

# Woes deepen at Vodafone's India unit

July 2 2021, by Nivrita Ganguly

---



Woes are deepening for Vodafone's India unit as it seeks more time to pay mobile network fees levied by the government.

Woes are deepening for Vodafone's India unit as it seeks more time to pay mobile network fees levied by the government, with creditor banks reportedly pleading with New Delhi to cut the firm some slack.

The debt-ridden [joint venture](#) has long been facing stiff competition in the market of 1.3 billion people from Bharti Airtel and Reliance Jio, which is owned by Asia's richest man Mukesh Ambani.

In a call to analysts Friday, Vodafone Idea said it has requested the Department of Telecommunications for a year's extension to pay 82.9 billion rupees (\$1.1 billion) in mobile network fees due in April 2022.

The firm cited low tariff rates and other business environment challenges for its inability to generate sufficient cash from its operations.

"I think it is only reasonable to say to the government that they have to provide an extension to the moratorium until these pricing-related issues and the stress in the industry and the sector is removed," CEO Ravinder Takkar said.

Indian banks with large outstanding loans to the firm have also reportedly written to the [finance ministry](#) expressing fears about a bankruptcy being triggered if the [telecom operator](#) is not granted relief on upcoming payments.

Vodafone Idea's total debt stood at 1.86 trillion rupees at the end of March 2021.

The company has been unable to meet its fundraising target of 250 billion rupees announced last September, with investors reluctant to lend to the cash-strapped firm.

Telecom firms have been struggling to survive ever since the 2016 launch of rival company Reliance Jio sparked a brutal price war, with Ambani promising Indians dirt-cheap internet and free calls.

"I think the biggest hurdle is that the overall industry is under stress

because of the pricing situation," Takkar said, echoing comments by Sunil Mittal, the billionaire chairman of Bharti Airtel.

"To say the telecom industry is in a bit of trouble is an understatement," Mittal told reporters Thursday.

"It is in a tremendous amount of stress," he said, calling on the government to set a minimum guaranteed price for services to prevent firms from constantly undercutting each other.

Vodafone Idea is a partnership between British telecom major Vodafone and Indian conglomerate Aditya Birla.

On Wednesday, the firm reported a net loss of 69.85 billion rupees for the quarter ending March 2021.

Vodafone Idea's shares fell over 2.5 percent in Friday's trade. Over a quarter of the company's share value has been eroded in the last six months.

© 2021 AFP

Citation: Woes deepen at Vodafone's India unit (2021, July 2) retrieved 17 April 2024 from <https://techxplore.com/news/2021-07-woes-deepen-vodafone-india.html>

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.