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₹70,000-cr lifeline for PSU telcos

Package includes 4G spectrum for BSNL at 2016 price; sovereign bond issue; VRS

S RONENDRA SINGH
New Delhi, October 23

Ending days of speculation on the fate of Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Limited (MTNL), the Union Cabinet on Wednesday announced a bailout package that includes merger of the two companies, strengthening the finances through sovereign bonds, giving out voluntary retirement scheme (VRS) and providing 4G spectrum at administrative rates.

The entire package would cost around ₹70,000 crore.

The package includes raising of ₹15,000 crore sovereign bonds to meet the immediate capital requirement of both the companies, 4G spectrum allocation worth ₹20,140

crore, ₹29,937 crore for VRS covering 50 per cent of their employees, and ₹3,674 crore for Goods and Services Tax that will be levied on allocation of radio waves.

"BSNL and MTNL are strategic assets of India. Neither will they be closed nor disinvested. We want to make them competitive and bring profes-

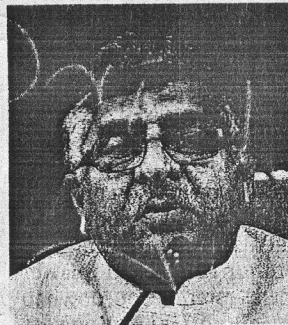
sionalism. Some of the decisions taken by the Cabinet include ₹15,000 crore worth of sovereign bonds to be raised, 4G spectrum to be provided administratively at 2016 price and monetisation of (BSNL/MTNL) assets worth around ₹38,000 crore in the coming four years," Ravi Shankar Prasad, Minister of Telecommunications and Information Technology, told reporters here after the meeting.

VRS offer

"We are also bringing out attractive VRS for the employees who are 53-and-a-half years and above age. Such an employee will be offered 125 per cent of their salary, gratuity, pension, etc all computed till the age of retirement (60 years)," he added.

BSNL and MTNL put together have around 1.90 lakh employees (1.68 lakh and 22,000 respectively), and around 50 per cent of the total employees eligible for the VRS.

However, Prasad clarified that the VRS scheme will be strictly voluntary and no one will be forced into it.



Telecom and IT Minister Ravi Shankar Prasad KAMAL NARANG

Welcoming the steps taken by the government, industry bodies and analysts said such restructuring was required urgently if the government wanted to revive the companies.

"BSNL, which was once a

Navaratna company, became sick with accumulated losses of more than ₹90,000 crore. With a bloated workforce of BSNL, it is simply uncompetitive. Only a drastic restructuring with effective VRS stands a chance of revival for BSNL and MTNL. Whether the revival package will succeed, only time can tell," said VK Vijayakumar Chief Investment Strategist at Geojit financial services. "This will pave the way to address the long pending payments of the MSMEs vendors from BSNL and MTNL. We urge the BSNL and MTNL to immediately obtain bank funding and release long pending payments of MSMEs vendors before Diwali," said PHD Chamber of Commerce and Industry.

Scan & Share



BSNL credits salaries

RAJESH KURUP

Mumbai, October 23

After a delay of 23 days, debt-laden Bharat Sanchar Nigam Ltd (BSNL) has credited September salary on Wednesday with most of it being funded from internal accruals. Further, some payment from the Department of Telecommunications (DoT) was also used to pay employees

wages, sources close to the development said.

As per the company's policy, salaries are credited on the last working day of every month. Earlier on Wednesday, BSNL unions deferred their hunger strike, following a meeting with the company's top brass, who promised to pay the September salary today.