

**F.No.3/2/2021-PPU**  
**Govt. of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**(IPP Division)**  
North Block, New Delhi  
Dated: 13<sup>th</sup> October, 2021

**OFFICE MEMORANDUM**

**Subject: REFORMS AND SUPPORT PACKAGE FOR TELECOM SECTOR-Reg**

The undersigned is directed to refer to O.M. no. 31(01)/PFC-II/2021 dated 5/10/2021 from Department of Expenditure, on the above cited subject and issue the following guidelines for implementation, pursuant to the decisions of the Cabinet.

**Guidelines on Payment of Interest Amount on Account of Protection of NPV on  
Deferred Spectrum Auction dues and AGR-related dues**

**I. Background**

In the backdrop of the performance of the Telecom Sector in meeting COVID-19 challenges, with huge surge in data consumption, online education, work from home, interpersonal connect through social media, virtual meetings etc., the Government had announced several reform measures to boost the proliferation and penetration of broadband and telecom connectivity.

To provide relief, in public interest, by easing liquidity and cash flow to the Telecom Service Providers (TSPs) and help various banks having substantial exposure to the Telecom sector, the following measures were announced

- Moratorium/Deferment of four years in annual payments of dues arising out of the AGR judgement, with however, the Net Present Value (NPV) of the due amounts being protected.
- Moratorium/Deferment on due payments of spectrum purchased in past auctions (excluding the auction of 2021) for up to four years with NPV protected at the interest rate stipulated in the respective auctions.
- The TSPs shall be given the option to convert the interest amount, arising out of protection of NPV on account of deferred spectrum and AGR dues, pertaining to the moratorium period, into a loan and issued to the President of India as equity.

**II. Procedure for conversion of interest accrued to into a loan and issued to the President of India as equity**

The Government has decided that the TSPs shall be provided the opportunity to exercise the option for equity conversion of interest dues upfront. The TSP may choose to pay the interest in cash, along with deferred amount, or by way of equity. The TSPs are hence required to

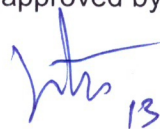


communicate to DoT within the timeframe of 90 days, from date of notification by DoT, election of the option to convert the interest amount, arising out of protection of NPV on account of deferred Spectrum auction and AGR-related dues, pertaining to the moratorium period into equity.

1. If a listed company opts to convert the interest that would accrue on the instalments/ payments during the moratorium period into equity, valuation of the equity shares will be done in the following manner:
  - a. The necessary order for invoking Section 62 (4) of the Companies Act will be issued by the competent department, based on proposal from DoT, directing that the present value of the interest on the deferred AGR-related and Spectrum auction dues during the moratorium period shall be treated as a loan to the Company and then converted from loan to equity shares in the company.
  - b. The equity shares would be issued by the company to the Government on preferential basis.
  - c. The relevant date for pricing of equity or preference shares will be 14.08.2021.
  - d. The price of the equity or preference shares shall be equal to higher of the average of weekly high and low of the volume weighted average price of the equity shares during the last 26 weeks preceding the relevant date or the two weeks preceding the relevant date; subject to the provision under Section 53 of the Companies Act (i.e. shares cannot be less than par value).
2. For unlisted companies, the valuation of shares shall be done by DIPAM following normal accepted principles and by suitably invoking Section 62 (4) of Companies Act as and when required.

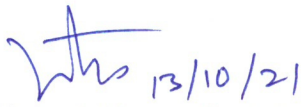
### III. **Procedure for approval**

1. The process shall be initiated after receipt by the DoT of the written consent from the TSPs for conversion of interest dues into loan. DoT shall obtain from the TSPs the audited financial statement of the immediately preceding financial year (i.e. 2020-21).
2. For this purpose, the amount of interest dues covered by the moratorium shall be deemed to be a loan, including for the purposes of Section 62 (4) of the Companies Act.
3. Details of interest amount will be furnished by the TSPs and thereafter certified by DoT. The NPV of the interest amount will be calculated by DoT as on the date of exercise of option by the TSPs. This interest amount will continue to be treated as a loan to the Company till the completion of the equity infusion process. DoT will obtain relevant share prices for listed companies from the TSPs along with the proposal.
4. The option of conversion of the interest amount into equity shares shall apply only to those instalments covered by the moratorium and not to subsequent instalments. The conversion of interest dues to equity will be a one-time option to be exercised upfront.
5. The Government at its sole discretion may convert any part of the such loan to preference shares instead of equity shares, and such preference shares may be optionally or compulsorily convertible and/or redeemable and/or participating in nature. The price of any preference shares for the purpose of conversion of the loan shall be equivalent to equity shares.
6. The proposal for listed companies received from DoT in this regard will be processed by DIPAM in consultation with DEA and shall be approved by the Finance Minister.

  
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7. The proposals received from Unlisted Companies for conversion of interest accrued to equity, if any, shall be examined by a Committee chaired by Finance Secretary and members of the Committee shall be Secretary (DEA), Secretary (Telecommunications), Secretary (DIPAM) and Secretary (Corporate Affairs). The proposals for Unlisted Companies recommended by the committee shall be approved by the Finance Minister.

This issues with the approval of Minister of Finance.

  
(Mukesh Kumar Gupta)  
Director- PPU  
Ph: 23094172

To,

Shri K. Rajaraman  
Secretary,  
Department of Telecom  
Sanchar Bhawan,  
New Delhi.

Copy to:

1. Dr. T.V. Somanathan, FS & Secretary, Department of Expenditure, North Block, New Delhi – 110 001.
2. Shri Tuhin Kanta Pandey, Secretary, DIPAM, 4<sup>th</sup> Floor, Block No.14, CGO Complex, Lodhi Road, New Delhi – 110 003.
3. Shri Rajesh Verma, Secretary, M/o Corporate Affairs, Shastri Bhavan, Dr. Rajendra Prasad Marg, New Delhi – 110 001.