

Telecom spectrum auction: March 2021

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The much awaited telecom spectrum auction concluded on 2 March 2021 with 855.6 MHz quantity of spectrum sold out of the total 2,308.8 units of spectrum put to auction. The details of the acquired spectrum is mentioned below.

Table 1: Quantity of spectrum sold and put to auction in March 2021

Band	Quantity put to auction (MHz)	Quantity acquired (MHz)	Percentage
700 MHz (paired)	660	0	0
800 MHz (paired)	230	150	65.2
900 MHz (paired)	98.8	38.4	38.9
1800 MHz (paired)	355	152.2	42.9
2100 MHz (paired)	175	15	8.6
2300 MHz (paired)	560	500	89.3
2500 MHz (paired)	230	0	0
Total	2308.8	855.6	37.1

Source: PIB release

From the above table it can be seen that no spectrum was sold in 700 MHz and 2500 MHz bands. The 700 MHz band which is considered one of the premium bands below 1GHz band for deploying 5G networks also had remained unsold in October 2016 auction due to its higher price. The highest quantity of spectrum (89.3%) was sold in 2300 MHz band followed by 800 MHz band (65.2%), 1800 MHz (42.9%), 900 MHz (38.9%) and 15 MHz (8.6%). As a result, 37% of the overall spectrum was sold in March 2021 auction which will fetch Rs.77,815 crore to the government. The bidder-wise details for the same is given below.

Table 2: Bidder-wise spectrum quantity and amounts payable

Bidder	Total quantity sold (MHz)	Total amount (Rs. crore)
Bharti Airtel Ltd	355.5	18,698.8
Reliance Jio Infocomm Ltd	488.4	57,122.7
Vodafone Idea Ltd	11.8	1,993.4
Total	855.6	77,814.8

Source: PIB release

The bidding in March 2021 auction was led by Reliance Jio with spectrum quantity of 488.4 units amounting to Rs.57,123 crore being bought by the telco followed by acquisition of spectrum quantity of 355.5 MHz (Rs.18,699 crore) and 11.8 MHz (Rs.1,993 crore) by Bharti Airtel and Vodafone Idea, respectively. The addition of above spectrum by the telcos in their portfolio will enable them to strengthen their respective spectrum holdings and augment their current network capacity. Also the telcos have mentioned that the acquired spectrum will support them to roll out 5G services in future when required which indicates the industry's preparations to build network capacity for deployment of 5G services.

Average price for per MHz spectrum unit to be paid by telecom industry increases by 35.4% to Rs.90.9 crore in March 2021 auction

The average price for per MHz spectrum unit to be paid by telecom industry to the government has gone up by 35.4% to Rs.90.9 crore in March 2021 auction compared to Rs.67.2 crore paid by the industry for each unit in the last spectrum auction held in October 2016 (refer Table 3 below).

Table 3: Year-wise summary of auctions

Auction	Total spectrum sold (MHz)	% of spectrum sold	% of spectrum sold above Reserve Price (RP)	Total revenue collection (Rs. crore)	Average price for per MHz spectrum paid by telcos (Rs. crore)
2010- 3G	465	100.0	100	50,968	109.6
2010 - BWA	1320	100.0	100	25,696	19.5
2012	127.5	32.7	10.7	9,642	75.6
2013	30	15.4	0	4,114	137.1
2014	353.2	81.9	53	61,162	173.2
2015	418.25	88.9	78.7	1,13,932	272.4
2016	964.8	41.0	21	64,809	67.2
Mar' 21	855.6	37.1	NA	77,815	90.9

Source: Department of Telecommunications (DoT) and CARE Ratings

Note: BWA is Broadband Wireless Access and NA is not available

It is to be noted that the price of per spectrum unit was as high as Rs.272.4 crore in 2015 auction followed by Rs.173.2 crore in 2014 auction on account of 88.9% and 81.9% of spectrum sold in these auctions, respectively. In addition to this, 78.7% of the spectrum sold in 2015 auction and 53% of spectrum sold in 2014 auction were sold above reserve price which resulted in high price for per unit of spectrum. The reserve price is recommended by the Telecom Regulatory Authority of India (TRAI).

The price for per unit of spectrum was also high at Rs.137.1 crore in 2013 auction and Rs.109.6 crore in 2010-3G auction. The 100% spectrum sold in 2010-3G was above reserve price which aided the high per unit spectrum price in this auction. It is important to note that 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 spectrum sold in March 2021 auction however is largely at reserve price which restricted the price of per unit spectrum to Rs.90.9 crore, which is 35.4% higher than the price of per unit spectrum sold in previous October 2016 auction. This price increase in per unit of spectrum sold is expected to result in higher Average Revenue per User (ARPU) in the coming months as achieving higher ARPUs remain focus point of the telecom industry. The industry ARPU which have increased by 22.5% to average at Rs.93 in the past 3 quarters (January 2020 - September 2020) compared to Rs.76 during the 3 quarters (April 2019 - December 2019) however tend to be lower than the ARPU levels of Rs.124 in FY16 when Reliance Jio had not entered the telecom market.

Concluding remarks

- The industry is preparing to build network capacity for deployment of 5G services as the telcos have mentioned that the acquired spectrum will support them to roll out 5G services in future when required.
- The price increase in per unit of spectrum sold in March 2021 auction is expected to result in higher Average Revenue per User (ARPU) in the coming months as achieving higher ARPUs remain focus point of the telecom industry.

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