

Airtel, Vodafone Idea fall for second day; here's what experts say

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ETMarkets.com | Updated: Nov 22, 2019, 10:29 AM IST



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NEW DELHI: Telecom firms Bharti Airtel and Vodafone Idea extended their losses for the second straight session on Friday. The recent relief by the government on Wednesday failed to lift sentiment.

The Cabinet on Wednesday cleared a two-year moratorium on spectrum payments, which will give immediate relief of more than Rs 42,000 crore to mobile phone companies.

Vodafone Idea traded 2.71 per cent down at Rs 6.46, while Bharti Airtel was down 1.11 per cent at Rs 421. Both of these companies have been struggling with high debt and huge losses amid brutal competition with competitor Reliance Jio.

On the other hand, Jio's parent Reliance Industries was up 1.63 per cent at Rs 1,562 at around 9.55 am (IST).

Commenting on the telecom sector, AK Prabhakar, Head of Research, IDBI Capital Markets said, "The government proposal is just a deferment of payment. AQR waiver only will be lifeline for telecom."

Vodafone Idea and Bharti Airtel had rallied up to 150 per cent after Finance Minister Nirmala Sitharaman said the government doesn't want any telecom company to shut operations.

Vipula Sharma, Director-Ratings, Brickwork Ratings said, "The Finance Minister announced that the cabinet has approved deferment of the spectrum dues for FY21 and FY22, although the interest as stipulated in the terms of the assignment will be charged as it is. This announcement is expected to improve the cash flows for the telecom players but it will not have a net benefit on their balance sheet as they have to pay the fees along with interest charges after two years."

Sharma further added that for two large telecom players, the stress on the immediate liquidity will ease to the extent of nearly Rs 42,000 crore. However, it is unlikely to have an impact on the overall sectors financial health as the leverage on the balance sheet is expected to continue to remain high.

Vodafone Idea cracked 6 per cent on BSE on Thursday, while Bharti Airtel slid 2.50 per cent to Rs 426.25.