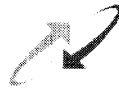


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भारत संचार निगम लिमिटेड
(भारत सरकार का उपक्रम)
BHARAT SANCHAR NIGAM LIMITED
(A Govt. of India Enterprise)

No. 27-9/2009-Sales&Mktg.-CM

Date: 15.01.2010

To,

The Chief General Manager

All Telecom Circles/Districts

BSNL.

Subject: Clarification in revised Franchisee S&D Policy 2009 regarding franchisee agreements expiring post 01.04.10

Kindly refer to the letter number 27-9/2009-SM-CM/pt.2, dated 01.01.10, vide which the revised franchisee sales and distribution policy 2009 was circulated to telecom circles / districts. In regard to the treatment of franchisee agreements expiring post 01.04.10, please note the following clarification:

For franchisee agreements expiring post 01.04.10

- If franchisee expresses consent, franchisees shall be allowed to take part in the migration as defined in the revised Franchisee S&D policy 2009. In this case, his existing agreement will be terminated on **10.04.10**. All the guidelines for migration as per the revised franchisee S&D policy 2009 will be applicable just like other territories taking part in migration including the maximum cap on number of territories a franchisee can migrate in. (Existing franchisees with 1 or 2 territories will be allowed to migrate in 1 new territory, while existing franchisees with 3 or 4 territories will be allowed to migrate in 2 new territories)
- If franchisee expresses consent not to take part in migration, he shall be allowed to operate till the contract expires or contract is terminated due to non-performance. Against each existing territory of the franchisee in this case, the circle office will assign a new demarcated territory to the franchisee. Circle must ensure that for these territories, majority portion (at least 50%) of the new territory assigned to the franchisee should also be a part of the existing territory of the franchisee. EOI will be floated two months before the expiry of the agreement. Migration to new policy will not be applicable at that time. On 01.04.10, all these franchisees would be required to sign two undertakings (attached):
 1. Acceptance of new demarcated territory
 2. Acceptance to abide by the performance management conditions and meet the targets given by the circle/SSA

(Upendra Bakolia)
DGM(S&M)-CM

Copy to:-

1. Director CM
2. GM – Product and Pricing, Consumer Mobility

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Undertaking No. 1 – Acceptance of new demarcated territory for operation

Date:

Name of franchisee:

Franchisee Agreement No/Date:

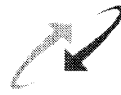
Franchisee Agreement Expiry date:

I accept that my area of operation under the above mentioned agreement with BSNL from the date of this undertaking is

Signature of Franchisee

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Undertaking No. 2 – Acceptance to abide by the performance management system

Date:

Name of the Franchisee:

Franchisee Agreement date/No:

Franchisee Agreement Expiry Date:

I hereby agree to abide by the performance management system as detailed below:

Performance Management System

- a. Responsibility and Frequency: each SSA must conduct a review meeting in first week of every calendar month where each franchisee's performance in previous month must be evaluated. Each circle must conduct a review meeting every quarter to review the same. This meeting must be conducted within fifteen days of quarter ending.
- b. **Appointment of Review committees:** Each SSA must appoint a performance review committee of at least three executives which must consist of SSA Head and SSA Sales Head (Mobility) and Retailer Manager Coordinator(RMC). Franchisee manager of particular franchisee should also be part of review discussion for that franchisee. For circle level reviews, circle should appoint a review committee for each SSA under chairmanship of GM(Consumer Mobility). Each committee will have three executives including chairman from circle (common for each SSA) and SSA head of concerned SSA.
- c. **Target Setting:** Each circle and SSA should set the targets for franchisee for various primary products (consumer mobility related products) before the start of the month. These targets should be based on network coverage, wireless potential of territory and historical performance of franchisee. Targets will be set on following parameters



Type A parameters

- i. Gross Connections (2G and 3G SIM Activations) and sales of other consumer mobility products
- ii. Recharge sales (primary sales)
- iii. # of retailers billed through BSNL specified system

Type B parameters

- iv. # of FoS (Feet-on-Street) appointed and active
- v. % of CAF forms submitted
- vi. Percentage of recharge sales via CTOP UP
- vii. Number of valid complaints supported by evidence

Targets for the next calendar month should be set by SSA and communicated to franchisee on or before 25th of the current month. In case of 25th being a holiday, targets must be communicated on or before last working day before 25th. Any exceptions or inability to this should be approved by GM (Consumer Mobility) in circle office.

