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भारत संचार निगम लिमिटेड
(भारत सरकार का उपक्रम)
BHARAT SANCHAR NIGAM LIMITED
(A Govt. of India Enterprise)

No. BSNLCO-CA/11/1/2020-CA-ERP-FICO

Dated: 07.05.2020

To
The Chief General Manager
All BSNL Circles

Sub: - Brief on COVID -19 Impact and VRS expenditure for Financial Closure 2019-20.

With reference to the discussions held on VC, the brief on the matter of COVID-19 impact and VRS expenditure has been approved by the competent authority.

The briefs are attached herewith so that the circles can share the same with auditors in response to their queries on the subject.

(Surajit Mandol)
Sr. General Manager (CA)

Encl:

- 1. Annexure A - Brief of COVID - 19 Impact**
- 2. Annexure B - Brief of VRS expenditure**

Copy to:

- CMD / Dir. (Fin)/ Dir. (CFA)/ Dir. (CM)/ Dir. (EB)/ Dir. (HR), for kind information.
- PGM (F) / Sr. GM (F) / GM (F) / IFA of all Circles of BSNL for information and necessary action.
- Sr.GM(F)/GM(F)–IA/PF/FP/BFC&I/CFA/CM/EB/Taxation/EF/Govt.Project, Corporate Office, BSNL for information.

Annexure A- Brief on COVID-19 Impact

Background

Due to COVID 19 pandemic the whole of the country is under lockdown with effect from 24th March 2020. Most of the commercial activity is closed, except for certain essential services. Telecom industry is covered under essential services. BSNL continued to provide services and its network has actually utilization increased during this period.

BSNL has launched Work from Home scheme to upgrade existing landline connection into Broad Band connection. BSNL has also provided extended validity for existing prepaid mobile consumers and Rs 10/- worth of talk time. BSNL has recently introduced INSTA PAY platform which is used to sell the stock online to Channel Partners 24 x 7, and this has been very helpful in selling of CM products to its Franchisees.

The cash collection during March was lower than expected by about Rs. 500 cr; however, no significant reduction in revenue generation is anticipated in post paid segments of Mobile, Landline, Broadband, FTTH and Enterprise.

On the other hand, cost savings have been achieved due to better Electricity Board Supply availability, and resulting into saving of Fuel (Diesel) expense.

Business Impact Assessment

The overview of the impact of the COVID-19 is given in the following matrix:

S.No.	Particulars	Assessment Notes	Impact on Sales	Impact on Operations & Maintenance	Profitability and Liquidity	Impact on Administration and Control
1	Broadband and FTTH demand	Demand for Internet has increased due to curbs on the mobility of people. Therefore the Broadband and FTTH products sales are having a positive impact.	Positive			
2	Network utilization	BSNL continued to provide services and its network utilization increased during this period.	Moderately Positive			
3	Carrying out of O&M Activities	Telecom comes under essential services and necessary relaxation in the curbs has been given to the operators to take care of O&M activities.		No Impact		
4	Operating Cost	The electricity supply is better, and the operations efficiency has improved for Power & Fuel Expenses as diesel consumption got reduced.		Moderately positive		
5	Administration & Control	BSNL has moved on to E-Office. Currently it is being used in the select offices including Corporate Office, and will be implemented on pan india basis. Therefore the administrative decisions will not be impacted due to mobility curbs.				No Impact
6	Financial and Internal Control	BSNL ERP can be accessed from remote locations, and the necessary internal controls have been in built.				No Impact
7	Turn Around time of Decisions	With help of Eoffice and ERP the turn around time of decisions is not adversely impacted				No Impact

S.No.	Particulars	Assessment Notes	Impact on Sales	Impact on Operations & Maintenance	Profitability and Liquidity	Impact on Administration and Control
8	Collection cycle	The cash collection during March was lower than expected by about Rs. 500 cr; However, no significant reduction is anticipated in the segments of Mobile, Landline, Broadband, FTTH and Enterprise. The collection cycle may be moderately impacted due to some industries are adversely hit by the Covid - 19. However the impact is only temporary in nature and the telecom services being indispensable and even more important in the current situation, the collection cycle will only be moderately delayed.			Moderate Impact	
9	Credit Risk	As regards debtors, a large part of it is not at risk as. Efforts are also underway to drive customers to online payment options in order to ensure that cash flows from operations remain uninterrupted.			No Impact	
10	Project related work	BSNL continues to roll out government assigned projects and government funded projects and therefore, earnings generated by the Company from these external works carry no risk.		No Impact		

Impact Assessment on Accounting Matters (As per Advisory of ICAI)

In view of the abovementioned Business Impact Analysis, the Impact Assessment has been done as per ICAI's Accounting Advisory:

