

BSNL, MTNL may be trifurcated

Group of ministers to discuss proposal to split companies into three entities, move seen as precursor to merger



The group of ministers (GoM) looking at ways to revitalise the two state-run telecom companies — Bharat Sanchar Nigam Ltd (BSNL) and MTNL — is expected to meet in the next few days and discuss the proposal for trifurcation of the two behemoths. The plan is to spin off two new companies — one each for network infrastructure and land development — out of each telco.

BSNL and MTNL would continue to be services and marketing companies. Among the new firms proposed to be spun off, each of the two would get one company to handle telecom infra (towers, networks, etc) and the technology

business, and another (for land development and utilisation) to manage and monetise land assets in phases.

The GoM would also look at two alternative proposals to infuse cash into the two telcos after they decided to surrender broadband wireless access spectrum to the government. BSNL gave up spectrum in six circles, while MTNL did so in Delhi and Mumbai, the two circles in which it operates. (**RINGING IN CHANGE FOR GROWTH**)

One of the proposals is to refund the companies the entire Rs 11,259.48 crore they had paid for the spectrum — BSNL Rs 6,724.51 crore and MTNL Rs 4,533.97 crore. Alternatively, the two could be paid on a pro-rata basis, since the spectrum had been allocated in 2008. In the latter case, the total refund would be to the tune of Rs 8,722.78 crore — Rs 5,204.98 crore to BSNL and Rs 3,517.80 crore to MTNL.

The proposed moves are being seen as the government's first steps towards its long-term plan to eventually merge BSNL and MTNL. According to the presentation the companies are to make to the GoM, they together have accumulated losses of a staggering Rs 38,440 crore (BSNL Rs 24,681 crore and MTNL Rs 13,759 crore), based on 2012-13 results.

BSNL, in its proposed presentation, has said it will be able to generate Rs 250 crore in 2013-14 from sale of land, besides Rs 250 crore a year in rental income from its assets starting 2016-17. The firm has land assets in Mumbai's Santa Cruz, Borivali and Deonar, Noida's Sector 18 and 33 and Gurgaon's Sector 18, apart from some tracts in Kolkata, Hyderabad, Chennai and Trivandrum, among others.

The company has also appointed KPMG to look at ways and means to hive off its tower business. The report is expected to come by July. Also, BSNL is in the process of leasing out capacity in its Mumbai, Jabalpur, Bhilai, Kolkata, Gopalpur and Kharagpur factories to the private sector. These factories are for microwave towers, SIM cards, etc.