

## Executive Summary

**Dissertation Topic: Merger of BSNL and MTNL: An Assessment and Way Forward**

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- 1.0 Bharat Sanchar Nigam Limited (BSNL) was formed on 1st October 2000 by corporatization of the erstwhile Department of Telecom. The company has taken over the functions of the erstwhile Department of Telecom in respect of provision of telecom services for the country excluding Delhi & Mumbai. BSNL is a 100% Govt. of India owned PSU. Its total revenue during 2015-16 was Rs. 31,789 crores whereas it incurred a loss of Rs. 3,803 crore. Its net worth is Rs. 43,678 crores as on 31.03.2016. As on 31.03.2016, BSNL employs nearly 2.11 lakh personnel. BSNL was earning profit till 2008-09 and started making losses afterwards. The market share of BSNL for Wireline, Wireless and Wireline Broadband is 62%, 8% and 65% respectively as on 31<sup>st</sup> March 2016.
- 2.0 Mahanagar Telephone Nigam Limited (MTNL) was incorporated on 28.02.1986 as a wholly owned Government Company and on 01.04.1986, assumed responsibility for the telecom services in Delhi and Mumbai.. At present the Government has a shareholding of 56.25%. The Company has a net worth of only Rs. 13 crore as on 31.03.2016. Its networth has eroded because of recurring heavy losses. Its total revenue during 2015-16 was Rs. 3,513 crores whereas it incurred a loss of Rs. 2,006 crore. As on 31.03.2016, the staff strength of MTNL is 31,070.
- 3.0 BSNL and MTNL are operating in mutually exclusive service areas viz. BSNL operates all over India except Delhi and Mumbai where MTNL operates. BSNL and MTNL have a lot of resources/scope to obtain synergy but they are not able to achieve the required synergy. Both PSUs can exploit to have synergetic benefits in the field of National Long Distance (NLD)/ International Long Distance (ILD) business, enterprise solutions, mobile services in and around Delhi and Mumbai, usage of wireless assets etc. Though both BSNL and MTNL are under the administrative control of the same department still they have different types of managements. BSNL is having separate Board Directors for fixed line, mobile and enterprise business whereas MTNL is not having separate Board Directors for different verticals. BSNL and MTNL are not always in a position to provide country wide single solution on their own. The austere problem of merger of BSNL and MTNL into one common PSU along with its feasibility and implications has been looked upon in the study.

- 4.0 The objectives of the study are manifold. It has been envisaged that the major objectives would be to study the feasibility of merger of BSNL and MTNL, the benefits particularly non-financial, of merger of BSNL and MTNL into a common PSU, the issues involved in the merger of BSNL and MTNL, the possible solutions to the issues involved in the merger of BSNL and MTNL and the way forward for enacting merger.
- 5.0 Both the companies are operating in the same sector, have similar work culture & have common business interest. However, the business jurisdiction of the two companies is different, so merger may bring a pan India presence of one entity owned by the Government viz DoT. A single organization maybe able to serve customers better as single window for their needs leading to increase in revenues, especially for the Enterprise Business segment which invariably needs pan-India presence. It may ensure optimum utilization of networks, spectrum and other available resources like land, buildings and infrastructure assets of MTNL and BSNL for business expansion. It may result in better utilization of the technical knowledge/skills available with the two organizations there by providing economies of scale and reduced cost of operations. Despite large no of benefits, increased synergy, economies of scale and reduced cost of operations, the merger process may throw up a number of challenges in terms of Human Resource (HR) issues, financial issues and corporate issues which need to be harmonized to avail the benefits of the exercise
- 6.0 The issues involved in the merger of BSNL and MTNL can be mainly sub-divided further as Human Resource (HR) issues, Financial issues and Corporate issues. The HR issues involve non- parity in Pay scales of the two PSUs, inter-se-seniority of officials, recruitment rules, promotional policies and fear of transfer of MTNL officers on all India basis. The Financial issues are that both BSNL and MTNL are loss making PSUs and both PSUs are having a big debt on them. As on 31.03.2016, MTNL has a debt of nearly Rs. 13,400 crore and BSNL has a debt of nearly 7,885 crore and merged entity will have a debt of nearly Rs. 21,285 crore. The healthy beginning of an organization is possible when the merged entity is not burdened with high debt and consequent interest. Further, the corporate issues are that the shareholding structure of both PSUs are different. MTNL has 56.25% shareholding by Government of India whereas BSNL is fully owned by Government of India. Any merger will have to comply with the Securities and Exchange Board of India(SEBI)

Guidelines and Companies Act provisions. These issues and their probable solutions have been discussed in detail in this study.

- 7.0 The main Research Question is whether merger of BSNL and MTNL is feasible? The other related questions would be what are the benefits particularly non-financial, involved in the merger of BSNL and MTNL, what are the issues involved in the merger of BSNL and MTNL, what are the possible solutions to the issues involved in the merger and what is the way forward for the merger of BSNL and MTNL. All these have been discussed in detail in this study.
- 8.0 As the study is based dominantly on the reports of the Government, it has been sought to study and analyse the reports of DoT, MoU between BSNL and MTNL and a report of Indian Institute of Management Bengaluru. More than five years have passed since the report was submitted by Misra committee in 2011. Some of the issues have been settled and some more issues have come up. Therefore, it needed further study of the merger of BSNL and MTNL.
- 9.0 This study is limited to the study of the merger process of the two PSUs and related issues. It is mainly done through the secondary data with limited number of discussion interviews with the management, employees and office bearers of associations/ Unions of DoT/PSUs. Further limitation is that the study relies on only Government reports and related online resources.
- 10.0 The chapterisation scheme has included chapters on Background of BSNL and MTNL, Feasibility of merger, Possible Benefits of merger, Issues involved along with probable solutions in the merger and the Way forward for the merger of BSNL and MTNL.

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