

POLICY/METHODOLOGY
FOR RENTING OUT
SPARE / VACANT SPACE
IN BSNL BUILDINGS

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NEED FOR A POLICY:

Real estate business is one of the most lucrative commercial activities in a growing economy. Since, the built up space is one of the basic needs for any business entity, its demand in the growing economy is ever increasing. Buildings have a life span of more than 75 years. Therefore, to create a built up space on the available land, it needs one time capital expenditure with the rich dividends for the next 50 to 100 years in the form of perennial income of the lease rent and appreciation in the capital value of the asset with passage of time.

BSNL/DOT had been procuring lands and constructing buildings on these lands to meet its space requirements. As a matter of policy, the lands were purchased with a time horizon of next 20 years and buildings were then constructed on these lands. However with the advent of private telecom operators in telecommunication field in pursuance of the National Telecom Policy'1994 and then National Telecom Policy'1999, the growth of telecom in public sector (DOT/BSNL) was at a much slower pace than what had been anticipated earlier, considering the public sector as sole player in the field. As a result, many of these buildings are, presently, lying idle either fully or partly and are not likely to be utilized in near future.

Also, due to increasing competition and lowering of the telecom charges, the telecom revenue/profit of the BSNL has been decreasing every year. To enhance the profit and sustainability of BSNL in such an environment, it is felt desirable to generate revenue from its building assets by renting/leasing out the available vacant built up space, as is being done by various other PSUs like LIC, MTNL, STC, UTI Infrastructure and DMRC etc.

Further, it is one of the best corporate practices to align and re-align the real estate of an organization with its business strategy. In case, we keep our vacant

space un-utilized, we have to unnecessarily incur expenditure on their day to day repairs and maintenance, watch & ward and moreover it is a fact that vacant buildings are likely to deteriorate much early as compared to occupied buildings. As such, vacant buildings without any purposeful utilisation are a continuous source of expenditure on BSNL. Thus all out efforts should be made for their utilization. The net returns are likely to be quite substantial in a relatively lesser time period.

In view of the above facts, BSNL had been contemplating to convert its idle building assets into performing assets for generating revenue for the company since long. But no headway could be made in this direction so far, perhaps, due to the absence of a proper policy and methodology for dealing with such cases. It is, therefore, proposed to have corporate policy and methodology for guidance of all for moving ahead with clear vision in a uniform manner.

Accordingly, it is decided by the management that BSNL shall make all our efforts to identify and carve out vacant space in all its buildings and rent out the same as per the methodology brought out here under:

1. GENERAL:

In order to process the cases faster, standing Committees consisting of members from concerned disciplines at Circle level as well as Corporate Office level shall be constituted. The compositions of these standing committees shall be as under:

A. At Circle Level:

- | | |
|--|----------|
| 1. Chief Engineer (Civil) | Chairman |
| 2. GM (Finance) / IFA to CGM | Member |
| 3. GM (Admn) for administrative bldgs/GM (PIg) | |
| for technical & operational bldgs | Member |

4. Concerned SSA Head. Incase of SSAs headed by Member

PGM, his nominee of GM level.

5. Concerned SE (Civil) Convener

B. At Corporate office level:

a. For cases to be approved by ED (NB):

- | | | |
|---------------------|---|----------|
| 1. PGM (BW) | - | Chairman |
| 2. GM (Finance) NB | - | Member |
| 3. Addl. GM (BW-II) | - | Convener |

b. For cases to be approved by CMD:

- | | | |
|--------------------|---|----------|
| 1. ED (NB) | - | Chairman |
| 2. PGM (BW) | - | Member |
| 3. GM (Finance) NB | - | Member |
| 4. Addl GM (BW-II) | - | Convener |

Each Standing Committee shall scrutinize the proposals and put up its recommendations directly for approval of the competent authority.

2. DELEGATION OF FINANCIAL POWERS:

A. Delegation of financial powers for approval of such cases, at various levels, shall be as follows:

- a. CGMs can approve the cases where rent offer received is equal or less than Rs 5 lakh per month per case provided the rent offer is more than the rent as per FRAC report. The cases where rent offered are below the fair rent recommended by the FRAC, the same can also be approved by CGM, but the reasons for acceptance must be recorded by

the CGM while accepting the case. [Except renting out vacant space to International Bodies]

- b. ED (NB) can approve the cases where rent is up to Rs 10 lakh per month per case.
- c. CMD shall have full powers to approve such cases.

Note: - For the purpose of application of the above delegated financial powers, “Rent” is exclusive of applicable taxes and operation & maintenance charges.

