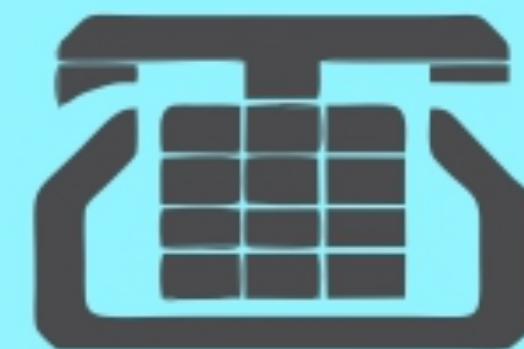


# MTNL on the brink of debt default, knocks on Govt door for funds



All You **NEED TO KNOW** About

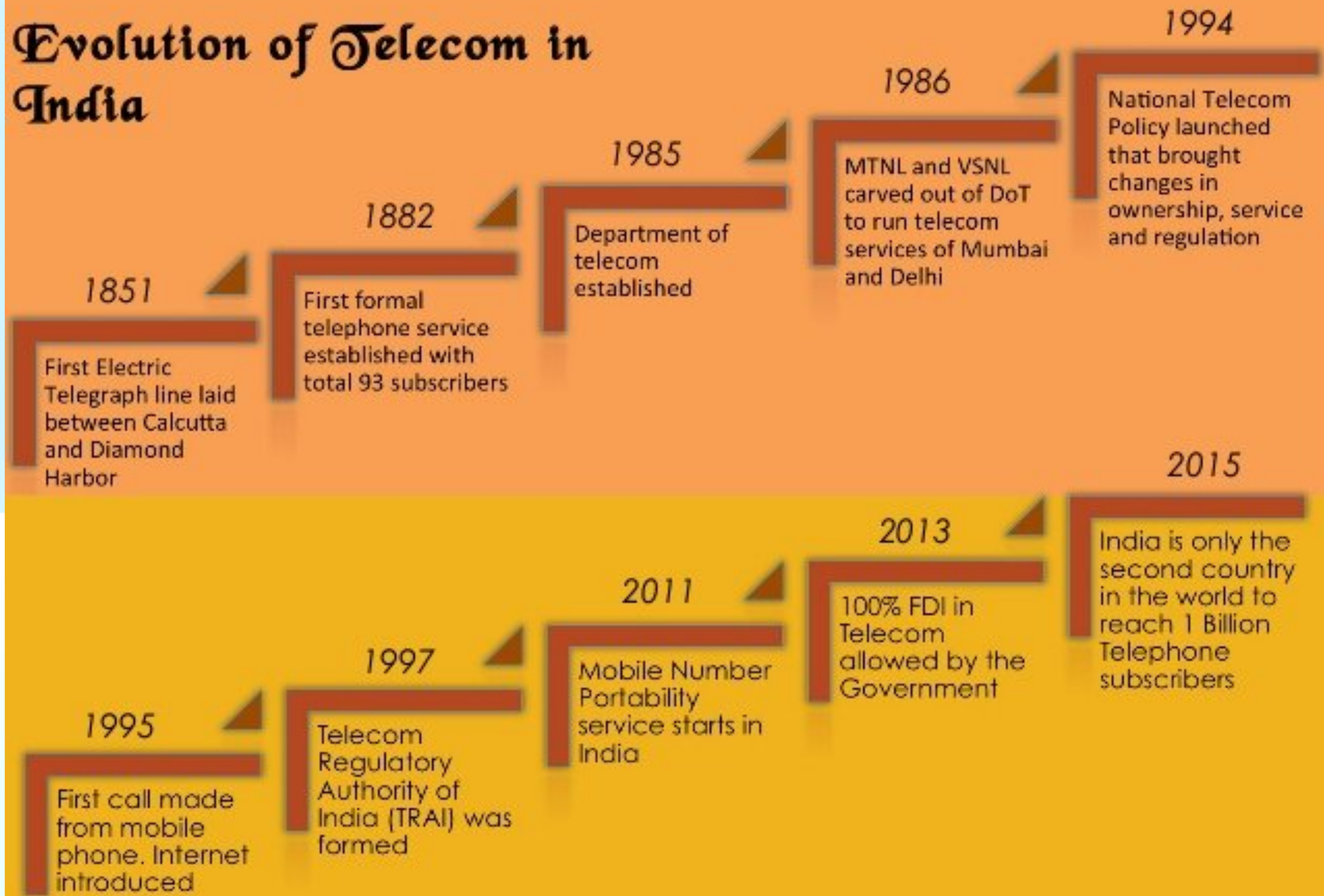
**MTNL**



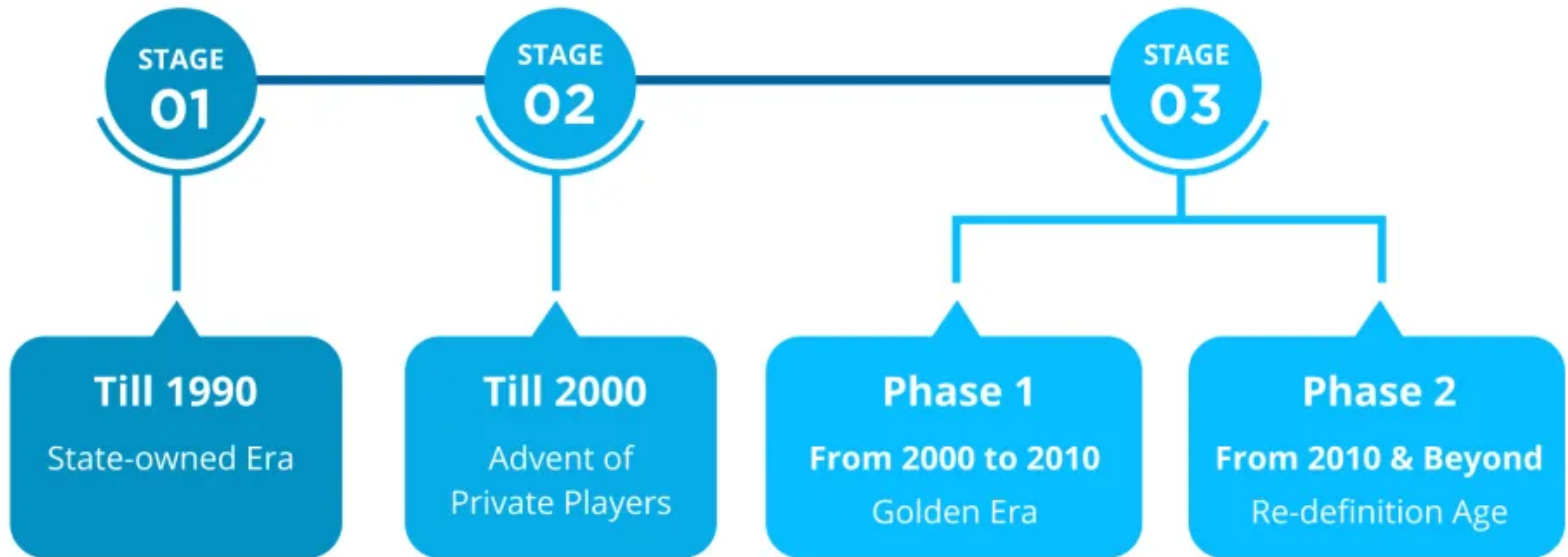
# What is MTNL?

**Mahanagar Telephone Nigam Limited (MTNL)** is a state-owned telecommunications service provider in India. It primarily operates in the metropolitan areas of Mumbai and New Delhi. MTNL offers a range of services including fixed-line telephony, mobile services, broadband, and other telecom services.

# Evolution of Telecom in India



# The Evolution of the Telecom Industry in India can be categorized into 3 parts:



# Stage 1 — Till 1990 — State-owned Era

In the first stage, the telecom sector was owned and run by the government. The telephone services began in India with a manual telephone exchange in 1882 in Kolkata.

The telecom industry evolved only after the Department of Telecommunication (DoT) was separated from the Indian post and telecommunication department in 1985. DoT was responsible for telecom services of the entire country till 1986. Subsequently, MTNL and VSNL were carved out of the Department of Telecommunication (DoT) for separation of its policy functions and telecom operations in metro cities like Mumbai and Delhi and International long-distance operations.

This gives rise to the 2nd part of the telecom industry in India in which the government allows private players to enter the Telecom Industry.

