Government of India
Department of Public Enterprises
Ministry of Heavy Industries & Public Enterprises
No.3 (30)/2007-DPE (MoU)
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OFFICE MEMORANDUM
Date : 10th December 2009

Subject: **Guidelines for Memorandum of Understanding (MoU) between CPSE and Government Department /Ministry for the year 2010-11.**

Please find attached a copy of **the Guidelines** for drafting of MoU for the Financial Year **2010-11**. Please note the following key features:

1.1 Applicability: All CPSEs, without exception, are required to sign MoUs; while the Apex/Holding companies will sign MoUs with their respective Ministries/Departments, the Subsidiary companies will sign MoUs with their respective Apex/Holding companies on the same lines as MoU is signed between a CPSE and Government of India. The MoU formats for all CPSEs, including the Subsidiaries, will be as attached. Those CPSEs who do not stick to DPE's schedule for signing of MoU will have their MoU performance rated as "**Poor**".

1.2 Financial Targets (Static parameters): The basic targets of Gross Sales, Turnover, Gross Margin, Net Profit, Net Worth should be projected based on last five years' actuals subject to the condition that they are at least 10% higher than the expected achievement for 2009-10, or achievement in 2008-09, whichever is higher. Financial Parameters should be fixed using DPE's definitions as appearing in these guidelines(Annexure-I). Some common definitional errors (Annex- II) should be avoided. Industrial growth forecast by CMIE for 2010-11 (Annex-XI) can be referred to while projecting financial targets

1.3 Non-financial Targets : These should be consistent with the proposed Annual Plan and budget of the department, and Corporate Plan of the CPSE for 2010-11. Major ongoing projects being monitored by the Department of Statistics and Program Implementation should be included .The non-financial targets should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible). Targets should be included to assess the performance of the CPSE under Corporate Social Responsibility, for which at least 5% marks shall be earmarked. To the extent possible, the targets for non-financial parameters should be independently verifiable, and CPSE should also specify the agency and means of their verification.

1.4 Task Force: The Task Force will commence negotiation meetings from **January 2010** to evaluate and finalise the MoUs in respect of Apex/Holding CPSEs and their Subsidiary Companies.

1.5 Time-line: An advance copy of the draft MoU for 2010-11, including enclosed Annexures and a copy of the Corporate Plan for the CPSE and its Subsidiary companies, after taking the approval of their Board may be got sent to DPE in hard and soft copy by **18.12.2009.** The main copy can be sent to DPE **through the administrative Ministry/Department by the 29.12.2009.**

2. CPSEs under the administrative control of your Ministry/Department may be advised to draft MOU for the year 2010-11 on the basis of the enclosed Guidelines. These guidelines are also available on DPE website **http://www.dpemou.nic.in** These guidelines are tentative to facilitate timely preparation of MoU for 2010-11.Modifications, if any, in these guidelines on the basis of decisions of High Power Committee will be issued before the meetings of the Task Force.

(J.R.Panigrahi)

Director (MoU)

To: Secretaries to the Government of India (as per list)

Copy to: Chief Executives of PSEs (as per list)

No.3 (30)/2007-DPE (MOU)
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhavan
Block No.14, CGO Complex
Lodhi Road, New Delhi
Dated the 10th December 2009

GUIDELINES FOR THE DRAFTING OF MoU FOR THE YEAR 2010-2011

MoU Guidelines for the drafting of MoU for the year 2010-11

Memorandum of Understanding (MoU) is a negotiated agreement and contract between the **Government** and the **Management** of the Central Public Sector Enterprise (CPSE). It is intended to evaluate the performance of the CPSE at the end of the year vis-à-vis the targets fixed in the beginning of the year. CPSE shall follow the below listed guidelines and format while drafting the MoU document.

Part I

1. MISSION AND OBJECTIVES OF THE CPSE

1.1 MISSION/VISION:

- Mission should be a concise statement incorporating the rationale for the existence of the enterprise and its business/activities.
- The Mission statement should be formulated keeping in view fresh initiatives being planned or /and under active consideration by the enterprise.

1.2 OBJECTIVES OF THE CPSE

- The objectives should be related to the mission of the enterprise and listed in order of priority as approved by the Board of Directors of the enterprise.
- These objectives should cover quantitative and qualitative; commercial and non-commercial; and static as well as dynamic aspects of the operations of the enterprise.
- Efforts should be made to ensure that all the objectives get reflected in the MoU Assessment Format.

