

Niti Aayog against Rs 14,000 cr infusion in BSNL, MTNL for 4G service

By Anjana Das, Thursday, 3 January 2019

City: New Delhi

The government think tank Niti Aayog have objected the proposal of preferential equity infusion in the two PSUs -- BSNL and MTNL -- amounting to nearly Rs 14,000 crores for acquiring 4G spectrum observing that the returns on such high investments from them are almost nil and it is not essential.

The department of telecom (DoT) had sought Niti Aayog's views on the 4G spectrum allocation proposals for PSUs — BSNL and MTNL — that might cost the exchequer about Rs 14,000 crore.

A senior DoT official said that the Aayog has not favoured giving spectrum to BSNL (and MTNL) mentioning it is not essential and private players are already offering the same services. "Even in the rural areas BSNL's hold as a public telephony operator has been on the decline, he added.

Earlier, finance ministry was reluctant to spare that huge amount for the proposal while department of expenditure saw no immediate benefits from the move.

The DoT proposal based on the individual board DPRs (detailed projects reports) of BSNL and MTNL — both declared incipient sick PSUs by the department of public enterprises — seeks to allocate 4G spectrum to them to match private competition and be in the fray amid cut-throat competition. The government owned entities do not participate in auction but they match the highest bid for the band they seek to buy.

While for MTNL it has been an arduous journey for survival as it is now even not able to pay salaries but BSNL is a comparatively better managed PSU given the limitations it has to face. The loss has doubled in last fiscal to Rs 8000 crore at a time when due to Reliance Jio's cheap tariffs each operator like Airtel and Vodafone-Idea has suffered and has gone into either red or has seen shrunk profits. But BSNL has managed to keep floating.

The consultation was part of communication to various ministries for inter-ministerial feedbacks on the capital infusion proposal.

BSNL, which reported a loss of Rs 4,786 crore in 2016-17 and is estimated to have doubled the losses for FY18 at Rs 8,000 crore and is struggling without 4G services. Its income stood at Rs 32,411 crore (FY16), Rs 31,533 crore (FY17) and Rs 27,818 crore (FY18). MTNL, the other state-run telecom firm, reported a loss of Rs 2,971 crore in FY18. This was against a similar amount in FY17 and Rs 2,006 crore in FY16.