

TELECOM M&A GUIDELINES TO BE IN PLACE

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February 2014

The Telecom Secretary MF Farooqui has announced that M&A guidelines for the telecom sector should be out within the next ten days. The Empowered Group of Ministers (EGoM), which has approved the guidelines, has sought legal opinion on whether consolidation of companies would amount to sale of equity, violating the lock-in period rule of the telecom license. As per the guidelines approved by the EGoM, the market share of a merged entity should not exceed 50%. Telecom companies that bought spectrum in auctions won't have to make additional payments to the government for radiowaves after a merger. Only companies that acquire telecom operators that had been allocated spectrum will have to pay the difference between the market rate and the old rate to the government.

PSA view – M&A will serve as another way in which spectrum can be acquired.

Government to set up semiconductor fabrication units soon

Union cabinet has approved setting up of two Semiconductor FAB Manufacturing Facilities in India under the National Electronics Policy of 2012. Jaiprakash Associates Limited will set up the first FAB in Yamuna Expressway, Uttar Pradesh with IBM, USA and Tower Semiconductor Limited, Israel as partners while HSMC Technologies India Pvt. Ltd will set up the second FAB in Prantij, Gujarat with ST Microelectronics and Silterra Malaysia Sdn. Bhd. as partners. Letter of intent will be issued to the parties by March 31, 2014 and it is expected that the final agreements will be signed by August 2014. These projects have been offered 25% subsidy on capital expenditure and tax reimbursement as admissible under Modified Special Incentive Package Scheme (M-SIPS) Policy, exemption of Basic Customs Duty (BCD) for non-covered capital items, 200% deduction on expenditure on R&D as admissible under Section 35(2AB) of the Income Tax Act, among others. India's first chip characterization lab is proposed to be set up in Bangalore jointly by the Karnataka government, STPI and IESA, which will test a design to see if it meets its goals. It is also a process that happens before it is sent to the fab for manufacturing.

PSA view – FABs will have a big impact on the development of Electronics System Design and Manufacturing eco-system in India by stimulating the flow of capital and technology, creating employment opportunities, helping higher value addition in the electronic products manufactured in India, reduce dependence on imports, and leading to innovation.

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