1.3 COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

- Commitments/assistance expected from the Government should be relevant and related to the fulfilment of the agreed performance targets.

- These obligations should have a direct bearing on the performance of the enterprise, and their effect on the performance should be quantified.

2. PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION

2.1.1 Performance evaluation is based on the 'Balanced Score Card' approach and includes both "financial" and "non-financial parameters" having **equal weights** of 50% each.

2.1.2 With a view to distinguishing 'excellent performance' from ' poor performance', 5 different performance targets should be fixed in the MoU assessment format on a 5 point scale in the ascending order, that is, (1) ' Excellent', (2) 'Very Good', (3) ' Good', (4) ' Fair' and (5) ' Poor'.

2.1.3 The **basic target** (**B.T.**) will be placed in "Good" column in respect of CPSEs which are in growth phase and are operating below 100% capacity utilization. For CPSEs which are performing near or above 100% capacity utilization and are fully operative, the **basic target** will be placed in "Very Good" column.

2.1.4 No provisional or conditional target fixation is permissible. Hence, all performance targets should be unconditional.

2.1.5 Once the MoUs are signed between the CPSEs and the administrative Ministries/Departments, **no revision of targets will be permitted**

2.2 Financial Targets (Static)

Definitions of Financial Parameters: All the financial parameters should conform to definitions which are adopted in the Public Enterprises Survey and are given in Annexure - I attached.

2.2.1 Common deviations relating to definitional issues on the financial parameters (refer Annexure -II) should be avoided.

2.2.2 CPSE will give a self certification (Annexure- X) 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.

2.2.3 The targets set should be realistic, growth oriented and be at least 10% higher compared to the MoU targets for the previous year (2009-10), anticipated achievement in 2009-10 or actual achievement in 2008-09, whichever is the highest. These targets should be reflected in the Budget Estimates (BE) for the year 2010-11. While evaluating the MoU for the year 2008-09, it has been observed that in the case of a number of CPSEs there is a large difference between the targets fixed and the actual achievements for that year. Thus, while fixing targets for the MoU for the year 2010-11, the following methodology shall be followed:

2.2.4 To determine the basic target (BT) for primary parameters like **Gross Sales ,**

Turnover ,Gross Margin, Net Profit , Net Worth,, the actual **achievement of past 5 years(Annexure -IX)** can be taken and **a trend line projected** by using any suitable regression method; the projections so estimated can be modulated considering factors such as business environment, projects under implementation and Company's growth forecast to arrive at Basic Target, which should reflect at least **10% growth** in the primary parameters on anticipated achievement for the current year or actual achievement of the previous year, whichever is higher. Thus a realistic and growth oriented target for the ensuing financial year should be fixed. The targets for other financial parameters and management ratios can then be derived. For CPSEs which have only recently started signing MoUs, the projection shall be done using available data.

2.2.5 The difference in target values between "Very Good" and "Good"; "Good" and Fair"; and "Fair" and "Poor" columns should be at least 5%.

2.2.6 The difference between "Excellent" and "Very Good" targets: For the industrial sector CPSEs ('Manufacturing and Mining CPSEs') in the growth phase and operating below 100% capacity utilization, the differential of 10% between "Excellent" and "Very Good" should be maintained. In case of CPSEs operating at or above 100% capacity utilization, the Task Force may fix the differential between '"Excellent" and "Very Good" targets in the range of 5% to 10%.

2.2.7 In case of benchmarking targets with national and/or international standards, the discretion of Task Force on MoU will apply.

2.3 Non-Financial Targets

2.3.1 A CPSE can select non-financial parameters in consultation with the administrative Ministry/Department which are considered crucial to its functioning and fulfillment of its objectives. However, non-financial targets fixed should be **SMART (Specific, Measurable, Attainable, Results-oriented, Tangible),** clearly identifiable and verifiable and which should be decided a priori. While setting targets for non-financial parameters at the time of MoU negotiation meetings and similarly, at the time of showing achievements of targets during self evaluation, CPSEs should obtain prior approval of their Board and then send it to DPE through their administrative Ministry/Department.

