

Business Standard

Can BSNL reboot itself?

The public-sector telecom operator should be able to hive off its tower unit soon and will get a generous infusion of funds from the government over the next five years

Mansi Taneja | New Delhi August 27, 2015 Last Updated at 22:30 IST



State-owned Bharat Sanchar Nigam Ltd, or BSNL, after it got nearly decimated by private telecom operators in the business of voice calls, is leaving no stone unturned to get a piece of the action in the data business. As voice calls turn into a commodity, most telecom operators have started to focus on data, the next big thing.

In a move that will ease its cash flows, the Cabinet has given an in-principle approval to BSNL's long pending proposal to hive off its towers into a new subsidiary. The idea, of course, is to sell a stake in the towers company to an investor and unlock value. It is expected to be valued at Rs 20,000 crore.

Besides, an investment of about Rs 39,000 crore over the next five years has been lined up to expand

its core network and to help it launch more services such as 4G and Wi-Fi.

To turn around the company, which is mandated to operate in the entire country except Delhi and Mumbai, won't be a simple matter, though. Cutthroat competition and constraints in its capacity expansion plan led BSNL to post a loss of Rs 1,823 crore in 2009-10 for the first time since its inception in 2000. The loss reached Rs 7,600 crore in 2013-14 and stood at Rs 7085 crore in 2014-15.



BSNL Chairman & Managing Director Anupam Shrivastava, who took over the reins of the ailing company earlier this year, has his task cut out. The huge loss does not bother Shrivastava - he hopes to take BSNL back to profits within the next three years.

After taking over, Shrivastava had said that BSNL has been making losses mainly because of depreciation of assets and administrative costs, which account for 55 per cent of the revenues. However, the operational needs are being through internal cash accruals.

"With a topline of Rs 28,000 crore and debt of Rs 4,500 crore, the situation is not that bad. The first priority is to change the direction of the company in such a way that losses are reduced year after year and there is enough compensation on depreciating assets," Shrivastava had said.

Will the recent initiatives help BSNL turn around? Or is the government throwing good money after bad? Is it headed the Air India way, where the government has sunk in thousands of crores but no signs of a swift turnaround are visible?

An opportunity

One thing is for sure, the tower business offers a good opportunity for BSNL to raise critical growth capital. It has 65,000 towers, most of them located in the interiors. As metros move towards 100 per cent tele-density, the action is bound to shift to smaller towns and villages: relatively untapped territory. And BSNL's tower infrastructure is already in place - a good way for others to save investments and time. It also owns ample spectrum.

Thus, when BSNL was on the verge of signing an agreement with Mukesh Ambani's Reliance Jio for spectrum sharing, the other private telecom players including Bharti Airtel, Vodafone and Idea Cellular demanded an equal opportunity for themselves. The situation was well captured by a senior official in the ministry of communications and IT who said BSNL is turning out to be an eligible bride who is getting many suitors, and the government is indeed elated seeing this state of affairs.

BSNL will outsource the operations and management of its towers across India, as it prepares to form the second-largest tower firm in the industry. Indus Towers, a joint venture between Bharti Airtel, Vodafone and Idea Cellular, is the largest player in the country with about 120,000 towers. The contract is expected to be valued at Rs 1,500-2,000 crore and expressions of interest will be invited within the next few weeks. The outsourcing will enable BSNL to reduce its expenses by 15-20 per cent.

The next move

Analysts say it is a wise move. "The demerger of the tower business will help unlock value. The demerged entity can improve tower tenancies by making available the towers to all private sectors,

says Deloitte Haskins & Sells Partner Hemant Joshi. "This will also lead to better usage of national assets."

The capital and organisational structures of the new tower unit will be formulated by an inter-ministerial group.

Currently, BSNL generates revenue of about Rs 200 crore from its tower business and expects it to go up to Rs 2,000 crore once the tower unit is formed. As of now, BSNL has leased out 4,500 towers to Reliance Jio and about 1,500 to Bharti Airtel. A senior officer from BSNL says conflict of interest has been the main problem in leasing out towers to private telecom operators so far, which will be erased once the new unit is in place.

Meanwhile, BSNL wants to integrate WiFi with its mobile network to provide users a seamless experience of 3G and WiFi service. "BSNL has missed the voice journey. But we want to make sure we are the leaders in data services. The age of voice is over and data is the next big thing," says Shrivastava. "We are in a strategic position, be it mobile, landline or optic fibre network."

At the moment, data and broadband is small for BSNL: it contributes 10 per cent of the company's revenue, though its share is on the rise. For the industry, data's contribution stands at around 13-16 per cent. But the market is tough. One thing is for sure: it won't be a cakewalk for BSNL.