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(A Govt. of India Enterprises)
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TIME BOUND/ MOST URGENT

No: CP&M/ 1-54/MOU (2015-16/2014

Dated: 28/10/2014

Sub: Draft MOU 2015-16 between DoT & BSNL -Targets for the Financial and Non Financial parameters

Ref: DPE guidelines vide letter No.3 (19)/2013-DPE (MoU) dated 11.11.2013

1. As per the guidelines of Department of Public Enterprise (DPE), every year each CPSE has to sign an MOU with its Parent Ministry/Department. Accordingly BSNL also signs an MOU with DOT through which targets for various physical and financial parameters are given to BSNL. The deliberation on the MoU, to be signed between DOT & BSNL, for the year 2015-16 is expected to start shortly
2. The key points of the guidelines are:
 - 2.1 **Time Line:** The draft MOU needs to be submitted to DPE, Planning Commission and MOSPI by **30.11.2013, otherwise the MOU performance will be rated as "Poor"**.
 - 2.2 The final MOU after the approval of the concerned Ministry / Department needs to be submitted to DPE through DoT by 15/12/2013
3. **Parameters of MOU:**
 - 3.1 **Financial Targets (Static Parameters): It has a weight age of 50%**
 - 3.1.1 As per DPE guidelines, CPSEs has to propose six financial parameters in preparing MoU 2014-15.
 - 3.1.2 The basic targets of relevant financial parameters should be (i) realistic, growth oriented, and aspirational (ii) consistent with the Budget for 2014-15 (iii) projected based on last five years' actual achievements subject to the condition that they are not less than the expected achievement in the previous year 2014-15, or achievement in 2013-14, whichever is higher.
 - 3.1.3 BSNL proposed six financial parameters in draft MoU 2014-15 viz. *Sales Turnover, Gross Operating Margin, EBITDA/ Net Block, Sales Turnover/ Net Block, PAT to Net Worth and Current ratio*. However during MoU negotiation meeting , Task Force

desired to give more focus to important and relevant parameters and the financial parameters were restricted to four by deleting two parameters (a) PAT to Net Worth and (b) Current ratio.

- 3.1.4 It is requested to set relevant targets for six financial parameters mentioned in point no. 3.1.3 above.
- 3.1.5 Further, CPSE has to give a self certification (**as per Annexure VII of DPE guidelines**) at the end of the MoU to the effect that while arriving at the targets for negotiation by calculating the financial parameters and management ratios, the definitions and norms laid down in the MOU guidelines of DPE have been strictly and scrupulously followed and no deviations have been made.

3.2 Non Financial parameters: It has a weightage of 50%

- 3.2.1 The total number of parameters both financial and non-financial chosen for MoU should not exceed 14 (i.e 6 from financial and 8 from Non- financial categories).
- 3.2.2 The Non – Financial parameters shall also include parameters to assess the performance of the CPSE under (i) Corporate Social Responsibility & Sustainability (ii) Research & Development (iii) Initiatives for Growth (iv) Project Management & Implementation (v) Productivity and Internal process (vi) Technology , Quality & Innovative practices (vii) Human Resource Management (HRM) and (viii) Sector specific /Enterprise specific parameters.
- 3.2.3 The non financial targets should be SMART (Specific, Measurable, Attainable, and Results Oriented, Tangible).

4. Further Line of Action:

With reference to the detailed guidelines issued by DPE, following action may please be carried out by the respective units. The MoU parameters are required to be worked out as per **Annexure- I** enclosed.

4.1 Financial Parameters:

- 4.1.1 The Financial Parameter need to be cross checked based on the guidelines indicated by DPE → (**Action by GM (BFC&I) / GM (CA))**
- 4.1.2 Verification of the Last five year data from 2009-10 to 2013-14 in revised Schedule VI as per (Annexure VI attached) → (**Action by GM (CA).**
- 4.1.3 Filling up of Actual achievement for FY 2013-14 → (**Action by GM (CA)) .**
- 4.1.4 Actual achievement as on 30/09/2014 for FY 2014-15 as per (Annexure VI) along with the copy of the Financial Results → (**Action by GM (CA))**

- 4.1.5 Expected Achievement of FY 2014-15 by 31/03/2015 →(Action by GM (BFC&I)
- 4.1.6 Proposed Target for 2015-16 → (Action by GM (BFC&I)
- 4.1.7 Cash Flow Statements for 2014-15 and 2015-16 → (Action by GM (BFC&I)
- 4.1.8 Further a self certification needs to be submitted as per Annexure VII of DPE guidelines → (GM (BFC&I))

4.2 Non-Financial Parameters:

[A] Dynamic Parameters (Weightage 45%)

