

BSNL's non-cellular business incurs Rs 4,963-cr loss

9 Mar 2010, 0304 hrs IST, Joji Philip Thomas, ET Bureau

NEW DELHI: BSNL incurred losses of Rs 4,963.6 crore from its non-cellular business, which largely constitutes its fixedline and broadband offerings, junior minister for communications and IT Gurudas Kamat informed Lok Sabha on Monday.

But, despite registering massive losses from its landline business, data accessed by ET show that the company recorded a profit of Rs 575 crore in 2008-09, managing to stay in the black because of interest income from its accumulated cash reserves. For the year ended March 2009, the telco's total revenues were at Rs 35,811.9 crore — profits had nosedived 81% and revenues fell 6% when compared to last year. In 2008-09, BSNL's interest income from its cash reserves was about Rs 3,900 crore.

In the same period, its total other income from non-telecom related activities was a little over Rs 5,000 crore. This implies, the PSU's other income has covered up its losses from landline and cellular business completely. Besides, it also reveals that the telco is not making any profits whatsoever from its cellular business, the primary revenue platform for other communication firms, such as Bharti Airtel, Vodafone Essar and RCOM. BSNL also gets government support of Rs 2,000 crore annually from the Universal Obligation Fund.

If not for this subsidy, BSNL's losses from its non-cellular businesses would be at Rs 7,000 crore for last fiscal.

As reported earlier by ET, in 2007-08, the telco's net profit was Rs 3,009 crore on interest income of Rs 4,004 crore, buttressing the case its profits in the past two years have less to do with its telecom business. Income from activities not related to its core business during this period was nearly Rs 5,700 crore. Cash reserves fell to Rs 35,337 crore at the end of March 2009 from over Rs 40,000 crore a year ago. BSNL's dismal performance last fiscal resulted in Bharti overtaking it to claim the top slot for sales and profits. It also means that BSNL's valuations will suffer as it prepares for its first ever public share offering.

Mr Kamat, in his written reply also told the Lok Sabha that the telco's non-cellular business had recorded an expenditure of Rs 21,819.9 crore in 2008-09, as against an expenditure of Rs 26,656.7 crore — this left it with a deficit or an operating loss of Rs 4,836.7 crore. This combined with adjustments from previous years has resulted in total losses from this segment at Rs 4,963.6 crore, the junior minister's reply added.

Even as its non-cellular business weighed down the company, the PSU's growth has been hit as its mobile business has not kept pace with the growth recorded by its private peers. A combination of factors, including court cases, vigilance probes and political interference has resulted in the company not being able to award any major new contracts

for mobile networks over the past 24 months.

A measure of the depths to which BSNL has sunk is the fact that its revenues were 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. Incidentally, in 2007, Bharti's revenues were only Rs 18,420 crore while profits were at Rs 4,062 crore. Interestingly, BSNL's profits and revenues were double in 2007 as compared to Bharti's then. Another fact that best explains this situation is that, had BSNL's revenues and profits remained flat at its 2007 figures, the telco would have still been ahead of Bharti in March 2009, despite the latter's phenomenal growth over the past two years.