

'BSNL, MTNL revival plans in works'

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NEW DELHI: The communications ministry intends to present the sorry state of finances of state-run telcos [BSNL](#) and [MTNL](#) to the Group of Ministers (GoM), while seeking its approval for a number of initiatives planned to revive their fortunes.

In a note to the inter-ministerial panel, seen by ET, the telecom ministry has said that the financial position of both the telcos was nothing to write home about. For the year ended March 2013, BSNL is estimated to post a loss of more than Rs 8,190 crore, while MTNL has recorded losses of Rs 3,335 crore for the three quarters ended December last year.

Last month, the Centre constituted a panel of ministers tasked with revitalising the two public sector mobile phone companies. The panel will also take a call on the telecom department's demand that the Cabinet approve a Rs 23,000-crore bailout for BSNL — that has nationwide operations — and MTNL, which operates in Mumbai and Delhi. The ministry, in its note prepared for the [GoM](#), has said that losses of both the carriers have been widening in the past three financial years.

"MTNL's net worth is likely to be completely eroded in the first quarter of the financial year 2013-14 , while BSNL's is likely to remain at Rs 50,000 crore, most of which is locked in fixed assets, at the end of the 2012-13 financial year," said DoT. The ministry asserted that both the telecom providers faced

several legacy issues that have also dented their bottomlines . Further, cost towards employees is far higher than other operators in the industry.

In MTNL's case, for instance, the employee cost as a percentage of revenue was over 103% and for BSNL, nearly half or 49% of the revenues were channeled towards employee costs, as against an industry average of less than 5%. BSNL's revenue for the year 2012-13 is expected to be around Rs 26,396 crore, while expenditure is more than Rs 34,590 crore, besides outstanding loans of Rs 4,264 crore.

It's even worse for MTNL that has an expenditure of Rs 6,017 crore, double the revenue of Rs 2,682 crore, with loans of more than Rs 10,789 crore as on March 31, 2013. Intense competition, inability of the PSU carriers to use their network reach, failure to build a solid marketing and customer service, and falling revenues from landline service have led to a decline in overall revenues.

A massive outgo towards payments for obtaining 3G and [BWA spectrum](#) at market rates in 2010 further depleted cash reserves and led to large debt on MTNL's books since it had to take loans to pay up for spectrum, the ministry has said in its note to the GoM, while seeking several short, medium and longterm measures to revive the companies. Some of the proposals include surrendering of BWA spectrum by MTNL in two circles, and BSNL in six circles, which would amount to over Rs 10,000 crore in payments made to the government, for which a refund has been sought.