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BSNL to raise Rs 12,000 crore from PSBs for network upkeep

By Anjana Das, Friday, 21 December 2018

City: New Delhi

State run BSNL is in the process of raising Rs 12,000 crore as loans from few public sector banks including Bank of Baroda in tranches to fund its huge operational maintenance expenditure as its services revenues dry up and internal accruals are used for network expenses, sources said.

But most importantly, it will have to raise the money without the Department of Telecom's Letter of Comfort (LoC) which usually is available to PSUs from their nodal ministries for bank loans to be able to raise the funds at a lower rate of interest. But without it, BSNL will have to pay the higher commercial market rate of interest for the loans after DoT declined its request for an LoC, said a source privy to the development.

Bank of Baroda is said to be one of the key banks with whom BSNL will be raising major part of the amount. However, the BSNL management refused to reveal any information while BoB had not responded the queries till the paper went to press.

BSNL operates all over India mainly in hinterlands sans key metros of Delhi and Mumbai. The PSU reeling under huge wage bill, legacy networks and severe competition more so after 2016 September with Jio's entry is awaiting 4G spectrum allocations from the government which it has sought through recapitalisation via equity route. The expenditure this 4G allocation will be of the tune of Rs 6,500 crore on the finance ministry. North Block is yet to approve of this 4G spectrum fund allocation and the process is stuck still in inter-ministerial consultations killing precious time for the PSU for survival.

But the sources explained that even though fund will be raised on the market rates, the loans may not burden its present debt level, which is at Rs 13,000 crore on a top line of around Rs 27,500 crore where as the other two top players — Airtel has a debt of Rs 94,000 crore and Vodafone-Idea has Rs 1.15 lakh crore. Even with this loan, still BSNL will be the least leveraged telco in the present competitive scenario. It meets its huge wage bill of Rs 16,000 crore a year through its internal revenue generation and other expenditures are also met by its own service revenues which though is witnessing a gradual decline and expected to shore up once it is given 4G spectrum.

The government has not given BSNL the 4G spectrum to match competition and at the same time we are surviving even in this hyper competition time without a key service (4G) in our portfolio as Jio goes on giving cheap services with its financial muscle. The amount of Rs 12,000 crore will be raised in tranches for meeting the operational maintenance and some amount could be raised by the end of this month for the same, said the sources.

In June this year, the PSU had decided to borrow Rs 4,300 crore in the current financial year to fund capital expenditure plans. The PSU is also seeking its dues amounting to Rs 2,400 crore from its services from BharatNet, LTE networks and NFS projects from DoT which if comes will also help the PSU meet some of its immediate expenditures.

BSNL which was declared along with MTNL as an 'incipient sick unit' by the DPE has seen some of the worst times recently particularly after Jio's entry along with other telcos. Its loss has widened to Rs 7,992 crore in 2017-18 nearly doubling from a loss of Rs 4,793 crore in 2016-17.