

Interview with R.K. Upadhyay

“The biggest challenge is to maintain our market position”

For Bharat Sanchar Nigam Limited (BSNL), the biggest challenge is to maintain its market position in a hypercompetitive market, especially with tariffs constantly under pressure. Chairman and managing director, R.K. Upadhyay talks to *tele.net* about the company's strategic plans for 2013, its key concerns and efforts to generate additional sources of revenue. Excerpts...

How was BSNL performance in 2012?

In 2011-12, the overall performance of the Indian telecom sector was below par, compared to the previous years. However, BSNL, which had been incurring losses year after year, was able to stabilise its performance and maintain its market position and revenue share. Two major developments, however, impacted the company negatively. A judgment passed by the apex court necessitated BSNL paying about Rs 15 billion to the Department of Telecommunications as spectrum charges and licence fee for 3G services. Also, BSNL, which used to receive Rs 20 billion every year as viability gap funding to support its rural operations, received funds only till July 2011. This meant that the company had to incur an additional cash outgo.

For 2011-12, BSNL closed its books with a loss of Rs 80 billion. If only the company's balance sheet is taken into account, our losses have increased by Rs 20 billion. However, if one factors in both the aforementioned developments, our losses have actually reduced over the previous fiscal.

We managed to resolve several pending issues during 2011-12. Notable among these was the long-standing challenge in the procurement of GSM equipment. This impacted our network expansion and coverage plans, and we were therefore unable to improve our wireless market share. During the period under consideration, we were able to finalise a fresh tender for the procurement of GSM equipment. We also introduced an e-procurement system. All purchases above Rs 10 billion will have to be processed through this platform.

We further undertook various customer-centric initiatives and launched several value-added services. For example, we introduced a video-calling facility for broadband customers in the north and west



zones, and are in the process of doing so in the south and east zones. We also launched the mobile money order service in collaboration with the Department of Posts.

BSNL consolidated its position in the fibre-to-the-home (FTTH) segment. We also expedited the leasing of towers and vacant building spaces.

What are the challenges facing BSNL?

The biggest challenge before the company is to maintain its market position in a hypercompetitive market where tariffs are constantly under pressure. The company is undertaking various initiatives to overcome these challenges.

What will BSNL's focus areas be in 2013?

With the procurement and installation of GSM mobile equipment, we will focus on our 3G network and on providing broadband services to customers through different technology platforms such as 3G, EVDO, FTTH, CDMA and DSL.

What progress has BSNL made in connecting rural India?

We have already broadband enabled 90 per

cent of our 28,000 rural telephone exchanges. The proliferation of broadband services in rural areas is limited by various factors such as poor PC penetration, lack of electricity and inadequate local language applications. There is an need for applications that are aimed at improving the socio-economic conditions of rural users.

What steps is the company taking to generate additional sources of revenue?

We have appointed a consultant to examine the various alternatives for generating income from our large land bank. We are also looking at hiring another consultant to help us transform our telecom factory into a profit centre. This consultant will also critically examine our tower assets and suggest options to monetise these assets. We are further looking to float a tender for establishing Wi-Fi hotspots and video-conferencing rooms across the country on a revenue-sharing basis.

What is the company's 3G strategy?

BSNL is the only operator in the country to have achieved a widespread roll-out of 3G services. We hold 3G spectrum and licences in all the circles and have launched these services in more than 1,000 cities. We have also enabled our 2G customers to migrate to 3G and have recently optimised our 3G network for data operations. We expect increased uptake of 3G services, which will help us generate additional revenue.

What major trends do you foresee in the sector in the coming year?

The National Telecom Policy, 2012 is expected to bring stability to the sector. Moreover, the telecom industry is likely to witness consolidation, since sustaining the number of service providers currently operating in each circle is not feasible. ▲