

BHARAT SANCHAR NIGAM LIMITED

(A Govt. of India Enterprises)

Corporate Planning & Monitoring Cell

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To

- | | | | |
|----------------------|------------------|-----------------|----------------------|
| 1) GM CA | 7) Sr.GM NWP-CFA | 13) CS& GM(L) | 19) GM IA&Tax. |
| 2) GM BFC&I | 8) PGM NWP-BB | 14) GM NOFN | 20) GM (Fin.CM) |
| 3) GM NWP-GSM | 9) GM F-CFA | 15) GM TRG. | 21) GM (Infra Sales) |
| 4) Sr.GM CDMA/Wi-MAX | 10) GM NWO -CFA | 16) GM (Estb.). | 22) PGM(MM) |
| 5) Sr.GM NWO BB & IN | 11) GM NWO-CM | 17) Sr.GM CIT | 23) Addl.GM(CP&M) |
| 6) Sr.GM NWP-CFA | 12) GM CNP | 18) GM (Restg.) | |

No: CPM-I/ 1-54/ MoU (2014-15)/ 2014

Dated: 02/04/2014

Sub: Memorandum of Understanding (MOU) for the year 2014-15

As you are aware, BSNL is signing MOU with DOT every year. The purpose of MOU is to agree on performance on various parameters so that the officers of BSNL can work on self motivated basis to achieve the parameters.

2. The MOU for the year 2014-15 has been signed by BSNL with DOT on 27.03.2014. ***The details of the targets on Physical and Financial parameters along with the nodal cell responsible for achieving the said target are enclosed in Annexure I.*** A copy of signed MOU incorporating relevant Annexures and the means for verifying the achievement of Non-financial parameter (Annexure B) is also enclosed.
3. This time Chairman of the Task Force and DPE has mainly focused on the revival of BSNL and after detailed deliberations with the officers of DOT and BSNL, parameters related to revival of Company has been included under *Initiatives for growth* in MOU 2014-15. TF has also decided to include ongoing projects of Government for various National development programmes under *Completion of New/Ongoing projects during the year.*
4. The most important parameter of the MOU for the year 2014-15 along with their target and weightage in the MoU and Nodal officer in BSNL HQ responsible for the same (i.e GM/Sr GM/PGM) are given below:-

4.1 Static/ Financial Parameters: (Wt. 50%):- It focuses on overall financial performance of BSNL and these parameters has been redefined for the year 2014-15. The Very Good targets for these items for the year 2014-15 is given below :-

- | | | |
|------------------------------|---|------------------|
| ➤ Sales Turnover | = | Rs 29,000 Crores |
| ➤ Gross Operating Margin | = | Rs 1,180 Crores |
| ➤ EBITDA/Net Block | = | 2.91% |
| ➤ Sales turnover / Net Block | = | 55.23 % |

4.2 Dynamic/ Non-Financial Parameters: (Wt. 44%):- It predominantly focuses on Initiatives for growth, Project Management & Implementation which consist of CAPEX for Capacity expansion and New/Ongoing projects respectively, Productivity and Internal Process focusing on ARPU of GSM services, Quality of Service & customer satisfaction and Human Resource Management.

4.3 Dynamic/Non-Financial Parameters for the FY 2014-15 are :

4.3.1 Corporate/ Strategic plan-preparation/ determination/ Identification of Objectives /Goals: (Wt. 10%) It includes following parameters:

- a) Finalization of Revival Plan of BSNL: CP&M Cell is coordinating this activity with the consultant and will take up this report with BSNL Management for finalization. A target for timeline 30.09.2014 has been fixed ----- **Action by GM (CP&M)**
- b & c) "Finalization of policy for organizational restructuring and implementation during the year" & "Submission of implementation plan of restructuring of BSNL to DoT " : Restructuring Cell will be Coordinating with the consultant for the suggestions on "Organization restructuring" and take up this report with BSNL Management for finalization and for onward submission of "Implementation plan" to DoT. A target for timeline 30.09.2014 and 31.12.2014 has been fixed respectively----**Action by GM (Restg.)**
- d) Formulation of policy for HR restructuring: Establishment Cell will be Coordinating with the consultant for the suggestions on HR restructuring and take up this report with BSNL Management for finalization. A target for timeline 31.12.2014 has been fixed ----- **Action by GM (Estb.)**
- e) Formulation of subsidiary of BSNL Tower Assets: A target for timeline 31.12.2014 has been fixed ----- **Action by GM (Infra Sales)**

