

News monitored for: COAI



Aditya Birla Group Chairman Kumar Mangalam Birla (left) and Vodafone Group CEO Vittorio Colao, at a press conference to announce the merger of the two telecom majors, in Mumbai on Monday. Under the deal, Vodafone will own 45.1% of the merged entity; Aditya Birla Group, the majority owner of Idea, will own 26% while other shareholders will own the remaining 28.9% PHOTO: KAMLESH PEDNEKAR

COAI calls merger a bold move, hopes for quick approvals

PRESS TRUST OF INDIA
New Delhi, 20 March

The Cellular Operators Association of India (COAI) has termed the merger of Idea Cellular and Vodafone India as a "bold" move and said the combined stronger entity will be beneficial to both the government and consumers of the country's telecom market.

Stating that the merger will be "good" not only from an organisational perspective, but from the point of view of consumers and the government, COAI hopes the amalgamation will get "quick" clearances given the Centre's emphasis on ease of doing business.

"It is a bold move from both the operators... and signals their intention to be long-term players in India. From the government's perspective, it will mean stability in terms of payments because it is a stronger entity that will emerge," COAI Director General Rajan Mathews told PTL.

The Idea Cellular board on Monday approved its merger with Vodafone India and Vodafone Mobile Services, a move that will create the country's biggest telecom services provider with a customer base of 400 million.

Vodafone will own 45.1 per cent of the combined company after transferring a stake of 4.9 per cent to the Aditya Birla group for ₹3,900 crore in cash concurrent with completion of the merger. Idea will hold 26 per cent of the combined entity while the rest will be owned by public shareholders.

"It is good from the industry's and consumers' perspective as it will mean state-of-the-art services and network, both of which need substantial investment, which is not possible with a financially weak entity," he said, adding that the move will allow consumers to be "ultimate beneficiaries".

Mathews hopes that given the government's emphasis on the ease of doing business, the merger would get quick regulatory

clearances. "In a merger, the speed of consolidation is the essence of its success. So, we are hoping that there would be no delays or roadblocks and the merger would be cleared quickly," he said.

Amid wide expectations that the Vodafone-Idea merger could face a number of regulatory hurdles in terms of hitting the revenue and subscriber market share and spectrum caps in various circles, Mathews said, "no one's interest will be served by spectrum lying idle".

"There will be spectrum cap hurdle. The question is that if the entities have to give back some spectrum, for which they have already made payments, will it be refunded. If it goes back to the kitty, it serves no one's interest. So, we hope that the spectrum cap issues will be looked at reasonably," Mathews said. Mathews further emphasised that the concerns remain on the industry's deteriorating financial health, which is forcing the consolidation wave.

In a statement, COAI reiterated that hyper-competition, rising costs, taxes and tariff war have severely impacted the revenue stream of operators and put "at risk" the financial condition of the industry.

"There has been a continuous increase in expenditure due to high costs of spectrum acquisition and a severe financial burden on the industry caused by extremely high and multiple levies and taxes," Mathews said in the statement. COAI maintained that the ongoing tariff war in the market "may not be sustainable for long".

"This has also severely impacted the revenue stream of operators, not just in terms of an increase in cost but in terms of a marked decline in the revenue stream. All these have put the financial condition of this industry at risk and increased the debt to ₹4 lakh crore, leading to a severe decline in government revenues from the industry," he said.