

**GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS
DEPARTMENT OF TELECOMMUNICATIONS**

**LOK SABHA
STARRED QUESTION NO. 123
TO BE ANSWERED ON 27TH DECEMBER, 2017**

DEBT OF TSPs

*123. SHRI ASHOK SHANKARRAO CHAVAN:
SHRI T. RADHAKRISHNAN:

Will the Minister of COMMUNICATIONS be pleased to state:

- (a) whether the country's telecom sector is reportedly experiencing financial stress;
- (b) if so, the details thereof including the total debt of the Telecom Service Providers (TSPs), TSP-wise;
- (c) whether the Government has constituted any inter-ministerial panel to look into the issue;
- (d) if so, the details thereof along with the major recommendations made by the said panel; and
- (e) the action taken/being taken by the Government on the recommendations of the panel including fiscal and structural support to the telecom sector to bring down their debt and to save 150000 jobs in the sector?

ANSWER

**THE MINISTER OF STATE (IC) OF THE MINISTRY OF COMMUNICATIONS &
MINISTER OF STATE IN THE MINISTRY OF RAILWAYS
(SHRI MANOJ SINHA)**

- (a) to (e) A statement is laid on the table of the House.

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STATEMENT TO BE LAID ON THE TABLE OF LOK SABHA IN RESPECT OF PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. *123 FOR 27TH DECEMBER, 2017 ON “DEBT OF TSPs”.

(a) There are pockets of financial stress in the sector as per Inter Ministerial Group (IMG) Report. However each TSP has varying level of debt exposure, different capital structure, varying cash flows and hence varying levels of repayment capacity. Hence, as per IMG Report, the entire sector cannot be said to be in financial stress.

(b) No such information is available. However, as per IMG Report, the total debt of Telecom Sector is as follows:

Particulars	Telecom Service Provider	Tower Companies	Total
Indian Debt	159675	18049	177724
Foreign Debt	83918	-	83918
Total Bank/FI Debt	243593	18049	261642
Bank Guarantees	50000	-	50000
Deferred Spectrum Liabilities of DoT	295864	-	295864
Other Third Party Liabilities	175464	4763	180227
Total Outside Liabilities	764922	22812	787734

(c) & (d) Yes an Inter-Ministerial Group (IMG) was constituted on 16/05/2017. Committee of Secretaries (CoS) had discussed the issue relating to stress in balance sheet in select sectors in its meeting held on 29th March 2017. Consequently, an Inter-Ministerial Group (IMG) was constituted on 16/05/2017 with following terms of reference:

- To examine systemic issues affecting viability and repayment capacity in telecom sector and furnish recommendations for resolution of stressed assets,
- Policy reforms and strategic interventions for Telecom sector.

The IMG held eight meetings and also held consultations with all the major TSPs and the Banks. Based on these and other sectoral data IMG analyzed the nature and extent of financial stress in the telecom sector and made a set of recommendations.

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The IMG noted that the financial stress for some has been caused because of low operating cash flows over a number of years, inadequate equity infusion and debt which does not appear sustainable. The sector is in the midst of consolidation. The competitive context of the industry has led to accumulation of debt, a decline in EBIDTA and requirement of periodic infusion of additional equity. In view of this the primary solutions to the current problems in the sector will come internally from the TSPs and they remain liable to service the debt taken by them. Any proposed government intervention needs to be carefully calibrated to ensure that the short term pain points are somewhat eased giving the sector time to rework its investment and business strategy.

The major recommendations of IMG are as follows:

- *Replacement of the current provision of PLR (Prime Lending Rate) by MCLR (Marginal Cost of Lending Rate) as the interest rate on delayed payment of License Fee (LF) & Spectrum Usage Charges (SUC) – One year MCLR of SBI may be adopted with effect from the date of its introduction by RBI i.e. April 01, 2016 in place of PLR.*
 - *Amendments to Spectrum Trading Guidelines – DoT may issue appropriate clarification that only the gain or profit arising from trade of spectrum shall constitute as part of revenue for the purpose of calculation of Adjusted Gross Revenue (AGR).*
 - *Deferred Payment Liability of TSPs on Spectrum – TSPs may be given a one-time opportunity to opt for higher number of instalments (16) instead of the currently permitted 10 instalments. The matter needs further approval by Cabinet.*
 - *Spectrum Auction and Reserve Price of Spectrum – (a) The approach to fixing the reserve price for spectrum may be reviewed for optimization in line with international best practices. (b) The next Spectrum auction may be conducted at a time as considered appropriate by the Government. (c) The exercise of Harmonization of spectrum in 2300 MHz and other bands may be taken up on priority.*
 - *Spectrum Cap Holding – DoT may consider the issue in consultation with Telecom Regulatory Authority of India (TRAI).*
 - *Mortgage of Spectrum – (a) Tri Partite Agreement (TPA) may be reviewed to be in line with IBC in consultation with Department of Financial Services (DFS). (b) Extend the new TPA guidelines to all access licenses.*
- (e) Action for obtaining necessary approvals is underway, including consultations with TRAI and other Government Departments.
