

Mittal, Ambani set for knockout

SURAJEET DAS GUPTA
New Delhi, 24 December

In the bout for the 2020 undisputed heavyweight champion's title, there are no prizes for guessing who the contenders are. In one corner of the ring is Sunil Mittal, the undisputed star for decades whose company Bharti Airtel has been ousted from the top slot — in terms of revenue market share — this year.

It's been a bruising battle but Mittal has managed to remain standing without conceding much market share to his rival and keeping his debt under control, even though it could be high in the red (a loss of over ₹23,000 crore) if he has to pay the entire AGR dues imposed by the Supreme Court upfront.

In the other corner is the challenger who has risen to the top position in three years and become the new telecom champion. Mukesh

Ambani's relentless push for subscribers has helped Reliance Jio grab the number one slot and, with a 35 per cent revenue share of the market, has moved up quietly from the number three slot at the beginning of the year (Q3 FY 19).

But that is not enough for Ambani who wants to push his 350 million customers up to 500 million. At current net additions a month, this could take him 18 months.

If he thinks this strategy will have Mittal on the ropes, Mittal has made it clear that he won't take it lying down. He hopes to increase Airtel's revenue market share from 32-35 per cent in



The opportunity for the two men — Bharti Airtel's Sunil Mittal (*right*) and Reliance Jio's Mukesh Ambani — to realise their ambitions will unfurl next year when the finances of the third player, Vodafone Idea which has over 300 million customers, are expected to sink

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The opportunity for the two men to realise their ambitions will unfurl next year when the finances of the third player, Vodafone Idea which has over 300 million customers, are expected to sink. Given that Vodafone Idea's promoters have said they are unwilling to throw more good money after bad, it may even shut shop unless the government steps in.

The good news is that the weakening of Vodafone Idea comes at a time when

the brutal price wars of the last three years have subsided. Telcos have already announced hefty hikes in tariffs of 15-40 per cent which they hope will perk up their balance sheets somewhat.

Mittal expects average revenue per user to go up by ₹200 a month, very near what it was before Reliance Jio's entry, in the next few quarters and even hit ₹300.

Yet the financial health of the incumbents (Reliance Jio has to pay a small amount and is not seriously

affected), will depend crucially on how the government and the Supreme Court, which has directed telcos to pay ₹144,000 crore as past dues, tackle the contentious AGR dues.

While the tariff increases might help to reduce their financial stress, they are nowhere near enough to absorb the huge payout for the AGR dues. That is why Bharti is raising \$3 billion in fresh capital which will be a combination of equity and debt to take care of the AGR payments. For

Vodafone Idea, analysts say that the tariff hike will need to be 80 per cent for it to cover the AGR payout.

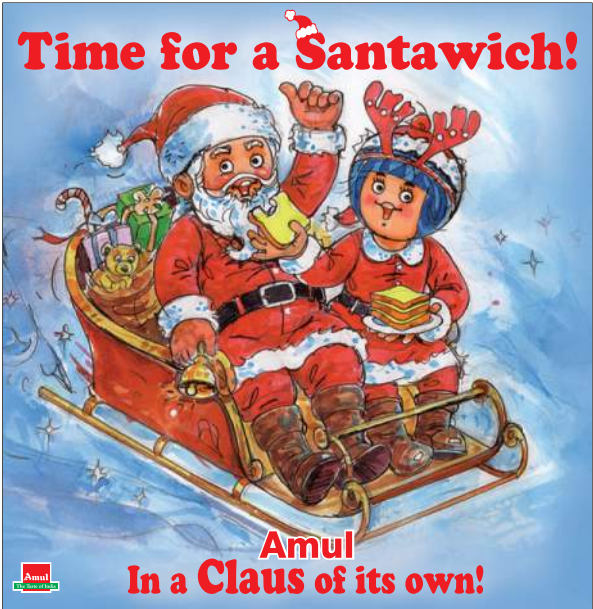
The outcome hinges on the fate of the Bharti Airtel and Vodafone Idea review petitions against the Supreme Court ruling and on whether the government is ready to stagger the payments, reducing the overall immediate burden. This decision could determine Vodafone Idea's survival.

Clearly, a further emasculation of Vodafone Idea or its closure would provide an attractive opportunity for Mittal and Ambani. For instance, around seven per cent of Vodafone Idea's subscribers are post-paid with significantly high ARPUs, constituting around 20 per cent of its revenues, say analysts. Bharti Airtel will be in a better position to grab them as it has a strong presence in the post-paid business and a lot of plans. In contrast, only one per cent of Jio's subscriber base is post-paid and that too with only one plan on offer.

Jio, though, has a winner in the 4G feature phone which is on offer for ₹699 and comes with bundled minutes. It has been a work horse for wooing 2G customers to upgrade to 4G: nearly 30 per cent of net additions come from users who opt for the bundled offering.

Yet both Ambani and Mittal are aware that they have to reduce their dependence on debt even if they are in control. Next year will see a speeding up of the monetisation of assets.

While next year will see a Rumble in the Jungle between Mittal and Ambani, it will not be the year of 5G. Most telcos say that the various financial uncertainties, the limited spectrum available coupled with a high base price, and the lack of any viable use case, makes it unattractive for the time being.



