

MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

MOIL LIMITED

AND

MINISTRY OF STEEL

GOVT. OF INDIA

2014-15



MOIL LIMITED

"MOIL BHAWAN", 1A, KATOL ROAD, NAGPUR-440 013



MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

MOIL LIMITED AND MINISTRY OF STEEL

Whereas it is necessary to maintain and accelerate the momentum gained in the performance of MOIL, the Ministry of Steel and MOIL Limited hereby agree to achieve the objectives as set forth below :

This MOU has been structured in the following five parts :

- PART I : VISION /MISSION AND OBJECTIVES.**
- PART II : EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS.**
- PART III : PERFORMANCE EVALUATION PARAMETERS AND TARGETS.**
- PART IV : COMMITMENTS/ ASSISTANCE FROM THE GOVERNMENT.**
- PART V : ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MoU.**



PART I

VISION /MISSION AND OBJECTIVES

VISION / MISSION

1. To become one among the best manganese mining companies in the world, through utilization & up gradation of skills/talents available.
2. To globally expand the activities of the company in all possible areas keeping in view the value addition, through joint ventures / Technology Transfer.

OBJECTIVES

1. To maintain the status of market leader in manganese industry in India.
2. To generate adequate surpluses and ensure optimum returns to the satisfaction of all stake holders.
3. To maintain quality of manganese ore and related products at all stages and enhance total customer satisfaction through prompt delivery of quality materials and services.
4. Through R&D and adoption of new technologies, to diversify and modernize, mining and beneficiation methods for upgrading low and medium grade ores and achieve growth through value addition.
5. a. To improve productivity, capacity utilisation and cost effectiveness through optimising both human and physical resources.
b. To explore all possibility of cost effective power services for Ferro Manganese Plant.
6. To make mining areas clean, green and eco-friendly.
7. To strive for a zero accident rate, by further improving safety practices.
8. To ensure high quality of life to employees and other stake holders in the vicinity of the industry.

MoU 2014-15
Approved by DPE/TF
K. S. Rao



PART II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

All Powers available to MoU Signing *Miniratna* Category-I companies be continued to MOIL Limited.

MoU 2014-15
Approved by DPE/TF
Signed 



PART III

To update physical and financial performance of MOIL Limited in preceding five years indicated in Annexure. The performance indicators and relative weightage for each of them for evaluation of the Company's performance during 2014-15 are indicated below.

PERFORMANCE		UNIT	WT	MoU	PERFORMANCE RATING					Documentary evidence and source / origin of documents
				2013-14	Excel.	V. Good	Good	Fair	Poor	
				*	1	2	3	4	5	
PART - A										
1 STATIC / FINANCIAL PARAMETERS		50								
(i) Growth / Size / Activity										
a)	Sales Turnover (Net) (₹ in crores)	₹	14	797.43	900.00	858.00	815.00	772.00	729.00	Annual Report
b)	Gross Operating Margin (₹ in crores)	₹	10	401.75	454.36	432.72	411.08	389.45	367.81	Annual Report
(ii) Profitability										
a)	PAT / Net Worth	%	6	11.01	12.00	11.40	10.83	10.26	9.69	
b)	EBITDA/Net Block	%	5	175.11	208.70	198.76	188.82	178.88	168.95	
c)	EBIT / Average Capital Employeed	%	5	17.67	19.56	18.63	17.70	16.77	15.84	
(iii) Cost and Output Efficiency										
	PAT per Employee (₹ in lakhs)	₹	10	4.75	5.66	5.39	5.12	4.85	4.58	
Note :-										
1)	Profit before tax (EBIT)(₹ Crores)	₹	-	489.37	583.44	555.66	527.88	500.09	472.31	Annual Report
2)	Profit after tax (PAT)(₹ Crores)	₹	-	323.03	385.13	366.79	348.45	330.11	311.77	Annual Report
3)	Proj. Opening Cap. Employed (13-14)	₹	-	2734.45	2944.69	2804.47	2664.25	2524.02	2383.80	Annual Report
	Proj. Closing Cap. Employed (14-15)	₹	-	2804.47	3320.11	3162.01	3003.91	2845.81	2687.71	Annual Report
	Average Capital Employed (₹ Crores)	₹	-	2769.46	3132.40	2983.24	2834.08	2684.92	2535.75	Annual Report
4)	Net Worth (NW) (₹ Crores)	₹	-	2934.82	3376.57	3215.78	3054.99	2894.20	2733.41	Annual Report
6)	Gross Block (₹ Crores)	₹	-	596.66	648.80	617.90	587.01	556.11	525.22	Annual Report
7)	Net Block (₹ Crores)	₹	-	300.38	312.99	298.08	283.18	268.27	253.37	Annual Report
8)	Gross Margin (₹ Crores) EBITDA	₹	-	526.00	622.08	592.46	562.84	533.21	503.59	Annual Report
9)	Total Employment	Nos.	-	6800	6800	6800	6800	6800	6800	Annual Report

