

MTNL once had ₹5,000 crore in cash. Time was not on its side

Published by OneRightAI · 5 min read

Maxim: *Time is the friend of the wonderful business, the enemy of the mediocre.* — Warren Buffett

Patience is not a virtue in itself. Holding a great business for years multiplies your money. Holding a weak one for years multiplies your losses.

"Stay invested for the long term" is good advice only if you own something that gets better with time.

As recently as 2009-10, Mahanagar Telephone Nigam, the state telecom company serving Delhi and Mumbai, had no debt and about ₹5,000 crore of cash. Its market value had been around ₹10,000 crore in 2007. Then the years went to work. Private competitors cut prices, prepaid revenue per user fell from ₹175 to ₹54 between 2007-08 and early 2011-12, and costs did not fall with revenue. By 2012-13, employee costs alone exceeded total income, borrowings had reached ₹11,538 crore and the year's loss was ₹5,300 crore, [Business Standard](#) reported in September 2013. Its market value had shrunk to ₹920 crore.

And time kept working. In April 2025, MTNL disclosed that it had defaulted on loans of ₹8,346 crore owed to seven public sector banks, [Angel One](#) reported.

At almost every point along the way, MTNL could have looked cheap. Its shares traded at a fraction of their old value, and it still had networks and customers in India's two biggest cities. An investor waiting for that value to be recognised was waiting for the wrong thing. Every year of losses and fresh borrowing destroyed a little more of what was left.

Buffett learnt it the expensive way

Warren Buffett wrote the line in his 1989 letter to Berkshire Hathaway shareholders, in a section reviewing the mistakes of his first 25 years: "Time is the friend of the wonderful business, the enemy of the mediocre" ([Hedge Fund Alpha](#)).

He was speaking from experience. Berkshire Hathaway itself began as a struggling textile business that he bought because it was cheap. In a 2001 talk at the University of Georgia, he described this "cigar butt" approach: finding a discarded stock with "one puff left in it", picking it up and getting your one puff. "Time is the enemy of the lousy business," he told the students, as [Benzinga](#) recounted.

The logic is simple once you see it. A cheap stock in a poor business gives you one chance to profit: the moment the market notices the bargain. If that moment is slow to arrive, the business keeps eating into the value you bought. A wonderful business works the other way. It earns high returns on its capital, reinvests the profits at similar returns, and grows its value every year whether or not the market is paying attention. The longer you wait, the more it is worth.

What "wonderful" looks like in numbers

The difference between the two kinds of business shows up in one measure above all: return on capital employed, or ROCE. It tells you how much profit a company earns on every rupee invested in

it. A business earning 25% on its capital can reinvest its profits and grow its value quickly. A business earning less than its cost of borrowing destroys value every time it grows.

Some Indian fund managers build entire portfolios on this idea. Ambit's Coffee Can Portfolio, for instance, looks for companies with a 10 to 20 year record of consistency, with revenue growth above 10% a year and ROCE above 15%, and then aims to hold them for long periods. Since its launch in June 2017, it has returned 13.1% a year against 12.1% for the Nifty 50 total return index, its factsheet for July 2026 shows ([Ambit](#)).

That is a useful reality check. Owning consistent, high-return businesses has helped, but not magically: the margin over the index was about one percentage point a year over nine years. Wonderful businesses still need a sensible purchase price, as Buffett's other famous line, about buying a wonderful company at a fair price, reminds us. What time does reliably is widen the gap between businesses that compound value and those that consume it. MTNL shows how wide that gap can grow.

Five questions before you decide to be patient

1. **Does the business earn well on its capital, year after year?** Look at ROCE over ten years, not one. A wonderful business stays comfortably above its cost of capital through good years and bad.
2. **Can it reinvest at those returns?** High returns are most valuable when the company can put more money to work at similar rates. A great business with nowhere to grow is still good, but it compounds more slowly.
3. **Is debt rising to fund losses or to fund growth?** MTNL's borrowing paid for operating deficits. Debt that pays for losses is a sign that time is working against you.
4. **Is the competitive position getting stronger or weaker?** Falling revenue per customer, as at MTNL, is often the first sign that rivals are winning.
5. **If the stock is cheap, what would make it less cheap, and when?** If you cannot name a likely trigger within a couple of years, you are holding a cigar butt and hoping.

The decision rule follows from Buffett's line. Be patient with businesses that answer the first four questions well; time is on your side, even if the stock goes nowhere for a while. With businesses that answer them badly, patience is not a virtue. Sell the cigar butt once its puff is taken, or better, do not pick it up.

Time as a magnifier

Time does not make a business good or bad. It magnifies whatever the business already is. A company that earns well on its capital and reinvests wisely becomes more valuable every year it is left alone. A company that cannot earn its keep becomes less valuable every year, however cheap it once looked.

So the most important question for a long-term investor is not how long to hold. It is what deserves to be held for a long time at all.

Sources

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- [Angel One: MTNL defaults on over ₹8,300 crore of loans \(April 2025\)](#)

- [Hedge Fund Alpha: The enemies of Warren Buffett, 1977 to 2015 \(quoting the 1989 letter\)](#)
- [Benzinga: Buffett on cigar-butt investing, 2001 University of Georgia talk \(March 2025\)](#)
- [Ambit: Coffee Can Portfolio factsheet \(August 2026\)](#)

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