

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:1095

ANSWERED ON:15.11.2010

MANUFACTURE OF TELECOM EQUIPMENT

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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Indian Telephone Industries (ITI) Limited is incurring sizeable losses in the country;
- (b) if so, the details thereof during the last three years and the current year and the reasons therefor;
- (c) whether the Government has drawn up any plan to revive the said telecom company;
- (d) if so, the details thereof;
- (e) whether the Government has decided to continue the policy of revising 30 percent work orders for Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), equipment in country; and
- (f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI SACHIN PILOT)

(a) & (b) Yes, Madam. The details of the losses suffered by M/s ITI Ltd. during the last three years and the current financial year are given below:

Year Losses (Rs. in crores)

2007-08 356.00

2008-09 662.00

2009-10 459.00

2010-11# 124.00

Provisional up to September, 2010.

ITI has been incurring losses for many years, as the telecommunication manufacturing sector is a highly competitive, research oriented market with rapidly changing technology leading to short product life and high obsolescence rate. Due to the advent of New Technology and stiff competition in the Telecom scenario, the prices have crashed and margins are very low. ITI is burdened with huge manpower and the resultant social cost. The margins that are available are not sufficient to meet the operational expenses of the company.

(c) & (d) Yes, Madam. To enable ITI to compete in the highly competitive environment, the Government has decided to take the following measures:

i) To set up Joint Ventures/Special Purpose vehicles by inducting strategic partner(s) for manufacturing new products such as WiMax. IP core network and Gigabit Ethernet Passive Optical Network (GEAPON) at Rae Bareilly, Naini and Bangalore. The Government will also provide additional proportionate equity in the Joint Ventures/Special Purpose Vehicles apart from making some of the existing infrastructure with ITI at Rae Bareilly, Naini and Bangalore available for immediate carrying out of such activities i.e. land, building and manpower selected by the strategic partner(s).

ii) To discharge the liabilities of ITI to the tune of Rs. 2820 crores, to clean up the ITI balance sheet.

iii) In principle decision to provide support of Rs. 180 crore to ITI for working capital margin.

(e) & (f) Yes, Madam. Government has decided to continue the policy of reserving 30 percent work orders for Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), for a further period of two years with effect from 21.09.2010.