

# TELECOM FIRMS NOT LOOKING TO CONVERT GOVT DUES INTO EQUITY

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**NEW DELHI** : Bharti Airtel Ltd and Vodafone Idea Ltd are unlikely to opt for converting interest on deferred spectrum and adjusted gross revenue (AGR) dues into equity, because of improved finances, a senior government official told Mint.

"I think nobody's looking at exercising that option at this point. Industry itself is now feeling much more comfortable and confident of starting the next investment cycle," the official said, asking not to be named. The telecom sector's health was on the upswing with an increase in tariffs and liquidity emanating from the government's reform package, the official added.

The conversion of accrued interest into equity can be done by invoking Section 62 (4) of the Companies Act, and the amount will be treated as a loan until the conversion is completed, the department of telecommunications (DoT) said in reforms announced in September last year. The relevant date would be 14 August, a month before cabinet approval.

On Friday, Bharti Airtel told exchanges it would not opt for conversion. "In furtherance to the earlier communication dated October 25, 2021, and in reference to the notification dated October 14, 2021, issued by the DoT to the company, we wish to inform you that the company has confirmed to DoT that it will not avail the option of conversion of the interest on deferred spectrum and AGR dues into equity," the second largest carrier by subscribers said in its filing to BSE.

Bharti Airtel's shares closed at 704.75, down 0.77%, on Friday. The Sunil Bharti Mittal-led carrier had opted for moratorium of up to four years of dues arising out of AGR and past-spectrum purchases and had the option of conversion of interest on deferred spectrum and AGR dues into equity.

Vodafone Idea is yet to opt for the conversion, but has opted for deferred payments of spectrum and AGR dues, giving it a chance to improve cash flows and invest in business.

The debt-ridden carrier is evaluating the option of converting interest dues arising out of the deferment of statutory payments into equity, chief financial officer Akshay Moondra said in an earnings call in November. It has till 12 January to make a decision.

Vodafone Idea's total debt, excluding lease liabilities and including interest accrued but not due, as of 30 September last year stood at 1.94 trillion. The amount comprises deferred spectrum payment obligations of 1.08 trillion, AGR liability of 63,400 crore that are due to the government and debt from banks and financial institutions of 22,770 crore.

The firm has raised tariffs along with the industry, which will aid average revenue per user (ARPU) growth and in turn revenue generation. Vodafone Idea is attempting to raise capital from existing or new investors, and is aiming to increase its annual capital expenditure to \$2 billion (about 15,000 crore) from an estimated \$500 million at present.

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