Note :

- The assumption of average selling price of Manganese Ore has been considered as ₹ 7500 per MT. Since manganese ore prices are volatile, if the variation *via-a-vis* actual realisation per MT is above +/- 10%, the evaluation will be done according to assumed price of MoU 2014-15.
- Gross Sales target (very good) is Rs.900 Crores and accordingly Net Sales target (very good) after deducting royalty, taxes and duties worked out to Rs.858 Crores.

* : Some of the parameters were not in earlier MoU. However, for the sake of comparison, the figures are reworked to match parameters in new 2014-15 MoU guidelines.

MoU 2014-15
Approved by DPE/TF
Signed *Krc'92*



PERFORMANCE		UNIT	WT	MoU	PERFORMANCE RATING					Documentary evidence and source / origin of documents	
					2013-14	Excel.	V. Good	Good	Fair		Poor
						1	2	3	4		5
2 DYNAMIC / NON-FINANCIAL PARAMETERS		45									
(i)	Corporate Social Responsibility & Sustainability		3		As per Annexure-I					Annual Report	
(ii)	Research & Development (Expenditure % of PAT 2013-14)	%	2		0.53	0.50	0.48	0.45	0.43	Annual Report	
(iii) Initiative for Growth		11									
a)	Physical targets / output										
i	Production of manganese ore (incl. fines)	000T	4	1125	1150	1125	1069	1013	956	Certified Statement	
ii	Preparation of feasibility report based on the response received against EOI from power producers for supply of power to proposed Ferro alloy Plant.		1		Nov 30 2014	Dec 31 2014	Jan 31 2015	Feb 28 2015	Mar 31 2015	Certified Statement	
b)	Expansion/diversification/aquisitions/joint ventures										
i	Completion of Geo physical prospecting on new leases in Maharashtra for expansion.		1.5		Dec 31 2014	Jan 15 2015	Jan 31 2015	Feb 28 2015	Mar 31 2015	Report of external agency.	
ii	Location of New resources/reserves of Manganese ore at Gumgaon & Kandri Mine for expansion		1.5		Jan 31 2015	Feb 15 2015	Feb 28 2015	Mar 15 2015	Mar 31 2015	Project Completion Certificate	
iii	Identification of property abroad for due diligence.		1.5		Feb 28 2015	Mar 10 2015	Mar 15 2015	Mar 25 2015	Mar 31 2015	Certified Statement	
iv	Preparation of feasibility report for deepening of vertical shaft at Kandri Mine for mine expansion.		1.5		Jun 30 2014	Jul 31 2014	Aug 31 2014	Sep 30 2014	Oct 31 2014	Project Completion Certificate	
(iv) Project Management & Implementation		10									
a)	Number of new projects to be completed during the year										
i	Completion of sinking, furnishing & equipping of vertical shaft at Ukwa Mine.		2		Nov 30 2014	Dec 30 2014	Jan 31 2015	Feb 28 2015	Mar 31 2015	Certified Statement	
ii	Capital Expenditure on MOIL's projects (₹ in Crores) (as per BE 2014-15)		1		132.79	123.94	115.08	106.23	97.38	Annual Report	
ii	Exploratory Drilling project at all mines.	Mtrs	3	4600	5000	4900	4655	4410	4165	Certified Statement	
b)	Milestones to be reached for new/on-going projects that cannot be completed during the year										
i	Deepening of Holmes Shaft Balaghat upto 50.0 Mtrs, including raising.		2		Jan 31 2015	Feb 15 2015	Feb 28 2015	Mar 15 2015	Mar 31 2015	Project Completion Certificate	
ii	Deepening of vertical Shaft at Chikla upto 50.0 Mtrs, including raising.		2		Jan 31 2015	Feb 15 2015	Feb 28 2015	Mar 15 2015	Mar 31 2015	Project Completion Certificate	



