



Govt may divest 30% in BSNL, up from 10%

Shalini Singh, TNN | Mar 3, 2010, 01:28AM IST

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NEW DELHI: Finance minister Pranab Mukherjee's disinvestment-related revenues for 2010-11 are most likely to come from telecom with evidence that the government is seriously evaluating disinvestment of as much as 30% in BSNL, a company with assets worth Rs 88,000 crore and a turnover of Rs 35,000 crore.

This is a three-fold hike in the investment limit from 10% proposed earlier, which has been opposed by BSNL's unions and executive associations. The unions will now be further provoked about the revival of the disinvestment process and an added proposal to retire 1 lakh employees through VRS schemes. BSNL has 90 million subscribers, 300,000 employees, India's largest 750,000 km optic fibre cable network and nearly 40,000 towers.

BSNL has been suffering a serious decline in revenues and profitability for the past few years. Its financial health became so serious that PM Manmohan Singh called for a review in January 2010. Singh directed that a three-member committee be set up, which should submit its recommendations within a month. The committee, headed by technocrat Sam Pitroda, after conducting three meetings and a series of discussions within DoT, and with consultants, lawyers, investment bankers and other stakeholders, has delivered some carefully crafted recommendations to the PM.

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The most important includes 30% disinvestment in stages after fundamental changes have been made to enhance enterprise value through an Indian strategic investor and an IPO. Of the raised money, 10% would be returned to the government, and 20% would be used for employee VRS, expansion and operations. Further disinvestment would also be considered after a detailed performance review in three years.

The committee, which has banker Deepak Parikh and DoT secretary P J Thomas as members, has recommended that the quality of senior executives and management teams needs to change drastically. It wants BSNL to employ the best talent at market rates for higher levels of management. Internal candidates should be given equal opportunities, but not preferential treatment. The ToI was the first to report in its February 1 edition the leadership issues plaguing BSNL and the need to seek out external talent.

The committee recommends approaching an eminent person from the private sector with strategic vision and status to interface with the external environment as the chairman to focus on shareholder value. Separate positions of MD and CEO should be appointed with domain expertise, along with autonomy to manage day-to-day operations.

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