

MTNL – BSNL Merger

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,”

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 MTNL and BSNL.

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 organization would function in the telecom competitiveness at par with the private telcos in the country.

Both 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 blue print in this matter to the public domain expected shortly.

The Govt is studying the IIM–B report and subsequently merger may happen in next 4 – 5 months.

It has been learnt that the Govt will take a delisting route before the merger of two PSUs into a single entity. In order to correct the health of these State-owned telecom firms, the Govt had three options in hand on its merger plan.

One, - the delisting the MTNL first and then merge with the BSNL into single company.

Second, - the BSNL, MTNL & ITIL (Indian Telephone Industries Limited) to merge into single entity. **Third**, - option to make the MTNL as subsidiary company of BSNL.

The viability of the first option is most likely – as concerned with the MTNL debt books, the Govt may opt for delisting route before 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.

In the post – merger, it is expected that there will be a lot of rejig plan for the new entity. The Govt may appoint a new chief for the company. Besides it is expected that major reshuffling, transfer 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 may not be ruled out in the post – merger.

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