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New Delhi, dated 2<sup>nd</sup> August, 2022

**Office Memorandum**

**Subject: Revival of BSNL and merger of BBNL with BSNL.**

The Union Cabinet in its meeting held on 27.07.2022 considered and approved the proposals of DoT for "Revival of BSNL and merger of BBNL with BSNL" vide its Cabinet Note dated 25.07.2022.

2. The Cabinet approved the following:

- 2.1. Raising Sovereign Guarantee bonds by BSNL with tenure of 10 years or more, for an amount of ₹ 22,828 Cr over three FYs (₹ 8,446 Cr in 2022-23, ₹ 6,522 Cr in 2023-24 and ₹ 7,860 Cr in 2024-25), with waiver of guarantee fee, to repay high cost debt and restructure it with new sustainable loan. BSNL will repay the principal/interest. The utilization of the fund shall be as per **Annexure-1**.
- 2.2. Settlement of AGR dues of BSNL (₹ 33,404 Cr as on 31.03.2022) through equity conversion including GST of ₹ 5,344 Cr. The Government will provide budgetary support to BSNL. AGR dues to BSNL would also be settled on the same principle for 5 years from 1<sup>st</sup> Apr, 2022 onwards. The exact AGR dues/interest will be certified by DoT.
- 2.3. BSNL to re-issue 9% non-cumulative preference shares of ₹ 7,500 Cr to be subscribed by GoI. The Government will make budgetary provision for ₹ 7,500 Cr in FY2022-23.
- 2.4. Administratively allotment of spectrum in 900/1800 MHz band with budgetary support of ₹ 44,993 Cr (with GST of ₹ 6,863 Cr) as equity infusion in BSNL in FY2022-23, subject to revision of said amount as per price discovered in the auction conducted in FY 2022. Allotment to BSNL will be done in all LSAs with effect from 29.02.2020 and from date of allotment in Delhi/Mumbai LSAs. The cost on pro-rata basis will be settled

for spectrum held by MTNL (5 MHz in Delhi/Mumbai) from 05.04.2019 till date of spectrum allotment to BSNL. The license related conditions will be as applicable under extant policy.

- 2.5. BSNL will provide all telecom services in Delhi and Mumbai through leasing of operational assets or other appropriate model. With operations by BSNL in Delhi/Mumbai, MTNL would be left with land/building assets which it will continue to monetize to discharge its loan liabilities.
- 2.6. Raising Sovereign Guarantee bonds by MTNL with tenure of 10 years or more, for an amount of ₹ 17,571 Cr (₹ 10,910 Cr in FY2022-23 and ₹ 6,661 Cr in FY2023-24) with waiver of guarantee fee, to repay the high cost debt and restructure it with new sustainable loan. The principal/interest will be repaid by MTNL through the proceeds of rental/sale of land/building assets. The utilization of the fund shall be as per **Annexure-2**.
- 2.7. In view of unsustainable debt of MTNL, for further detailed examination to resolve matters such as asset monetization, AGR dues, debt resolution and further course of action for merger of MTNL with BSNL, a Committee of Secretaries (CoS) comprising of Secretary DoE, Secretary DoT, Secretary DIPAM and Secretary DPE will be constituted to recommend the way forward. Finance Minister and Minister of Communications will be empowered to decide the way forward. The Government will provide a budgetary support of ₹ 1,600 Cr for restructuring and operational integration of the Telecom PSUs as a one-time grant.
- 2.8. BBNL will be merged with BSNL. Roles/responsibilities being discharged by BBNL will be carried out by BSNL, with following guiding principles:
  - a) BharatNet to be funded by USOF and infrastructure to be a National asset owned by USOF, accessible on a non-discriminatory basis to all Service Providers.
  - b) BSNL to be responsible for targets by Government for FTTX services in all villages.
  - c) Agreement to be signed between USOF and BSNL on constructions, O&M, utilization of the BharatNet network, payment terms and conditions etc.

- d) Payment for O&M works to be based on outcome-linked measurable Service Level Agreements (SLAs) including penalties for non-performance. Payments for construction of the network to be based on the achievement of the milestones.
- e) Minister of Communications is delegated the powers to take decisions on all issues arising out of the merger of BBNL with BSNL.
- 2.9. Sanctioning the capex of ₹ 22,471 Cr (₹ 4,513 Cr in FY2022-23, ₹ 5,769 Cr in FY2023-24, ₹ 8,609 Cr in FY2024-25 and ₹ 3,580 Cr in 2025-26) as equity infusion in BSNL. This includes projected requirement of MTNL for ₹ 1851 Cr (₹ 513 Cr in FY2022-23, ₹ 689 Cr in FY2023-24 and ₹ 649 Cr in FY2024-25) in Delhi/Mumbai also. The Government will make the budgetary provision accordingly in respective years. With these investment, BSNL is expected to be profitable in FY2026-27.
- 2.10. The process to be followed for procurement of 4G equipment under Atmanirbhar initiative will be placed before the GoM for approval. Accordingly, BSNL will finalize the procurement.
- 2.11. Sanctioning ₹ 13,789 Cr as Viability Gap Funding (VGF) in form of grant-in-aid to BSNL towards unviable rural wire-line operations for FY2014-15 to 2019-20 through budgetary support in FY2022-23. Similar reimbursement will also be allowed to BSNL for FY2020-21 and onwards for five years also on this principle, subject to a ceiling of ₹ 7,200 Cr for this duration of six years.
- 2.12. Amendment in Special Reserve for posting of ITS Group-A officers in BSNL/MTNL as per Cabinet decision 2016, to operate 560 ITS cadre posts (HAG-34, SAG-353, JAG-173) in BSNL/MTNL on non-diminishing basis for five years (from Jan, 2022 to Dec, 2026). The special reserve is to be diminished in a phased manner thereafter as the PSUs develops their own cadre.
- 2.13. Continuation of Group of Ministers as per revised notification by the Cabinet Sectt vide letter no. 93/1/5/2019-Cab dated 11.05.2022 constituted as Alternate Mechanism with delegated powers of Cabinet, to take up the matter arising out of the Cabinet Note dated 25.07.2022 or Cabinet Note dated 22.10.2019 for all issues except the issues mentioned above in para

