

# DoT invites applications for spectrum auction

January 07, 2021 | Industry Research

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The Department of Telecommunications (DoT) had approved a proposal to conduct spectrum auction on 16 December 2020 for which the applications have been invited by DoT on 6 January 2021. The invitation mentions that the auction will commence online from 1 March 2021 which will allow incumbent telecom service providers to augment their network capacity and will enable new players to start their services.

A total of 2,251.25 MHz units will be offered for auction which will be spread across different bands. The details of spectrum in each band are detailed below.

**Table 1: Band-wise units of spectrum that will be put 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

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).

**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.

From the above table 2 below, it can be concluded that the spectrum auction conducted in 2012-13 was not successful 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 auctioned spectrum was sold.

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**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

The last spectrum auction that was conducted in October 2016 had fetched Rs.64,809 crore to the government. In this auction only 41% of the total auctioned spectrum was sold.

**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 &amp; Coordination Wing

### Participation of industry players

The spectrum auction will allow the telcos to bid for the quantum of spectrum which is required for their network expansion and for their existence. With the auction in place, the incumbents are likely to bid for spectrum where they need renewal or their spectrum is about to expire. This is because the incumbents have been in the exercise of refarming 2G and 3G spectrums to suit the needs of 4G subscribers. Also the incumbents have seen their spectrum quantum grow with merging of the telcos that exited the industry in consolidation process. The spectrum purchase is expected to be more by the telco that has the gained the highest market share as the company will need spectrum to cater to the need of its complete 4G subscriber base that has gained momentum over the last 4 years. Considering these factors, the spectrum auction is expected to be in the range of 50,000 crore.

As per the DoT notification, 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. Thus, the upfront payment for the spectrum auction may be in the range of Rs 12,500-25,000 crore.

**It is to be noted that if the telcos resort to banks to make the upfront payments to the government, the bank credit is expected to increase by a similar amount.**

### Budget estimate for FY21

For FY21, the government has estimated a revenue budget of Rs.1.3 lakh crore from other communication services that includes receipts from telcos. Thus, spectrum auctions will play a pivotal role to decide on the receipt budget from other communication services for FY21.

**Table 4: Receipt from other communication services**

	FY19	FY20 (RE)	FY21 (BE)
(Rs. crore)	40,816	58,990	1,33,027

Source: Union Budget 2020-21

It is to be noted that the budget estimate for FY21 is 126% higher compared to the revised budget estimate of Rs.59 thousand crore for FY20.

### Concluding remarks

- The spectrum auctions will play a pivotal role to decide on the receipt budget from other communication services for FY21 which is estimated at Rs.1.3 lakh crore.
- The bank credit is expected to increase by Rs.12500-Rs.25,000 crore during FY21 if the telcos resort to banks to make the upfront payments to the government.

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