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Market Watch

Telco distress call: SBI says it's prepared for the worst

BY SHILPA PHADNIS & MAYUR SHETTY, TNN | UPDATED: FEB 15, 2020, 11.20 AM

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MUMBAI: [State Bank of India](#) chairman [Rajnish Kumar](#) on Friday said the bank was prepared for the worst following the Supreme Court order asking telecom companies to immediately pay adjusted gross revenue (AGR) dues to the government. SBI has Rs 29,000-crore loan exposure to telecom, the largest among Indian banks.

Shares of SBI fell 8%, while other lenders with large exposure to telcos like Yes Bank and IndusInd Bank also dropped up to 5% on Friday. Analysts fear that the SC order could lead to a [Vodafone Idea](#) shutdown. "It may result in Rs 1.2-lakh-crore debt default, large-scale job losses and subscriber churn," said Motilal Oswal in a report.

Addressing reporters on the sidelines of the [Nasscom](#) Software summit here, Kumar said: "Our exposure to them is Rs 29,000 crore. After this order we will ask them what their plans are to comply with the order and whatever is the situation, we are capable of handling it." He added that he expected the telcos to have identified "a course of action" as the order was known for some time.

So far, SBI has provided only for non-performing assets (NPAs) in its telecom loans. "We had [NPAs](#) of about Rs 9,000 crore and there is recovery expected there. On the standard assets, we did not feel the need to provide," said Kumar. Besides the loans, SBI has an additional Rs 14,000 crore of non-fund exposure, which includes guarantees to the government, where the telcos have not defaulted.

"It is now for the telecom companies to decide how to find the money or what course of action they will take," said Kumar. Analysts had earlier expected that the government would provide relief to the telcos. The Centre is counting on Rs 90,000 crore of spectrum dues

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from Vodafone, which in turn owes banks Rs 30,000 crore. Given that the promoter's investment in the company is Rs 15,000 crore there is a likelihood that Vodafone and Aditya Birla group will walk away.

In December last year, Aditya Birla Group chairman [Kumar Mangalam Birla](#) had said that Vodafone Idea may have to shut down if there is no relief in the statutory dues. If Vodafone shuts shop, it is seen to benefit Reliance Jio and Airtel. "Bharti is relatively well placed considering Rs 18,800-crore cash on books and its ability to raise requisite capital. In the absence of any government support, we see this market heading towards a duopoly, which is likely to boost Bharti's market share," said Sandip Agarwal of Edelweiss Research.

Last month, India Ratings had downgraded Vodafone India from 'IND BBB-' from 'IND BBB' and retained on rating watch with negative implications. "The downgrade reflects the crystallisation of adjusted gross revenue related liabilities for Vodafone Idea after the Supreme Court's adverse ruling on January 16, 2020, dismissing the review petition filed by telcos. The SC ruling provides clarity on the liabilities that are payable by Vodafone Idea to the department of telecommunications, which was earlier contingent upon the outcome of the review petition," said Priyanka Bansal, senior analyst with India Ratings after the January 16 decision.

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