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

No: CP&M/ 1-54/MOU (2017-18)/2016/

Dated: 26 /10/2016

Sub: Draft MOU 2017-18 between DoT & BSNL -Targets for the Financial and Non Financial parameters

Ref: DPE guidelines vide File No.M-03/0009/2015-DPE (MoU) dated 31.12.2015

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 so 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 2017-18 is expected to start shortly
2. The key points of the guidelines are:
 - 2.1 **Time Line:** The draft MOU needs to be submitted after approval of the BSNL Board, administrative ministry /department to DPE, NITI Aayog and MOSPI otherwise the MOU performance will be rated as "Poor".
3. **Parameters of MoU-2016-17 were as under :** Likewise parameter for MoU 2017-18 may be suggested to the best interest of BSNL

Capacity Utilisation: (Wt. 10):- It includes the optimum uses of equipment capacity available with the BSNL and these parameters has been redefined for the year 2016-17. The targets for these items for the year 2016-17 is fixed as given below:-

S. No	Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
				Excellent	Very Good	Good	Fair	Poor	
i	Net addition in GSM Mobile connections	Nos in lakhs	4	40	30	25	22	20	NWP-GSM
ii	Net addition in Broadband connections (wireline +wireless)	Nos in lakhs	3	12	10	8	7	6	NWP-BB/NWO-CM/CDMA/Wi-Max
iii	Net addition in landline over previous year	%	3	1.0	0.5	0.2	0	<0	NWP-CFA/BB

II) Efficiency Parameter (Physical operations) : (Wt. 15) :- It mainly focuses on net achievements of connections, improvement in QOS parameters to meet TRAI's benchmark and technology up-gradation. The targets for these items for the year 2016-17 is as given below :-

A) Production efficiency.

Sl.	Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
				Excellent	Very Good	Good	Fair	Poor	
i	Net addition of subscriber in each circle	%	3	90	80	75	70	60	NWP-(CFA/CM/BB)/CDMA/Wi-Max
ii	Reduction in TCH call drop/call drop rate in all LSAs to meet the TRAI Benchmark	%	4	100	90	85	80	75	NWO-CM
iii	Improvement in fault repair by next day over previous year	%	3	5	4	3	2	1	NWO-CFA/CM/BB&I N

B). Technology Up-gradation

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
Replacement of legacy wireline exchanges by next generation network (NGN)	Lakh Lines	5	16	15	14	13	12	NWP-CFA

III Leveraging net worth: (Wt. 15) :- It predominantly focuses on Initiatives for growth, Project Management & Implementation which consist of CAPEX for Capacity expansion and New/Ongoing projects respectively, CAPEX is to be utilized for Productivity , Quality of Service, customer satisfaction and Human Resource Management. CAPEX detail for FY 2016-17 is given as under:-

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
CAPEX	Rs. in Cr	15	4800	4300	3800	3500	3000	BFC&I

IV Monitoring Parameter: (Wt. 5) :- Monitoring is mainly concerned with running of the projects/contracts during the year without time/cost overrun. Parameter "% of value of CAPEX contracts/projects running /competed during the year without time/cost overrun" has been included under the head monitoring & is redefined for year 2016-17 as under :-

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
% of value of CAPEX contracts/projects running /completed during the year without time/cost overrun	%	5	100	90	80	70	60	BFCI /CPM II

- V Turnover for operations: Revenue from operation (Net of excise duty) (Wt. 10) :-** This parameter is directly linked with overall financial performance of BSNL and this parameter has been redefined for the year 2016-17 as under.

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
Revenue from operation (Net of service Tax)	Rs. Cr	10	30164	30020	29877	29734	29590	CA

- VI Operating Profit/Surplus : Reduction in loss (Wt. 10) :-** This parameter is to reduce the losses of BSNL and ultimately to improve the financial position of the company and this parameter has been redefined for the year 2016-17 as under.

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
Reduction in loss	%	10	100	80	60	40	20	BFCI/CA

- VII Early Signs of weakness: (Wt. 5) :-** This parameter is also directly linked with Overall financial performance of BSNL and parameter is redefined for the year 2016-17 as given below.

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
Reduction of claims against the company not acknowledged as debt over previous year-claims raised by others	Rs. in Cr	5	100	90	80	70	60	BFCI/CA

VIII Marketing efficiency ratios: (Wt. 10) :- This is one of the financial implication to improve financial performance of BSNL and this parameter has been redefined for the year 2016-17 as under.

S.No	Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
				Excellent	Very Good	Good	Fair	Poor	
a	Net addition in Revenue from leased line over previous year	%	5	20	18	16	14	12	EB(FIN)
b	Trade receivables as percentage of revenues from operation (Gross)	%	5	17.5	18.4	19.3	20.3	21.3	BFCI/CA

IX Return on Investment :(Wt. 10) :- This is another financial implication included in parameter for MoU 2016-17 related to revival of the company. Parameter "Reduction in total expenditure as % of Revenue from Operations over previous year" has been included under the head ROI and is fixed as under.

Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
			Excellent	Very Good	Good	Fair	Poor	
Reduction in total expenditure as % of Revenue from Operations over previous year	%	10	3.0	2.5	2.00	1.75	1.5	BFCI/CA

X Sector /CPSEs Specific targets/parameters to reduce the losses of BSNL: (Wt. 10):- It focuses on various physical parameters specific to telecom sector. The Targets for key items for the year 2016-17 is fixed as given below:

S.No	Evaluation Criteria	Unit	Parameter Weight	MOU 2016-17 Target					Action By
				Excellent	Very Good	Good	Fair	Poor	
(i)	Bringing back the disconnected Broadband customers (DSL& FTTH)	Lakh Nos	3	2.2	2	1.90	1.81	1.71	NWO-BB&IN
(ii)	Net Addition in leasing out tower sites to other operators	No.	2	2100	2000	1900	1805	1715	Infra
(iii)	Laying of O.F Cable ((cumulative) for Defence Project i.e Network for spectrum (NFS)	RKMs	2	45000	42000	40000	35000	30000	NFS
(iv)	National optical fiber network (NOFN) /Bharat net Cumulative) to connect Gram Panchayats (GPs)	No of GPs	2	81000	76950	73103	69447	65975	NOFN
(v)	Awards of Tender for laying of Submarine Cable to Andaman & Nicobar	Date	1	31.01.17	15.02.17	28.02.17	15.03.17	31.03.17	OSD to DIR(C FA)

4. Financial Targets :

- 4.1 As per DPE guidelines, CPSEs has to propose financial parameters in preparing MoU 2017-18.
- 4.2 The basic targets of relevant financial parameters should be (i) realistic, growth oriented, and aspirational (ii) consistent with the Budget for 2017-18 (iii) projected based on last five years' actual achievements subject to the condition that they are not less than the expected achievement in the year 2016-17, or achievement in 2015-16, whichever is higher.
- 4.3 BSNL proposed financial parameters in MoU 2016-17 viz, *Turnover for operations: Revenue from operation* , *Reduction in Loss, Reduction in claims against the company not acknowledge as debt over previous year- Claims raised by others* , *CAPEX & % of Value of CAPEX contract/project running /completion without time /cost run Net addition in revenue from leased line over previous year, Reduction in total expenditure as % of Revenue from operation (Gross).*
- 4.4 It is requested to set relevant targets for financial parameters mentioned in point no. 4.3 above.
- 4.5 Further, CPSE has to give a self-certification as per 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.

5. Non-Financial parameters: The non-financial targets should be SMART

(Specific, Measurable, Attainable, and Results Oriented, Tangible).

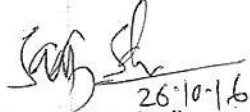
- 6. Further Line of Action:** With reference to the detailed guidelines issued by DPE, following action may please be carried out by the respective units
- a. The Parameter related to 'Compliance to Corporate Governance' has not been included in MoU 2016-17. However Non-compliance of Corporate Governance 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).**

- b. CPSE has to give a Self-declaration for Compliance of directives of Government and Regulators (as per para 10.1 of DPE guidelines). **The compliance to this point may be done by CS & GM (Legal).**
- c. 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).**
- d. 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).**

We may request all the Concerned GMs to suggest MoU parameters (physical & financial) along with the targets for 2017-18 and give response to CP&M Cell as early as possible to prepare and finalize draft MoU for 2017-18 .The concerned Units are requested to formulate the target of the above parameters for FY 2017-18 and communicate the same to CP&M cell latest **by 05/11/2016 positively**. The soft Copy of the same may also be e-mailed at ltp@bsnl.co.in with copy to agmcpm1@gmail.com.

Encl: DPE guidelines for drafting MoU 2016-17 Available on Intranet (Link is ED(CA)->

CP&M-> MoU 2016-17)


26/10/16
(Sanjay Sohni)
GM (CP&M)

To,

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|------------------------|--------------------------|----------------|-------------------|
| 1) Sr.GM (CA) | 6) Sr.GM (NWP-CFA) | 11) GM(CNP) | 16) Sr.GM (IA) |
| 2) Sr.GM (BFC&I) | 7) GM (NWO -CFA) | 12) GM (NOFN) | 17) Sr.GM (MM) |
| 3) GM (NWP-GSM) | 8) GM (NFS) | 13) GM (TRG.) | 18) CS & GM (L) |
| 4) Sr.GM (CDMA/Wi-MAX) | 9) GM NWP-BB | 14) PGM ELECT. | 19) Sr.GM (Infra) |
| 5) GM NWO-CM | 10) Sr.GM NWO-BB & IN15) | Sr.GM CIT | 20) PGM (Elec.) |

Copy for kind information to:

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