2.3.2 **Dynamic Parameters**

During the deliberations of the MoU negotiation meeting, if the Task Force comes to the conclusion that any of the dynamic parameter(s) as indicated in the **MoU Assessment Format** is not relevant to a particular CPSE, then the Task Force may evolve new parameters and adjust the balance weight relevant to that particular CPSE.

2.3.3 Ongoing projects implemented by CPSEs of various central Ministries and monitored by Ministry of Statistics and Programme Implementation should be included in non financial targets.

2.3.4 **Sector-specific Parameters**

Task Force will identify/evolve suitable sector specific parameters that reflect how the macro environment affects the performance of a particular CPSE, which is beyond the control of the CPSE management and pertain to the industry/sector in which the CPSE operates.

2.3.5 Enterprise-specific Parameters

Enterprise-specific parameters relate to parameters like safety, environment, and ecological considerations ,i.e. parameters that do not get reflected in increased profits either during the year of investments or later ,but are considered important from the viewpoint of the society.

2.3.6 In regard to both “Sector-specific” and “Enterprise –specific” parameters, the Task Force may alter weights in consultation with the Administrative Ministry where fine-tuning is felt necessary.

2.3.7 Corporate Social Responsibility

A CPSE should include targets to assess its performance under Corporate Social Responsibility, for which at least 5% marks shall be earmarked.

3. ENCLOSURES WITH DRAFT MoU

3.1 Key financial indicators of CPSEs relating to last five years along with MoU targets for 2010-11 should be submitted in format enclosed. (Annexure IX)

3.1.1 **MOU Assessment Format for different sectors**

- ❖ In case of the CPSEs falling in the categories of 'Industrial sector', (Manufacturing & Mining sector), 'Social sector', 'Trading & Consulting sector 'and 'Financial sector', the different CPSEs may adopt the MoU assessment format enclosed .(Annex- III-VI.)

- ❖ 'Sick & Loss making CPSEs' and 'CPSEs under Construction' may adopt the MoU assessment format enclosed.(Annex – VII-VIII).

3.1.2 The SDR minutes of the MoU negotiation meetings (2009-10) along with the Action Taken Report (ATR) on the minutes of MoU negotiation meetings (2009-10) issued by DPE should be annexed with the draft MoU 2010-11

3.1.3 A CPSE should submit three copies each of Corporate Plan , Annual Report for 2008-09, and Reviewed Financial results for the period up to September 2009 to DPE and separately to Task Force Members of the concerned Syndicates which will be intimated later on.

4. MoU SIGNING PROCESS AND TIMELINES

4.1 All CPSEs, without exception, are required to sign MoUs; while the Apex/Holding companies will sign MoUs with their respective Ministries/Departments, the Subsidiary companies will sign MoUs with their respective Apex/Holding companies on the same lines as MoU is signed between a CPSE and Government of India. The MoU formats for all CPSEs, including the Subsidiaries, will remain as attached. Those CPSEs who do not stick to DPE's schedule for signing of MoU will have their MoU performance rated as "**Poor**".

4.1.1 The revised MoUs based on minutes of the MoU negotiation meetings should be sent by all CPSEs including Subsidiary Companies through administrative Ministries/Departments for authentication by DPE before signing of the MoUs..

4.1.2 To ensure that MoU system is conducted effectively in the DPE, Administrative Ministry/Department & CPSEs including Subsidiary Companies shall follow the following timelines:

(i) Timely submission of Draft MoU for 2010-11 after due discussion with Administrative Ministry/Department with the target date **of 18th December 2009.** The main copy can be sent to DPE **through the administrative Ministry/Department by 29.12.2009.**

(ii) Timely signing of MoU for the year 2010-11 : Submission of copy of MoU signed between CPSE and Administrative Ministry/ Department ; and between Subsidiary Company and Apex /Holding CPSE, within the target date of **15th March 2010.**

(iii) Timely submission of Performance Evaluation Report (composite score) for the year 2009-10 on the basis of **Audited data along with the Audited Accounts, Balance Sheet and Profit and Loss Account of the CPSE for the year 2009-10** to DPE after approval of the Board of CPSE and through their administrative Ministry/Department within the target date of **31st August 2010.Any delay in submission of Performance Evaluation Report with annual audited data will disentitle a CPSE for MoU Excellence Awards / Certificates and Performance Related Pay(PRP).**

