

India Telecom

Spectrum Fee Hike to be announced soon - ALERT

As per widespread reports in the press (inc. *Economic Times*), the government will be announcing an increase in spectrum fees soon (1% increase for spectrum up to 8 MHz and 2% increase thereafter). The impact of this hike would be ~100 bps on margins already factored in most analysts' estimates. In addition, there would be a one-time fee for spectrum over 6.2 MHz. There are few details on the quantum on these fees but we believe that the incremental impact would be minimal as these one-time fees would be amortized over the validity of license.

Table 1: Spectrum Fee Charges

Amount of spectrum (TRAI)	Spectrum fee (as % of AGR)	
	Current rate	Proposed
Upto 4.4 MHz/ 5 MHz	2.0	2.0
Upto 6.2 MHz	3.0	4.0
Upto 8 MHz	4.0	5.0
Upto 10 MHz	4.0	6.0
Upto 12.5 MHz	5.0	7.0
Upto 15 MHz	6.0	8.0

Source: TRAI and Press Reports

Table 2: India Wireless Spectrum

	Reliance GSM	Bharti	BSNL	VOD-Essar GSM+CDMA	IDEA
Metro circles					
Kolkata	6.2	8.0	6.2+2.5	9.8	-
Chennai	4.4	8.6	8.0+2.5	8.0	4.4
Delhi	4.4	10.0		10.0	8.0
Mumbai	4.4	9.2		10.0	4.4
'A' circles					
Andhra Pradesh	4.4	8.8	8.0+2.5	8.0	8.0
Gujarat	4.4	6.2	7.4+2.5	11.8	6.2
Karnataka	4.4	10.0	8.0+2.5	8.0	4.4
Maharashtra	4.4	6.2	8.0+2.5	6.2	10.0
Tamil Nadu	4.4	6.2	8.0+2.5	6.2	4.4
'B' circles					
Haryana	4.4	6.2	6.2+2.5	6.2	6.2
Kerala	4.4	6.2	8.0+2.5	6.2	8.0
Madhya Pradesh	6.2	6.2	6.2+2.5	-	8.0
Punjab	4.4	8.0	6.2+2.5	6.2	-
Rajasthan	4.4	6.2	8.0+2.5	6.2	6.2
Uttar Pradesh (east)	4.4	6.2	9.6+2.5	8.0	6.2
Uttar Pradesh (west)	4.4	6.2	8.0+2.5	6.2	8.0
West Bengal and A&N	6.2	4.4	6.2+2.5	4.4	-
'C' circles					
Assam	6.2	6.2	6.2+2.5	4.4	-
Bihar	6.2	8.0	6.2+2.5	4.4	4.4
Himachal Pradesh	6.2	6.2	6.2+2.5	4.4	4.4
North East	6.2	4.4	6.2+2.5	4.4	-
Orissa	6.2	8.0	6.2+2.5	4.4	4.4
J&K	4.4	6.2	8.0+2.5	4.4	-

Source: TRAI, Press Reports and Company Data

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