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INTERVIEW/RAJAN MATHEWS

'80% of telco debt held by domestic banks'

'We pay 30% more per MHz of spectrum than globally'

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Saddled with a debt of ₹4.2 lakh crore, the telecom industry has welcomed the RBI's directive to banks to closely monitor the stress in telecom accounts, terming it a signal for the government to address the industry's stress. Edited excerpts from an interview with Cellular Operators' Association of India director general Rajan Mathews:

What's the biggest challenge facing the industry?

■ Profitability... we are at an odd stage where you can't ignore the anomalies and the cost structures in this market. The first driver leading up to this is the doubling up of spectrum (costs). When we were on a 'Pay As You Go' model with revenue sharing – that was great as it was self-funded – so there was never a debt overhang. In 2011-12, when auctions were introduced, you should have done away with the revenue share part. With the auction – because you control the quantum of spectrum supplied – obviously bids are on the higher side. And revenue share continues. That's where the debt takes off with its servicing costs adding up. Today, 30% to 40% of revenue goes back to the government.

Who is going to be hurt



The average revenue per user, which is \$17 globally, is \$3 here

outside the industry? The PSU banks already dealing with high non-performing assets (NPAs). If the telecom industry's issues are not addressed, how will debt be serviced? A good 80% of the ₹4.2 lakh crore of debt is held by domestic banks.

So that's the downstream stress from the industry to the environment. We contribute to 4% of the country's GDP. If you start tinkering with revenue streams and the health of the industry, the government is going to be the loser. And the consumer, who presently has a great thing going, could lose ultimately. So the complexity from what is seen as a simple industry problem – is spreading out.

The previous telecom secretary did flag falling telcos' revenue with the regulatory authority...

■ The sector needs better treatment and a holistic look rather than an ad-hoc approach. The significant position of member (finance) (in the Telecom Commission) has been vacant for several months, at a time when there are significant finance and tariff issues affecting the industry. The Telecom Secretary's post is being held as an additional charge. You need a full-time hand as it's important to have someone taking charge. The judicial forum for the sector's disputes was without a chairperson for close to a year.

Don't you feel the ongoing consolidation will stop the bleeding of telcos?

■ No market in the world had so many players and consolidation is happening now. But the process has taken a toll.

That's why our networks are not in the shape they should be. Now, we are converging closer to the developed markets' template of a limited number of players with adequate competition. But we pay 30% more per megahertz of spectrum than paid globally, we pay global prices for network and the average revenue per user, which is \$17 globally, is \$3 here. Thankfully, we have a market of 1.3 billion.