4.3.2: CAPEX for Capacity expansion: (Wt. 8%) It include following parameters:

- a) Net addition in O.F. Cable in BSNL network: A target of 20,000 Route Kms has been fixed. ----- **Action by Sr. GM (CNP)**
- b) Net addition in GSM Capacity: A target of 100 lakh lines has been fixed. -----**Action taken by Sr. GM (NWP-GSM)**
- c) Replacement of Legacy Wireline exchanges by NGN: A target of 5 Lakh customer migrations has been fixed. -----**Action by Sr. GM (NWP-CFA)**

4.3.3 Completion of New/Ongoing projects during the year: (Wt. 14%) It include following parameters:

- a) Laying of O.F. Cable for Defence Project i.e. Network for Spectrum (NFS) : A target to lay 40,000 Route Kms O.F. Cable is fixed. -----**Action by GM (CNP).**
- b) National Optical Fiber Network (NOFN) to connect Gram Panchayats (GPs): A target to connect 73,500 Gram Panchayats through NOFN is fixed. ----- **Action by GM (NOFN).**

- c) Commissioning of GSM BTSs to provide mobile coverage in Left Wing Extremist (LWE) areas: A target to commissioning 1,200 GSM BTSs is fixed. ----- **Action by GM (NWO-CM).**

4.3.4 Following two parameters are included under Productivity and Internal Process: (Wt. 7%)

- a) ARPU for GSM Services of BSNL w.r.t. Industry average (Wt. 1%) -----
Action by GM (F) CM / GM (NWO-CM) / GM(NWP-CM)
- b) **Telecom Network Utilization/Downtime- Quality of service & Customer Satisfaction parameters: (Wt. 6 %)** It includes all the Quality of Service (QoS) and Customer satisfaction parameters specified for Wire line, Cellular Mobile and Broadband Network. The targets have been fixed as number of Parameters meeting TRAI benchmarks.
- (i) Wire line Services: A target to meet 13 number of (QoS) and Customer Satisfaction parameters with TRAI benchmarks under Excellent category has been fixed ----- **Action by GM (NWO-CFA)/ GM Fin (CFA) / GM (CSC)**
- (ii) Cellular Services: A target to meet 17 number of (QoS) and Customer Satisfaction parameters with TRAI benchmarks under Excellent category has been fixed ----- **Action by GM (NWO-CM)/ GM Fin (CM) / GM (CSC)**
- (iii) Broadband Services: A target to meet 15 number of (QoS) and Customer Satisfaction parameters with TRAI benchmarks under Excellent category has been fixed ----- **Action by GM (NWO- BB & IN) / GM Fin (CFA) / GM (CSC)**

4.3.5 Human Resource Management: (Wt. 5%) It includes parameters on training. Task Force, DPE has fixed training under three categories (i) for Fresh recruits (ii) In-House Executives/Employees (iii) Training under national skill development programme- *The nodal officer is GM (Training)* ---
-----Action by GM (Trg)

4.3.6 Compliance of Corporate Governance has not been included as mandatory parameters in MOU-2014-15, however Non- Compliance of Corporate Governance will be penalized by way of negative marking (**Refer Note-B under footnote of Annexure-I of MoU**)—**Action by CS & GM (Legal).**

4.3.7 Non-Compliance of any directives including “*Submission of data for Public Enterprises survey*” and Non compliance of “*MSME Order No. 21(1)/2011-MA dated 25.04.2013*” will be penalized by way of negative marking (Refer **Note-B under footnote of Annexure-I of MoU**) —**Action by CS &GM (Legal) and GM (MM) respectively.**

4.4 Sector /Enterprise Specific parameters: (Wt. 6%) It focuses on various physical parameters specific to telecom sector. The Very Good Targets for key items for the year 2014-15 is given below:

