

OFFICE MEMORANDUM

Subject: Sovereign Guarantee for issue of Long Term Bonds by BSNL and MTNL – reg.

The undersigned is directed to refer to DO letter No. 30-5/2019-PSU Affairs dated 02.07.2020 of Secretary, Deptt. of Telecommunications seeking sovereign guarantee of ₹ 15000 crore (₹ 8,500 crores to BSNL and ₹ 6,500 crores to MTNL) for restructuring of their existing debts and meeting some CAPEX requirements for launch of 4G services. The proposal has been examined in this Department and agreed to subject to the adherence of the following terms and conditions:

- i. BSNL/MTNL will pay guarantee fee at 1% to the Govt. (guarantee fees charged for domestic borrowings). The rate of guarantee fee is to be applied on the amount outstanding at the beginning of the guarantee year. If the guarantee fee is not paid on the due date, fee should be charged at double the normal rates for the period of default.
- ii. The Government of India Guarantee would only cover the principal amount and the normal interest.
- iii. Guarantee given by Government of India shall be non-transferrable and would cease to exist in case the ownership of the entity is transferred from Government of India, unless the Guarantee is re-confirmed by the Budget Division.
- iv. Deptt. of Telecommunications shall review proper utilisation of the guaranteed funds and will also review the guarantees annually to ensure that there is no risk of default in repayment of loans together with interest thereon as well as the guarantee fee payable to the Government of India.
- v. Review of the Guarantee shall be ensured as provided under Rule 281 of GFRs 2017.
- vi. Deptt. of Telecommunications shall enter into a back-to-back guarantee fee agreement with BSNL/MTNL on the terms and conditions of guarantee and guarantee fee etc.
- vii. In case of default, the lending agency shall invoke the Guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the tranche/loan/liability for which guarantee has not been invoked.
- viii. The Govt. guarantee shall reduce periodically equivalent to the repayment that ought to have been made by the borrower as per terms and conditions of loan agreement. This will be subject to condition (vii) above.

2. This issues with the approval of Secretary (EA).



(Sanjay Rawat)

Under Secretary (Budget)

Tele: 2309 5251