B. However, following points shall be kept in view while according approval to such cases.

- a) Presently, the approval of the DOT is required in certain cases for renting out the buildings which are in the name of DOT. Therefore, it has to be clearly brought out as to whether the building is in the name of DOT or BSNL so that the case for appropriate approval is processed / initiated. If the asset is not in the name of BSNL, then after its approval by the competent authority, the case shall be sent to BSNL Corporate Office for taking approval of DOT.
- b) If this value i.e. total proportionate book value of land and building, is more than Rs. 1 Crore then the case needs to be submitted to BSNL Corporate Office for taking prior approval of the President of India for leasing out this vacant space before calling EOI. The proportionate original Book Value of the proposed built up space with land should therefore needs to be ascertained and appropriate action initiated.

3. PERMISSIBLE CLASSES OF TENANTS:

- (i) In order to ensure that our premises are leased out only to the tenants having good reputation and sound financial standing so that there is no

problem later on relating to rent realization or vacation of the building, we should, therefore, let out our buildings only to the following classes of organizations:

- a) Central/ State Government, Central/State Government Public Sector Undertakings.
 - b) Autonomous bodies, Semi-Government bodies running with the budgetary support of the Government.
 - c) Scheduled Banks, both Governments owned as well as Private except the Co-operative Banks.
 - d) International bodies, and
 - e) Reputed Private Companies with annual turnover of not less than Rs. 50 crores for leasing our buildings at State capitals and Rs. 25 crores at other places.
- (ii) **The vacant spaces shall not be rented out to other Telecom Service Providers for their Telecom operations, being competitors of BSNL.**

Note:- The proposal for renting out space to International Bodies shall be considered on case to case basis by BSNL Corporate Office. Therefore, all cases related to renting out vacant space to International Bodies shall be submitted by CGMs to BSNL Corporate Office for approval.

4. IDENTIFICATION AND DESCRIPTION OF SPACE TO BE RENTED OUT:

- (i) All SSAs shall carry out an exercise for identifying the spare space available in the buildings under their jurisdiction on top most priority within one month of the issue of these guidelines and subsequently such exercise be carried out periodically at regular intervals on six monthly basis. – *Standing Committee at Circle level shall monitor the same through*

SSA level committee to be nominated by SSA head with the approval of CGM. The SSA level Committee shall be headed at least by DGM level officer with members from other related disciplines.

- (ii) In order to give the required time bound impetus to this activity it is recommended that initially the exercise of the identification of space be completed within two months of the issue of these guidelines in top 100 cities as given in **Annexure-A** and within four months in all the remaining areas.
- (iii) Further, it has been observed that the space audit exercise is not getting due attention in the field units and therefore to ensure implementation of these directions it is proposed that in view of its potential to generate revenue for BSNL this item may be included in the score card of the circle and concerned offices with due weightage.
- (iv) Before declaring the area as Surplus, the SSAs will examine and certify that no other BSNL office which might be running in rented building, can be shifted to this spare space and also that this vacant space will not be required for the use of BSNL in near future and reported in the following format:

Sl. No.	Location of the rented building and its use i.e whether being used for office, technical or CSC etc.	Area of rented space	Rent being paid by BSNL per month	Reason for not shifting this rented building to the proposed vacant area
1.				

2.				
3.				

(v) On identification of the spare space, a proper plan shall be prepared and all the defining attributes of the space shall be listed out for its proper and exhaustive description which shall include but not limited to:

- a) Location indicating the type of building i.e. Technical or administrative.
- b) Whether the land on which the said building is constructed is in the name of DOT or BSNL or others.
- c) Proportionate book value of the portion proposed to be rented out.
- d) Whether the whole building is vacant or some portion of the building is vacant.
- e) Other details about the vacant space and facilities, such as:
 - A. Super Built up area with Floor(s) on which the vacant space is available.
 - B. Whether separate entry is available or not.
 - C. Lift availability.
 - D. AC environment availability.
 - E. Power back up availability.
 - F. Common or separate security.
 - G. Other salient features of the space.

5. INVITATION, RECEIPT AND SCRUTINY OF OFFERS AND APPROVAL:

- (i) In order to have uniformity and in keeping with the market trend, it is proposed that rent offers shall be collected, compared and finalized on the basis of super built-up area only and not on carpet area basis.
- (ii) After identification of the space, the details of such space along with plan, area calculations and other features etc. shall be got prepared by SSA head. The SSA shall also get the Operation and Maintenance (O&M) charges worked out for the premises to be rented out. The fair rent assessment shall also be got done by FRAC based on CPWD procedure as well as market rate.
- (iii) The draft EOI shall be got prepared by SSA head as per the sample draft EOI enclosed as **Annexure-B** and send the same to the Chairman of the Standing Committee of the circle with recommendations. (However, the CGM may allow modification in the conditions of EOI, if required, due to local requirement.)
- (iv) The standing committee will scrutinize the draft EOI and get the approval of CGM within 15 days and convey the same to SSA head for inviting the bids as per the approved EOI.
- (v) The SSA will then insert a small advertisement in two newspapers (one local and one national) indicating the total area to be rented out as per draft enclosed as **Annexure-C** giving a reference of the website (SSA as well as the Circle website) where detailed Expression of Interest (EOI) shall be displayed for submission of the offers by the prospective tenants. The offers received up to the date given in the advertisement/EOI shall only be considered initially.