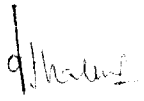
- 4.2.1 The parameters related to HRM (weightage upto 8%), R&D (weightage upto 2%), and Corporate Social Responsibility & Sustainability (weightage upto 3%). The Target for 2015-16 for HRM, R&D, and CSR & Sustainability may be worked out and proposed. → (Action by GM (Trg) and PGM (Electrical) respectively).
- 4.2.2 **Initiatives for growth (weightage 10-15%) :** The BUs are requested to identify the parameters in sync with initiatives proposed BE 2014-15 and List them under Category (Initiatives for growth) as given under :-
- 4.2.3 **CAPEX for Capacity expansion :** The BUs are requested to identify the projects in sync with their proposed BE 2015-16 and List them under Category (CAPEX for Capacity expansion) as given under :-
- a) Net addition in OF Cable in BSNL network (In Route km)→ (Action by GM (CNP).
 - b) Net addition in GSM Capacity (In lakhs Lines) → (Action by GM (NWP-GSM).
 - c) Replacement of Legacy Wireline exchanges by NGN (In Lakh Nos) → (Action by PGM (NWP-CFA).
- 4.2.4 **Completion of New/ Ongoing projects during the year:** The BUs are requested to work out and propose the target for the new projects and major ongoing government projects during the year 2015-16 in this category. Projects that were proposed under this category in MoU 2014-15 are given below :-
- a) For Laying of O.F. Cable for Defence Project i.e. Network for Spectrum (NFS) (In Route km)→ (Action by GM (CNP).
 - b) National Optical Fiber Network (NOFN) to connect Gram Panchayats (GPs) (In Numbers)→ (Action by GM (NOFN)
 - c) Commissioning of GSM BTSs to provide mobile coverage in Left Wing Extremist (LWE) areas (In Numbers)→ (Action by GM (NWO-CM)

- 4.2.5 **GM (Fin. CM)** is requested to work out and propose the Target for ‘ARPU for GSM Services of BSNL w.r.t Industry average’ for 2015-16.
- 4.2.6 Task Force suggested to keep all the Quality of service (QoS) and customer satisfaction parameters for Cellular Mobile network, Wireline network and broadband network that adequately reflects the network / service performance as per the benchmarks stipulated by TRAI for MOU 2014-15.
- 4.2.7 Respective Business units are requested to work out and propose the Target for all the QoS & Customer Satisfaction parameters for 2015-16 → (**Action by GM (NWO-CM)/ (Fin-CM)/ (NWO-CFA)/ (CS-CFA)/ Fin-CFA)/ (NWO-BB & IN)**
- [B] Sector Specific / Enterprise Specific parameters (Weightage 5%)**
- 4.2.8 Net addition in GSM Mobile connection → (**PGM (NWP-GSM)** is requested to work out and propose the Target for 2015-16.
- 4.2.9 Net addition in Broadband Connections → (**Action by Sr. GM (NWP-BB)/ Sr.GM (NWP-CDMA/Wi-MAX)**).
- 4.2.10 The No. of Territorial Circles where ERP is to be implemented → (**Action by Sr.GM (CIT)**).
- 4.2.11 Settlement of C&AG Report Paras → (**Action by GM (IA)**).
- 4.2.12 Reduction in Statutory Audit Paras → (**Action by GM (CA)**).
- 4.3** The Parameter related to ‘Compliance to Corporate Governance’ has not been included in MoU 2015-16. However Non-compliance of Corporate Governance by CPSEs will be penalized by way of negative marking in MoU Score in accordance with DPE OM 18(8)/2005-GM Dated 22nd June 2011. **The compliance to this point may be done by CS & GM (Legal).**
- 4.4** CPSE has to give a Self declaration for Compliance of directives of Government and Regulators (*as per Annexure VIII of DPE guidelines*). **The compliance to this point may be done by CS & GM (Legal).**
- 4.5** CPSEs have to give Certificate regarding Implementation of guidelines issued by DPE as per Om.No DPE/14(38)/10-Fin Dated 28 June 2011. Non-compliance of any directives including submission of data for Public Enterprises (PE) survey and non-compliance in serious cases by CPSEs will be penalized by way of negative marking in MoU Score. **The compliance to this point may be done by CS & GM (Legal).**

- 4.6 Non-Compliance of MSME Order No.21(1)/2011-MA dated 25.04.2014 will be penalized by way of negative marking. **The compliance to this point may be done by PGM (MM).**
- 4.7 Respective Business Units are requested to verify Last five year data from 2008-09 to 2012-13 and furnish Actual achievement of the MOU 2013-14 as on 30/09/2013, along with Expected Achievement of FY 2013-14 by 31/03/2014 in enclosed Annexure. **(Link is ED [CA] < CP&M < MoU 2014-15)**
- 4.8 The concerned Units are requested to formulate the target of the above parameters for FY 2015-16 and communicate the same to CP&M cell latest **by 05/11/2014 positively**. The soft Copy of the same may also be e-mailed at ltp@bsnl.co.in with copy to agmcpl1@gmail.com.

Encl:

1	Annexure-I containing MoU2015-16 parameters	Available on Intranet (Link is ED(CA)-> CP&M-> MoU 2015-16)
2	Annexure VI (See Guidelines)	
3	Annexures VII & VIII (See Guidelines)	
4	DPE guidelines for drafting MoU 2014-16 ⁵	


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

To,

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|----------------------|-----------------------|----------------|-----------------|
| 1) GM CA | 6) PGM NWP-CFA | 11) GM CNP | 16) GM IA |
| 2) GM BFC&I | 7) GM NWO -CFA | 12) GM NOFN | 17) PGM MM |
| 3) GM NWP-GSM | 8) GM F-CFA | 13) GM TRG. | 18) CS & GM (L) |
| 4) Sr.GM CDMA/Wi-MAX | 9) PGM NWP-BB | 14) PGM ELECT. | |
| 5) GM NWO-CM | 10) Sr.GM NWO BB & IN | 15) Sr.GM CIT | |

Copy for kind information to:

- [1] ES To CMD
[2] Director (Enterprise)/ Director (HR)/Director (CM) /Director (CFA) / Director (Fin)
[3] ED (CA) / ED (F) / ED (CN)