

Outline of the Presentation

- Need for VRS
- VR scheme
- Financial benefits and attractions of the scheme
- Additional work opportunities for VRS optees
- Overall expenditure and savings for BSNL

Need for VRS

BSNL'S Financial Performance in recent years

(All figures In Rs Crores)

Parameters	2008-09	2009-10	2010-2011
Income	35,812	32,045	29,687
Expenditure	34,354	34,078	36,071
Net Profit	575	(-)1,823	(-)6,384
Salary Cost	11363	13455	13791
Salary Cost as % of total income	32%	42%	46.5%
		3	3

BSNL'S Employee strength

As On	Group A	Group B	Group C	Group D	Industrial	Total
31/03/09	7,704	48,312	1,98,312	42,739	2,773	2,99,840
31/03/10	7,610	47,822	1,92,559	41,496	2,613	2,92,100
31/03/11	7,913	48,200	1,83,498	39,608	2,416	2,81,635
22/08/11	7705	47314	180389	38579	2319	2,76,306

Average age of employees ~ 49 Years

Need for VR Scheme

- Competition in telecom sector has become very stiff
- Revenues are showing declining trend
- BSNL income has been falling steeply in the last few years
- Salary costs are continuously rising
- Ratio of salary cost to income has risen sharply from 32 % in 2008-09 to more than 46% in 2010-11
- Staff to telephone ratio in BSNL is extremely high in comparison to other telecom operators

Employee age profile- Group-wise (As on 31/3/11)

- Average employee age: Very High ~49 years

Age	Grp A	% of Total Grp A	Grp B	% of Total Grp B	Grp C	% of Total Grp C	Grp D	% of Total Grp D	Total	% of Total
> 40 Years	7,287	92%	33,174	69%	1,64,627	90%	35,022	83%	2,40,110	85%
> 45 Years	6,477	82%	26,837	56%	1,53,802	84%	28,497	68%	2,15,613	77%
> 50 Years	5,677	72%	18,109	38%	1,03,474	56%	16,892	40%	1,44,152	51%
> 55 Years	3,559	45%	7,372	15%	41,864	23%	6,385	15%	59,180	21%

VR scheme Proposal

- In view of the challenges posed by tough market conditions, company's very high wage bill and with the objective of improving company's financial situation, it is proposed to offer VRS to about 1 lakh employees.
- The scheme offers not just financial benefits but also certain opportunities to the VRS optees by way of which they can take up works outsourced by BSNL after retirement. This would create win-win offer both for the employee taking VRS and the company.

Scheme to be made open to all employees above 45 yrs.

Benefits to employees opting for VRS

- i) Financial Benefits comprising of ex-gratia payment and other terminal benefits
- ii) Opportunity to work for BSNL after retirement on individual basis or as a co-operative and get additional income

VR scheme Proposal

- Ex-Gratia lump sum amount as per the Department of Enterprises (DPE) scheme for marginal profit/ loss making enterprises i.e. salary (basic+DA) of 35 days for every completed year of service and 25 days for every year of service left until superannuation.
- The compensation is subject to a minimum of Rs.25,000/- or 250 days salary whichever is higher. However, the amount shall not exceed the sum of the salary that the employee would draw at the prevailing level for the balance of period left before superannuation and further, it can not exceed 60 months salary.
- The ex-gratia amount will be in addition to all other applicable retirement benefits.