S.No.	Assessment Point as per report issued by ICAI	BSNL's Assessment	Impact
1	Inventory Measurement	Since the operations and demand of the products of BSNL is not adversely impacted the Inventory is also going to be utilized in the normal course of business without any adverse impact on its NRV due to Covid-19. Most of the inventory in BSNL is for projects / internal consumption. Few items like Modem, Telephone instruments etc are either rented out or sold to customers. The value of such items are not material considering the value of inventory items being consumed internally. Therefore there is no impairment for the same.	No Impact
2	Impairment of Non Financial Assets	The economic benefits arising from the Non Financial Assets of the company are not negatively impacted, hence there is no impairment on account of Covid-19. The company's network utilization has actually increased during this period of lockdown.	No Impact

S.No.	Assessment Point as per report issued by ICAI	BSNL's Assessment	Impact
3	Financial Instruments: Impairment	<p>Receivables: There is no impact on the receivables due to Covid 19 as explained in the point # 9 and 10 of the Business Impact Assessment, that the cash cycle may get temporarily and partially delayed but eventually there is no credit risk as the services are essential in nature and due will be honoured by the debtors. Moreover, most of the dues are virtually secured as they pertain to Govt and PSU sector. BSNL has online payment options which are easily accessible to all the retail / enterprise customers. Therefore, there is no adverse impact to be taken due to Covid-19 for ECL or Impairment of the same.</p> <p>Investment in ITI: BSNL investments like Preference Shares in ITI have been liquidated and a substantial sum out of Rs 200 cr erstwhile investment has already been received and balance is expected shortly. Therefore there is no impairment loss to be accounted for the same.</p>	No Impact
4	Financial Instruments : Fair Value Measurement	The Financial assets and liabilities are not impacted as the business environment of the company is not adversely impacted by the Covid-19. Therefore there is no change to be incorporated in the disclosure of fair value of Financial Instruments of the company.	No Impact
5	Leases	There is no change in the terms and conditions of leases as lessee or lessor. Hence there is no impact to be shown.	No Impact
6	Revenue	Revenue is rather moderately on upside due to Covid-19. The services of BSNL are having predefined period of contract and the customer is ready to choose the desired product/plan. Most of the revenue is booked on usage basis, and there is no adjustment required for extension of contract term. Therefore there is no particular impact to be accounted for on this assessment point which may be attributable to Covid-19.	No Impact
7	Provisions, Contingent Liabilities and Contingent Assets	Employee Benefit related provisions are created on the basis of Actuarial Valuation, and therefore all the relevant factors will automatically be taken care of by the Actuarial Valuer. As for other matters, there is no impact of Covid-19.	Contingent upon Actuarial Valuation Report
8	Modification or termination of Contracts or Arrangements	No changes in the contracts due to Covid-19. However, the points have been discussed under other relevant heads above, eg Provisions, Revenue Financial Instruments etc.	No Impact
9	Going Concern Assessment	In view of the Analysis of Business Impact, the Going Concern is not affected by the Covid-19.	No Impact
10	Income Taxes	Since there is no impact on Profitability due to Covid-19, resultingly there is no change in position as for Income Taxes / Deferred tax is concerned.	No Impact

S.No.	Assessment Point as per report issued by ICAI	BSNL's Assessment	Impact
11	Consolidated Financial Statements	The subsidiary company BTCL is also in the Telecom Business, and there no impact on its business due to Covid-19. Hence, there is no impact on the Consolidated Financial Statements.	No Impact
12	Property Plant and Equipment	There is no impact on on Useful life, Utilization or Residual value of the PPE due to Covid-19, as there is no impact on the business of the company.	No Impact
13	Presentation of Financial Statements: Breach of Covenants	There has been no breach of Covenants by BSNL and there is no special presentation to be made for the same which is attributable to the Covid-19.	No Impact
14	Presentation of Financial Statements: Estimation of uncertainty	There is no impact for the telecom business due to the Covid-19, and therefore, no impact considered on this point. Disclosure for Fair Value Measurement will be prepared as usual as part of Financial Statements.	No Impact
15	Borrowing Costs	No suspension of work has happened for the Project Works of BSNL, therefore there will be no suspension of Borrowing Cost capitalization due to Covid-19.	No Impact

Annexure B- Brief on VRS Expenditure

Further the Brief on VRS is given as follows:

S.No.	Nature of Benefit	DOT Recruited Employee	BSNL Recruited Employee	Accounting impact	Payment Particulars
1	Ex Gratia	Liability Discharged by Government of India by Budgetary Support	Liability Discharged by Government of India by Budgetary Support	Payable to employees and receivable from DOT	1st Instalment paid in 2019-20 and remaining to be discharged in 2020-21
2	Leave Encashment	Liability Discharged by BSNL through fund maintained by BSNL	Liability Discharged by BSNL through fund maintained by BSNL	Payable to employees and receivable from FUND	Completely Discharged
3	GPF/EPF	Paid by DOT	Paid by EPFO	No impact	No payment is to be made by BSNL
4	Gratuity	Liability of DOT	BSNL liability and circle will create Liability	Liability of BSNL recruited Employees booked	Payment yet not made
5	Superannuation Fund maintained with LIC	No liability of BSNL	No liability of BSNL	No Accounting impact	Fund already created and liability will be discharged by Fund.