

India's under-pressure telecom firms hit with \$13 bn bill

October 25 2019



Reliance Jio is expected to be the big winner from the court's ruling

India's beleaguered telecom companies were dealt a blow on Friday after being told to pay a whopping \$13-billion bill, though boosting Asia's richest tycoon Mukesh Ambani who has shaken up the sector with his low-cost deals.

After a two-decade legal wrangle, the Supreme Court ruled on Thursday that [telecom](#) firms had to pay a combined 920 billion rupees (\$13.0 billion) in past spectrum and licensing fees.

British giant Vodafone's loss-making and indebted joint venture with local firm Idea was the biggest loser, being told to cough up \$4 billion, Bloomberg News reported.

Vodafone's Mumbai-listed shares slumped more than 16 percent when the markets opened, before recovering slightly.

Vodafone Idea and Bharti Airtel, another major operator which was told to pay \$3 billion, expressed their "extreme disappointment" in the decision, saying it will exacerbate the sector's [financial woes](#).

The row centred on how licence and other fees paid by the firms should be calculated. The companies had argued they should be based on income from only their telecoms business, but the court said they must be based on the amount earned from all business dealings such as from handset sales and other income.

"This decision has come at a time when the sector is facing severe

financial stress and may further weaken the viability of the sector as a whole," Airtel said in a statement.

Vodafone Idea said: "We urgently request that the government engage on this matter in order to find ways to mitigate the financial stress for the industry."

However, Reliance Jio, the [mobile operator](#) backed by Ambani and which turned the sector on its head in 2016 with free calls and ultra-cheap data, escaped with a relatively light \$1.8 billion tab.

Many players have exited the sector in recent years or have gone bankrupt trying to compete with Jio.

"It is an unfair blow to existing telecom operators—Airtel and VodaIdea," Baburajan K, editor of TelecomLead.com told AFP.

"Reliance Jio will definitely have an advantage in the upcoming quarters," Baburajan added.

© 2019 AFP

Citation: India's under-pressure telecom firms hit with \$13 bn bill (2019, October 25) retrieved 13 March 2024 from

<https://techxplore.com/news/2019-10-india-under-pressure-telecom-firms-bn.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--