

India offers ailing telecom firms two-year moratorium on payments

November 21 2019



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India has granted the country's beleaguered telecom giants a moratorium

on spectrum payments until the end of March 2022, offering much-needed respite after the Supreme Court slapped a massive \$13-billion bill on the companies.

Vodafone Idea and Bharti Airtel bore the brunt of last month's court ruling ordering firms to pay a combined 920 billion rupees in past spectrum and licensing fees.

The judgement saw Vodafone Idea record the biggest quarterly loss in Indian corporate history last week after it factored in the \$4 billion levy.

But New Delhi offered a measure of relief to the struggling sector late Wednesday, with the cabinet approving a moratorium on spectrum payments for the next two financial years.

"Deferment of spectrum auction instalments will ease the cash outflow of the stressed (telecom providers) and facilitate payment of statutory liabilities and interest on bank loans," the cabinet said in a press release.

Vodafone Idea and Bharti Airtel, which was hit with a \$3-billion bill, have warned that the ruling will exacerbate the telecom sector's financial woes.

The announcement didn't appear to do much to help the share price of either firm, with Bharti Airtel down two percent and Vodafone Idea losing four percent on Thursday morning in Mumbai.

In addition to seeking the deferral of payments, the British parent company Vodafone had also asked for a reduction in licensing fees.

Vodafone's chief executive Nick Read said last week that the telecom firm was facing a crisis in India and would not invest any more equity in the country since the South Asian market contributed zero to its global

share valuations.

Vodafone Idea and Bharti Airtel have both struggled since India's richest man Mukesh Ambani launched Reliance Jio in 2016. The new mobile operator has offered dirt-cheap internet and free calls.

All three companies have announced plans to raise their charges in the next few weeks in a bid to boost their bottomline and help the sector recover after years of cut-price tariffs.

Many players have exited the sector in recent years or have gone bankrupt trying to compete with Jio, which was the only beneficiary of the October court verdict, escaping with a relatively light \$1.8 billion in fees.

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