

3. Adjusted Gross Revenue (AGR) in Telecom Sector

Prelims: Infrastructure

Mains: GS-III Infrastructure

Why in News?

- ▶▶ In a strongly-worded order, the Supreme Court of India upheld the Department of Telecom (DoT)'s interpretation of "adjusted gross revenue" (AGR).
- ▶▶ This came as a huge blow to telecom service providers.
- ▶▶ Following the order, the telcos are now staring at dues of an estimated ₹1.4 lakh crore, which needs to be paid to the government within three months.
- ▶▶ Most industry players and analysts have argued that the payout of the huge amount could be the final straw for the already distressed sector.

AGR:

- ▶▶ Adjusted Gross Revenue (AGR) is the usage and licensing fee that telecom operators are charged by the Department of Telecommunications (DoT).
- ▶▶ It is divided into spectrum usage charges and licensing fees, pegged between 3-5 percent and 8 percent respectively.
- ▶▶ The definition of AGR has been under litigation for 14 years.
- ▶▶ While telecom companies argued that it should comprise revenue from telecom services, the DoT's stand was that the AGR should include all revenue earned by an operator, including that from non-core telecom operations.
- ▶▶ The AGR directly impacts the outgo from the pockets of telcos to the DoT as it is used to calculate the levies payable by operators.
- ▶▶ Currently, telecom operators pay 8% of the AGR as licence fee, while spectrum usage charges (SUC) vary between 3-5% of AGR.

Why do telcos need to pay out Large Amounts?

- ▶▶ Telecom companies now owe the government not just the shortfall in AGR for the past 14 years but also an interest on that amount along with penalty and interest on the penalty.
- ▶▶ While the exact amount telcos will need to shell out is not clear, as in a government affidavit filed in the top court, the DoT had calculated the outstanding licence fee to be over ₹92,000 crore.

However, the actual payout can go up to ₹1.4 lakh crore as the government is likely to also raise a demand for shortfall in SUC along with interest and penalty.

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- ▶▶ Of the total amount, it is estimated that the actual dues is about 25%, while the remaining amount is interest and penalties.

Concerns:

- ▶▶ The telecom industry is reeling under a debt of over ₹4 lakh crore and has been seeking a relief package from the government.
- ▶▶ Even the government has on various occasions admitted that the sector is indeed undergoing stress and needs support.
- ▶▶ Giving a ray of hope to the telecom companies, the government recently announced setting up of a Committee of Secretaries to examine the financial stress in the sector, and recommend measures to mitigate it.

