

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

**LOK SABHA
UNSTARRED QUESTION NO.1455
TO BE ANSWERED ON 19th DECEMBER, 2018**

LOSS IN TELECOM SECTOR

1455. SHRI K. ASHOK KUMAR

Will the Minister of COMMUNICATIONS be pleased to state:

- (a) whether it is true that the telecom sector is likely to experience three more quarters of losses, hurt by high levies and unsustainable tariffs; and
- (b) whether it is also true that 2018-19 will certainly be a tough year in terms of financial performance of the industry, stating that the high incidence of levels like license fee and spectrum usage charges, compounded by upfront payment for radiowaves have added to the operators woes and if so, the details thereof and the reaction of the Government thereto?

ANSWER

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

(a) & (b) As per IMG Report on Stressed Assets dated 31.08.2017, the Telecom sector has been witness to a fast pace of technology innovation and new entrants have ushered in competition and new paradigms. The increased competition in the sector and the entry of a new operator led to free promotional offers leading to a downward trend of tariffs and consequent decline in revenues. IMG was informed that a shakeout is happening with weaker players looking to sell, merge or even shut down. After witnessing rapid growth and expansion, the telecom sector in India is now in the midst of consolidation. The competitive context of the industry has led to

- Accumulation of debt
- Decline in EBIDTA
- Requirement of periodic infusion of additional equity.

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.

There are pockets of financial stress in the sector. However each TSP has varying levels 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.

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.

Further, TSPs have ushered in bundled voice and data integrated plans and price cuts have ranged between 67%-45% for data recharge. This has also resulted in an exponential growth in data traffic. 4G rollout has quickened pace and internet penetration is likely to pick up speed. Presently, this has not translated into revenue accruals to TSPs or Government.

The following table shows the quarterly Gross Revenue of Major TSPs for the FY 2016-17 and 2017-18:

	2016-17				2017-18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Revenue (In Rs Crores)	62627.51	59785.82	55303.43	52126.49	53906.43	57260.27	52408.04	53209.44
