

# BSNL-MTNL merger shelved as GoM says not feasible

Move to merge may erode BSNL value, say officials

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The plan to revive the state-owned telecom companies — Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL) — by merging the two entities is set to be shelved after almost two decades of deliberations on the matter. A six-member group of ministers (GoM), mandated to take a call on the issue, is learnt to have recommended last week that a merger would neither be beneficial nor feasible, thereby closing a long-drawn chapter in the telecom sector.

The Union Cabinet will meet soon to formally decide against such a merger. While the merger idea goes back to the time of Pramod Mahajan when he had proposed it first as then communications minister, Dayanidhi Maran holding the portfolio later had started the process in 2004 to create the country's biggest telecom firm.

More recently, the current government revisited the idea. BSNL-MTNL merger was part of a four-stage revival plan proposed by the Department of Telecommunications (DoT) and approved by the Cabinet in October 2019. Subsequently, a GoM was entrusted with expediting the ₹70,000-crore merger plan.

But a meeting last week chaired by Defence Minister Rajnath Singh decided to recommend cancelling the merger to prevent further erosion of BSNL's value, said two government officials. DoT, too, favours the proposal to call it off, one of the two officials said.

Apart from Singh, the GoM members included Information Technology and Telecom Minister Ravi Shankar Prasad, Home Minister Amit Shah, Finance Minister Nirmala Sitharaman, Commerce Minister Piyush Goyal, and Petroleum and Natural Gas Minister Dharmendra Pradhan.

Turn to Page 6 ▶



## DIAL DOWN

■ BSNL ■ MTNL

### NUMBER OF SUBSCRIBERS

199 mn

6.41 mn

### NUMBER OF EMPLOYEES

BEFORE VRS

AFTER VRS

150,000

72,000

22,000

8,000

### NET LOSS

(₹ CRORE)

39,089\*

624\*\*

BSNL: Bharat Sanchar Nigam; MTNL: Mahanagar Telephone Nigam; VRS: Voluntary Retirement Scheme  
\*For Apr-Dec 2019 period; \*\*For March 2020 quarter  
Source: Telecom Regulatory Authority of India, other reports

▶ FROM PAGE 1

## BSNL-MTNL...

Instead of a technical merger, the government's proposal now is to integrate the operations and some manpower of MTNL with BSNL. The end goal is to phase out MTNL, one of the officials quoted above said.

In fact, BSNL will start providing services in the metro cities on behalf of MTNL from March 1. This was because the Union Cabinet had proposed that MTNL could operate as BSNL's subsidiary until the merger of the two was complete. "This would be the way out for MTNL. The services provided by MTNL would be provided by BSNL in future," said a government official.

Some MTNL staff will be moved to BSNL and others will opt for the VRS. The government had already offered VRS to the employees of both companies as part of a revival plan.

According to the official figures, over 92,000 employees have opted for the VRS package: Over 78,000 from BSNL and more than 14,000 from MTNL. Earlier, BSNL's workforce stood at 150,000 and that of MTNL at 22,000.

There are other indications that the government is not keen on keeping MTNL afloat — a new chairman and managing director (CMD) of MTNL was not appointed and a further extension has been given for additional charge of MTNL to BSNL CMD P K Purwar.

Currently, with the merger off, the process of infrastructure and network synergies is underway. Simultaneously, the government has initiated the process to monetise the assets of the companies. The asset sale process began in July 2020 after consultancy firms CBRE, JLL, and Knight Frank were taken on to kick-start the monetisation drive. The real estate assets include land as well as rental and leasing of buildings. MTNL has around 29 retail outlets in Delhi alone. Monetising real estate assets worth ₹37,500 crore is part of the overall

₹70,000-crore relief package that will be used to retire debt, upgrade networks, and offer a VRS aimed at reducing the firms' staff strength by half.

## Created object...

Barely a month after the launch, the outbreak of Covid-19 threw a spanner in the works by throttling the supply of key aggregates. As a result, the company's plans for a pan-Indian roll-out went astray. After almost a year, the Chetak sells only in Pune and Bengaluru. Due to the shortage of semi-conductors, December 2020 turned out to be a zero-production month, forcing the company to defer by six months the plans for a ramp-up.

Bajaj Auto plans to reopen the bookings in 2021-22 and roll out the scooter in 23 cities in the September quarter. After a year, Bajaj would like to start exports. "There is lot of interest in the model in several markets, but it can't be done unless it has a rhythm going in the domestic market," said Bajaj.

Meanwhile, competition from Ather and its 450X Smart Electric Super Scooter has been growing. Earlier this month, Ather entered Mumbai (closer to Bajaj's home turf) with an 'experience centre'. It also launched a special edition of its flagship 450X scooter.

"Bajaj Auto could be late to the party if it doesn't act fast," said an analyst who pointed to Ather's popularity growing in leaps and bounds. Ather has expanded its presence from an initial nine cities in 2020 to 24.

If all goes well on the supply front, Bajaj plans to reach 500 units a month and then double it. But even when the volumes reach 2,000 units per month, the company will still lose money on each unit it sells.

Bajaj is unflustered about this and says he has a clear, well-defined road map to profitability for the Chetak. "Whether it's a new product or new market, it takes time," he said. As an example, he cited the case of the company's flagship Pulsar scooter which wasn't profitable initially but is