# Stage 2 — Till 2000 — Advent of Private Players

In 1994, the government introduced the National Telecom Policy (NTP) for private players. This policy clearly laid down the role of private operators. Cellular services were first launched in 1995 in Kolkata.

Another milestone during this Era was the formation of TRAI in 1997. TRAI was formed to regulate the fair environment between operators and subscribers.

In 2000, the third organization called TDSAT was formed to settle the disputes between operators, between operators and government, and between operators and subscribers.

During this period telecom subscriptions were growing rapidly, Operators brought in new innovations like prepaid, this reduces the mobile fees and allows cell phones affordable to common men.

After March 2000, the government became more liberal and started issuing more licenses and reduced license fees. This starts the 3rd stage of the telecom industry.

# Stage 3

The third stage of the telecom sector can be categorized into 2 parts. The first part from 2000 to 2010 telecommunication grew phenomenally is called the Golden Era. The second part from 2010 and beyond is called the Re-definition Age.

## **Stage 3 – Phase 1 – From 2000 to 2010 – Golden Era**

In the golden Era, in 2005, 2G gave rise to mobile users. The number of mobile connections rapidly crosses the number of fixed-line connections.

The Indian telecom market is one of the fastest-growing and most competitive markets in the world. In the same year, the government increased the Foreign Direct Investment (FDI) limit in the telecom sector from 49% to 74%.