Financial benefits- sample cases

- Estimated amount payable to employees (sample cases-45 yrs, 50 yrs and 55 yrs) in different categories has been worked out and is shown in next few slides
- It is assumed that the lump sum payment received on retirement is invested which fetches interest @ 10%
- Estimation is made for 10th stage in each scale
- Following assumptions are made for other benefits :
 - i) **Leave Encashment:** salary for 10 months
 - ii) **Gratuity:** Salary for 15 days of each completed year of service with maximum of Rs.10 Lac

Financial benefits- (contd...)

iii) **Pension Commutation:** On the basis of commutation values (depending on age)

Age	Commutation value
45 Years	8.971
50 Years	8.808
55 Years	8.572

iv) **Transfer Grant:** One month salary plus grant assuming average four family members including the official, Transfer Grant for average 1000 km and other applicable benefits

* PF and Insurance payments will be in addition to these

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 45 yr old Non-Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutati on	Transfer Grant	Total Lumpsum Payment	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest +Pension per month
NE-1	07760-13320	550,148	153,530	153,530	224,562	13,566	1,095,335	109,534	67,086	14,718
NE-2	07840-14700	555,950	155,149	155,149	226,930	13,676	1,106,854	110,685	67,793	14,873
NE-3	07900-14880	562,807	157,062	157,062	229,729	13,806	1,120,466	112,047	68,629	15,056
NE-4	08150-15340	603,422	168,397	168,397	246,308	14,576	1,201,100	120,110	73,582	16,141
NE-5	08700-16840	620,301	173,107	173,107	253,198	14,896	1,234,609	123,461	75,640	16,592
NE-6	09020-17430	642,454	179,290	179,290	262,240	15,316	1,278,590	127,859	78,342	17,183
NE-7	10900-20400	772,739	215,648	215,648	315,420	21,610	1,541,065	154,106	94,229	20,695
NE-8	12520-23440	887,726	247,738	247,738	362,357	25,290	1,770,849	177,085	108,251	23,778
NE-9	13600-25420	966,319	269,670	269,670	394,437	29,780	1,929,876	192,988	117,834	25,902
NE-10	14900-27850	1,056,516	294,842	294,842	431,254	31,490	2,108,943	210,894	128,833	28,311
NE-11	16370-30630	1,160,427	323,840	323,840	473,669	33,460	2,315,236	231,524	141,504	¹² 31,086

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 45 yr old Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutati on	Transfer Grant	Total Lumpsum Payment	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest +Pension per month
E-1 (E1A)	16400-40500	1,162,537	324,429	324,429	474,530	41,500	2,327,424	232,742	141,761	31,209
E-2 (E2A)	20600-46500	1,462,138	408,038	408,038	596,823	48,440	2,923,477	292,348	178,295	39,220
E-3	24900-50500	1,767,541	493,267	493,267	721,484	54,230	3,529,789	352,979	215,536	47,376
E-4	29100-54500	2,065,559	576,435	576,435	843,130	59,880	4,121,440	412,144	251,877	55,335
E-5	32900-58000	2,334,567	651,507	651,507	952,936	69,340	4,659,858	465,986	284,680	62,556
E-7	43200-66000	3,062,471	854,643	854,643	1,250,055	83,140	6,104,953	610,495	373,442	81,995
E-9 & E9A	62000-80000	3,850,507	1,074,560	1,000,000	1,571,719	106,900	7,603,686	760,369	469,536	102,492

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 50 yr old Non-Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutat ion	Transfer Grant	Total Lumpsum Payment	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest +Pension per month
NE-1	07760-13320	575,736	153,530	191,912	220,482	13,566	1,155,226	115,523	67085	15,217
NE-2	07840-14700	581,808	155,149	193,936	222,807	13,676	1,167,376	116,738	67793	15,378
NE-3	07900-14880	588,984	157,062	196,328	225,555	13,806	1,181,735	118,174	68629	15,567
NE-4	08150-15340	631,488	168,397	210,496	241,832	14,576	1,266,789	126,679	73582	16,688
NE-5	08700-16840	649,152	173,107	216,384	248,597	14,896	1,302,136	130,214	75640	17,154
NE-6	09020-17430	672,336	179,290	224,112	257,475	15,316	1,348,529	134,853	78341	17,766
NE-7	10900-20400	808,680	215,648	269,560	309,689	21,610	1,625,187	162,519	94228	21,396
NE-8	12520-23440	929,016	247,738	309,672	355,773	25,290	1,867,489	186,749	108250	24,583
NE-9	13600-25420	1,011,264	269,670	337,088	387,270	29,780	2,035,072	203,507	117834	26,778
NE-10	14900-27850	1,105,656	294,842	368,552	423,418	31,490	2,223,958	222,396	128832	29,269
NE-11	16370-30630	1,214,400	323,840	404,800	465,062	33,460	2,441,562	244,156	141504	¹⁴ 32,138

