

## Licence Fee Default May Not Lead to Ratings Cut

Agencies CARE, Crisil, Icra, India Ratings to meet, review creditworthiness of stressed operators

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**Mumbai:** Ratings companies are unlikely to construe missing government payments by telecom companies as default for now, unless Department of Telecommunications (DoT) invokes the bank guarantees furnished by them, four people with the direct knowledge of the matter told ET.

Payment of licence fee is a “commercial obligation,” rather than a “financial obligation” where a default would have warranted rating cuts, they said. This could provide at least temporary relief for investors of Vodafone Idea, Bharti Airtel and Tata Teleservices.

Ratings companies CARE, Crisil, ICRA and India Ratings are meeting this week to review the creditworthiness of telcos. Ratings firms did not

reply till press time Sunday to ET's emails seeking comment. “The ability to pay the government will likely reflect what liquidity stress (the telcos are facing) in repaying other lenders. Ratings companies will assess that,” said one of the people.

Any revision on credit ratings

may only be considered based on a broader sector outlook. Still, Vodafone Idea is seen to be more vulnerable for a rating cut, as its estimated cash balance of ₹12,000 crore is short of meeting even immediate debt obligations.

The joint venture between UK's

Vodafone Group and India's Aditya Birla Group has more than 1.26 lakh crore of debt obligations.

DoT holds bank guarantees of an estimated ₹27,000-32,000 crore from telcos against their spectrum licence fee, said a senior banker. If it decides to invoke the guarantees, banks that have issued those will have to pay the money on behalf of the telecom companies. As per regulations, companies must then pay banks within 30 days. “Vodafone (Idea) may be most vulnerable to such a situation while the rest two have money to pay,” said a market analyst.

While Bharti Airtel has funds raised through capital market borrowings to pay the arrears, Tata Teleservices is likely to have arranged internal or bank credit lines. Airtel and Tata Teleservices are rated AA and AA-negative, respectively, with a stable outlook.