A study of Trends and challenges of Mahanagar Telecom Nigam Limited (MTNL)

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Abstract:
The object of this paper is to provide a systematic analysis of trends and challenges for MTNL, to study the changes taking place in the profit condition of company. This paper outcome of a secondary data to study challenges for MTNL, data analysis through various books, annual reports, journals and periodicals the tool which is used analysis of data i.e. accounting ratio. It is hoped that such an exercise might contribute to a more informative discussion about policies, option and prospects for the future. The paper outline the trends challenges for MTNL over the last decade.

Key Words: MTNL, Profit, Financial condition, accounting Ratio etc.

Methodology:
This paper outcome of a secondary data on challenges for MTNL from last decade. To complete this, annual reports, various books, journals and periodicals have been consulted several reports on this particular area have been considered, and websites search also has been done.

Introduction & Background History:
Mahanagar Telephone Nigam Limited (MTNL) was incorporated on February 28, 1986 under the Companies Act as a wholly owned Govt. Company and on April 01, 1986, assumed responsibility for the control, management, operation of the telecommunications networks in Delhi and Mumbai. MTNL is the principal provider of fixed-line telecommunication service in these two metropolitan cities of Delhi and Mumbai and for GSM Mobile services (four peripheral towns Noida, Gurgaon, Faridabad & Ghaziabad along with Delhi city) and the areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation along with Mumbai city, also come under the jurisdiction of the company.

Further, MTNL is providing dial up internet services in Delhi and Mumbai under separate nonexclusive license agreement. MTNL launched Broadband service based on the state of the art ADSL2+ technology in the year 2005. MTNL launched 3G services in 11.12.2008 against the spectrum allotted in August 2008.

The authorized capital of the Company is $800 crores. The paid up share capital is $630 crores divided into $63 crore share of $10 each. At present, 56.25% equity shares are held by President of India & his nominees and remaining 43.75% shares are held by FIIs, financial institutions, banks, mutual funds and others including individual investors.

Subsidiary Companies:
Mahanagar Telephone Mauritius Limited (MTML)
MTML is a 100% subsidiary of MTNL. The company is having license for mobile services, international long distance services and internet services. The customer base of MTML has grown to 231,644 (upto Dec’14) from 191,262 of last year resulting in a market share of around 17%. The revenue of the company also is growing consistently.

Objective of the study:
To study the changes taking place in the profit condition of MTNL.
To study MTNL operation, customer and competitors.
To study further growth opportunities in the telecom sector.
The problems faced by MTNL from last several years:

1. MTNL have biggest challenge in current scenario i.e. losses, 2011-12 (4,109)Cr., 2012-13 (5,322)Cr., 2013-14 7825 Cr., 2014-15 (1,567)Cr. MTNL had in the 2013-14 only profit, mainly due to write back of provision in accounts of pensioners liabilities, spectrum amortisation costs after decision of government taken for revival of MTNL. Have debt of Rs. 16,000Cr.

2. The revenue has declined for reason including fixed to mobile substitution leading to surrender of wireline connections, delay in expansion of GSM capacity, perceived poor quality of customer services and high reduction in income from sources other than services the ministry said.

3. The expenditure of these firms has increased because of legacy workforce whose salary and wages are more than 50% of revenue, increasing repair and maintenance costs and high interest burden on MTNL.

4. BhartiAirtel, Vodafone, Idea etc. private market players came into market and capture the maximum area, MTNL struggling to stay profitable, private players providing good service at low costs and customers diverted or attracted by this company towards them.

5. The government has taken several measurement in an attempt to bring the state run company out of financial distress, but failed to come up from this circumstances.

6. MTNL is already upgrading 1080 3G sites in Delhi and Mumbai. 825 sites in Delhi and 616 sites in Mumbai, still they are not fetching the customer or attract towards them to make company profitable.

**Accounting Ratio:**

Accounting ratios are an important tool of financial statements analysis. A ratio is a mathematical number calculated as a reference to relationship of two or more numbers and can be expressed as a fraction, proportion, percentage and a number of times. When the number is calculated by referring to two accounting numbers derived from the financial statements, it is termed as accounting ratio.

- The below figures data taken from 28th Annual report 2013-14 of MTNL. (Rs. In million)

1. Debt Equity Ratio: \[
\frac{\text{Long Term Debt}}{\text{Shareholders Fund}} = \frac{131,166}{50,407} = 2.60:1
\]

2. Current Ratio: \[
\frac{\text{Current Assets}}{\text{Current liabilities}} = \frac{23,754}{92,787} = 0.25:1
\]

3. Operating profit Ratio: \[
\frac{\text{operating profit}}{\text{Revenue from operation}} = \frac{\text{(20,885)}}{33,917} = -6.15:1
\]
a. Quick ratio: \[ \frac{\text{Quick Assets}}{\text{Current liabilities}} = \frac{23,056}{274,362} = 0.08:1 \]

4. Return on Equity Capital: \[ \frac{\text{NPAT - Preference Dividend}}{\text{Paid up Equity share Capital}} = \frac{7825 - 6300}{50,407} = 12.42:1 \]

5. Proprietary Ratio: \[ \frac{\text{Long-Term Debt}}{\text{Total Assets}} = \frac{50,407}{274,362} = 0.18:1 \]

**Conclusion:**
While we studied on above issue of MTNL, applied accounting ratios, its clearly indicates the performance of company is bad. There is need to take necessary steps to come out from loss making to profit making, this is only way to possible this provide quality of services to customer and make more effort in its operation of human resources, (need efficiency), make more attractive schemes for customer to create goodwill in the market, for survive in the stiff competition with private players of telecom sector.

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