

## Growing pain: BSNL losses to soar as 4G tender stuck

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It's going to be almost a year since the government approved a Rs 70,000-crore revival package for the ailing Bharat Sanchar Nigam (BSNL), but the company is still struggling to put in place a tender to place orders for building its 4G network. This is when one of the key reasons forwarded by the government in favour of a revival package was that once 4G spectrum worth around Rs 24,000 crore is given to the company it would be able to effectively compete with its private sector peers and become profitable by FY24.

The company's 4G tender first ran into trouble over the issue whether Chinese vendors like Huawei and ZTE should be allowed to participate in it or not and later whether foreign vendors should be totally kept out which means shutting doors on the likes of even Nokia, Ericsson and Samsung.

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Interestingly, the pulls and pressures and experiments regarding BSNL's 4G tender is taking place at a time when it's a late entrant into the space – its private sector peers are pursuing the government to allocate them spectrum to conduct 5G trials.



The results are showing. The company which is yet to post its FY20 earnings, is expected to show wider losses than around Rs 18,000 crore projected at the time of the revival plan. In the last five years, from FY15 to FY19, BSNL's turnover has fallen from Rs 28,645 crore to Rs 18,865 crore and its losses have risen from Rs 8,234 crore to Rs 13,804 crore.

As it is, BSNL has the lowest average revenue per user (Arpu) for mobile services in the industry at around Rs 50. In contrast, [Bharti Airtel](#) has an Arpu of Rs 157 followed by Reliance Jio at Rs 140 and [Vodafone Idea](#) at Rs 114. The low Arpu is because it has bulk of low-paying 2G users on its network.

Analysts point out that keeping the Chinese vendors out seems fine considering the Indo-China border tensions and the subsequent guideline by the government barring companies which share land border with India from participating in government procurement tenders. However, not allowing other foreign vendors like Nokia, Ericsson or Samsung to build the network through what is called managed networks model and opting for an indigenous model which entails something of mix and match called system integrator, would be risky for the company considering that it can't afford to experiment at this stage.

Under the multi-vendor model, which sections in the government are pushing for BSNL, the 4G network would be built and managed by a system integrator, which would basically buy hardware and software from different companies like Nokia, Ericsson and other foreign vendors and assemble them. This is a new model which is being tried globally and for BSNL since the system integrator would be an Indian player, it would give a touch of a domestic company having built the network.

Most of the private mobile operators have built their networks through turnkey contracts to a single vendor which after commissioning also manages it under managed services agreement. It saves cost and improves network efficiency. In the system integrator model, the network would have components of several players, basically by way of assembling, which may increase costs and lead to quality issues or technical glitches.