

Telecom may soon be a monopoly: Anil Ambani

KOLKATA: [Reliance Communications](#) chairman [Anil Ambani](#) said the [telecom](#) sector may eventually become a monopoly, having been “creatively destroyed,” and thanked elder brother Mukesh for his “support and guidance” in challenging times. At the company’s 14th annual general meeting, Ambani said some 20 lakh [jobs](#) had been lost to continuing hyper-competition.

He said the “creative destruction” of the telecom [industry](#), underlined by high cost and predatory pricing by some, had created an “oligopolistic structure that was now rapidly moving toward a duopoly, and could eventually become a monopoly,” with “rules of mobile telephony” having been rewritten in the last two years.

The brutal price war and high debt has forced most smaller operators including RCom to exit, with the only private sector survivors being Bharti Airtel, Vodafone India and [Idea Cellular](#), though the latter two have been forced to merge. And with the tariff war showing no signs of ebbing, some fear that the sector may lose more players, though the government has ruled out such a possibility.

RCom also had to shut its wireless business late last year and is selling related assets to Reliance Jio to reduce its Rs 46,000-crore debt. Ambani said that his group intended to exit the telecom sector completely over time. “It would be most appropriate for me to thank and acknowledge the support (and) guidance extended to RCom and me personally by my brother, Mukesh bhai Ambani,” he told shareholders.

Last year, Mukesh Ambani-led Jio had agreed to buy RCom’s wireless assets, by inking an accord that was announced on father Dhirubhai Ambani’s 85th birth anniversary. RCom had inked definitive binding pacts with Jio for the sale of its wireless spectrum, tower, fibre and media convergence node (MCN) assets as part of a Rs 18,000-crore asset monetisation plan to repay its 39 lenders.

While sale of fibre and MCN is through, raising some Rs 5,000 crore, clearance for the sale of spectrum is stuck in the Department of Telecommunications (DoT) which has sought some dues to be paid before approval. RCom has challenged the demand in court. Shares of RCom plunged over 6% to close at Rs 16.15 on BSE on Tuesday. Rohan Dhamija, partner and head of India and Middle East, Analysys Mason, said, “There’s still lack of clarity on actual closure of RCom’s asset monetisation plan, which has been talked about for months on end, and fall in the share price today is possibly a reflection of that continuing uncertainty.”

The RCom chairman though expressed confidence about a resolution to the asset monetisation exercise “in the next few months” and added that sale of telecom infrastructure and fibre to Jio “are at an advanced stage of closure.” RCom, he said, had “the complete backing of global and Indian lenders” on its asset sale plan. Anil Ambani said the telecom industry continues to reel under Rs 7.7 lakh crore of debt, which has led to the halving of its employment base. “From being amongst the top employers, with 40 lakh direct and indirect employees, telecom employees have lost 50% jobs,” he said.

Hyper-competition, said Ambani, had also resulted in the government losing out on revenues by way of licence fees and spectrum usage charges. “Collections are down nearly 25 % from Rs 1,80,000 crore to Rs 1,30,000 crore.” Going forward, Ambani said RCom would focus on real estate business, wherein, subsidiary, Reliance Realty would be “the new growth engine.” Reliance Realty, he said, would develop its 133-acre parcel into a commercial hub that has been valued by HDFC Realty at upwards of Rs 25,000 crore.