## **Stage 3 – Phase 2 – From 2010 & Beyond – Re-definition Age**

The most significant contributors of the Re-definition age are the introduction of 3G in 2008 and 4G in 2012. The introduction of 3G and 4G networks give advent to the Smart Phones. This brought in mobile advertising, mobile commerce, video calling, streaming, full movie download, live TV, and multi-player gaming to everyone's handset.

After 2G, 3G and 4G, the 5G is now all set to launch in India.



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graph LR; A((TDSAT was formed to settle disputes)) --- B(Between operators); A --- C(Between operators and government); A --- D(Between operators and subscribers);
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**TDSAT was formed to settle disputes**

**Between operators**

**Between operators and government**

**Between operators and subscribers**

# History of MTNL

## Establishment

**1986:** MTNL was established by the Government of India to manage the telecommunications services in Mumbai and New Delhi. It was carved out from the Department of Telecommunications (DoT) to provide an efficient and modern telecom service in the metropolitan cities.

# Major Events Timeline

- **1986:** MTNL is incorporated as a Public Sector Enterprise.
- **1992:** Launch of mobile services under the brand name Dolphin.
- **1997:** MTNL enters into the international market with the formation of a subsidiary, MTNL International, to offer telecom services globally.
- **2000:** Launch of internet services and broadband under the brand name TriBand.
- **2005:** MTNL is listed on the New York Stock Exchange (NYSE).

- **2008:** Launch of 3G services under the brand name MTNL 3G Jadoo, becoming the first operator to introduce 3G services in India.
- **2011:** MTNL faces severe financial difficulties due to high operational costs, stiff competition, and declining subscriber base.
- **2019:** The Government of India announces a revival plan for MTNL, including a potential merger with Bharat Sanchar Nigam Limited (BSNL).
- **2020:** MTNL receives a government bailout to manage its debt and operational expenses.
- **2023:** Continued financial struggles lead MTNL to seek further financial assistance from the government to avoid debt default.

# Explanation of the Article:

1. **Current Situation:** MTNL is on the brink of defaulting on its debt payments.
2. **Government Assistance:** MTNL has sought financial assistance from the government to meet its debt obligations.
3. **Debt Payment Deadline:** The company has an upcoming deadline for interest payment on July 20 and other interest payments due in the coming months.
4. **Consequences of Delay:** Any delay in payment could lead lenders to invoke the sovereign guarantee attached to MTNL's debt.
5. **Asset Monetisation Plan:** One proposed solution was to monetize assets to raise funds, but only a small portion (Rs 1,500-1,600 crore) of the Rs 17,500 crore target set in 2019 has been realized.
6. **Sovereign Guarantee Concern:** Most of MTNL's debt is backed by a sovereign guarantee, causing concern for the government regarding the potential default.

# Major Challenges and Strategic Moves

- **Financial Struggles:** MTNL has been facing financial challenges due to high operational costs, increasing competition from private telecom operators, and a declining subscriber base.
- **Government Support:** Over the years, MTNL has received multiple bailouts and financial support packages from the government to manage its debt and operational expenses.
- **Asset Monetization:** The company has been working on monetizing its assets to raise funds but has not met its targets.
- **Merger Plans:** There have been ongoing discussions about merging MTNL with BSNL to streamline operations and reduce costs. However, these plans have faced several delays and challenges.

# Key Points about MTNL's Financial Strategy

1. **Debt Obligations:** MTNL has significant debt obligations, necessitating regular financial support and restructuring plans.
2. **Asset Monetisation:** Efforts to monetize assets have fallen short of targets, impacting the company's ability to raise necessary funds.
3. **Sovereign Guarantees:** The reliance on sovereign guarantees highlights the government's ongoing role in ensuring MTNL's financial stability.
4. **Operational Challenges:** High costs and competition continue to pose operational challenges for MTNL, affecting its overall financial health.

# Key Points About MTNL's Operations

1. **Core Services:** MTNL provides fixed-line telephony, mobile services, broadband, and other telecom services primarily in Mumbai and New Delhi.
2. **Technological Advancements:** MTNL has been at the forefront of introducing new technologies like 3G in India.
3. **Strategic Importance:** Despite its financial difficulties, MTNL remains strategically important due to its extensive network infrastructure in key metropolitan areas.



# Conclusion

The Telecom industry is growing at a rapid pace in India. It is one of the ever-growing industries in the world today. Today, India's Telecom sector stands 2nd in the world in terms of market share.

However, it has faced significant financial challenges over the years, leading to multiple government bailouts. Despite these struggles, MTNL remains a key player in the Indian telecommunications sector, with a focus on modernizing its services and infrastructure to stay competitive.

MTNL's journey reflects the critical role of government-owned entities in developing national infrastructure, while also illustrating the challenges of maintaining financial health in a rapidly evolving industry.