

Publication:	The Business Standard	Page No:	①
Place:	New Delhi	Date:	24/10/2019

CABINET OKAYS BSNL-MTNL REVIVAL PLAN • EASES FUEL RETAIL NORMS • REGULARISES

## BSNL, MTNL to merge, get ₹70,000-cr push

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New Delhi, 23 October

Just days before Diwali, the government has taken a decision over the two public sector telecom behemoths — Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL), while approving a package of nearly ₹70,000 crore for the two financially stressed entities, the Union Cabinet on Wednesday also drew up a timeline to merge them. Monetising real estate assets worth ₹37,500 crore is part of the overall relief package that would be used to retire debts, upgrade network and offer a voluntary retirement scheme (VRS) aimed at reducing the companies' employee strength by half.

The government has said that the two companies are strategically important and will not be closed down or disinvested. Recent reports had suggested that some key ministries were of the view that the revival of BSNL and MTNL was not feasible, and that they could be shut down. Briefing the media after the Cabinet decision, Telecom Minister Ravi Shankar Prasad categorically said the government was neither closing down, nor divesting its stake in BSNL and MTNL.



PHOTO: PTI  
Communications and IT minister Ravi Shankar Prasad (right) at a press conference with Minister of Housing and Urban Affairs Hardeep Singh Puri

### BAILIOUT PLAN

- ₹37,500 CR: Estimated amount the asset monetisation may fetch; assets include land banks as well as rental and leasing of buildings
- 70%: Share of total expenditure that BSNL, MTNL spend on staff cost, as against 5% by private telecom companies
- 10.2%: Market share of wireless subscribers for the two PSU telcos
- ₹20,000 CR: Planned capital infusion to fund 4G spectrum allotment to BSNL, MTNL
- ₹15,000 CR: Long-term bonds to be raised for which govt will provide sovereign guarantee
- ₹7,169 CR: Additional budgetary support required for ex-gratia payment to VRS employees

▶ FROM PAGE 1

### BSNL, MTNL to merge...

The relief package includes a sovereign bond issue worth ₹5,000 crore, to be serviced by the two telcos. Also, BSNL and MTNL will be allotted 4G spectrum at an administered price, pegged at the 2016 auction value. The two firms would be allotted 4G spectrum 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 (GST) that will be levied on allocation of radio waves. Details of the VRS scheme will be finalised by the two firms.

The ex-gratia component of VRS, to be offered to employees aged 50 years and above, will require ₹17,169 crore budgetary support. Another ₹12,768 crore will be towards prepayment of pensionary benefits. Giving an instance of how the scheme will work, Prasad explained, "The VRS package approved by the Cabinet will give eligible employees 125 per cent of the income they would have earned by serving the company till the age of 60 years." The minister said, "with this decision, we have taken care of the interest of lakhs of employees of these PSUs." BSNL has around 1,76,000 employees and MTNL workforce is at 22,000.

Private telcos are estimated to spend 5 per cent of their total expenditure on staff cost, while for BSNL and MTNL it works out to 70 per cent of the total.

On asset monetisation to be spread over three to four years, Saurav Kumar, Partner, IndusLaw, said, "If the company plans to do a slump sale of such land banks at book value into a separate company along with the liabilities, they may have to show the real estate asset as a separate business undertaking." Also, as India gears up for the 5G launch, it may become challenging for BSNL and MTNL to break even on the price they will be expected to pay for the new 4G spectrum, he added.

Telecom Secretary Anshu Prakash said the spectrum will be allocated to both the companies administratively within a month. BSNL will also need around ₹10,000 crore to roll out 4G services in phases and MTNL an estimated ₹1,100 crore. "The spectrum allocation to BSNL worth ₹4,115 crore will be in lieu of equity shares and about ₹6,295 crore for MTNL in lieu of preferential shares," Prakash said. On monetisation of real estate, Prasad said assets worth ₹38,000 crore had been shortlisted. The assets primarily include land as well as rental and leasing of buildings. MTNL has around 29 retail outlets in Delhi alone.

Turn to Page 13 >