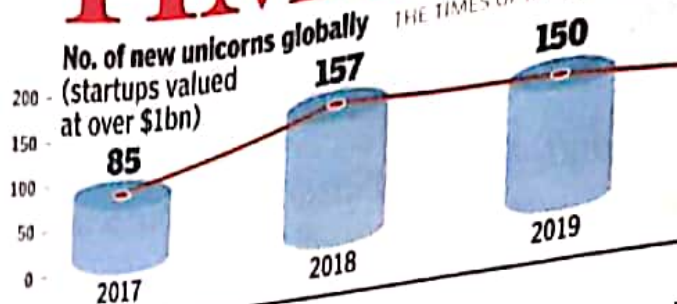


Record 249 New Unicorns Globally In 2021, Funding Too Hits A High

The April-June quarter of 2021 saw the birth of 136 new unicorns globally, nearly 6 times the 23 unicorns born a year ago in the same period in 2020, and already higher than the 128 new unicorns that came up in all of 2020. Global funding to startups also broke records. Funding at \$156bn was up 157% compared to the year-ago period, which marked the biggest quarter for dollars raised in the last decade. The US led with \$70bn funding in Q2 2021

Source: CB Insights



Govt against merging ailing Voda Idea with BSNL-MTNL

'Debt-Laden Pvt Co Can't Be Under Fold Of Loss-Making PSUs'

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New Delhi: The government is against the merger of beleaguered Vodafone Idea with state-owned BSNL and MTNL, multiple sources have told TOI. The stand comes weeks after industrialist Kumar Mangalam Birla had said that he is "willing to hand over" his 27% stake in the crippled telco to "any entity — public sector/government /domestic financial entity" in the name of "national interest".

Government sources said "multiple and strong logical reasons" suggest "outright rejection" of any proposal that gets the debt-laden and loss-making private entity within the fold of the state-owned companies, which themselves have a poor track record of managing their business and are operational mainly on the back of recurrent government bailouts.

"How can we even allow this. It's almost like having privatisation of profits, and nationalisation of losses?" a senior officer said.

Birla's call appeared to be in line with a suggestion made in a report of Deutsche Bank. "...the only viable solution is for the government to recapitalise Vodafone Idea by converting its debt into equity, preferably while merging it with

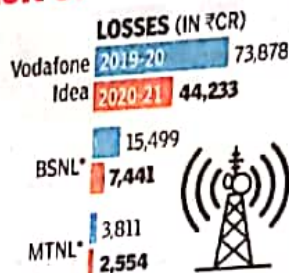
HOW THEY STACK UP

LIABILITIES/OUTSTANDINGS:

Vodafone Idea: ₹1.6 lakh crore to govt & ₹23,000cr in bank loans
BSNL: ₹81,156 crore
MTNL: ₹29,391 crore

SUBSCRIBERS AT THE END OF MAY '21:

Vodafone Idea: 27cr
BSNL: 11.6cr
MTNL: 33L Source: Trail



*Reduction in losses only after a massive govt bailout and VRS
Source: Company data/Parliament questions

BSNL, and then providing it a clear commercial mandate based on profitability targets and incentives," it had said in a recent note. Deutsche Bank added that "should this happen, Vodafone Idea's shareholders would be heavily diluted as government debt is roughly six times the (telco's) current market-cap, and such a solution might be an acceptable outcome to shareholders."

The numbers are, however, stacked against such suggestions. Vodafone Idea, the third-largest telecom operator with around 27 crore subscribers, is under heavy debt, owing Rs 96,300 crore to the government in deferred spectrum payments, while being liable for another Rs 61,000 crore towards AGR liabilities.

The liabilities come with

interest burden of thousands of crores, with the company having another Rs 23,000 crore bank debt. Its losses in the previous two quarters have been in excess of Rs 7,000 crore.

On the other hand, BSNL and MTNL had to be handed out a Rs 69,000 crore revival package around 2019 to keep them afloat, and are still struggling to attain profitability. According to a reply of minister of state (communications) Devusinh Chauhan in Rajya Sabha on August 5, total liabilities of BSNL stood at Rs 81,156 crore at the end of FY21 while MTNL's at Rs 29,391 crore.

"It will be a financial mess if all the struggling entities are brought together and merged. What purpose does it serve? In fact, if their operations are brought together, it may turn into

an even bigger financial drain on the exchequer in the coming years if the operations do not turn around," an officer said. "In any case, instead of being so considerate for an inefficient private entity, the government may simply focus more on the BSNL/MTNL combine and give them more funds to make them competitive and turn them around."

NITI Aayog, which has been roped into the issue by the telecom department, is also against the proposal. The government think-tank feels that any such measure may also see an "erosion in value" of Vodafone Idea, and thus not much may be left in the deal for BSNL-MTNL to gain from.

Some of the officers said cultural differences between the two entities are also reasons that may make a merger "a sure failure". "BSNL-MTNL lacks an aggressive private sector stance, and their employees are aging and saddled with labour and union issues. On the other hand, Vodafone and Idea couldn't even manage their own merger properly, which was among the reasons behind the joint company's collapse."

Another officer said there are "numerous legal issues" that make it a difficult deal. "MTNL is listed, and so is Vodafone Idea," the officer said.