- (vi) However, in case, no suitable offer is received by the due date, then the offers received subsequently in response to the advertisement or through personal efforts of our staff etc. may also be considered.
- (vii) The offers received shall be scrutinized and submitted to the Standing Committee in the prescribed Performa for detailed scrutiny as per **Annexure-D**, by SSA Head.
- (viii) Normally, the terms and conditions of renting out of spaces shall be as per standard lease deed agreement placed as **Annexure-E**. (To be vetted by the legal cell). However, the Standing committee may alter the terms and conditions with the approval of approving authority, after taking into account the local bylaws etc, in consultation with legal wing of the circle before enclosing with EOI.
- (ix) The cases [Except renting space to International Bodies] falling within the powers of CGM shall be decided by him directly on the recommendations of the committee and after obtaining prior approval of the DOT/ President Whereever required as per 2B above.
- (x) The cases [Including renting space to International Bodies] requiring approval of ED (NB) or CMD shall however be forwarded to PGM (BW) in the Corporate Office, by the chairman of circle standing committee with the approval of CGM based on recommendations of the Standing Committee, in the format enclosed as **Annexure-F**.
- (xi) The cases received in Corporate Office shall be scrutinized by the appropriate standing committee in Corporate Office. The Committee's report shall be submitted directly to the competent authority for approval.

(xii) The competent authority for approval of the renting out space may also authorize the Standing Committee of Circle office for any type of negotiations, if required and to re-submit its recommendations.

(xiii) Since, the renting out cases are revenue generating and the prospective tenants may also not wait for long, the Circle level Standing Committee should finalize its recommendations within 15 days of receipt of the cases from SSAs. In case of delay, reasons for delay should be recorded.

(xiv) The cases received in Corporate Office from circle should also be scrutinized and deliberated by Standing Committee in Corporate Office within 15 days of its receipt.

6. SALIENT FEATURES OF THE LEASE DEED:

The lease deed documents should contain the following conditions:-

- a. Presently, DOT is likely to allow leasing of buildings on rent up to a period of 10 years. Therefore, the lease period is proposed to be of 9 years consisting of 3 terms of 3 years each.
- b. The rent shall be revised after every three years and this revision shall be 15% @ 5% per annum of the last rent paid at the time of such revision.
- c. The tenant shall deposit interest free Security Deposit equivalent to three months rent and one month advance rent before taking possession.
- d. The stamp duty/lease registration charges shall be borne by the tenant only.
- e. The Municipal Tax and water charges are to be borne by the bidder proportionately including any future revision with retrospective effect for

the area of occupation. Any other tax or any hike imposed by the appropriate authority is to be borne by the bidder.

- f. The bidder shall pay all charges in respect of electric power, light used in the said premises in accordance with the sub-meters installed therein during the currency of this agreement including proportionate fixed charges against bills raised by the appropriate authorities beginning from the date of taking over the demised possession of the said premises. The cost of sub-meter including its installations shall be borne by the bidder.
- g. Service tax at the applicable rates is to be borne by the tenant / bidder.
- h. In order to ensure the structural safety of our building, it is proposed that only minor additions/ alterations and system of low partitions etc. may only be permitted to be made by the tenants. Major structural changes shall be avoided and in case they are felt necessary, in view of the tenant's specific requirement, the same shall be permitted after assessing the structural suitability and cost implications for the same by the Standing Committee.

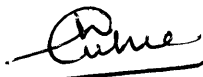
Standard Lease Agreement (SLA) is enclosed herewith as **Annexure-E** and this SLA has been made a part of the EOI (**Annexure-B**).

7. SUBMISSION OF OFFER IN RESPONSE TO THE EOI CALLED BY OTHER ORGANIZATION:

Instances may arise that BSNL will have to quote for leasing out its buildings in response to bids called for by other parties. If the offer is submitted by the BSNL for providing its space on rent in response to the EOI called by other organization then:

- a. Fair rent shall be assessed by the Fair rent assessment committee based on CPWD procedure as well as market rate.

- b. The complete case shall then be submitted by the SSA head with his recommendations to the Standing Committee at Circle level and then the standing committee shall scrutinize the case and shall submit its detailed recommendations to the CGM as 1 to 6 above, as applicable.
- c. The CGM shall, then, approve the rent to be quoted for letting out the said space within his delegated financial powers. This approved rate shall be quoted by the concerned SSA head in response to the said EOI.
- d. The cases beyond the delegated financial powers of CGM shall be sent by the concerned CGM to the Corporate Office i.e. PGM (BW) with the approved rent and his recommendations.
- e. These cases shall be processed on top priority to meet the deadlines prescribed in the tender/EOI etc.


