

Publication:	<i>The Business Standard</i>	Page No:	<i>2</i>
Place:	<i>New Delhi</i>	Date:	<i>28/2</i>

DoT asks BSNL, MTNL to explain revival plans

Govt may spend ₹8,000 cr on turnaround

MEGHA MANCHANDA
New Delhi, 27 February

BSNL and MTNL have been directed by the Department of Telecommunications (DoT) to explain the "viability" of their respective revival plans before the government takes a decision on their turnaround strategies. According to the Digital Communications Commission (DCC), the Centre wants the presence of the state-run companies in a "strategic" sector like telecom and is considering to earmark over ₹8,000 crore for the revival of the two.

"Both have been asked to explain how the plans would benefit and actually lead to a financial turnaround of the sick PSUs," said an official in the know of the development. The units have submitted their revival plans to the government in which they articulated a slew of measures to bring the companies back on track.

MTNL has suggested converting its ₹20,000-crore debt into

sovereign guarantee, pay revision and subsequent voluntary retirement for its staffers, and surrendering 3G spectrum. BSNL, which has a debt of ₹14,000 crore, sought 4G spectrum across India through equity infusion of ₹7,000 crore.

Both even went to the extent of saying that if turnaround measures failed, the Centre should take over or dissolve the companies but only after absorbing all their employees into the DoT.

Last week, the DCC (formerly Telecom Commission) discussed the revival plans. "Our question is: What is the viability of the revival packages. Also, can two sick PSUs together make a healthy company?" the official said.

The plans have to address two core issues: Employees and debt.

A voluntary retirement plan is in the works, and the DoT wants the proposed package to be funded by a bond issue over 10 years, which should bring down the cost implications for the government.

The monetisation of land assets of MTNL and BSNL through lease was also discussed and it was suggested that since the Department of Investment and Public Asset Management has set up an institutional mechanism, the process should be handled through that.

Experts believe a merger would serve the purpose better as together the firms would make a stronger entity. The workforce of BSNL is 176,000 and that of MTNL is 22,000, which is proposed to be reduced by 75,000 and 16,000, respectively.

In the July-September quarter, MTNL reported that its losses grew to ₹859 crore standalone due to an increase in finance cost and a decline in sales. The employee cost made up for 92.2 per cent of the total cost of the company, which was 29 per cent more than the revenue generated from its operations of ₹572.83 crore. BSNL also stands under a debt of ₹10,000 crore and has registered losses of ₹4,785 crore in the same period.