

According to ICRA ratings, the relaxation of spectrum holding caps by Telecom Commission will prove beneficial for the telecom industry as it is expected to ease consolidation.

Earlier, the Telecom Regulatory Authority of India had recommended that the ceiling of 50 per cent on spectrum held by operators within a particular band should be removed and also a cap of 50 per cent should be placed on combined holding in bands of 700 MHz, 800 MHz and 900 MHz. The regulator had also recommended to raise the overall cap on spectrum holding from the existing 25 per cent to 35 per cent in a circle.

According to ICRA, an overall spectrum cap of 25 per cent could be easily breached. It added that the industry is undergoing structural changes with consolidation being at the forefront. A relaxation in the spectrum caps will ease the consolidation transactions that are at advanced stages and the merging operators would not have to surrender any spectrum where earlier they could have breached the cap limits.

Moreover, it pointed that the additional spectrum that now remains with the operators will allow for better service quality. Moreover, with growing data consumption, spectrum requirements would remain high and thus relaxing the spectrum cap is beneficial for the industry. Further, it stated that the extension of time period for the payment of spectrum bought in auctions to 16 years from the current 10 years would ease the cash outflow towards auction payments.

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