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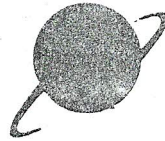
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भारत संचार निगम लिमिटेड

(भारत सरकार का उद्यम)

BHARAT SANCHAR NIGAM LIMITED

(A Government of India Enterprise)

(10)

आर. के. उपाध्याय

अध्यक्ष एवं प्रबन्ध निदेशक

R. K. Upadhyay

Chairman & Managing Director

NO. CP&M/ 1-212/2010-12/

Dear Shri *Wadhwa*,

Dated: 11<sup>th</sup> July 2011  
15

This is with reference to the D.O. letter from Hon'ble Finance Minister to Hon'ble MOC&IT wherein he has urged that the issue of the reduction in the interest rate on the Notional loan of Rs. 7500 Crores to BSNL may not be opened at this belated stage. (Copy enclosed as Annexure-1). He further suggests that BSNL requires a comprehensive structural reform in its operational and financial management to bring about an overall improvement in the performance of the corporation.

In the review meeting of BSNL, taken by Hon'ble MOC&IT on 04.07.2011, Hon'ble MOC&IT has clearly indicated that no subsidy, compensation etc. shall be made available to BSNL from finance ministry.

In the review meeting of BSNL taken by Board for reconstruction of Public Sector Enterprise (BRPSE) held on 21.12.2010, BRPSE has directed BSNL that it should segregate activities driven by business requirement from activities pertaining to social obligation to ensure sustainable growth of BSNL. The activities pertaining to social obligation shall be taken only when the same is adequately compensated by DOT/ USO.

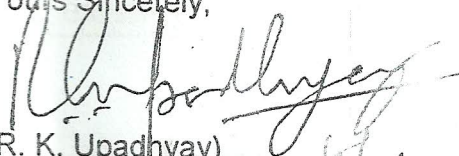
It will be pertinent to mention, that in the past, BSNL had executed projects as part of social obligation such as provision of connectivity to Common Service Centers (CoSC) in rural areas of DIT etc. which had a bearing on the financial position of BSNL. BSNL had already paid Rs. 8134 Crores for the Wi-Max spectrum and is deploying around 7000 Wi-Max BTS in the rural areas for providing CoSC connectivity, for which very meagre funding has been received from DIT.

Accordingly, please direct all the Sr. GMs/ GMs responsible for the planning under you to ensure that all CAPEX proposals/ Project estimates are prepared keeping into account their profitability and purely the business requirement of BSNL. The activities pertaining to social obligation shall be undertaken only when the compensation from USO/ DOT results in its profitability which alone will ensure a sustainable growth of BSNL. Proposals for these activities must therefore contain proposal for required compensation & the same to be forwarded to DOT/ USOF.

With regards

Encl.: Annexure-1.

Yours Sincerely,

  
(R. K. Upadhyay)

Chairman & Managing Director

To Rajesh Wadhwa  
Shri .....

Director (CFA) / Director (CM) / Director (Enterprise) / ED (NB)

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प्रणव मुखर्जी  
RANAB MUKHERJEE

वित्त मंत्री, भारत  
FINANCE MINISTER  
INDIA

Dear Rabil,

Please refer to your D.O. letter No.1-43/2008-B dated 28.2.2011 regarding the terms and conditions of repayment of the notional loan of ₹ 7,500 crore by BSNL and the request made therein for the reduction of the existing interest rate.

2. I have had the issue examined in this Ministry. The request of the Department of Telecommunications for reduction of interest rate applicable on loans provided to BSNL as part of its capital structure from 14.5% to 12% was considered in this Ministry earlier in consultation with Department of Telecommunications, and the position of this Ministry on this issue was clarified vide this Ministry's letter dated 25.1.2008 (copy enclosed).

