



MTNL EXECUTIVES' ASSOCIATION

Central Headquarters, New Delhi

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[Affiliated to National Confederation of Officers' Associations (NCOA)]

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To
Shri J S Deepak
Secretary DOT & Chairman, Telecom Commission
Govt of India, New Delhi

Subject: Suggestions for MTNL revival

Respected Sir

MTNL Executive Association has time & again expressed serious concerns at the deteriorating financial condition of MTNL & asked MTNL management & DoT for immediate measures leading to survival of MTNL.

MTNL revival plan should be a clear cut business case, which is based on our strength and success stories / experiences gained in changed scenarios.

Recently many new policies of government have been announced, such as Virtual Network Operator (VNO), Spectrum Sharing etc. If we leverage these enablers and suggestion of Deloitte of Managed Services / Partnership model, possibly we can turn around the company in 3 – 5 years' time frame. Next 5 years Telecom Industry will be witnessing "Broadband Revolution" and if we align ourselves towards this likely Industry growth, MTNL will be better positioned to take advantage of "Wired Broadband" segment.

Business Portfolio:

- MTNL is still focussing on line of Business, which is either declining or fiercely competed.
- Instead if we change, focus on High speed Wired Broadband (Copper, FTTH and Wi-Fi), Enterprise Business and New Areas, it will give better Return on Investment and faster chance of revival.

Opportunities for MTNL:

In Wired Broadband segment MTNL is a market leader. MTNL strengths (Copper, OFC and Duct Network) cannot be copied / replicated by competitors in short time. More over Competitors are fiercely competing on Mobile Broadband, hence virtually at present there is No / little competition in Wired Broadband Segment. Focussing on Wired Broadband Segment will be a **Blue Ocean Strategy**. MTNL has a potential to capture 50% of Market (5 million House Holds out of around 10million Households in Delhi and Mumbai). **The potential Value Creation by / through MTNL in next 3 – 5 years are as follows:**

Potential Value Creation by / through MTNL revenue 3 - 5 years Down the Line				
Name of Item	No in Lakh	Per unit perr month rate in Rs	Per month revenue in Rs Cr.	Per annum revenue in Rs Crore
BB up to 8Mbps on Copperr Network	25	1,000	250	3,000
Up to 100 Mbps on FTTx Network	15	1,500	225	2,700
Beyond 100 Mbps on FTTH Network	10	2,000	200	2,400
Enterprise Network (ILL / LL / MPLS)	2	10,000	200	2,400
Wi-Fi Hot Spots at various places	Free for MTNL Customers & Chargeable to Others			
Gross Value of Likely Business Potential				10,500
Even if MTNL gets revenue share of 40 – 50 % of this potential market, Revival is ensured.				
MTNL Revenue from other Existing Line of Business				
Landline for Govt/Enterprise Customers	15	500	75	900
Mobile	20	200	40	480
Renting	13 Lakh Square Feet			320
Additional Revenue for MTNL				1,700
Total Opportunity (Assuming 45% of Rs 10,500/- + 1700)				6,425
Opportunity for doubling the revenue in next 3 – 5 years				
In addition, Huge Opportunity of VAS on this Connected Network				

This is the available Market right now. If we will not do, somebody else will do. Hence it is high time to fix strategy and align all our resources accordingly. Based on past trend, if we try to grow incrementally, then revival will be very difficult. Hence we have to leapfrog.

Since the NGN will be whole IP based Network, **we can give voice free** to counter Jio. The existing Conventional Voice revenue will get confined to Offices and Enterprise Customers. This Wired Broadband Network will be much more robust as compared to Jio's radio based IP Network. **We can create various hot spots zones in the city and give the facility free to our customers and to other against tariff.**

Network Upgradation / Expansion:

Around Rs 2000/- Crore of Investments will be needed excluding Mobile. The same will be utilized for upgrading and strengthening MTNL Core Network and implementation of IT System.

Partnership Model (VNO) :

MTNL will have to learn to work in Partnership Mode, **which is the biggest bottleneck as on today.** VNO, the recent Government of India policy which has segregated the Network Service Provider from Access / Customer Service Provider is the biggest tool in our hand. If we transform ourselves for working as Partnership Mode, then these huge revenue potential can be achieved as mentioned above. The Partners will bring

- (i) Investment for access Network
- (ii) Service Delivery and Service Assurance
- (iii) Improved Processes and Competency

Long partnership say for 10 years should be done and the partner relationship will be enabled through IT tools so that there is clarity on roles and responsibilities / measurement parameters and processes. Payment through Escrow Account to be enabled for confidence building.

Project Financing:

Financing against a project is never an issue. If need arises, MTNL can assign the first right of revenue to Bank, **we must take loan and go ahead with our expansion plan.**

Loans against Asset: It is high time we get our assets valued at market rate (Rs 56935/- Crore as per MTNL Finance Wing estimation on Asset Valuation) by appointing approved real estate valuers. This will increase our net worth and **loan opportunities will be available** against the same, in case of exigencies even without bringing them in MTNL Balance Sheet.

Mobile Business

Last 10 years were of Mobile revolution. We missed the bus, despite 3G spectrum allocated to MTNL one year ahead of others. Today Mobile segment is not only very saturated market but also fiercely competed by existing Market Leaders as well as New Challengers like Jio.

Presently we are expanding our Mobile network, which will make our Core and Radio network in Central Delhi reasonably good, which is the top most priority for government also.

