GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

UNSTARRED QUESTION NO:2165
ANSWERED ON:12.03.2001
. CELLULAR TELEPHONE COMPANIES
UMMAREDDY VENKATESWARLU

Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether cellular telephone companies are selling equity to each other;

(b) if so, whether such a change in ownership is permitted under the original agreements negotiated by the Government with the private companies;

(c) if so, the details thereof;

(d) whether some cellular telecom companies are expanding their activities and operations in different parts of the country through equity acquisition; and

(e) if so, the details thereof and the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS (SHRI TAPAN SIKDAR)

(a) to (e):

(1) Sir, as per the original Licence Agreements for Cellular Service granted to the private companies, there was a restriction on transfer of equity for a period of 3 years from the effective date of licence in the case of Telecom circle Licences and the Licensees were required to obtain prior approval of the Licensing authority for any change of equity in the case of metro city Licences. In terms of further Government decision of migration policy, there is a stipulation of lock-in of the share holding for a period of five years counted from the date of licence agreement i..e. effective date, on the Cellular Licensee Companies migrating to New Telecom Policy-1999 (NTP-99)regime. During this period of five years, any transfer of share holding directly or indirectly through subsidiary or holding companies is not permitted. However,. Issue of additional equity share capital by the licensee company/its holding company by way of private placement/public issue is permitted. Further, the lock-in provision is not applicable in case the shares are transferred pursuant to enforcement of pledge by the lending Financial Institutions/Banks due to event of default(s) committed by the borrowers with the condition that such shares should have been pledged for the purposes of investment only in the concerned licensed project. The lock-in period is now over in almost all the cases.

(2) The licensee company is required to obtain prior written approval of the Licensor which may be granted subject to following conditions:

(a) An existing foreign partner can be substituted by another foreign partner of identical or similar standing and experience;

(b) Any existing Indian Partner can acquire the foreign partner`s shareholding;

(c) Transfer of equity, inter-se, amongst Indian Promoters can be permitted subject to the condition that the majority holding Indian Partner continues to hold the original shareholding for a period of five years from the effective date of licence agreement.

(d) merger of Indian companies can be permitted as long as competition is not compromised.

In addition to the above, the following shall also be complied with by the Lincesees:

(i) The statutory prescriptions of any nature including but not limited to the provisions of the Monopolies and Restrictive Trade Practice Act.

(ii) No single company/entity shall have any equity in more than one licensee company in the same service area for same service.

(iii) There shall be cap of 49% on foreign equity.

(iv) Management control of licensee company shall remain in Indian Hands.

(3) the Cellular Licensee Companies may, therefore, expand their operations in terms as above as a change in the equity of cellular

licensee company is permitted in terms of the above applicable guidelines.