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BSNL's cash and bank balance reach Rs 2,500 crore; likely to seek govt bailout

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NEW DELHI: State-owned Bharat Sanchar Nigam Ltd (BSNL), that was sitting on cash pile of over Rs 40,000 crore till March 2008, and was using its interest income to buttress its profits, may soon be forced to seek a government bailout to survive. Once considered as jewel among the India's state-run companies, BSNL is facing an uphill task of meeting its fund requirement towards capital expenditure this fiscal as its cash and bank balance reached to a critical level of Rs 2,500 crore. Off this, BSNL has a bank deposit of only Rs 840 crore while the rest is current account and being used for running its businesses.

A year ago, BSNL had [cash reserves](#) to the tune of Rs 30,343.40 crore. This comes as the PSU has recorded loss of whopping Rs 6,384 crore for the year-ended March 2011, capping a series of dismal results in the last four years that saw the erstwhile monopoly being reduced to a bit player in the fastgrowing market. The unlisted company had earlier told the government that its losses would be limited to Rs 2,725-crore losses for the year-ended March 2011. BSNL had announced a loss of Rs 1,823 crore for the year to March 2010, a first for the company since it was set up. Its losses have gone up 350% over the last 12 months. "Our employee costs account for 46.5% of the company's total revenues.

No company can survive if employee costs eats away a bulk of revenues," BSNL's chairman and managing director [RK Upadhyay](#) told ET. On revenues of Rs 29,687 crore, the company has incurred employee cost of Rs 13,791 crore during the last fiscal, as per its balance sheet, a copy of which was reviewed by ET. BSNL saw its overall revenue fall from Rs 39,715 crore in 2006-07 to Rs 38,053 crore in 2007-08 and further to Rs 35,812 crore in 2008-09, before falling to Rs 32,046 in 2009-10.

Its fall from grace is best explained from the fact that its annual revenues were over the Rs 40,000-crore mark for the yearended March 2006. According to Upadhyay, the telco's cash reserves collapsed as the company paid out close to Rs 19,000 crore for [3G](#) and [wireless broadband](#) access (BWA) spectrum last year. BSNL did not take part in the auctions, but was mandated to match the winning bid in all circles.

This resulted in the telco paying up Rs 10,186.58 crore for 3G airwaves and a further Rs 8,314 crore for [BWA](#) airwaves. Despite having a 12-month head start of over private operators, BSNL has been unable to make a business case of both its 3G and BWA airwaves. In fact, it had recently offered to surrender its broadband wireless airwaves to the government after it its plans to rollout WiMAX-based using these airwaves through a franchisee model flopped.
