

No.M-03/0017/2016-DPE (MoU)
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises
MoU Division

Public Enterprises Bhavan,
Block No. 14, CGO Complex,
Lodhi Road, New Delhi -110 003.
Dated: 17th January, 2019

Office Memorandum

Subject: MoU Guidelines.

The undersigned is directed to enclose herewith MoU guidelines. These guidelines are issued as amendment to the existing guideline issued vide even OM dated 12th January, 2018.

2. This issues with the approval of Minister (HI&PE).

Encl: A/A


(Amit Rastogi)
Director (MoU)
Tel: 011-24360736
Email:- mou-dpe@nic.in

To,

1. Secretaries to the Government of India (as per list).
2. Chief Executives of CPSEs (as per list).

Copy to:

1. Staff Officer to Cabinet secretary, Cabinet Secretariat.
2. Secretary (Shri. K.V. Eapen), M/o. Statistics & Programme Implementation, S.P. Bhawan, Sansad Marg, New Delhi-110001.
3. Additional Secretary (Shri Yaduvendra Mathur), NITI Aayog, Yojana Bhawan, Sansad Marg, New Delhi-110001.

MoU Guidelines

1. **Memorandum of Understanding (MoU):** MoU is a negotiated agreement and contract between the Administrative Ministry/ Department/ Holding CPSE i.e. majority shareholder and the Management of the Central Public Sector Enterprise (CPSE) on selected parameters having targets decided normally before the start of a new financial year and results evaluated after the end of the year to measure the performance. For carrying out this exercise, CPSEs would provide brief in format at **Annex-I** and trend analysis in **Annex-III**.
2. **Purpose of MoU:** The purpose of the MoU is to measure the performance of the management of the CPSEs on key selected parameters against the targets agreed upon so as to improve the critical performance indicators of the organisation.
3. **Scope:** All CPSEs (Holding as well as Subsidiaries) are required to sign MoUs. The Apex/Holding companies will sign MoUs with their administrative Ministries/ Departments, while the Subsidiary companies will sign MoUs with their respective Apex/ Holding companies.
4. **Exemption from MoU:**
 - 4.1 High Powered Committee in its meeting held on 8th March, 2017 had confirmed/ approved exemption to following CPSEs from signing of MoU:-
 - i. India Infrastructure Finance Co. Ltd., and its subsidiaries.
 - 4.2 Following CPSEs may be exempted from MoU system by the Inter-Ministerial Committee (IMC):
 - i. CPSEs under liquidation where Liquidator has already been appointed. However administrative ministry would provide the list of such CPSEs to DPE along-with brief write-up.
 - ii. CPSE which is not in operation or having no employees or on any other ground on the recommendation of administrative Ministry.
5. **Parameters:** CPSEs work in various sectors under different conditions. In view of this, the following guidelines are laid down:-
 - 5.1 There would be uniform parameters for measuring financial performances such as revenue from operations, operating profit and return on investment (e.g. ratio of PAT/Net-worth). This would be applicable to all CPSEs, except CPSEs which are dependent on government grant or performing functions of distribution of grant etc. e.g. Biotechnology Industry Research Assistance Council (BIRAC). Hence, 3 financial parameters have been prescribed for all CPSEs with total weightage of 50% except for CPSEs like BIRAC. The mandatory parameters are at **Annex-II (Part-A)**.

- 5.2 For the remaining 50% weightage, a menu of parameters has been suggested for selection depending on the sector in which the CPSE is operating. Separate Format has been given for Finance Sector at **Annex-II (Part-C)** and another Format for the remaining operating CPSEs at **Annex-II (Part-B)**. The parameters most appropriate and relevant for measuring performance shall be suggested by the Pre-Negotiation Committee (PNC) to the Inter-Ministerial Committee (IMC). In all the cases IMC shall take appropriate decision on the suggestions made by PNC.
- 5.3 Chairman, IMC is authorised to modify the parameters or weightages of parameters in sector specific cases, if justified.
- 5.4 For CPSEs under closure/ under construction/ under reconstruction, parameters have not been prescribed leaving it to the PNC to suggest the most appropriate parameters and targets for IMC to take decisions. For such CPSEs, the emphasis should be to suggest parameters and fix targets for starting commercial operations as early as possible. For CPSEs under closure, the targets would be for ensuring time bound closure. Format for such CPSEs is at **Annex-IV**.
- 5.5 Definition and explanatory notes on the suggested parameters are given in **Annex-V**.
6. **MoU Ranking:**
- With a view to distinguish 'excellent performance' from 'poor performance', five different performance ratings have been fixed in the MoU, i.e., 'Excellent', 'Very Good', 'Good', 'Fair' and 'Poor'.
 - Apart from rating of CPSEs, MoU performance of all MoU signing CPSEs, there will be category-wise ranking of CPSEs (Maharatna, Navratna, Miniratna, others) and sector-wise ranking of CPSEs (Mining, Power, Petroleum, Finance, consultancy etc.) only for the purposes of acknowledging where they stand in their respective category/ sector.
7. **MoU Targets:**
- Targets fixed should be realistic, growth oriented and aspirational. Generally target for Excellent should not be lower than best achieved in last 5 years and Very Good should not be lower than the expected achievement of the current year (year immediately preceding the year for which targets are being fixed) unless there are specific reasons to fix lower targets and are duly supported by the administrative ministry/ department.
 - Once MoUs are signed, any revision of targets would not be permissible. MoU targets are unconditional and non-provisional.
8. **Pre-negotiation Committee (PNC):** The role of the Pre-negotiation Committee (earlier known as Standing Committee on MoU) would be to assist IMC in determining the most appropriate and relevant parameters for measuring improvement in performance and for

fixing targets. Meetings of the Pre-negotiation Committee would be held in each case before the meetings of IMC to look at the trends, discuss, negotiate and recommend MoU parameters and targets. The composition of Pre-negotiation Committee would remain the same of erstwhile Standing Committee.

