

## Chapter No. 7

### Recommendations and Conclusions

#### 7.1 Recommendations

BSNL is operating in an environment which is intensely competitive. BSNL had inherited a legacy network from DTS/DTO which was predominantly fixed line network. The manpower which it got on its roll as on 01.10.2000 was from DTS/DTO with a mindset of governmental working having attitude of unfriendly approach to customers and experience of working in the monopolistic environment. Being a public sector operator, it is also obliged to discharge social obligations as per the policies of Department of Telecom, Govt of India. The liberalisation and regulatory changes in telecom sector too hurt its revenue and growth as it was unable to cope with increased competition, ever decreasing tariffs, disenchantment by customers on account of poor after sales service and lack of marketing skills in the organisation.

The objective of this study was to identify areas of the concern in the financial performance of the BSNL by analysing financial statements/annual reports and recommend remedial measures for way forward. Some of the measures being suggested are as under:

- (a) BSNL has vast infrastructure for providing landline services throughout the country. It had been generating handsome revenues for BSNL during its initial years of operations but due to expansion of mobile services in a big way and resulting trend of surrendering of landline telephones dented its revenue from this segment and it has almost halved in 2014-15 to what it was in 2005-06. BSNL has taken many steps to arrest decline in the landline revenue including the innovative scheme of offering of free calls during night hours in May, 2015. It is recommended that BSNL may review

the existing basket of landline services being offered so as to add new & innovative VAS products to make them attractive and carry out rationalisation of the existing tariff plans for landline services for giving better value to the customers. Further, tariff plans on per second basis like in mobile telephony may be thought off.

- (b) BSNL has been utilising its fixed line network for provisioning of broadband services. It is heartening to note that revenue from this segment is showing increasing trend year after year. In the recent past, BSNL has been unable to push growth in broadband connections, perhaps, due to poor after sales service record. BSNL will have to find ways and means to arrest the de-growth in broadband business, push for increase in broadband connections by offering more customer centric products, enter into service level agreements with retail customers for ensuring better quality of services etc.
- (c) BSNL may explore revenue sharing model for providing broadband services in high rise buildings in the newly developing areas. BSNL may take care of infrastructural requirements like UG cable or OF cable while the partner may take care of providing customer end solutions along with marketing and customer care.
- (d) As on 31.03.2015, BSNL had 2,25,512 employees on its roll. BSNL incurred an expenditure of Rs. 14963 Crores towards employees benefits in year 2014-15. This is about 52% of its total revenue. Such a high expenditure on this account is unsustainable unless there is commensurate increase in the revenue of the company to fund such high expenditure. Followings are suggested to reduce the expenses on this account:
- BSNL may work out an attractive VRS package for its employees particularly non-executives who are 1,78,818 in numbers as on 31.3.2015 and mainly

comprise off legacy staff from DTS/DTO recruited for operation and maintenance of landline network. Due to many factors like educational background, lack of ability to adopt to new technological changes, decreasing landline business etc., a big chunk of such staff is under utilised and BSNL may afford to spare them. DoT being the administrative ministry of BSNL may be requested to completely finance the expenditure on VRS package as it will help in revival of BSNL. A 20% reduction in staff strength through VRS is likely to save Rs. 3000 Crores per annum and may help BSNL to tide over its financial crisis in coming years.

- Innovative solutions like providing long leave of 5-10 years duration with lien in the company may be thought off and during leave period, interested employees may be allowed to join private sector, fulfil entrepreneurial ambitions or pursue any other goal. During such leave period Basic + DA or any other compensation may be offered to make scheme attractive. Such steps too will help BSNL in lowering its establishment and employee related expenses.

(e) BSNL has been making provision for doubtful receivables of the order of Rs. 3700-4500 Crores during last 10 years in its balance sheet. BSNL may take actions to reduce doubtful or bad provisions by having a system of monitoring wherein such cases can be identified early in the beginning and timely corrective actions can be initiated. Further, legal recourse may be adopted wherever required to recover dues alongwith offers of discounts on upfront payment of pending amount or waiver of penalty/charges for delayed payments or customised recovery schemes on pending payments etc. A reduction in the doubtful receivables will improve its current assets and liquidity position.

- (f) BSNL needs to find ways and means to improve its fixed assets utilisation. Assets which are life expired or have become technologically obsolete may be scrapped and accounted for in the balance sheet.
- (g) Off late, renting out tower space and associated infrastructure for provisioning of various telecom services has become a lucrative business for such infrastructure providers. Bharati Infratel Limited, a Bharati group company, having 85,892 numbers of towers had a revenue of Rs. 11668 Crores with net profit of Rs. 1992 Crores for the year 2014-15 (source: Bharati Infratel Limited's annual report for 2014-15). BSNL is having around 65,000 number of towers spread out in the nook and corner of the country. By sheer comparison with Bharati Infratel, BSNL tower segment has a potential of earning revenue of the order of Rs. 8830 Crores. In the present arrangement, though revenue from tower business is not mentioned separately but it seems the revenue potential is not getting realised due to lack of business focus and absence of new initiatives in this segment. Therefore, it is suggested that BSNL may hive off its tower business to a fully owned subsidiary company which will be able to concentrate on this business and contribute handsomely to BSNL revenue stream by working out attractive tower sharing models.
- (h) BSNL has been earning almost half of its revenue from Cellular services segment. Now this segment has become bread and butter for BSNL and is extremely crucial for survival of BSNL in near future. BSNL has to quickly take required initiatives for arresting de-growth in the number of mobile subscribers. Further, BSNL needs to gear up itself in this segment as churning of customers may accelerate due to launch of 4G technology mobile services by its competitors like Bharat Airtel and Vodafone in recent past. Further, impending launch of 4G based data services by Reliance Jio

in 2016 has potential to upset revenue streams of all telecom operators including BSNL.

- (i) BSNL may take adequate steps for timely realisation of trade receivables which will improve its liquidity position. Improvement on reducing doubtful provisions will also help in this regard.

## 7.2 Conclusions

Telecom sector in India has witnessed fierce competition amongst service providers in all segments of telecom services. BSNL, a legacy operator from government stable, had been fighting hard for its survival. On one hand, liberalisation, competition and regulatory changes in the sector had impacted its revenue streams and profitability adversely; on the other hand, constraints which are associated with public sector enterprises have too their share in the deteriorating financial performance of the company. In spite of poor performance during last few years, it can not be said that that hopes for revival of BSNL have been lost. Due to initiatives taken by the management, from last two years, some signs of improvement in financial performance are becoming visible. BSNL has to build upon this and move ahead on revival path by taking all those initiatives/actions which are required to sustain and grow its business in different segments.