S. No	Parameter	Target (V.Good)	Action by
3.3.1	Net Addition in GSM Mobile Connection	100 Lakhs	GM(NWP-GSM)
3.3.2	Net Addition in Broadband connection	30 Lakhs	GM (NWP-BB) / GM (NWP-CDMA/ Wi-Max) / GM (NWP-GSM)
3.3.3	The number of Territorial Circles where ERP is to be Implemented	10 Circles	GM (COIT)
3.3.4	Synergy between BSNL and MTNL	Settlement of four parameters	GM (Fin –CFA) & GM(CP&M)
3.3.5	Settlement of C&AG Report Paras	50 %	GM (IA & Taxes)
3.3.6	Reduction in Statutory Audit Paras	30 %	GM (CA)

5. Further Line of Action:

5.1 The distribution of Gross Sales targets across four BUs are given in Table 5A below:-

Table 5A: BU wise target for Revenues (Gross Sales excluding Taxes)

S No.	Business Vertical	Revenue Targets for 2014-15 (Very Good) Rs in Crores
1	Consumer Fixed Assets	12,500
2	Consumer Mobility	13,500
3	Enterprise Business	3,600
4	New Business	300
	Total	29,900

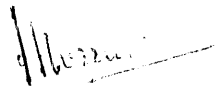
5.2 The Business Planning Units of the respective BUs are requested to work out the Circle Wise physical and revenue (internal) target for the FY 2014-15 and communicate the same to BFC&I cell with copy to CP&M cell.

5.3 BFC&I Cell is requested to work out the Circle wise target of Operating expenses, based on the revenue receipts targets received vide 4.1 and in adherence with the target for the Gross Margin

- 5.4 Likewise year 2013-14, DPE has insisted for providing supporting documents for verifying the achievement of various non-financial parameters. This is required to be submitted to DPE as a means for verifying the achievement of the non-financial parameter. ***The means for verifying the achievement based on the inputs received from respective BUs, which has already been communicated to DPE, is enclosed at Annexure B of MOU.*** It will be relevant to mention that as per the DPE guidelines, non-submission of supporting document for non-financial parameter would entail an automatic downgrading by at least one notch from the rating claimed by the CPSE in respect of the parameters for which the documentary evidence have not been submitted to DPE.
- 5.5 ***The quarterly progress of various performance parameters starting for the quarter April - June 2014 may please be sent to CP&M Cell for documentary evidence by the respective units by 19th of the July and accordingly for all following quarters.***
6. The progress of BSNL for the financial year 2014-15 will be monitored by DOT on quarterly basis and by DPE by the end of the year. All out efforts be made to achieve the target under '**Excellent**' category. You are requested to kindly formulate a strategy/plan in consultation with Director /Executive Director in charge of Business Vertical and coordination with Circle Heads to pave way for targeted outputs.

You are requested to kindly furnish the circle wise physical and revenue targets for FY 2014-15 for the item pertaining to you which may please be sent by email to ltf@bsnl.co.in & agmcpm1@gmail.com along with a hard copy on or before 25/04/2014.

- Encl:** 1).Physical & Fin. performance evaluation parameters
and Targets (Annexure I)
2) Copy of signed MoU 2014-15


(V.K. Sharma)
GM (CP&M)

Copy to for information please:

- [1] ES to CMD
- [2] Director (CFA) /Director (CM) / Director (Enterprise) / Director (HR)/Director (F)
- [3] ED (CA) / ED (F)
- [4] Office Copy

Performance Evaluation Parameters and Target for MOU 2014-15

Performance Evaluation Parameters and Target for MOU 2014-15											
S.	Evaluation Criteria	UNIT	Nature of Parameter	Parameter weight	MOU 2014-15 Target						Units responsible for achievement of parameters in Corporate office
					Excellent	Very Good	Good	Fair	Poor		
1	STATIC / FINANCIAL PARAMETERS										
i	Growth /Size /Activity										
	a) Sales Turnover (See Note 1)	Rs. in Crores	Positive	20	31,395	29,900	28,405	26,985	25,636	Targets derived on the Expenses by Sr.GM (BFC&I). Monitoring of the same by Sr.GM (CA)/ Sr.GM (BFC&I)	
	b) Gross Operating Margin	Rs. in Crores	Positive	10	1,239	1,180	1,121	1,065	1,012		
ii	Profitability										
	EBITDA/Net Block	% age	Positive	10	3.06	2.91	2.76	2.63	2.49		
iii	Costs and Output Efficiency										
	Sales turnover / Net Block	% age	Positive	10	57.99	55.23	52.47	49.85	47.35		
	Total Weightage			50							

