

Icasa can obstruct Blue Label deal with Cell C

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The Independent Communications Authority of SA (Icasa) could scupper Cell C's survival plans if it does not allow Blue Label Telecoms to use the mobile operator's spectrum.



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Ratings agency S&P Global Ratings (S&P) cited on Tuesday the uncertainty over the use of spectrum as one of the reasons it had downgraded SA's third-largest mobile operator to the lowest junk rating.

Blue Label made an offer to acquire a 45% stake in struggling Cell C in October 2016 in a R5.5bn deal.

The ratings agency's decision comes at a time when the proposed transaction still hangs in the balance, with a deadline of 28 February 2017.

The deal is potentially lifesaving for Cell C, which has been battling with a large debt load.

In its statement, S&P said the delays in concluding the restructuring agreement, had led to a cash crunch in which Cell C had missed interest payments on its senior secured bonds as well as other unrated debt instruments.

The agency said there were also question marks over whether Icasa could restrict spectrum use as it did in the case of Vodacom and Neotel.

S&P said this issue had to be considered as part of a Cell C bankruptcy scenario.

Cell C would not be drawn on how the deal with Blue Label was progressing or how the downgrade would affect it.

"Cell C is currently engaged in a recapitalisation process, which is essential to delivering a sustainable capital structure for Cell C," a spokesperson said.

"As part of this process, various capital and interest payments to lenders have been deferred. This has no direct impact on the underlying business of Cell C and the operational performance of the company remains strong," the spokesperson said.

Blue Label Telecoms head of investor and media relations Michael Campbell said the deal was on track, but that more details would be revealed once the company released its results in two weeks' time.

"The market will have more clarity once the results are out. But we won't be commenting at this time concerning the announcement by S&P," he said.

An analyst at Frost & Sullivan Africa said she believed the downgrade would further hamper the planned restructure and prolong the liquidity problems.

"Uncertainty around spectrum allocation will impact the way forward for Cell C, in terms of monetary value of spectrum, and its transferability in the acquisition which, most likely, may be opposed by Icasa," said Frost & Sullivan Africa ICT senior industry analyst Naila Govan-Vassen.

The positives for Cell C in the medium to long term included a strengthening rand, which could lead to a price reduction and the ability to attract new customers, the firm said.

Icasa had not commented by the time of publication.

Source: Business Day

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