5. MoU EVALUATION

5.1 PROCESS OF EVALUATION

MoU evaluation of CPSE will be done only once in the year **based on audited annaual accounts** of the concerned CPSE**.**

5.1.1 The concerned Syndicate Group of the Task Force on MoU would finalize the MoU Composite Score and Ratings of CPSEs in each Syndicate by the **end of November.**

5.1.2 RAW SCORE

Raw Score reflects the ‘actual performance’ in relation to the 5- point scale of MoU targets (as mentioned in para 2.1.2 above). If actual performance is equal to or more than the “Excellent” target (1), Raw score would be 1.00. If actual performance is equal to or less than the “Poor” target (5), Raw score would be 5.00. If actual performance falls in between “Excellent” (1) and “Very Good” (2) in that case Raw score would be 1 + (Excellent-Actual) ÷ (Excellent-Very Good). If actual performance falls in between “Good” (3) and “Fair” (4) target, in that case Raw score would be 3 + (Good-Actual) ÷ (Good-Fair). The Raw score for the rest can be similarly calculated if ‘the actual’ falls in between other columns.

5.1.3 COMPOSITE SCORE AND GRADING OF SCORE

Composite score is an index of the performance of the CPSE which is calculated as the aggregate of all **the weighted score** of “the actual achievements” vis-à-vis ‘the targets’ set out on a 5-point scale. The Composite Score may either be (1), (2), (3), (4), or (5) or may have values between (1 to2), (2 to 3), (3 to 4) or (4 to 5).

5.1.4 The grading of the MOU composite score will be as follows:

MoU Composite score	**Grading**
1.00 - 1.50	Excellent
1.51 - 2.50	Very Good
2.51 - 3.50	Good
3.51 - 4.50	Fair
4.51 - 5.00	Poor

6. MoU EXCELLENCE AWARDS

6.1. The total number of MoU Excellence Awards will be 12 (1 from each of the 10 Syndicate groups, 1 from the listed CPSEs, 1 from amongst the turnaround sick and loss making enterprises). All other ‘Excellent’ performing CPSEs will get MoU Excellence certificates.

6.1.1 The following three basic principles for selection of CPSEs for MoU Excellence Awards and Certificates from amongst the Syndicate groups will be adopted*:*

(i) The profit of the CPSE in the year should be higher compared to the previous year.
(ii) It should not be a loss-making enterprise.
(iii) The composite score of the CPSE should not be more than 1.5 (Excellent rating).

6.1.2 In case two or more CPSEs score the same MoU composite score in a Syndicate Group, the CPSE recording the highest growth rate of net profit over the previous year will get the Award.

6.1.3 Ranking of CPSEs for MoU Excellence Award in the category of ‘listed CPSEs’ and ‘sick and loss making CPSEs’ will be done by the Department of Public Enterprises.

6.1.4 Compliance of Corporate Governance will be one of the criteria for the consideration of MoU Excellence Awards.

List of Annexures

Definitions of Financial Parameters

Gross Margin: - represents excess of income over expenditure before providing for depreciation, interest on loans, taxes (including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Gross Profit: - means excess of income over expenditure before providing for interest, taxes(including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Net Profit: - means excess of operating income over expenditure after providing for depreciation, interest, taxes (including deferred taxes), extra ordinary items, prior period adjustments but before providing for appropriations to reserves.

Profit before taxes including deferred taxes and EP (PBTEP) means excess of income over expenditure before providing for taxes (including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Profit before EP (PBEP) means excess of income over expenditure after providing for depreciation, interest, taxes but before providing extra ordinary items, prior period adjustments and appropriations to reserves.

Net Worth: - means paid up capital, share application money pending allotment and reserves less accumulated losses and deferred revenue expenditure to the extent not written off.

Gross Block: - represents original cost of procuring and erecting fixed assets as appearing in the annual accounts of the CPSEs at the end of the accounting year and takes into account additions thereto and deductions there from by way of sales and transfers

Capital Employed: - means Gross Block of fixed assets less accumulated depreciation plus working capital.

Working Capital - means all current assets, loans and advances less current liabilities and provisions excluding cash credits and bank overdrafts.

Gross Sales: - represents the total turnover and includes elements of excise duty, commission and discounts, etc.

Turnover/Operating Income - means the aggregate amount for which sales are affected by the company including excise duty and receipts from operations / services rendered.