PERFORMANCE		UNIT	WT	MoU	PERFORMANCE RATING					Documentary evidence and source / origin of documents
				2013-14	Excel.	V. Good	Good	Fair	Poor	
					1	2	3	4	5	
(v) Productivity and Internal Processes6										
a) Measures taken to increase efficiency and productivity of manpower/ resources										
i	E-procurement	%	2	-	50	45	35	25	15	Certified Statement
ii	Energy reduction at Tirodi Mine	%	1		0.50	0.40	0.30	0.20	0.10	Certified Statement
iii	% recovery of beneficiation plant at Balaghat Mine	%	1		70	69	68	67	66	Certified Statement
b) Customer Focus - Customer Satisfaction Index and Complaints										
i	No. of complaints received against the D.O. issued.	%	2	2.25	1.75	1.84	1.93	2.03	2.13	Certified Statement
(vi) Technology, Quality, Innovative practices7										
a) Quality Management										
i	OHSAS 18001-2007 Certification for Ukwā Mine.		2		Nov 30 2014	Dec 31 2014	Jan 31 2015	Feb 28 2015	Mar 31 2015	OHSAS Certificate
ii	OHSAS 18001-2007 Certification for Tirodi Mine.		2		Nov 30 2014	Dec 31 2014	Jan 31 2015	Feb 28 2015	Mar 31 2015	OHSAS Certificate
iii	Introduction of boomers for development based on R&D studies carried by IIT, Kharagpur on Long hole blasting at Balaghat Mine.		1		Oct 31 2014	Nov 30 2014	Dec 31 2014	Jan 31 2015	Feb 28 2015	Certified Statement
b) Safety Management										
	Mandays lost per 1000 mandays worked due to accident	Man-days	2	0.50	0.45	0.50	0.55	0.60	0.65	Certified Statement

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PERFORMANCE		UNIT	WT	MoU	PERFORMANCE RATING					Documentary evidence and source / origin of documents
				2013-14	Excel.	V. Good	Good	Fair	Poor	
					1	2	3	4	5	
(vii) Human Resource Management				6	As per Annexure-II					
3 Sector Specific Parameter			5							
i	Development in Opencast mines	000M ³	3	4805	5800	5525	5249	4973	4696	Certified Statement
ii	Development in Underground mines	Mtrs	2	6935	7800	7425	7054	6683	6311	Certified Statement
Total			100							
Note :										
1 : Non-compliance of Corporate Governance will be penalized by way of negative marking and the MoU Score will be increased in accordance with DPE OM 18(8)/2005-GM, Dtd. 22/06/2011 and OM 3(12)/2012-DPE(MoU), Dtd. 10/01/2013.										
2 : CPSEs have to give a certificate regarding implementation of guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin Dated 28th June 2011 and also a certificate from their auditors / Chartered Accountant in Practice. Non-compliance of DPE Guidelines determines on the basis of certificate submitted will be penalized upto 1 mark at the discretion of Task Force at the time of MoU Evaluation. (In other words, the MoU Ratings can be increased by 0.04).										

MoU 2014-15
Approved by DPE/TF
Signed



ANNEXURE - I

CSR & SD PROJECTS FOR MoU 2014-15									
DETAILS OF CHOSEN PROJECTS									
Sl. No.	Name of the Project	Project under	UoM	Qty	Starting Date	Completion Date Excellent	Completion Date Very Good	Amount * (₹ in Lakhs)	Documentary evidence and source / origin of documents
1	2	3	4	5	6	7	7	8	9
1	Providing drinking water in the backward district Bhandara / Balaghat. Borewells / Hand pumps	CSR	Nos.	38	Apr. 2014	Jan.2015	Mar.2015	40.00	Project completion certificate.
2	Afforestation through social forestry mode	SD	Nos.	28500	Apr. 2014	Jan.2015	Mar.2015	30.00	Project completion certificate.
						Total	Total	70.00	

* Outlay may vary depending on lowest bids received in tendering process. Quantity of execution will be monitored.