17.07.2012
AGM (BT)
O/o PGM (BW)
BSNL CO

TOP 100 CITIES

SI No	Circle / Regions	City	Type
1	Chennai	Chennai	A1
2	Karnataka	Bangalore	A1
3	Kolkata	Kolkata	A1
4	Maharashtra	Mumbai	A1
5	Maharashtra	Nagpur	A1
6	Northern Telecom Region	New Delhi	A1
7	Andhra Pradesh	Hyderabad	A1
8	Gujarat	Ahmedabad	A1
9	Maharashtra	Pune	A1
10	Bihar	Patna	A2
11	Kerala	Ernakulum	A2
12	Madhya Pradesh	Indore	A2
13	Punjab	Chandigarh	A2
14	Rajasthan	Jaipur	A2
15	UP(E)	Lucknow	A2
16	Andhra Pradesh	Vijayawada	A2
17	Assam	Guwahati	A2
18	Chhattisgarh	Raipur	A2
19	Haryana	Gurgaon	A2
20	UP-West	Noida	A2
21	Jharkhand	Ranchi	A2
22	Karnataka	Mangalore	A2
23	Orissa	Bhubaneswar	A2
24	Punjab	Jullundur	A2
25	Tamil Nadu	Coimbatore	A2
26	Andhra Pradesh	Visag	B
27	Gujarat	Surat	B
28	Gujarat	Vadodara	B
29	Gujrat	Rajkot	B
30	Haryana	Faridabad	B
31	Jammu & Kashmir	Jammu	B
32	Karnataka	Mysore	B
33	Kerala	Trivandrum	B
34	Maharashtra	Nashik	B
35	Madhya Pradesh	Bhopal	B
36	Madhya Pradesh	Gwalior	B
37	N.E-I	Shillong	B
38	Punjab	Amritsar	B
39	Punjab	Ludhiana	B
40	Rajasthan	Jodhpur*	B
41	Tamil Nadu	Madurai	B
42	UP(E)	Allahabad*	B
43	UP(E)	Kanpur	B
44	UP(E)	Varanasi	B
45	UP(W)	Agra	B
46	Andhra Pradesh	Ananthapur	B
47	Andhra Pradesh	Eluru	B
48	Andhra Pradesh	Nellore	B
49	Andhra Pradesh	Rajahmundry	B
50	Andhra Pradesh	Tirupati	B

TOP 100 CITIES

51	Andhra Pradesh	Warangal	B
52	Assam	Jorhat	B
53	Assam	Silchar	B
54	Assam	Tejpur	B
55	Bihar	Bhagalpur	B
56	Bihar	Gaya	B
57	Bihar	Muzzafarpur	B
58	Chattisgarh	Raigarh	B
59	Gujarat	Anand	B
60	Haryana	Ambala	B
61	Himachal Pradesh	Simla	B
62	Jharkand	Bokaro / Dhanbad	B
63	Jharkhand	Jamshedpur	B
64	Karnataka	Belgaum*	B
65	Karnataka	Hubli	B
66	Karnataka	Raichur	B
67	Karnataka	Uttara Kannada (Karvar)	B
68	Kerala	Calicut	B
69	Kerala	Palghat	B
70	Kerala	Trichur	B
71	Kerala	Kollam	B
72	Kerala	Kottayam	B
73	Kerala	Kannur	B
74	Maharashtra	Aurangabad	B
75	Maharashtra	Dhule	B
76	Maharashtra	Kalyan	B
77	Maharashtra	Kolhapur	B
78	Maharashtra	Nanded	B
79	Maharashtra	Panjim	B
80	Maharashtra	Solapur	B
81	Madhya Pradesh	Jabalpur*	B
82	Madhya Pradesh	Satna	B
83	N.E-II	Dimapur	B
84	Orissa	Rourkela	B
85	Orissa	Sambalpur	B
86	Punjab	Ferozpur	B
87	Punjab	Patiala	B
88	Punjab	Sangrur	B
89	Rajasthan	Ajmer	B
90	Rajasthan	Alwar	B
91	Rajasthan	Kota	B
92	Rajasthan	Udaipur	B
93	Tamil Nadu	Pondicherry	B
94	Tamil Nadu	Salem	B
95	Tamil Nadu	Trichy	B
96	Tamil Nadu	Vellore	B
97	UP(E)	Gorakhpur	B
98	UP(E)	Jhansi	B
99	UP(W)	Ghaziabad	B
100	UP(W)	Meerut	B