Added Value: - Added value is the residual after meeting the due returns to labour, capital and materials that reflects the overall efficiency of the CPSEs. Added value may be computed as gross margin less returns to capital, which in turn may be computed as capital recovery factor @4 % the capital employed for social sector CPSEs and @10% for all other CPSEs.

Net Loss means excess of expenditure (including depreciation, interest, taxes, extra ordinary items, prior period adjustments but before providing appropriations to reserves) over operating income.

Return on Equity- It has been computed by deducting dividend on preference shares from Net Profit and divided by Net Worth as adjusted by the amount of preference share capital.

Earning Per Share: It is computed by dividing Net profit with paid-up capital and multiplying it by face value of each share i.e. Rs.10/-. For the purpose of uniformity and comparability face value of equity shares of each CPSEs has been assumed at Rs.10/- per share.

Annexure II

Some Common Deviations in MoU Self-Assessment from DPE guidelines

1. Failure to rely on figures appearing in Audited Accounts of the CPSE, or relying on qualified Audited statement.

2. Prior period adjustments or extra ordinary items have been included in Gross Margin/Gross Profit by CPSEs, whereas as para 1.5.1, and 1.5.2 of MoU guidelines, 2008-09 vide DPE No. 3(30/2007-DPE(MoU) dtd. 02-11-2007 read with Public Enterprises Survey, gross margin/profit should exclude the impact of extra ordinary items.

3. Other income has been included in Gross Sales/Gross Turnover, whereas as per para 1.5.7 of MoU guidelines, 2008-09 vide DPE No. 3(30/2007-DPE(MoU) dtd. 02-11-2007 read with Public Enterprises Survey, gross sales means the total turnover .Other income should not be considered as a part of turnover. Gross sales represent total turnover and includes elements of excise duty, commission and discounts etc. Turnover means the aggregate amount for which sales are affected by the company including excise duty and receipt from operations/ service rendered. It should exclude any other income accrued for non-operational reasons.

4. Cash and Bank Balance is to be included in current Assets and Capital employed. As per para 1.5.6 of MoU guidelines, 2008-09 vide DPE No. 3(30/2007-DPE(MoU) dtd. 02-11-2007 read with Public Enterprises Survey, capital employed means gross block less accumulated depreciation plus working capital ;and working capital is total current assets minus total current liabilities. A few CPSEs have not included cash and bank balance in their current assets and capital employed.

5. Difference in added value: As per para 1.5.8 of MoU guidelines, 2008-09 vide DPE No. 3(30/2007-DPE(MoU) dtd. 02-11-2007, added value may be computed as gross margin less return to capital , which may be computed as capital recovery factor @4% the capital employed for the social sector CPSEs and @10% for all other CPSEs. But, a few CPSEs have calculated it differently (i.e value added as gross sales less material cost instead of gross margin, lower capital recovery factor, capital employed of units commissioned etc).
6. For oil companies, Gross Margin/Net Profit has been worked out on the basis of audited accounts and no adjustments have been made for under recoveries (positive or negative), since provisions were not made in audited accounts.

7. For power generation companies, net worth/capital employed /gross block should be worked out on the basis of audited accounts of the CPSE as a whole, instead of considering only power producing plant/units. A few CPSEs are now working out these financial parameters by considering only the units producing power and excluding projects under constructions/station under repairs. For working out PBDIT/Total Employment, a few CPSE's are considering number of employees of Power plants producing power/stations under commission instead of total employment of CPSE.

Annex III

MoU Assessment Format for Industrial CPSEs- Manufacturing and Mining CPSEs							
Evaluation Criteria			**MoU Target**				
			Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1. Static/Financial Parameters	**Unit**	**Weight (in %)**					
a) Financial indicators- <u>profit related ratios</u> i) Gross margin/gross block ii) Net profit/net worth iii) Gross profit/capital employed	 % % %	 2 10 10					
<u>b) Financial indicators-size related</u> <u>i) Gross margin</u> <u>ii) Gross sales (Rs. Crore)</u>	 <u>Rs. Cr.</u> <u>Rs. Cr.</u>	 <u>8</u> <u>4</u>					
c) Financial returns-<u>productivity related</u> i) PBDIT/total employment ii) Added value/sales	 % %	 7 9					
Sub-total 1 (a + b + c)		**50**					
2. Dynamic Parameters *							
d) Quality (ISO certification, internalization of quality within SBU/products)							
e) Customer Satisfaction (Customer orientation)							
f) HRD (Employee training and motivation)							

g) R&D/ for sustained & continuous innovation							
h) Project implementation (modernization and expansion)							
i) Capital Expenditure/Greenfield investments/Joint Ventures							
j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along value chain)							
Sub-total (d + e + f + g + h + I +j)							
3. Sector-specific Parameters							
4. Enterprise-specific Parameters							
Total (1+2+3 + 4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