NTPC to have 2-part tender for solar projects

SHREYA JAI
New Delhi, 24 December

NTPC, the country's largest thermal power producer, will switch to a two-part tender process for solar power projects. Senior executives said this would bring down the cost; the aim is to procure power panels in bulk form separately, on own cost metrics. These panels form 80 per cent of the total project cost in a solar power plant. The 'Balance of Systems' tender for construction of the project would be awarded separately, to engineering, procurement and construction (EPC) companies.

Currently, it awards all components of the project together, where the EPC player takes care of all aspects from procurement of equipment to construction. An NTPC executive says they might at some time explore multi-part tendering, where components are awarded to different compa-

nies and assembled. The company said its two-part move was part of a plan to have solar power projects with no advance Power Purchase Agreement (PPA) with any state or power distribution company (discom). One such project has been set up, of 90 Mw, at Anta (Rajasthan).

"We are planning to set up at least 1,000 Mw of projects which will have no PPA. These are also the ones for which we will issue a two-part tender and procure modules ourselves," said a senior executive.

States would buy, since solar power is the cheapest energy source, is the thinking. "Power from these plants could be sold either through power exchanges or through any other platform," said the executive.

As part of a plan to set up 30,000 Mw of solar projects in the next five years, NTPC is looking to increase the share of its own renewable energy (RE) projects.

FROM PAGE 1

Tatas to take complete control of AirAsia India

These, along with AirAsia India, pay annual fees for using the AirAsia brand.

The Tatas have already appointed key executives from its group firms in Air Asia India. In 2018, it appointed Tata lifer Sunil Bhaskaran as chief executive.

Last month, it appointed Titan's Vikas Agarwal as chief financial officer. Recently, it appointed Tata Steel executive Ranganathan R advisor to the CEO.

The airline has also restructured its board, with AirAsia group CEO Tony Fernandes and deputy group CEO Bo Lingam stepping down. Banmali

Agrawala, head of Tata group's defence and aerospace business, was appointed chairman. A Tata group executive said the airline has developed the expertise to handle core operations from India, and hence was not dependent on its parent anymore. "Earlier, a lot of core functions such as revenue management, sales, and leasing needed expertise of the joint venture partner, but now the airline is fully capable of handling the functions," the executive said.

The commercial unit now has a full-fledged office at Gurugram and has established a crew training unit at Bengaluru. Recently, it appointed for-

mer IndiGo executive Ankur Garg as chief commercial officer.

People in the know said the Tatas sought the amendment after being nudged by the aviation ministry, which is yet to give its nod for the airline's foreign operations.

"The government has told the Tatas that if the airline wants foreign flying rights, the agreement has to be amended to reflect that the operations are being handled from India. They don't want anyone to challenge it in court after granting of the permission," said an AirAsia India board member.

The Delhi High Court had also

ordered an investigation by the Directorate General of Civil Aviation (DGCA) in 2017, following which the DGCA had given it a clean chit.

The Central Bureau of Investigation (CBI) had, on May 29, raided the offices of AirAsia India. This was after it had filed a complaint against Tony Fernandes and others on May 28 for allegedly lobbying with the government for overseas flight permits and violating rules preventing foreign airlines from controlling Indian operators. Despite having more than 20 aircraft, the carrier is waiting for permission to fly abroad as gov-

ernment officials remain cautious on the control norms.

"Foreign flying is the ultimate source of revenue generation. The airline has already missed out on getting any of Jet Airways' flying rights due to the controversy. Tata Group taking control will clear the air," the board member said.

Tata Group's other airline Vistara — a joint venture with Singapore Airlines — had to get its foreign flying rights vetted by a group of ministers. CBI's first information report (FIR) says the violations occurred from 2013-2016, before the government eased restrictions on airlines starting overseas flights, in June 2016.

Bharti Infra and Indus Towers merger deadline extended

MEGHA MANCHANDA
New Delhi, 24 December

The merger of Bharti Infratel and Indus Towers yet again failed to receive the Centre's nod. The deadline for the completion of the amalgamation has been extended by two months to February 24.

The Department of Telecommunications is required to take approval from the finance ministry for the deal, mainly on account of international arbitration of an old case when Vodafone bought Hutchison stake in the Indian telecom arm in an \$11-billion deal.

The merger would have unlocked value to the tune of ₹5,000 crore for Vodafone Idea, which is struggling to generate cash to pay dues.

The valuations have now gone down from what was estimated earlier and is only adding to the woes of Vodafone Idea. It currently holds 11.15 per cent in Indus Towers.

In September, Bharti Infratel had said it is expected that the dilution of equity stake held by the current shareholders of Bharti Infratel shall be lower on account of lesser number of shares to be issued against swap of Indus shares vis-à-vis the illustrative shareholdings disclosed in the original transaction announcement.

These would also result in lower cash payments to Vodafone Idea vis-à-vis the illustrative amounts disclosed earlier, it had said.

Since the completion of the merger is contingent upon receipt of requisite regulatory approvals and fulfilment of other conditions precedent, there can be no assurance that the merger can be completed within the extended time frame.