Reviving BSNL in a Competitive Telecom Market

Why in news?

To spur Bharat Sanchar Nigam Limited's (BSNL) overall competitiveness in the steep domestic telecom market and de-stress its balance sheet, the Union Cabinet has approved revival package worth ₹1.64 lakh crore.

How significant is India's telecom industry?

- As per the National Investment Promotion and Facilitation Agency, India's telecom industry is the second-largest in the world.
- The country's overall tele-density is 84.88%.
- However, there exists a divide between rural and urban areas where the urban market's tele-density is 134.70% and the rural market is about 58.2%.

How about the picture of BSNL?

> *BSNL is a technology-oriented integrated telecom service providing company. It is a 100% Government owned Public Sector Undertaking that was incorporated in 2000.*

- BSNL's share of wireline connections fell sharply to 28.7% at the end of May 2022, from 46.6% in October 2019.
- Over the same period, the total number of wireline connections grew 17.6%. On the significantly larger wireless front, BSNL's already small share slid marginally to 9.85% as on May 31, with the number of subscribers declining.
- The only consolation was that the number of its rural wireless subscribers shrank by just 11.4 lakh.
- The intervening period has also seen BSNL shrink its workforce.
- BSNL's net loss narrowed appreciably to Rs. 7,453 crore during the FY2021.

How does the latest package propose to help?

- The revival package would initiate measures on three fronts
  - Infusing fresh capital for upgrading the state-owned operator's services
  - Strengthening its stressed balance sheet
  - Augmenting its fibre network by merging Bharat Broadband Nigam Limited (BBNL) and BSNL
- It is expected that the package could help with a turnaround in such a manner that BSNL starts earning profits in FY2026-27.
- **Spectrum** - The allocation would help BSNL increase as well as consolidate its

serviceable bandwidth.

- Thus, it would be able to provide high speed data utilising a vaster network presence, more importantly, in rural areas.
- **Social objectives**- The allocation will help the company to fund its operational viability gap in the commercially unviable rural wireline operations that was undertaken between 2014-15 and 2019-20.
- **Authorised capital**- The Government would also be increasing the authorised capital to Rs.1.50 lakh crore in lieu of its adjusted gross revenue (AGR) dues, provision of capital expenditure and allotment of spectrum.

The earlier package that was announced in 2019 proposed for the merger of Mahanagar Telecom Nigam Ltd (MTNL) and BSNL.

How is BSNL placed in comparison to its peers?

- **Social duty**- BSNL's social sector duties prompt that all loss on capital assets is met from internal accruals only.
- **Tech innovation**- Thus, it is unable to promptly respond to technological innovations in the market like its private peers such as rapid transition from 4G to 5G.
- **ARPU**- The average revenue per user (ARPU) of BSNL suffers and impacts the bouquet of services.
- **Base Transceiver Stations**- Reliance Jio and Bharti Airtel held six and five-and-half times more Base Transceiver Stations (BTSs), respectively, when compared with BSNL.
- **Subscribers**- Between the end of April and May, BSNL lost wireless subscribers at an average 0.30% each month, whereas Bharti Airtel and Reliance Jio combined had acquired wireless subscribers at an average 0.43% each month.

References

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