Apart from these targets for any other products from other business units shall be set by concerned business units however franchisee's performance review must not consider achievement against those targets

- d. **Review Process at SSA:** For the purpose of monthly reviews various parameters, their scoring and cut-offs are given in table below

| | Parameter | Scoring | Cut-off Score |
|---|---|----------------------|---------------|
| 1 | Gross Connections (2G and 3G SIM Activations) and sales | % of target achieved | >60% |

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| | | | |
|---|--|----------------------|------|
| | of other consumer mobility products | | |
| 2 | Recharge sales (primary sales) in Rs cr sold in month | % of target achieved | >60% |
| 3 | # of retailers billed in month through BSNL specified system | % of target achieved | >50% |

| # | Parameter (month/Basis) | Scoring | Cut-Off Score |
|---|---------------------------------|---|---------------|
| 4 | # of FOS appointed and active | % of target achieved | >50% |
| 5 | % of CAF forms submitted | # of CAF submitted within specified time frame as a ratio of # of activations within Franchisee's network | >90% |
| 6 | % of Recharge sales via CTOP-UP | % of target achieved | >40% |
| 7 | # of valid complaints | # of valid complaints (including complaints regarding selling outside own primary area or look-after territory) supported by evidence | 0 |

Cut-off scores can be upwardly revised by circle review committee with at least 60 days notification to franchisees. Apart from the parameters listed above, review committee should discuss about any other complaints received about the franchisee and warnings / monetary fines could be issued / imposed. SSA committee must prepare a scorecard for each franchisee before monthly review

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meeting. The scorecards for three months should be sent for circle level review each quarter.

- e. **Review Process at circle:** Review committee at circle should conduct a review of each franchisee every quarter. Scorecards for this review shall be furnished by SSAs in time for the review. Circle will prepare a cumulative scorecard based on target achievement in the previous quarter. Circle can review performance of franchisees in between the quarterly review period also (especially in cases where the franchisee has not been meeting performance targets) and take action as described below.
- f. **Consequences for Poor Performance:** Any franchisee who does not meet the cut-off score on any parameter (Type A or Type B) becomes liable for penalty as per the table given below

| Months | One Month | Two Months | Three months* | Four months | Five months | Six months* |
|---------|-----------|----------------|----------------------------|--|---|---|
| Issuer | SSA | SSA | Circle | SSA | SSA | Circle |
| Penalty | Warning | Strong Warning | Monetary Penalty by Circle | 110% of monetary penalty set by circle at the end of 3rd month | 125% of monetary penalty set by circle at the end of 3rd month. | 150% of monetary penalty set by circle at the end of 3rd month. |

* Based on scores calculated on cumulative target achievement of the previous three months and previous six months respectively

- g. **Rewards:** Every quarter, circles can reward the top five franchisees in the circle. Both type 'A' and type 'B' parameters should be considered for award consideration
- h. **Performance based termination:** Any franchisee who does not meet the cut-off score on ***cumulative target achievement during past six months on type***

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'A' parameters will become eligible for termination. Circle review committee then has the right to terminate any franchisee that is eligible for termination by giving a 30-day notice. Total number of terminations in any month should not exceed 5% of total circle franchisees. Only franchisees who have been active in all six months should be considered for this exercise. Any franchisee inducted in past six months will not be considered for this exercise. All franchisees will be given 30 days notice to wind up operations. However monthly review for the franchisee who have been served a Notice of Termination will happen for next months as per the process outlined above and any monetary penalties will still be applicable on non-performance. Circles must complete the process of appointing new franchisee and hand-over arrangements within 90 days. Franchisees who are terminated will not be eligible to bid for any franchisee EOI for any territory for the next two years. Circle may use lookafter arrangement in these vacant territories.

- i. **Re-demarcation of territory:** BSNL reserves the right to redefine territories in cases where franchisee has not met the performance criteria (defined above in this policy) for a period of more than three months
- j. **Confidentiality:** All data collected or generated during the review process at SSA or circle level should be treated as confidential. It can be discussed with franchisees however no data related to other franchisees should be given to any franchisee. Access to this data should also be restricted to only competent authorities as decided by Circle Head or SSA head.

Signature of Franchisee