

Lifeline for telcos as govt. offers four-year moratorium on dues

Reforms include redefinition of AGR concept; 100% FDI under automatic route

VIKAS DHOOT
NEW DELHI

The Cabinet on Wednesday approved several measures to extend a lifeline to the cash-strapped telecom sector, including a redefinition of the much-litigated concept of adjusted gross revenue (AGR) to exclude non-telecom revenue and a four-year moratorium on players' dues to the government.

Telecom Minister Ashwini Vaishnaw said the government was keen on ensuring that there were more players in the sector and consumers retained choices when asked about the fears of a duopoly emerging with just two major telecom players – Bharti Airtel and Reliance Jio.

In all, Mr. Vaishnaw announced nine structural reforms and five procedural reforms for the sector, including a fixed calendar for spectrum auctions with an extended tenure of 30 years for future spectrum allocations, and a mechanism to surrender and share spectrum. Foreign direct investment (FDI) in the sector has also been allowed up to 100% under the automatic route, from the existing limit of 49%. Together, these measures would pave the way for largescale investments, including for 5G technology

Respite for telcos | A look at some of the relief measures announced by the Union government for telecom companies

■ Four-year moratorium for dues of telecom service providers. However, they will have to pay interest

■ 100% foreign direct investment through automatic route in the sector, from the existing limit of 49%

■ For customers, shifting from prepaid to postpaid and vice-versa will not require fresh KYC

■ Spectrum auctions to be normally held in the last quarter of every financial year

■ Further measures will be added when the 5G spectrum is auctioned,

said Telecom Minister Ashwini Vaishnaw

deployment, and generate more jobs, he said.

‘Path-breaking reforms’

Aditya Birla Group chairman Kumar Mangalam Birla termed the changes “path-breaking reforms” that could “unshackle” the industry by addressing its “long-standing” issues, while Vodafone group CEO Nick Read called it a “constructive initiative” after the sector “has struggled for many years”.

Experts are, however, not sure the package would be enough to keep their troubled joint venture Vodafone Idea Limited (VIL) afloat as the moratorium on AGR dues, spectrum dues and interest payments would only provide temporary relief with these deferred dues to

be payable eventually with interest. The tariff regime still needs a reboot for players to sustain operations, they said, echoing Bharti Airtel top brass.

Mr. Read hinted at the need for further measures, seeking the “continued strong support of the Telecom Minister and the Finance Minister” for VIL to continue to contribute to “India’s digital ambitions”.

“There was a regime of heavy interest, penalty and interest on penalty on payment of licence fees, spectrum user charges and all kinds of charges, which has been rationalised,” the Minister said, adding that AGR calculations would exclude all non-telecom revenue from now, and penalties had

been completely scrapped.

The earlier definition of AGR, backed by the Telecom Department and upheld by the Supreme Court in 2019, had made telcos liable to pay ₹1.6 lakh crore. Last September, the top court granted players 10 years to pay up, starting April 2021. The change in definition that will reduce the burden on telcos, applies only prospectively, so past dues remain payable.

Interest on those dues will now be compounded annually instead of monthly and the Minister said interest would be charged at a ‘reasonable’ rate of MCLR plus 2%. MCLR refers to the lowest lending rate banks are permitted to offer.

CONTINUED ON ► PAGE 8