For a meaning full player at par with others we need at least 3500 towers each in Delhi and Mumbai, which need at least RS 1000 – 1200/- Crore investments and at least a 2 years' time period. The market is already over saturated today and will not wait for us for next two years, even if we decide to do the same. The Return on Investment will be a big challenge. Hence we should work out plans based on Managed Services / MVNO Models.

a. Mobile Plan – A

- ii. Set right our Mobile Core Equipment
- iii. Go for Intra Circle roaming and / or spectrum sharing
- iv. No further investment on radio network.
- v. This will immediately improve the services without much investment and will give us breathing time.
- vi. The same has been done by BSNL also.
- vii. In the meanwhile if we are able to get more market share, we can review our investment decisions. In fact, one year delay in execution from the time, Board has approved the Mobile Expansion, has further weakened MTNL chance for being a meaningful player in Mobile segment.

b. Mobile Plan – B

- i. MTNL has a huge Mobile asset – Spectrum, Towers, Equipment and Customers. In case Plan A does not generate revenue in tune with the assets,

we can think of divesting mobile business and strengthen more on new growing areas.

- c. **We will always have limitation of resources. In such cases we should prioritize our investment in favour of High Speed Broadband and New Businesses, which are more growing areas.**

Human Resources:

Employees are our biggest strength and any miracle (if any), happens in MTNL it will due to our staff only. The Employees are retiring per annum @ 2700 – 2800.

MTNL is organized as an "Operational Organization". Today is the need for getting organized on business lines. BSNL has done it 6 – 7 years back. Hence HR restructuring will be needed on business line. The KRAs (Key Result Areas) and KPIs (Key Performance Indicators) for group as well as individual will have to be redrafted and closely monitored and implemented.

VRS is a standard acceptable way of reducing excess staff. The same has been accepted by DOT also and a proposal for giving VRS to 20% of staff has already been approved by Telecom Commission. The only question is of the source of funding for VRS, particularly the ex-gratia component. We should generate fund from asset monetization and exercise VRS options.

New Businesses:

The Government of India has taken various initiatives like Digital India, Smart City, Skill India, Make in India etc. Huge work Opportunities are there. We should ask government for giving us some work on Nomination. Following Seven Fields as suggested by Deloitte we should explore which I Feel can give us around Rs 100/- Crore per annum in 2 – 3 years' time frame. Many of these initiatives we will have to go through either existing and / or new subsidiaries or Joint ventures , i.e. Smart City Opportunities, Project Management, IOT (Internet of Things), NI (Network Integrator) / SI (System Integrator) Play, Advertisement Platform, Big Data Analytics, Cloud Computing etc.

In fact, each of these is a multibillion opportunity, it depends upon our appetite, how much and how far we go in each field. We should request government to allot us some Work for Big Data Analytics to start with.

Government Support / Direction :

Finalize Direction for Company as Owner – MTNL is at a cross roads and has at least two paths forward. Each has its own merits. **We should request for a decision**, which will be valid for at least 3 years, particularly if revival on its own option is chosen. Even if Merger with BSNL is chosen as an option, still we have to follow the path of revenue creation.

- (i) Revival on its own – Which is possible as mentioned above. If we correct our Focus
- (ii) Merger With BSNL

Straighten Debt Equity Ratio – We understand that Telecom is a high Capital Intensive Industry and more than 3.5 Lakh Crore is Industry Debt. Despite such a huge debt the debt equity ratio of Airtel is 0.5 and that of Idea is 1.5, whereas for MTNL it is more than 20. Such high Financial Leverage cannot be sustained in such a highly competitive industry. Due to this anomaly, we have a severe cash flow issues and we are stuck in day to day urgent and crisis issues.

We need help from government in getting moratorium for 3 years from Interest and Principal Repayments The various options for correcting the debt – equity anomaly could be as follows:

- (i) Equity Infusion by Government – Against Rs 630 Crore investments, MTNL has already paid back more than Rs 47,000/- crore to Government.
- (ii) In case Equity Infusion is not possible then for correcting this debt equity ratio, we can request the government for

Extending Sovereign Guarantee for Rs 12000/- Crore, so that we can raise money through cumulative bonds for gaining moratorium.

Real Estate Monetization – Permission to monetize assets for funding VRS and / or Capital Expansion.

- (ii) Free real estate asset of Rs 8711/- Crore is available. More assets can be identified and made free.
- (iii) Many buildings are lying vacant, Permission to sell them on out right basis.

The business plan of doubling the revenue coupled with the plan of reduction in expenditure both in Employees Cost as well as Finance Cost through real estate monetization has a potential to turn around the company in 3 – 5 years time frame. Once the momentum in this direction picks up the results will start coming much faster than expected.

Therefore, we request your good self to get actions initiated on the proposals above mentioned to get MTNL revived at the earliest. Employees are doing their best and ready to do any thing to get MTNL revived. Now there is need of political will and early actions by the DOT and MTNL management. We hope you good self will take early action to protect MTNL.

With kind regards

Yours sincerely


(V K Tomar)

Copy to:

1. Shri Manoj Sinha, hon'ble Minister of communication
2. Shri P K Purwar, CMD, MTNL
3. Shri Sunil Kumar, Director (HR&EB), MTNL
4. Shri sanjeev Kumar, Director Tech), MTNL