

Govt seriously mulls BSNL, MTNL merger 15.4.2011

Aiming to optimise resources and give customers a nationwide footprint, the Union government is considering the merger of state-run telecom public sector undertakings (PSUs), Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL).

“The merger of BSNL and MTNL makes sense. Today, telecom operators need to be present across India for better coverage and services. At this stage, we have not taken any decision but there are valid arguments in the favour of merger and we are considering it,” Telecom Secretary R Chandrasekhar told Business Standard.

It doesn't make sense for an operator to confine only to one part of the country or city, he said, adding currently MTNL cannot operate outside metros and BSNL cannot operate in metros. “We have received the report and we will take some time to consider that,” he said. A decision on the merger will take some time as there are procedural problems with MTNL being a listed entity and BSNL non-listed.

The Board for Reconstruction of Public Sector Enterprises had recently recommended that MTNL and telecom equipment manufacturer ITI should be merged with BSNL.

The Centre holds 56.25 per cent in MTNL and is listed in New York Stock Exchange (NYSE) and India, while BSNL is 100 per cent owned by government.

Department of Telecom had mooted the proposal of the merger of both the PSUs in its strategic plan. The merger plan was given a quiet burial under former telecom minister A Raja for the last three years. Also, due to different organisational structure and MTNL being a listed company, the talks were abandoned. There was a proposal to list BSNL, but following an opposition from employees, the plan was shelved.

Both companies also received third generation (3G) spectrum, ahead of auction for private players but could not take advantage of it. BSNL had posted a loss of about Rs 3,000 crore last year. MTNL's revenues have also been declining steadily. Due to stiff competition from private operators and low tariffs, both companies have lost substantial amount of their market share and seen a dip in their revenues.