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 50 yr old Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutation	Transfer Grant	Total Lumpsum Payment	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest + Pension per month
E-1 (E1A)	16400-40500	1,216,608	324,429	405,536	465,908	41,500	2,453,981	245,398	141761	32,263
E-2 (E2A)	20600-46500	1,530,144	408,038	510,048	585,979	48,440	3,082,649	308,265	178295	40,547
E-3	24900-50500	1,849,752	493,267	616,584	708,375	54,230	3,722,208	372,221	215536	48,980
E-4	29100-54500	2,161,632	576,435	720,544	827,811	59,880	4,346,302	434,630	251877	57,209
E-5	32900-58000	2,443,152	651,507	814,384	935,621	69,340	4,914,004	491,400	284680	64,673
E-7	43200-66000	3,204,912	854,643	1,000,000	1,227,342	83,140	6,370,037	637,004	373441	84,204
E-9 & E9A	62000-80000	4,029,600	1,074,560	1,000,000	1,543,162	106,900	7,754,222	775,422	469536	103,747

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 55 yr old Non-Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutation	Transfer Grant	Total Lumpsum Paymen	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest + Pension per month
NE-1	07760-13320	601,324	153,530	230,294	214,574	13,566	1,213,289	121,329	67085	15,701
NE-2	07840-14700	607,666	155,149	232,723	216,837	13,676	1,226,051	122,605	67793	15,867
NE-3	07900-14880	615,161	157,062	235,594	219,512	13,806	1,241,135	124,113	68629	16,062
NE-4	08150-15340	659,554	168,397	252,595	235,353	14,576	1,330,475	133,048	73582	17,219
NE-5	08700-16840	678,003	173,107	259,661	241,936	14,896	1,367,603	136,760	75640	17,700
NE-6	09020-17430	702,218	179,290	268,934	250,577	15,316	1,416,335	141,634	78341	18,331
NE-7	10900-20400	844,621	215,648	323,472	301,392	21,610	1,706,743	170,674	94228	22,075
NE-8	12520-23440	970,306	247,738	371,606	346,240	25,290	1,961,180	196,118	108251	25,364
NE-9	13600-25420	1,056,209	269,670	404,506	376,894	29,780	2,137,059	213,706	117834	27,628
NE-10	14900-27850	1,154,796	294,842	442,262	412,073	31,490	2,335,464	233,546	128833	30,198
NE-11	16370-30630	1,268,373	323,840	485,760	452,602	33,460	2,564,035	256,404	141504	33,159

Financial benefits to employees opting for VRS

(Tentative Benefits-Package for 55 yr old Executive)

Pay scale	Pay scale	Ex-Gratia (35/25)	Leave Encashment	Gratuity	Pension Commutation	Transfer Grant	Total Lumpsum Paymen	Interest @ 10% on Lumpsum Payment	Annual Pension + DR	Total Interest + Pension per month
E-1 (E1A)	16400-40500	1,270,679	324,429	486,643	453,425	41,500	2,576,677	257,668	141761	33,286
E-2 (E2A)	20600-46500	1,598,150	408,038	612,058	570,278	48,440	3,236,964	323,696	178295	41,833
E-3	24900-50500	1,931,963	493,267	739,901	689,395	54,230	3,908,756	390,876	215536	50,534
E-4	29100-54500	2,257,705	576,435	864,653	805,631	59,880	4,564,303	456,430	251877	59,026
E-5	32900-58000	2,551,737	651,507	977,261	910,552	69,340	5,160,396	516,040	284680	66,727
E-7	43200-66000	3,347,353	854,643	1,000,000	1,194,457	83,140	6,479,593	647,959	373442	85,117
E-9 & E9A	62000-80000	4,208,693	1,074,560	1,000,000	1,501,814	106,900	7,891,967	789,197	469536	104,894

