

2. The proposal of BSNL has been examined in DoT in consultation with Internal Finance Division. It is requested to re-examine the proposal in its proper perspective on the following points:

(i) Revenue from Operations of BSNL is on huge decline i.e. 20% in 2017-18 in comparison to previous year and by 27.8% when compared with Q1 2018-19 (Rs. 4589 Cr) & Q1 2017-18 (Rs 6358 Cr). It has been claimed that BSNL will be able to recover revenue shortfall in FY 2017-18. However, in fact, during 2017-18, there was a heavy dip in wireline/wireless revenue. As per proposal, BSNL has estimated a revenue growth of 4.8% in 2017-18. However, it has actually reduced by 14.8%.

(ii) The expense on employee's remuneration and benefits is continuously growing as compared to its revenue. It is 66% of the Revenue from operations during FY 17-18. The expense on employee's remuneration and benefits has now become 89% of the revenue from operations during Q1 of FY 2018-19. The employee cost would further escalate by about Rs. 4300 crore per annum in case of implementation of 3rd PRC and total employee cost may exceed revenue from operation which is in declining order. A comparative statement of revenue from operations and employee cost before and after implementation of 2nd PRC has been summarized as below:-

F.Y	Revenue from operation (Rs in crore)	Employee cost (Rs in crore)	Employee cost in % of the revenue from operation
2007-08	32360	8809	27.2%
08-09	30269	11363	37.5%
09-10	27913	13455	48.2%
10-11	27045	13791	51%
11-12	25998	13406	51.6%
12-13	25655	13758	53.6%
13-14	26153	15436	59%
14-15	27242	14962	55%
15-16	28448	15386	54%
16-17	28404	15715	55.3%
17-18	22567	14838	65.7%

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In this scenario, BSNL will not be in a position to bear its present operational expenditure along with the financial impact of 3rd PRC of Rs 4303 Crore per annum, being additional burden. BSNL may furnish justification for taking on and managing the additional burden in case of revision of the pay of its Executives/Non-Executives employees.

- (iii) The debt of BSNL as on 31/03/2018 is Rs. 9452 crore. BSNL has an additional requirement of loan for OPEX and CAPEX (projected as 15,366 Cr) during 2018-19. Since BSNL is extensively borrowing from market for meeting its CAPEX and OPEX commitments and the cash outgo on account of fitment benefit may impose additional burden on the company.
- (iv) The Government projects with BSNL are also likely to be completed within two years period. Proposal is silent about alternate financial mechanism in the eventuality of not being able to generate adequate revenue as required for the proposal.
- (v) The total cash inflow of Rs. 6850 Cr indicated by BSNL to meet the total cash outflow of Rs. 6485 Crores on pay bill revision proposal including of non-executives is calculated with the assumption that BSNL would get a refund/adjustment of Rs. 2000 Cr. from DoT towards excess pension contribution based on BSNL's suggestion that pension contribution be based on actual pay and not maximum pay. The Government has not agreed to the proposal.
- (vi) BSNL has proposed to launch 4G services with Government support. Total cost of the project is Rs. 25700 crore. Out of total project cost of Rs. 25700 crore, BSNL has proposed Government support to the tune of Rs. 8653 crore. As BSNL is not in position to invest from their internal accrual, the cost of equipment proposed to be made through borrowings from market for which interest will have to be paid by BSNL. There could be marginal increase in revenue due to launch of 4G services but interest on the loan taken by BSNL will have sizable and significant cash outflow. It is not understood as to how BSNL will gain and compete after getting 4G service.
- (vii) The matter of affordability of BSNL to pay @15% fitment would have an annual impact of Rs 4303 Cr, for which the present finance status/position of BSNL may not permit to accommodate the extra burden without support from other sources.
- (viii) BSNL has claimed that substantial revenue will be generated from leased circuits, FTTH connections, NGN technology-based wire-line connection, satellite phone connection etc. It is requested to quantify/workout/ estimate the revenue generation through above activities.

3. You are requested to submit a concrete viable proposal with a detailed analysis on the above points among other that you consider relevant to enable this Department to further examine the proposal.