Note :-

- 1] Sales Turn Over, excluding interest , other Income and Service Tax etc (Operating Turnover)
- 2] Gross Operating Margin is the excess of the proceeds of Goods sold and services rendered during a period over their cost , before taking in to account administration , selling , distribution , financing expenses and taxes . It doesnot include ' other income'

PART III

Annexure I

(2/4 Pages)

Performance Evaluation Parameters and Target for MOU 2014-15

S. No.	Evaluation Criteria	UNIT	Nature of Parameter	Parameter weight	MOU 2014-15 Target					MOU 2013-14		Units responsible for achievement of parameters in Corporate office
					Excellent	Very Good	Good	Fair	Poor	Target 2013-14 (V. G)	Achmt. up to 31.12.2013	
2	Dynamic / Non- Financial Parameters											
i	Initiative for Growth (Weightage 10)											
	a) Corporate/strategic plan-preparation/ determination/ identification of objectives/goals											
	(i) Finalisation of Revival Plan of BSNL	Timelines	Positive	2	31-08-14	30-09-14	30-11-14	31-01-15	31-03-15			GM (CP&M)
	(ii) Finalization of Policy for Organisational Restructuring and implementation during the year	Timelines	Positive	2	31-08-14	30-09-14	30-11-14	31-01-15	31-03-15			GM (Resg)
	(iii) Formulation of Policy for HR Restructuring	Timelines	Positive	2	30-11-14	31-12-14	28-02-15	30-04-15	30-06-15			Parameter introduced in MoU 2014-15 GM (Estb)
	(a) Rightsizing of Human Resource											
	(b) Finalization of a Plan for new recruitment of professionals											
	(c) Preparation of Recruitment rules											
	(iv) Submission of implementation plan of restructuring of BSNL to DoT	Timelines	Positive	2	30-11-14	31-12-14	28-02-15	30-04-15	30-06-15			GM (Resg)
	(v) Formation of subsidiary of BSNL Tower Assets	Timelines	Positive	2	30-11-14	31-12-14	28-02-15	30-04-15	30-06-15			GM (Intra Sales)
	Project management & Implementation											
	a) CAPEX for Capacity expansion (Weightage 8)											
	i) Net addition in O.F. Cable in BSNL Network	Route Kms	Positive	1	21,000	20,000	19,000	18,052	17,148	20,000	6,591	Sr.GM (CNP)
	ii) Net addition in GSM capacity	No of Lines (Lakhs)	Positive	4	131	100	90	80	70	90	25.76	Sr.GM (NWP-GSM)
	iii) Replacement of Legacy Wireline exchanges by NGN	No of Lines (Lakhs)	Positive	3	5.25	5.00	4.75	4.51	4.29	5	0	Sr. GM (NWP-CFA)

PART III

Annexure-I

Performance Evaluation Parameters and Target for MOU 2014-15

(3/4 Pages)

