

BSNL's poor show catapults Bharti to no 1 slot in revenues for first time

ET Bureau

NEW DELHI: State-owned BSNL continued its embarrassing fall from grace and defied the industry trend by posting sharply lower profits and slightly lower revenues for the fiscal ended March 2009. Company executives said political interference was the major reason for the mess that BSNL is in, but they spoke on condition of anonymity because of the sensitivity of the issue.

The dismal showing by the telecoms company means that it has ceded the top slot for sales and profits to private sector rival Bharti Airtel. It also means that BSNL's valuations will suffer as it prepares for its first public share offering.

On Wednesday evening, BSNL issued a terse statement stating that it had posted a net profit of Rs 574.85 crore on total revenues of Rs 3,5811.92 crore without even providing comparative numbers for the yearago period. Profits had nosedived 81% and revenues fell 6%.

The official explanation was that “the profit of BSNL has declined during the current financial year mainly on account of increase in employees cost due to implementation of pay commission recommendations and decline in revenue of fixed line services.”

This is the second successive year that BSNL witnessed a massive fall in profits despite being one of the largest players in the world's fastest-growing telecoms market. All its main rivals —Bharti Airtel, Reliance Communications, Vodafone Essar and Idea Cellular — saw significant growth in customer additions, profits and sales in 2008-09. India has over 450 million telephone connections, including about 415 million mobile subscribers.

Bharti, now India's largest mobile services provider by revenue and users, added 32.3 million subscribers in the year to March and had a total of nearly 100 million customers. BSNL, in contrast, added just over 10 million users and had half the number of customers as Bharti.

A measure of the depths to which BSNL has sunk is the fact that its revenues nearly Rs 40,000 crore in the year to March 2007. Bharti's was at Rs 37,352 crore at the end of March this year. BSNL executives say it ran out of capacity to expand cellular services nearly a year ago. But several factors, including court cases and political interference, have resulted in the company not being able to award any major new contracts for equipment over the past 24 months.

A senior BSNL executive pointed out that both in 2006 and 2007, the company matched Bharti in subscriber additions, but political interference since then had resulted in growth stagnating. In 2007, A Raja became telecoms minister and reduced BSNL's telecom tender for 45 million lines by half. This too was cut by another 50% after Nokia Siemens refused to provide equipment at the price the minister wanted.

A follow-on tender for 93 million lines issued in early 2008 has also been stuck after Nokia Siemens, which was disqualified, approached the courts.

“BSNL has hardly any capacity addition since 2006-07 and this reflects in our performance,” the executive remarked.

BK Syngal, senior principal at Dua Consulting and former chairman of VSNL, a telecom PSU that was bought out by the Tatas, observed that as long as public sector companies remain “shackled by ministries and are not allowed to act in the cut-throat dynamic and competitive market like private sector companies, the PSUs, specially in the telecoms sector, will continue to suffer. This is manifest clearly from the results of BSNL announced today.”

“If BSNL is unable to add capacities for constraints unknown to the public, the decline in the top and bottom line will continue,” he added.

Mr Raja was unavailable for comment.

BSNL chairman and managing director Kuldeep Goyal told ET that the telco had to spend just under Rs 2500 crore on higher wages. “Besides, revenues from our fixedline services was down by about Rs 2,400 crore. These two factors dragged us down by about Rs 5,000 crore during the 2008-09,” he said.

Revenues from cellular services were at Rs 9800 crore in 2008-09 compared to about Rs 10,500 crore in the previous year.

Mr Goyal was optimistic that the company could turn things around in the coming year as capacity on the cellular front would finally kick in this fiscal. “There will be an improvement,” Mr Goyal said.

“We have also decided to share our towers and infrastructure with other mobile operators, opening a new stream of income. BSNL has also signed agreements with international operators to provide virtual private network connectivity to customers worldwide. We are also looking at operations outside India.”