ANNEXURE - II

Working of Gross Operating Margin

(Rs. in Crores)

Particulars	Amount
Gross sales	900.19
Less :	
Excise duty	8.50
Royalty and welfare cess	33.69
	42.19
Net sales	858.00
Less :	
Operating expenses	
Manpower Cost	293.30
Raw Material Exp	28.66
Stores & Spares Exp.	56.03
Power & Fuel Exp.	47.97
Contractors & Other expenses	86.57
Other Expenses	29.07
Total Operating Expenses	541.60
Accretion/decretion to stock	-31.06
	510.54
Add :	
Administrative/selling expenses	85.26
Gross operating margin	432.72
Add :	
Other income	245.00
Less :	
Administrative/selling expenses	85.26
Gross margin	592.46

MoU 2014-15
Approved by DPE/TF
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HRM Template FOR MoU 2014-15									
Sr. No.	Name of the Project	Unit	Wt.	Target Value					Documentary evidence and source / origin of documents
				Excel.	V. Good	Good	Fair	Poor	
1	Assessment center for gradation of employees for succession planning								
(a)	Appointment of external agency	Date	0.5	Jun 30 2014	Jul 31 2014	Aug 31 2014	Sep 30 2014	Oct 31 2014	Work order
(b)	Succession planning for 100% of DGMs, GMs, EDs with 3 yrs left over services		1	Jan 30 2015	Feb 15 2015	Feb 28 2015	Mar 15 2015	Mar 31 2015	Report from external agency
2	Training of employees								
(a)	50% of Board level executives and EDs/GM on leadership, corporate governance and strategy & risk management		0.5	Yes				No	Training certificate
(b)	50% of other executives		0.5	Yes				No	Training certificate
(c)	10% of Staff/worker		0.5	Yes				No	Training certificate
3	Motivation to employees								
(a)	Appointment of external agency & submission of report	Date	1	Dec 31 2014	Jan 30 2015	Feb 15 2015	Feb 28 2015	Mar 15 2015	Work order Report from external agency
4	Development of SERVICE CHARTER for welfare of employees								
(a)	Formation of committee comprising Dir (P&P), Dir (Fin), ED/GM(Pers) & Union & Management representative		0.5	Yes				No	Certified statement
(b)	Committee meetings in respect of (a)	No. of meetings	0.5	6	5	4	3	2	Certified statement
(c)	Meetings with CMD in respect of (a)	No. of meetings	0.5	2	1	0	0	0	Certified statement
(d)	Initiating action for the post of Director (HR) with administrative Ministry		0.5	Yes				No	Board Resolution
			6						



PART IV.
COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

The Government Undertakes to assist MOIL –

- (i) In obtaining necessary clearances from appropriate authorities as and when mining leases come up for renewal.
- (ii) In obtaining railway wagons for dispatch of manganese ore, whenever the need arises.

PART V.
**ACTION PLAN FOR IMPLEMENTATION AND
MONITORING OF THE MoU**

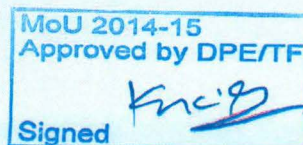
- (i) MOIL undertakes to submit quarterly reports on the various performance areas within 30 days of the end of each quarter.
- (ii) MOIL's Board will also ensure internal monitoring of performance against MoU targets.
- (iii) Half yearly joint review meetings will be held at the Ministerial level.

