mar-13	900 MHz	46 MHz	No bidder
		1800 MHz	57.5 MHz	No bidder
		800 MHz	95 MHz	30 MHz
2013-14	Feb-14	900 MHz	46 MHz	46 MHz
		1800 MHz	385 MHz	307.2 MHz
2014-15	Mar-15	800 MHz	108.75 MHz	86.25 MHz
		900 MHz	177.8 MHz	168 MHz
		1800 MHz	99.2 MHz	93.8 MHz
		2100 MHz	85 MHz	70 MHz
2016-17	Oct-16	700 MHz	770 MHz	No bidder
		800 MHz	73.75 MHz	15 MHz
		900 MHz	9.4 MHz	No bidder
		1800 MHz	221.6 MHz	174.8 MHz
		2100 MHz	360 MHz	85 MHz
		2300 MHz	320 MHz	320 MHz
		2500 MHz	600 MHz	370 MHz

Source: TRAI

From the table 2 above, it can be seen that the spectrum auction conducted in 2012-13 was a big failure as only 26.8% of the spectrum auctioned was sold while in the following years 2013-14 and 2014-15, 81.9% and 89% of the auctioned spectrum was sold, respectively. In 2015-16, no spectrum auction was conducted and later in 2016-17, spectrum auction was held in October 2016 which again was not a success where only 41% of the total 2,354.55 MHz spectrum was sold.

The overall spectrum of 2,354.55 MHz belonged to 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz bands. The spectrum however remained completely unsold in 700 MHz and 900 MHz bands. Citing high price and the lack of ecosystem for spectrum in 700 MHz band as major barriers, the telecom companies opted for spectrum in 1,800/2,300/2,500 MHz bands that can be used to provide 4G services to their customers. Also, some quantum of spectrum was unsold in other bands as well. The 41% spectrum sold in October 2016 had fetched Rs.64,809 crore to the government.

Table 3: Year-wise value of spectrum sold in India

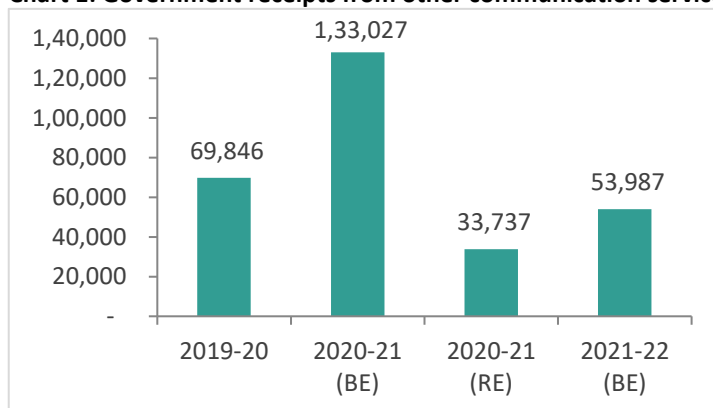
Year	Value of spectrum sold (in Rs. Crore)
2010	76,664
2012	9,642
2013	4,114
2014	61,162
2015	1,13,932
2016	64,809

Source: Wireless Planning & Coordination Wing

Government slashed FY21 revenue estimates from communication services by 74.6%

The government had recently slashed the revenue estimates from other communications services by 74.6% to Rs.33,737 crore (revised estimates) for FY21 from Rs.1,33,027 crore (budget estimates) earlier. The prime reasons for the reduction in revenues are delay in 5G spectrum auctions and lower revenues from Adjusted Gross Revenue (AGR) payments by telcos. Staggered payments announced by the government with respect to AGR on 1 September 2020 gave an extension to the telecom industry as it allowed the telcos to make payments over 10 years period starting 1 April 2021. The telcos however were asked to pay 10% of their AGR dues by 31 March 2021.

Chart 1: Government receipts from other communication services (Rs. crore)



Source: Budget documents

The auctions that are to be held in March 2021 will add to the revenues of the government either in FY21 or FY22 depending on the time span of the auction as successful bidders can pay entire bid amount in one go (upfront) or may exercise an option to pay a certain amount (25% for spectrum won in 700 MHz, 800 MHz, 900 MHz bands or 50% for spectrum won in 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz bands) upfront and remaining amount in a maximum up to 16 equated annual instalments, after a moratorium of two years.

In addition to this, expected 5G auctions in FY22 may provide support to the estimated 60% rise in government receipts to Rs.53,987 crore from communication services during the year. Now it remains to be seen how the bids play out and if any telco opts for additional spectrum that can be used in preparation for roll out of 5G network especially spectrum in 700 MHz band as 3300-3400 MHz and 3400-3600 MHz bands that are considered primary bands for early 5G introduction in India are kept out of the March 2021 auction.

The 700 MHz band is said to be pioneer in below 1GHz band which can be deployed for 5G. However, it is important to note that the 700 MHz band had found no place in October 2016 auction due to its high price.

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