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# Telcos' financial woes: Government panel to give views in 3 months

*The committee is expected to have representation from the Departments of Economic Affairs, Revenue and Financial Services, besides the Telecom Department, an official familiar with the matter told PTI.*

PTI | May 14, 2017, 14:11 IST

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NEW DELHI: An inter-ministerial panel being constituted to suggest a policy prescription for the failing financial health of the telecom sector will consult banks and operators before finalising its views in three months.

The committee is expected to have representation from the Departments of Economic Affairs, Revenue and Financial Services, besides the Telecom Department, an official familiar with the matter told PTI.

The panel is expected to finalise its recommendations in the next three months.

Some of the recommendations could be placed before the Telecom Commission - the highest policy-making body in the Telecom Department - for an approval. For the other proposals mooted by the panel, a Cabinet go-ahead may be

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"The internal plan... the views of banks, telecom operators and also... investors in the sector will be sought," the official said.



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The [Department of Telecom](#) is attaching top priority to the issue, the official said adding that the first meeting of the panel members is likely to be held this month itself.

The extent of financial stress in the telecom sector can well be gauged from the fact that the industry has a debt of Rs 4.6 lakh crore.

The sector has been under severe pressure since the entry of newcomer Reliance Jio, last year.

In September 2016, billionaire Mukesh Ambani's venture Jio stormed into the Indian telecom market (incidentally, the second largest market globally with 1.2 billion subscribers) with free voice and data services, forcing established operators to slash rates to protect their turf.

This put revenue and profitability of all telcos under severe pressure, although subscribers benefited from attractive data and voice packs.

Even after launching its paid services post-March 2017, Jio continues to be aggressive, offering data at rock-bottom prices while voice calls are free.

The latest earnings season has further deepened the worry lines - India's largest telecom operator Bharti Airtel recently reported its lowest quarterly profit in four years as net earnings fell 72 per cent in January-March.

Smaller rival Idea Cellular has posted a loss of Rs 325.6 crore in the three-month period ended March 31, 2017.

Airtel, in a post-earnings investor call, hoped that the government panel would take a "prudent view" of the industry's demands, including the one on deferred payment for spectrum.



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The Telecom Department, earlier this year, wrote to the regulator saying promo offers could hit the capability of companies to meet their contractual commitments, including payment of spectrum-related instalments and loans repayment.

The Reserve Bank, last month, has asked banks to review their exposure to telecom and make higher provisions to safeguard their business against any future stress.

The Cellular Operators' Association of India - an industry body whose members includes the incumbents as well as new entrant Jio - has asked the government to consider reducing levies like licence fee and spectrum usage charges, to ease the financial burden on companies.

Another industry demand pertains to adoption of revised definition of Adjusted Gross Revenue (used for calculation of various levies), as well as using spectrum as a collateral.

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