

# THE HINDU Business Line

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## 'BSNL has a two-year window to turn around'

Thomas K. Thomas

*Industry witnessing pressure on margins due to price wars, says CMD R. K. Upadhyay*



New Delhi, Oct. 14:

Mr Rakesh Kumar Upadhyay, Chairman and Managing Director, Bharat Sanchar Nigam Ltd, has an uphill task of turning around the company. Apart from falling market share, mounting losses and controversies around its procurement, the telecom company is dealing with increasing cost of managing a large workforce of over 3 lakh people.

During a conversation with *Business Line*, Mr Upadhyay says that the window of opportunity for BSNL to turn around is less than two years, which can happen if a proposed voluntary retirement scheme takes off. Excerpts.

How do you plan to improve market share for BSNL?

BSNL is still a market leader in landline and broadband segments. In mobile segment only we rank fourth in terms of customer base. To translate our goodwill into market share, we are making efforts to give focused attention to improve our network availability, increased accessibility of products to the customers, launching innovative value added services, sustained operational focus on customer care, service delivery and service assurance, use of IT tools for monitoring performance.

What are the targets that you have set for yourself?

It has been decided to adopt two fold strategy: take new initiatives for increasing revenues and optimising CAPEX and OPEX through convergence.

We are focusing to fortify stable revenue streams through concerted focus on broadband, NGN voice and enterprise business with major focus on Government projects. There is going to be focused monitoring on the performance of top 100 cities.

Why is BSNL lagging behind in terms of profit and market share?

BSNL is the market leader in landline and broadband business segments with 71.93 per cent and 63.49 per cent market shares respectively. BSNL also has prominent shares in mobile and leased circuit business segments. BSNL entered cellular business as a late entrant in October 2002 when private operators had already spread their arms for over 6 years. Our network expansion stumbled during the last few years for reasons beyond our control. However, we have initiated the process to increase our mobile capacity and hope to revive the growth process.

The entire telecom industry is presently witnessing pressures on its margins due to the price war in cellular segment and all operators are feeling the pinch of competition. BSNL is feeling a greater pinch due to increased manpower cost after the pay revision in public sector.

In the current situation even the operators with a lean workforce are witnessing shrinking margins. The products where we have dominant position are those where the costs of sustenance are high and margins are low.

We are making efforts to leverage technology for reducing cost and increasing productivity.

Do you think BSNL will become another Air India or do you think this company will turn around?

I do not see any link of Air India's experience with that of BSNL except for the fact that both are PSUs. They are operating in different industry segments and have dissimilar operational dynamics.

I am quite optimistic about BSNL improving its position. I also wish for improved fortunes of Air India.

What is the status of synergising operations with MTNL?

As a part of synergising the operations of BSNL and MTNL, we are taking various initiatives to ensure that both the companies are able to give a single window view to the end consumer and able to withstand the competition.

These initiatives include procurement of international bandwidth by assessing the combined requirement of both BSNL and MTNL to take price advantage of large volume of bandwidth. Similar arrangement is also being explored for international voice traffic.

BSNL and MTNL are also working on a proposal wherein entire traffic of MTNL is carried by BSNL across the country at most competitive rates.

Synergy about provisioning of leased line and MPLS VPN to the enterprises customers is being reviewed to resolve issues between the two companies.

Do you agree with the Government move to price 2G spectrum?

BSNL is a wholly owned Central Government PSU and it abides by the decisions of the Government in the matter. The spectrum obtained by BSNL is used for spreading telecommunication in far flung, remote, rural areas, hilly and difficult terrains which are non-remunerative areas, as a part of Government programme.

Therefore, BSNL expects the Government to adequately compensate BSNL by giving the spectrum at subsidised rates instead of market rates.

Should BSNL be given more autonomy with less interference from political class?

We are governed by DPE guidelines and as part of it we have to sign MOU with Administrative Ministry or Department every year which specifies physical as well as financial targets to be pursued by us.

Periodic review of targets vis-à-vis achievements are carried out by DOT. Hence their involvement in the business of the company cannot be ruled out.

There are suggestions of hiving of BSNL into various business, like what BT and AT&T did. What is your take?

This is a policy matter on which decision has to be taken by the Administrative Ministry or Department of the Government of India. However a dedicated business unit called New Business has been carved within BSNL to provide sustained focus on leveraging the huge infrastructure such as towers, land and buildings of BSNL. This unit is headed by an Executive Director.

The Government seems to be in a dilemma on giving BSNL the mandate to roll-out the National Optic Fibre. The fear being that BSNL will misuse its position and deny access to competition. Do you think BSNL should be given this project?

Yes, I feel that the project should be given to BSNL as BSNL is capable to execute this project in the shortest time at minimum cost. BSNL has countrywide OFC network of 6.8 lakh route km which is more than the optical fibre network of all other telecom service providers put together.

The network is spread out in most of the 6500 blocks of the country and connected to 60,000 villages. The decision of awarding work to BSNL would be best utilisation of already existing fibre resources.

The fear of misuse of its position by BSNL is unfounded as the operations of National Optical Fibre Network will be handled by an independent company under the Government of India which would provide non-discriminatory access to all.

How will you streamline procurement to make it faster and transparent?

To make the procurement process faster and more transparent, BSNL has recently started procuring through e-tendering method. Although our procurement is being done in accordance with a disclosed procurement policy, we implemented integrity pact whereby the complaints are settled expeditiously by IEMs (Independent External Monitors)

How will you deal with the issue of excess manpower?

At present, BSNL has nearly 2.76 lakh employees. Going by industry standards, BSNL does have a high staff-to-line ratio. We are considering downsizing the workforce by devising a suitable VRS scheme.

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