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MTNL to be a BSNL subsidiary

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Telecom Minister okays revival plan for telecom PSUs

Loss-making State-owned telecom carrier Mahanagar Telephone Nigam Ltd (MTNL) will be merged with ailing Bharat Sanchar Nigam Ltd (BSNL) as part of a revival plan approved by the Telecom Ministry for the two companies.

MTNL would be converted into a subsidiary of BSNL following the merger. The merger would be conducted after sorting out issues (such as human resources). A joint committee will be put in place to oversee the entire process over the next 18 months, according to a memo approved by Telecom Minister Ravi Shankar Prasad.

Listed on bourses, MTNL operates in two circles – Mumbai and Delhi – in the country.

Prasad had approved the plan on Friday, which has been circulated to other ministries for comments, sources close to the development told *BusinessLine*. The final decision will be taken by the Cabinet.

The new revival plan, which was approved, also included a ₹14,155-crore capital infusion to BSNL by the government to acquire 4G spectrum. Apart from the capital infusion, land monetisation for meeting the company's expansion plans - which will be jointly monitored by BSNL, Department of Telecommunications (DoT) and Department of Investment and Public Asset Management (DIPAM) – is also on the cards.

A Special Purpose Vehicle (SPV) would be formed for the land monetisation initiatives, to which BSNL's loan to ₹23,000 crore and an equivalent land parcel would be transferred. A financial support for BSNL's rural exchanges has also been approved.

A Voluntary Retirement Scheme (VRS) for employees above 50 years is also in the offing. Following the VRS, the age for retirement would be reduced to 58, one of the sources said. An ex-gratia will be paid to the employees in cash, in single or maximum five instalments for tax benefits.

BSNL intends to issue bonds to general public to raise funds for its proposed VRS. These bonds will be "guaranteed" by the government, with a 50 per cent interest liability on bonds to be borne by the Government.

Both MTNL and BSNL don't have 4G spectrum, though the latter is providing 4G services using new Base Transceiver Stations (BTS) in certain circles. The service is provided using 3G spectrum, but BSNL needs 4G spectrum to provide both 3G and 4G services simultaneously in an area covered by a single BTS.

BSNL had sought 4G spectrum in 2017, but is yet to be awarded.

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Bharat Sanchar Nigam Limited (BSNL)

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