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MTNL, BSNL TO MERGE IN DEC, GET NEW AVATAR FROM FY 2016

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The much-awaited Government plan for merger of two State-owned telecom firms has taken a final shape as Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) are all set to start functioning as a single new entity from the next financial year. The name of the proposed new entity will be declared soon by the Government, while the merger will happen by the end of December. The Department of Telecommunications (DoT) is working on the issue, and after the merger both the public sector telecom firms will synergise operations by offering their services across the country as a single entity.

“Though the decision on merging BSNL and MTNL is expected to happen by December-end this year, the other pre-merger procedures of the Government will continue till March 31, 2016. The proposed newly-formed entity will start its operation at the beginning of the next financial year in April 2016,” a highly-placed Government source told The Pioneer on Sunday.

The DoT in September last year had set a deadline of July 31, 2015 for closing the merger of MTNL and BSNL. But due to some reason or the other, it couldn't happen on time. Earlier this year, the Prime Minister's Office (PMO) had requested Indian Institute of Management (IIM), Bangalore, to prepare and submit a feasibility report on the merger of BSNL and MTNL.

"In response to the Government's request, IIM-B, however, has submitted its final report to the PMO on July 16 this year, stating therein how the new organisation would function in the telecom competitiveness at par with the private telcos in the country. Both the DoT and the Government in supervision with the PMO are studying the report to take it forward as to smoothly operate these two PSU units into single telecom firm. The final blueprint in this matter will come to the public domain shortly," the source said.

When contacted about the development, a senior Government functionary involved in the process, however, confirmed the merger plan, but he did not divulge the details about its course of actions. "The Government is studying the IIM-B report and the merger decision will happen in the next 3-4 months as planned," he said. In July, DoT Secretary, Rakesh Garg had also said that it would take 4 to 5 months for the Government to take a final decision on the issue, after receiving the IIM report.

It is learnt that the Government will take a delisting route before the merger of these two PSUs into a single entity. In order to correct the health of these State-owned telecom firms, the Government had three options in hand on its merger plan. One, the delisting the MTNL first and then merge with the BSNL into a single company. Second, the BSNL, MTNL and ITIL (Indian Telephone Industries Limited, a telecom equipment manufacturing PSU firm) to merge into single entity and the third option was to make the MTNL as a subsidiary company of BSNL, according to the sources.

"I think the first option is viable for the Government as the MTNL is a listed company and the Government has to see how it can be merged with BSNL. Concerned with MTNL debt books, the Government may opt for delisting route before the merger. It may first buy back the MTNL shares before the merger and later, it may provide a soft loan to the new entity after merger," it added.

Communications and IT Minister Ravi Shankar Prasad had earlier said the BSNL's debt stood at Rs 4,459 crore, while and MTNL's debt book was as high as Rs 14,120 crore at end of the last financial year.

In the post-merger, it is expected that there will a lot of rejig plan for the new entity. "The Government may appoint a new chief for the company. Besides, it is expected that major reshuffling, transfers of some new key executive level positions and recreation of some new positions may happen in due course of time after the merger. All matters on promotion, VRS issue and downsize of employees are also not ruled out in the post-merger," the source said.

However, the Government functionaries believe that, the post-merger will benefit the Government in some way or the other. "Commercially, it will be a plus point for the Government on tax issues. Currently, BSNL is billing MTNL and vice versa for services for which both are paying taxes. If it becomes one entity, the tax outgo will be less," said a senior BSNL official.