Performance Evaluation Parameters and Target for MOU 2014-15														(3/4 Pages)	
S. No.	Evaluation Criteria	UNIT	Nature of Parameter	Parameter weight	MOU 2014-15 Target						MOU 2013-14		Units responsible for achievement of parameters in Corporate office		
					Excellent	Very Good	Good	Fair	Poor	Target 2013-14 (V.G)	Achmt. up to 31.12.2013				
2. ii	b) Completion of New/ Ongoing projects during the year (Weightage 14)														
		i) For Laying of O.F. Cable for Defence Project i.e. Network for Spectrum (NFS)	Route Kms	Positive	4	45,000	40,000	35,000	30,000	25,000	40,000	0	Sr.GM (CMP)		
		ii) National Optical Fiber Network (NOFN) to connect Gram Panchayats (GPs)	Numbers	Positive	5	81,000	73,500	66,500	60,000	54,000	75,000	0	Sr.GM (NOFN)		
		iii) Commissioning of GSM BTSs to provide mobile coverage in Left Wing Extremist (LWE) areas	Numbers	Positive	5	1,400	1,200	1,100	1,000	900	Parameter Introduced in MOU 2014-15		GM (NWO-CM)		
2. iii	Productivity and Internal Process (Weightage 7)														
		a) ARPU for GSM Services of BSNL w.r.t. Industry average **	Rs.	Positive	1	110.25	105	99.75	94.76	90.02	Introduced in MoU 2014-15		GM (F) CM		
2. iv	b) Telecom Network Utilization/ Downtime - Quality of service & Customer Satisfaction parameters (See Annexure A)	No of parameters meeting TRAI benchmarks	(i) Wireline Basic services	Positive	2	13	11	9	7	5			GM (NWO-CFAI) (Fin-CFAI) (CSC)		
			(ii) Cellular Mobile Services	Positive	2	17	15	13	11	9			GM (NWO-CM) (Fin-CM) (CSC)		
			(iii) Broadband Services	Positive	2	15	13	11	9	7			GM (NWO-BB& IN) (Fin-CFAI) (CSC)		
			Human Resource management (Weightage 5)												
		a) Training for Fresh recruits	%age	Positive	2	100	90	80	70	60	Introduced in MoU 2014-15		Sr. GM (Trg)		
		b) In-House Training for Executives /Employees	% age	Positive	1	10	9	8	7	6					
		c) Training under National Skill Development programme	% age	Positive	2	80	75	70	60	55					
		Sub Total					44								

** ARPU for GSM Services of Industry as on 31 March 2013 is taken as Rs. 105 according to TRAI Report issued on 1 August 2013.

PART III

Performance Evaluation Parameters and Target for MOU 2014-15

(4/4 Pages)

Annexure- I

S. No.	Evaluation Criteria	UNIT	Nature of Parameter	Parameter weight	MOU 2014-15 Target					MOU 2013-14		Units responsible for achievement of parameters in Corporate office
					Excellent	Very Good	Good	Fair	Poor	Target 2013-14 (V, G)	Achmt. up to 31.12.2013	
3	Sector/ Enterprise Specific parameter (Weightage 6)											
i	Net addition in GSM Mobile connections	Nos. in Lakhs	Positive	1	105	100	95	90	86	80	-45.2	Sr. GM (NWP-GSM)
ii	Net addition in Broadband connections (See Note A)	Nos. in Lakhs	Positive	1	31.50	30	29	27	26	30	0.68	Sr. GM (NWP-BB)/ NWP-CDMA/UMAX / NWP-GSM
iii	The number of Territorial Circles where ERP is to be implemented	Nos	Positive	1	12	10	8	6	4	9.00	2.00	GM (CIT)
iv	Synergy between BSNL and MTNL	No of Parameters	Positive	1								
	(a) Revenue Sharing in case of National Roaming				Settlement of five Issues	Settlement of four Issues	Settlement of three Issues	Settlement of two Issues	Settlement of one Issues	Parameter introduced in, MOU 2014-15		
	(b) Carrier Charges											
	(c) Procure International Internet Bandwidth on combined basis											
	(d) Enterprise Business											
	(e) IN sharing Charges											
v	Settlement of C&AG Report Paras	% age	Positive	1	52.50	50.00	47.50	45.13	42.87	50.00	/: Available at the end of 2013-14	PGM (IA)
vi	Reduction in Statutory Audit Paras	% age	Positive	1	31.50	30	28.50	27.08	25.72	30		Sr. GM (CA)
	Sub-Total (2+3)			50								
	Total Weightage (1+2+3)			100								

Note: A A consolidated target for broadband predominantly through ADSL, FTTH, EVDO, GSM Data cards and Wi-MAX technology has been proposed for the MOU 2014-15

Note: B [1] Non-Compliance of Corporate Governance will also be penalized by way of negative marking and MOU Score will be increased in the following manner in accordance with DPE OM :3(8)/2005-GM dated 22nd June 2011.

[2] CPSE: has to give a certificate regarding implementation of guidelines issued by DPE as per Om No DPE/14(38)/10-Fin Dated 28 June 2011.

[3] Non-Compliance of MSME Order No. 21(1)/2011-MA dated 25.04.2014 will be penalized by way of negative marking.

[4] Non Compliance of any directives including submission of data for Public Enterprises (PE) survey, MoSPI data updation and non compliance in serious cases may be penalized by way of negative marking.