3. I may also mention that BSNL has adequately been compensated since its inception in the form of dividend relief as well as moratorium on the repayment of principal and interest on the notional loan. Re-imbursement of licence fees and spectrum charges have also been provided as compensation to BSNL towards meeting the operational losses in rural and village public telephony, etc. Further, the pension liability in respect of employees who were absorbed in BSNL is borne entirely by the Government. The actual expenditure on the pensionary liabilities amounted to ₹ 2893.82 crore in 2009-10, while an amount of ₹ 3700 crore in RE 2010-11 and ₹ 3950 crore in BE 2011-12 respectively have been provisioned. BSNL on its part has in fact defaulted on dividend payment to the General Revenues for the year 2008-09, despite being in profit and carrying huge Reserves and Surplus.



सत्यमेव जयते

CONTINUATION SHEET

वित्त मंत्री

भारत

नई दिल्ली - 110001

FINANCE MINISTER

INDIA

NEW DELHI - 110001

30 MAY 2011

4. In the backdrop of above mentioned reliefs and concessions, it may not be desirable to consider further relief in the form of reduction of interest rate on the notional loan of ₹ 7500 crore provided to BSNL as part of its capital structure. I would urge that the issue may not be reopened at this belated stage. I feel that what the BSNL requires is a comprehensive structural reform in its operational and financial management to bring about an overall improvement in the performance of the Corporation.

With regards,

Yours sincerely,

(Pranab Mukherjee)

Shri Kapil Sibal,  
Minister of Human Resource Development,  
Communications & IT,  
Sanchar Bhawan,  
New Delhi.



F.No.2(34)-B(SD)/2007  
Ministry of Finance  
Department of Economic Affairs  
( Budget Division )

New Delhi.  
25<sup>th</sup> January, 2008.

OFFICE MEMORANDUM

Subject: Pre-payment of loan and reduction in the rate of interest on Government loan to BSNL-regarding.

Department of Telecommunications may please refer to their D.O. letter No.1-43/2006-B dated 7.1.2008 on the subject cited above.

2. While communicating the capital structure to BSNL, the Department of Telecommunications had conveyed that the loan of Rs.7,500 crore was for a period of 15 years with moratorium on principal and interest upto 31.3.2004. It had also stated that interest on this loan would be at government lending rate as prevalent. Subsequently, with the approval of Cabinet, the moratorium on principal and interest of the loan was extended for a period of one year upto 31.3.2005.

3. Department of Telecommunications has furnished the estimates of interest receipts and repayment of loan from BSNL after factoring in the following:

- No interest and principal is due during the period of moratorium upto 31.3.2005.
- Due date for payment of loan has been assumed as 1<sup>st</sup> April, after completion of moratorium period.

4. The proposal of Department of Telecommunications to consider the request of BSNL has been examined and the following points are clarified:

- (i) The interest payable on the amount of loan is at the rate of 4.5% p.a. the Government's lending rate prevalent at the time of creation of BSNL. This rate is prescribed in this Ministry's O.M. No.5(3)-B(PD)/2000 dated 6.6.2000 (copy enclosed) and made applicable as the transfer of assets and liabilities is deemed to have taken place with effect from 1.10.2000, the date from which BSNL was created.
- (ii) The balance principal due (Rs.5061.79 crore) and interest thereon, after adjusting the amount received so far from BSNL, may either be repaid during the residual maturity of the loan or the remaining loan repaid together with interest due upto the date of repayment;
- (iii) Prepayment premium @ 0.25 % p.a. may be levied and recovered;
- (iv) For any belated payment of principal, penal interest @ 2.75% p.a. for the period of delay may be levied in terms of this Ministry's O.M.No.5(3)-B(PD)/2007 dated 17.10.2007 (copy enclosed).

(from pre-page)

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5. Further, it may kindly be ensured that interest due for the financial year 2007-08 has also been fully paid. To the extent it has not been paid, this should be reflected and received as part of RE 2007-08.

6. This issues with the approval of Joint Secretary (Budget).

*N.M. Jha*  
( N.M. Jha )

Additional Budget Officer

Ms. Vinod Korwal,  
Director (Budget),  
Department of Telecommunications,  
Sanchar Bhawan,  
New Delhi.