2.7 (issues arising of MTNL merger) and 2.8 (issues arising of BBNL merger).

2.14. Authorised capital of BSNL will be increased from ₹ 40,000 Cr to ₹ 1,50,000 Cr, as a result of capital infusion on account of spectrum, capex and AGR dues.

3. CMD BSNL/MTNL, CMD BBNL and administrative heads of all wings of DoT are requested to take note of the above Cabinet approval and take immediate steps for strict and time-bound compliance of the concerned points.

**Encl: As above.**



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To:

1. Member (F), DoT
2. Member (T), DoT
3. Member (S), DoT
4. Administrator, USOF
5. CMD BSNL
6. CMD MTNL
7. CMD, BBNL

**Annexure-1****Details of proposed Utilization by BSNL against Sovereign Guarantee Bonds**

<b>S.No</b>	<b>Name of Bank</b>	<b>Outstanding Debt (₹ Cr)</b>	<b>ROI (%)</b>	<b>Amount to be Repaid (₹ Cr)</b>
1	SBI – II	1420	7.90	1420
2	BOB - III (Erstwhile Vijaya Bank)	787	7.90	787
3	PSB	214	7.65	214
4	IOB	250	7.65	250
5	IDBI	200	7.45	200
6	BOB – I	839	7.40	839
7	BOB – II	623	7.40	623
8	PNB – I	364	7.35	364
9	PNB – II	651	7.35	651
10	PNB - III (Erstwhile OBC)	277	7.35	277
11	PNB - IV (Erstwhile UNITED bank of India)	362	7.35	362
12	PNB - V (Erstwhile UNITED bank of India)	427	7.35	427
13	CANARA – I	784	7.35	784
14	CANARA – II	438	7.35	438
15	CANARA-Aug-2021	1000	7.35	1000
16	Bank of India - Securitization loan	1597	7.35	1597
17	SBI-III	2000	7.30	2000
18	BOB- Fresh (Dec-21)	2000	7.30	2000
19	Bank of India (fresh loan Dec21)	1250	7.25	1250
20	SBI – I	3530	7.20	3530
21	UBI – I	122	7.20	122
22	UBI – II	1422	7.20	1422
23	J&K – I	247	6.85	247
24	J&K – II	283	6.85	283
25	UBI – OD	1740	8.00	1740
	<b>Total</b>	<b>22,828</b>		<b>22,828</b>

## Annexure-2

### Details of proposed Utilization by MTNL against Sovereign Guarantee Bonds

Name of Bank	Outstanding Debt (in Cr)	ROI (%)	Amount to be Repaid (in Cr)
SG BOND 1005	1,005	9.57	1,005
SG BOND 1975	1,975	10.38	1,975
GOI	570	7.30	570
STL BOI	800	8.35	800
STL PSB	230	8.30	230
SBI 2	265	7.95	265
Indian	386	7.85	386
UBI e-Andhra 1	727	8.90	727
UBI e-Andhra 2	264	8.90	264
BOB	712	8.60	712
SBI 3	500	8.45	500
BOI CGO	524	8.35	524
PSB 1	386	7.65	386
PSB 2	175	7.65	175
PNB e-United	237	7.35	180
PNB e-OBC	435	7.35	238
BOI LCB	451	7.35	213
UCO Bank	458	7.30	175
SBI 1	1,394	7.29	1,080
UBI	1,337	7.20	1,200
UBI e-Corporation 1	372	7.20	325
UBI e-Corporation 2	372	7.20	288
UBI e-Corporation 3	461	7.20	213
Canera Bank	120	9.00	120
Canera Bank WCDL	180	9.00	180
PUNJAB NATIONAL BANK(OBC)	200	7.35	200
BANK OF INDIA	500	7.35	500
BANK OF BARODA	1,000	7.60	700
UNION BANK OF INDIA( 918331)	2,250	7.20	1,600
IOB-1700(8122)	2,300	8.30	1,842
<b>Total</b>	<b>20,585</b>		<b>17,571</b>