Attractions of VRS offer

- The VRS optee will receive substantial lump sum amount on account of ex-gratia and other retirement benefits. This amount can be utilized for meeting diverse needs such as purchase of movable/ immovable assets , higher education of children, solemnizing marriage of children etc.
- The whole or a part of the VRS amount can also be deposited in various high-interest bearing long-term investments or in investments which bring in monthly interest components.
- The amount received by optees will enable them to plan their future much better and at a relatively younger age,
- Thus, VRS amount will enable optees to significantly enhance their lifestyle and social status as also plan a safe and secure future for their family.

Attractions of VRS offer (Contd...)

Benefit of early restoration of full pension

- In the event of retirement on normal superannuation, full pension is restored at the age of 75 years (15 years after the normal retirement age).
- However, a younger VRS optee, e.g. a 45 year old VRS optee, will get full pension restoration at the age of 60 years (45+15 yrs).
- Restoration of full pension at a younger age (compared to 75 years)will be highly beneficial because the person would in much better physical and mental condition to make optimum utilization of money.

Attractions of VRS offer (contd..)

- Furthermore, after taking retirement, an individual will be free to take up employment elsewhere as per applicable Govt. Policy or start entrepreneurial venture.
- A group of BSNL VRS optees can also form a cooperative and undertake works outsourced by BSNL(explained in further slides).

Opportunities to employees after availing VRS

Activities which can be outsourced to cooperatives

- Maintenance of small exchanges (<5K RSU)
- Maintenance of Passive infrastructure i.e. Power plant, battery
- Broadband provisioning and maintenance
- EPABX installation and O&M
- Service level Agreements(SLAs) between BSNL and the cooperative.
- Ownership of entire equipment with BSNL.
- Operational expenditure by the cooperative and sharing of revenues

Other activities which can be outsourced to cooperatives (contd...)

2) Selling BSNL products and services by becoming:

- Direct Selling Agent (DSA)
- Rural Distributor
- Franchisee
- Channel Partner for small Enterprise Customers

3) Bill Distribution

4) Recovery of Outstanding amount

Commission and incentives will be given as per BSNL's policy

Financial Implications and savings to BSNL

Financial Implications of proposed VRS

One time lump sum expenditure for DoT and BSNL*

-Estimation for ~1 Lac VRS Optees

S.N.	Item of Expenditure	DoT liability	BSNL Liability
A	One time lump sum expenditure on		
1	Ex-gratia	` 8,655 Cr (DoT is requested to fund)	
2	Gratuity	`3,347 Cr	
3	Pension commutation	`3,474 Cr	
4	Leave encashment		`2,455 Cr
5	T.A. for settlement at place of choice		`250 Cr
	TOTAL	`15,476 Cr	`2,705 Cr

*There will be annual additional expense on Pension/DR due to early retirement.

Summary of Savings to BSNL on account of wages
Estimation for ~1 Lac VRS optees

Year	Saving in Rs Crores	Year	Saving in Rs.Crores
2012-13	3,779	2020-21	2,338
2013-14	3,722	2021-22	1,966
2014-15	3,647	2022-23	1,544
2015-16	3,548	2023-24	1,109
2016-17	3,423	2024-25	718
2017-18	3,252	2025-26	390
2018-19	3,010	2026-27	124
2019-20	2,695		

Total savings on wages ~ Rs 35,266 Crore.

Conclusion

- VRS scheme is likely to be beneficial both for the individuals opting for voluntary retirement and for BSNL's revival.
- Win-Win opportunity for both!