BSNL's cash and bank balance reach Rs 2,500 crore; likely to seek govt bailout (ET)

NEW DELHI: State-owned Bharat Sanchar Nigam Ltd (BSNL), that was sitting on cash pile of over Rs 40,000 crore till March 2008, and was using its interest income to buttress its profits, may soon be forced to seek a government bailout to survive. Once considered as jewel among the India's state-run companies, BSNL is facing an uphill task of meeting its fund requirement towards capital expenditure this fiscal as its cash and bank balance reached to a critical level of Rs 2,500 crore. Off this, BSNL has a bank deposit of only Rs 840 crore while the rest is current account and being used for running its businesses.

A year ago, BSNL had cash reserves to the tune of Rs 30,343.40 crore. This comes as the PSU has recorded loss of whopping Rs 6,384 crore for the year-ended March 2011, capping a series of dismal results in the last four years that saw the erstwhile monopoly being reduced to a bit player in the fastgrowing market. The unlisted company had earlier told the government that its losses would be limited to Rs 2,725-crore losses for the year-ended March 2011. BSNL had announced a loss of Rs 1,823 crore for the year to March 2010, a first for the company since it was set up. Its losses have gone up 350% over the last 12 months. "Our employee costs account fro 46.5% of the company's total revenues.

No company can survive if employee costs eats away a bulk of revenues," BSNL's chairman and managing director RK Upadhyay told ET. On revenues of Rs 29,687 crore, the company has incurred employee cost of Rs 13,791 crore during the last fiscal, as per its balance sheet, a copy of which was reviewed by ET. BSNL saw its overall revenue fall from Rs 39,715 crore in 2006-07 to Rs 38,053 crore in 2007-08 and further to Rs 35,812 crore in 2008-09, before falling to Rs 32,046 in 2009-10.

Its fall from grace is best explained from the fact that its annual revenues were over the Rs 40,000-crore mark for the yearended March 2006. According to Upadhyay, the telco's cash reserves collapsed as the company paid out close to Rs 19,000 crore for 3G and wireless broadband access (BWA) spectrum last year. BSNL did not take part in the auctions, but was mandated to match the winning bid in all circles.

This resulted in the telco paying up Rs 10,186.58 crore for 3G airwaves and a further Rs 8,314 crore for BWA airwaves. Despite having a 12-month head start of over private operators, BSNL has been unable to make a business case of both its 3G and BWA airwaves. In fact, it had recently offered to surrender its broadband wireless airwaves to the government after it its plans to rollout WiMAX-based using these airwaves through a franchisee model flopped.

Upadhyay further pointed out that BSNL had been unable to place any orders for mobile networks since 2006 as each of its tenders were cancelled after companies that lost the bids

mounted legal challenges against the PSU.

"We could not buy any equipment at a time when the industry was growing by leaps and bounds. This impacted out ability to compete," he added.

In 2009, Prime Minister Manmohan Singh, worried about the steep decline in BSNL's profitability over the years, sought revival suggestions from Sam Pitroda Pitroda and banker Deepak Parekh. They in turn recommended a strategic 30% stake sale and staffs cut by 100,000 and also raise funds from the sale of its infrastructure, such as signal towers and real estate. But the government's failure to act on the Pitroda report, despite the BSNL board's approval, has posted a serious setback in plans to revive the telco. BSNL's plans to sell 30% stake through an IPO.

BSNL's last order for mobile equipment was in 2006, when it issued a tender for 45 million lines, but this was eventually reduced to 22 million lines after former telecoms minister A Raja had intervened. In 2010, BSNL had cancelled its 93 million lines contract, the world's largest for telecom equipment.

Following the junking of the 93 million lines contract, which had run into several controversies, including court cases and a probe by the Central Vigilance Commission, BSNL subsequently launched a tender for 5.5 million lines, which barred Chinese vendors initially, only to re-launch the bidding process to include the same, leading to protests from Western bidders resulting in the eventual cancellation of this tender. After this, the telco had attempted a fresh tender for 15 million GSM lines, and Chinese participation in the bidding process has now raised fresh security concerns from the home ministry and the IB, forcing it to delay placing orders yet again.