Annex IV

MoU Assessment Format for 'Trading and Consulting sector'							
Evaluation Criteria			**MoU Target**				
			Excellent (1)	**V.Good (2)**	**Good (3)**	**Fair (4)**	**Poor (5)**
1. Static/Financial Parameter	**Unit**	**Weight** (in %)					
a) Financial indicators- profit related ratios i) Gross margin/Gross sales ii) Operating turnover/Employee	 % %	 10 12					
b) Financial indicators-size related i) Gross margin ii) Gross sales	 Rs. Cr. Rs. Cr.	 8 4					
c) Financial returns-productivity related i) PBDIT/total employment ii) Added value/sales	 % %	 7 9					
Sub-total 1 (a + b + c)		**50**					
2. Dynamic Parameters *							
d) Quality (ISO certification, internalization of quality within SBU/products)							
e) Customer Satisfaction (Customer orientation)							
f) HRD (Employee training and motivation)							
g) R&D/ for sustained &							

continuous innovation							
h) Project implementation (modernization and expansion)							
i) Capital Expenditure/Greenfield investments/Joint Ventures							
j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along value chain)							
Sub-total (d + e + f + g + h + I + j)							
3. Sector-specific Parameters							
4. Enterprise-specific Parameters							
Total (1+2+3+4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

Annex -V

MoU Assessment Format for ' Social sector'							
Evaluation Criteria			**MoU Targets**				
			Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1. Static/Financial Parameters	**Unit**	**Weight (in %)**					
a) Financial indicators-profit related		22					
b) Financial indicator-size related i) Gross margin ii) Gross sales	 Rs. Cr. Rs. Cr.	8 4					
c) Financial returns-productivity related i) PBDIT/total employment ii) Added value/sales		 7 9					
Sub-total 1 (a + b + c)		**50**					
2. Dynamic Parameters *							
d) Quality (ISO certification, internalization of quality within SBU/products)							
e) Customer Satisfaction (Customer orientation)							
f) HRD (Employee training and motivation)							
g) R&D/ for sustained & continuous innovation							
h) Project implementation (modernization and expansion)							
i) Capital Expenditure/ Greenfield investments/Joint Ventures							
j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along							

value chain)							
Sub-total (d + e + f + g + h + I + j)							
3.Sector-specific Parameters							
4. Enterprise-specific Parameters							
Total (1+2+3 +4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

Annex VI

MoU Assessment Format for 'Financial sector'							
			MoU Target				
Evaluation Criteria			**Excellent**	**V.Good**	**Good**	**Fair**	**Poor**
1. Static/Financial Parameters	**Unit**	**Weight (in %)**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
a) Financial indicators-profit related i) Disbursements ii) Resource Mobilization iii) Loan Sanctions iv) Projects commissioned in value terms v) Financial returns (difference in cost of borrowing and disbursements)		22					
b) Financial indicator-size related i) Gross margin ii) Gross sales (Rs. Crore)	 Rs. Cr. Rs. Cr.	 8 4					
c) Financial returns-productivity related i) PBDIT/total employment ii) Added value/sales		7 9					
Sub-total 1 (a + b + c)		**50**					

2. Dynamic Paramters*							
d) Quality (ISO certification, internalization of quality within SBU/products)							
e) Customer Satisfaction (Customer orientation)							
f) HRD (Employee training and motivation)							
g) R&D/for sustained & continuous innovation							
h) Project implementation (modernization and expansion)							
i) Capital Expenditure/ Greenfield investments/Joint Ventures							
j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along value chain)							
Sub-total (d+e+f+g+h+I+j)							
3. Sector-specific Parameters							
4. Enterprise -specific Parmeters							
Total (1+2+3+4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