(G. P. KUNDARGI)
Chairman-Cum-Managing Director
MOIL Ltd.
NAGPUR

(G. MOHAN KUMAR)
Secretary
Ministry of Steel
NEW DELHI

Date : 25.3.2014,

Place : NEW DELHI





MOIL LIMITED

TREND OF PERFORMANCE ON FINANCIAL PARAMETERS FOR LAST 5 YEARS

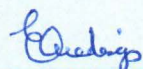
(₹ Crores)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Proj.	Projected
Production(Mn Ore)excl fines(000T)	800.00	828.00	825.00	836.00	830.00	839.00	900.00	883.00	875.00	875.00	906.00
Production(Mn Ore)fines(000T)	275.00	265.00	325.00	314.00	320.00	232.00	250.00	256.00	250.00	250.00	194.00
Total Production(000T)	1075.00	1093.00	1150.00	1150.00	1150.00	1071.00	1150.00	1139.00	1125.00	1125.00	1100.00
Production (₹ in Crores)	340.38	388.60	465.25	410.44	486.35	502.37	473.81	573.51	555.14	555.14	556.00
Net Sales	607.94	927.85	957.36	1096.47	1100.23	866.48	757.78	930.74	797.43	797.43	858.00
Interest and other income	72.00	129.92	85.00	145.28	86.00	203.32	160.00	235.27	209.51	209.51	245.00
Gross Operating Margin Rate (%)	62.76%	71.53%	67.89%	77.73%	69.87%	58.39%	58.23%	55.85%	50.38%	50.38%	50.43%
Gross Operating Margin	381.57	663.69	649.94	852.32	768.73	505.95	441.26	519.80	401.75	401.75	432.72
EBITDA	392.05	732.09	650.00	912.66	782.00	636.54	516.00	669.81	526.00	526.00	592.46
Depreciation	27.84	25.30	30.25	32.51	32.35	29.91	35.97	33.03	36.63	36.63	36.80
EBIT	364.21	706.79	619.75	880.15	749.65	606.63	480.03	636.78	489.37	489.37	555.66
Interest Expenses											
Prior period expenses											
Extra ordinary items											
Any other expenses											
Profit before tax	364.21	706.79	619.75	880.15	749.65	606.63	480.03	636.78	489.37	489.37	555.66
Tax	123.79	240.44	210.65	292.10	249.01	195.86	159.45	205.07	166.34	166.34	188.87
Profit after tax	240.42	466.35	409.10	588.05	500.64	410.77	320.58	431.71	323.03	323.03	366.79
Dividend Paid	48.08	94.08	81.82	117.60	100.13	84.00	64.12	92.40	64.61	64.61	73.36
Profit transferred to Statutory reserves											
Any other item											
Profit transferred to Balance Sheet	184.00	357.00	313.00	450.00	366.00	300.00	241.00	325.00	247.00	247.00	281.00
Balance Sheet Items											
Gross Block	385.68	357.03	425.14	396.46	479.16	422.58	509.46	479.91	596.66	537.24	617.90
Less Depreciation	167.27	160.49	194.84	190.48	223.09	215.53	259.41	246.39	296.28	283.02	319.82
Net Block	218.41	196.54	230.30	205.98	256.07	218.72	250.05	233.52	300.38	254.22	298.08
Paid up Share Capital	28.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00
Reserves & Surplus	1589.98	1509.37	1764.63	1960.29	2340.80	2273.30	2512.83	2597.64	2766.82	2766.82	3047.78
Less : Deferred Rev.Exp/pre acquisition loss											
Less : Profit & Loss A/C											
Net Worth	1617.98	1677.37	1932.63	2128.29	2508.80	2441.30	2680.83	2765.64	2934.82	2934.82	3215.78
Investments	0.11	0.21	67.61	2.21	60.21	4.21	82.21	0.00	72.21	0.00	0.00
Total Current Assets	1589.98	1742.79	1750.07	2204.20	2455.58	2479.55	2609.72	2846.99	2646.79	2646.79	2840.23
Total Current Liabilities&Provisions	265.55	271.52	123.45	311.39	279.94	229.36	307.11	275.17	296.54	296.54	344.09
Net Current Assets	1324.43	1471.27	1626.62	1892.81	2175.64	2250.19	2302.61	2571.82	2350.25	2350.25	2496.14
Capital Employed	1542.84	1667.81	1856.92	2098.79	2431.71	2468.91	2552.66	2734.45	2650.63	2604.47	2794.22
(Net Block+Net Current Assets)											
Capital Employed											
(Net Worth-CWIP-Investment)	1542.84	1654.98	1857.55	2097.29	2431.71	2539.76	2552.66	2734.45	2850.63	2850.63	3144.22
Total debt(loan funds)											
Total Assets	1843.61	1974.55	2012.87	2442.68	2756.63	2743.25	2914.17	3134.91	2947.17	2947.17	3138.31
No. of Employees	6823	6734	6756	6667	6725	6569	6725	6485	6800	6800	6800
Ratio											
PAT/Net Worth	14.86	27.80	21.17	27.63	19.96	16.83	11.96	15.61	11.01	11.01	11.41
EBITDA/Net Block	179.50	372.49	282.24	443.08	305.39	291.03	206.36	286.83	175.11	206.91	198.76
EBIT/Capital Employed	23.61	42.38	33.38	41.94	30.83	24.57	18.81	23.29	18.46	18.79	19.89
PAT per Employee (Rs. in Lakhs)	3.52	6.93	6.06	8.82	7.44	6.25	4.77	6.66	4.75	4.75	5.39



SELF DECLARATION/CERTIFICATION

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2014-15. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per MoU Guidelines. CPSE has no right of claim in this regard.


(G. P. KUNDARGI)

CHAIRMAN-CUM-MANAGING DIRECTOR



Self-declaration for Compliance of Directives of Government & Regulators

It is hereby certified that the MOIL Limited has complied all the directives of Government and requirements of Regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the Government/Regulators. CPSE has no right of claim in this regard.

(G. P. KUNDARGI)

CHAIRMAN-CUM-MANAGING DIRECTOR