

# Telecom Newscast

1 September 2020

## Supreme Court allows staggered payments towards settlement of AGR dues

On 1 September 2020, the Supreme Court gave verdict on Adjusted Gross Revenue (AGR) case. The court allowed staggered payments towards settlement of AGR dues over 10 years period starting 1 April 2021. Also, the telcos are asked to pay 10% of AGR associated dues by 31 March 2021. The decision on AGR dues has come after several round of hearings by the Supreme Court.

This all started almost a year back on 24 October 2019 with the Supreme Court supporting the Department of Telecommunications' (DoT's) definition of AGR for telecom industry. The new definition widened the scope of AGR as it included dividends, handset sales, rent and profit from the sale of scrap, besides revenue from services. The telcos however had demanded that the definition be restricted to only core telecom services as broader base of revenues for telcos implies more payment of license fees and SUC.

The telecom companies have to pay license fee and spectrum usage charges (SUCs) to the government. These charges are certain percentage of the telcos' revenues and higher revenues of telcos implies more payment of license fees and SUC. As per the current norms, the telecom companies pay 8% of the adjusted gross revenues as license fee and 3-5% of the adjusted gross revenues as spectrum usage charges.

### Concluding remarks

- While the Supreme Court allowed staggered payments of AGR dues over 10 years period, the DoT was seeking a timeline of 20 years and the incumbent operators were also looking forward for more than 10 years timeframe to make the AGR payments.
- The industry will need higher ARPUs from the current level to pay the AGR dues in the 10 year timeline. The industry ARPU is estimated to have stood at Rs.82 in the June 2020 quarter. This ARPU is much lower than the average ARPU of Rs.124 during FY16 when Reliance Jio had not entered the telecom market.

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