Annex VII

MoU Assessment Format for ' Sick and Loss making CPSEs'							
Evaluation Criteria			**MoU Target**				
			Excellent (1)	**V. Good (2)**	**Good (3)**	**Fair (4)**	**Poor (5)**
1. **Static /Financial Parameters (50%)**	**Unit**	**Weight (in %)**					
1.1 Gross Sales 1.2 Gross Margin (Profit before Interest, Depreciation, Tax, Amortization, Extra Ordinary Items) 1.3 Gross Profit 1.4 Net Profit (Profit after Tax before Extra ordinary items) 1.5 Added Value	Rs. Cr. Rs. Cr. Rs. Cr. Rs. Cr.	10 10 10 10 10					
Sub-total 1 (1.1+1.2+1.3+1.4+1.5)		**50**					
2. **Dynamic Parameters* (30%)**							
2.1 Physical Targets 2.2 Order Booking 2.3 Quality 2.4 Customer Satisfaction 2.5 Project Implementation (Modernization/Expansion) 2.6 Capital Expenditure/ Greenfield Investments/ Joint Ventures							
Sub-total-2. (2.1+2.2+2.3+2.4+2.5+2.6)							
3. Sector Specific Parameters							
4. Enterprise Specific Parameters							
Total (1+2+3+4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

MoU Assessment Format for 'CPSEs Under Construction'							
Evaluation Criteria			**MoU Target**				
			Excellent (1)	**V. Good (2)**	**Good (3)**	**Fair (4)**	**Poor (5)**
1. Project Related Parameters	**Unit**	**Weight (in %)**					
1.1 Physical Achievement (Time over run) 1.2 Project Cost (Cost over run)		25 25					
Sub-Total (a+b)		**50**					
2. Dynamic Parameters *							
2.1 Corporate Plan/Vision 2.2 Project Implementation							
Sub-Total (a+b)							
3. Sector Specific Variables							
4. Enterprise Specific Variables							
Total (1+2+3+4)		**100**					

***Means of verification of non financial targets under dynamic parameters should be specified by CPSE**

<u>Annexure-IX</u>
Rs.in Crores

Particulars	**2005-06**	**2005-06**	**2006-07**	**2006-07**	**2007-08**		**2008-09**		**2009-10**	**2009-10**	**2009-10**
	MoU	**ACTUAL**	**MoU**	**ACTUAL**	**MOU**	**ACTUAL**	**MOU**	**ACTUAL**	**Acutal upto Sept.**	**Anticipated**	**MoU**
Production											
Gross Sales											
Gross Margin											
Profit before tax											
Gross Block											
Less dep											
Net block											
share capital of CPSE											
Reserves & surplus of CPSE											
Less deferred reve exp / pre-acquisition loss											
Less Profit & Loss A/c											
Net worth of CPSE											
Investment											
Sundry debtors/sales											
Inventory											
Total Current assets											

Total current liabilities & provision											
Net current assets											
Capital employed (Net block + net current assets)											
Total debt (loan funds)											
total assets											
No of employess of CPSE											
Dividend paid											
Add value (gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)											
Ratio											
Debt/equity											
Return on Net worth (% age)											
PBDIT/ Total employment of CPSE (Rs.)											
Gross Profit/Capital employed (% age)											
Net Profit / Net Worth (% age)											
Working of											

gross margin											
Net profit											
Tax											
Net profit before tax											
add Prior period											
add extra ordinary items											
Profit before prior period											
add Interest											
Gross profit											
add depreciation											
Misc. expenditure written off											
Gross Margin before Interest, depreciation & misc. expenditure written off											
Additional for Fiinancial Sector											
Financial Indicator-profit related											

i) Disbursement											
ii) Resource Mobilisation											
iii) Loan sanctions											
iv) Project Commissioned in value terms											
v) financial return (difference of cost of borrowing & disbursement											
Additional for 'Trading & Consultancy Sector’											
i) Gross margin/ gross sales											
ii) Operating turnover/ Total No of employee of CPSE											
Gross margin - profit before interest, depreciation, tax including deferred tax, amortisation, prior period adjustment a/c & extra ordinary items - Rs in											

Crores												
Net profit after tax but before extra ordinary items and prior period adjustment a/c												
ADD VALUE (Rs in crores)												

ANNEXURE-X

Self declaration/certification by CPSE

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 2010-11. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.

Authorised Signatory