9. **Inter-Ministerial Committee (IMC):** MoU targets would be decided by the IMC. There is no change in the composition of the Committee. Any change in the composition of the committee would be done with the approval of Cabinet Secretary.
10. **Time-lines for submission of MoU:** The draft MoU with all documents/ Annexures should be submitted to administrative Ministry/ Department in respect of all CPSEs and their subsidiaries by **21st November of each year** for the forthcoming year. The draft MoU after the approval of administrative Ministry/ Department should be sent to DPE by **15th December of each year** for the forthcoming year with all documents/Annexures. **Administrative Ministry/ Department would ensure that the targets are realistic, growth-oriented, aspirational and consistent with the latest Annual Plan, Budget and Corporate Plan of the CPSE.** A copy of draft MoU may also be sent to IMC Members other than DPE. Secretary, DPE is authorized to extend the dates.
11. **Enclosures with Draft MoU:** CPSEs should send the Draft MoU in the relevant format along with all the annexures prescribed and documents mentioned below.
 - i. MoU as per Annex I, Annex II (Part-A and Part-B or Part-C), and Annex III (Part-A and Part-B) duly filled in for CPSEs in operation and Annex (I & IV) for CPSEs under closure/ under construction/ reconstruction enclosed with these Guidelines.
 - ii. Copy of latest Annual Report.
 - iii. Latest quarterly/half-yearly results.
 - iv. Minutes of the IMC meeting of previous year.
12. **MoU Signing Process:** MoU based on the parameters, targets and weightage recommended by IMC without any deviation shall be signed between CMD/ MD of CPSE and Secretary of administrative Ministry/ Department in case of holding/ independent CPSEs and between CEO/ MD of subsidiary company and CMD/ MD of holding CPSE in case of subsidiary by 31st March (i.e. before start of financial year in respect of which targets are fixed) or within 21 days from issue of IMC meeting minutes, whichever is later. In case, deviation is detected, IMC minutes would prevail.
13. **MoU Evaluation:** Evaluation of MoU of the CPSE is done after the end of the year on the basis of actual achievements vis-à-vis the MoU targets. CPSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports on the basis of audited accounts to Department of Public Enterprises after approval of the Board of CPSE and through the administrative Ministries/Departments on or before **30th September (in respect**

of immediately preceding year) or any other date communicated by DPE. Figures and information in the MoU achievement which are not verifiable from audited accounts would be relied on the basis of certification by way of resolution of the Board given separately for each parameter.

- 13.1 Pro-rata adjustment may be made in the targets in case of improvement in actual performance over the estimated performance in the base year informed at the time of target setting.
- 13.2 If at the time of evaluation, it is observed that any CPSE may have under-pitched their projected performance for the year concerned to have soft targets fixed, DPE/ IMC may call the CMD of such CPSE to clarify the matter for enabling the IMC to evaluate the performance and assign marks and rating based on justification given by the CMD.
14. **MoU Score and Rating:** MoU score is an aggregate of score on all parameters with respect to performance vis-à-vis the targets.

- 14.1 The system of rating of CPSEs on the basis of MoU Aggregate Score is as follows:-

Aggregated Score	Rating
$90 \leq \text{Score} \leq 100$	Excellent
$70 \leq \text{Score} < 90$	Very Good
$50 \leq \text{Score} < 70$	Good
$33 \leq \text{Score} < 50$	Fair
$0 \leq \text{Score} < 33$	Poor

- 14.2 Score and rating as per para 14.1 would be subject to fulfilling following criteria failing which aggregate MoU score would be reduced by 1 mark for each instance of non-compliance subject to maximum of 5 marks and the rating would be modified accordingly:
- Compliance of Provisions of The Companies Act, 2013 or the relevant Act under which they have been regulated (To the extent compliances are within the ambit of CPSEs).
 - In case of listed CPSEs, compliance of provisions of Listing Agreement (To the extent compliances are within the ambit of CPSEs).
 - Compliance of DPE Guidelines having financial implications.
 - No adverse observations by CAG on Annual Accounts pointing out misappropriation of funds of any amount or Over statement of profit/ surplus/ assets or understatement of loss/ deficit/ liabilities amounting to 5% of Revenue from Operation.
 - Holding of AGM without seeking extension of time.
 - Submission of Draft MoU/ MoU evaluation through administrative ministry/ department to DPE by prescribed date.



- vii. Signing of MoU as prescribed without deviation from minutes of the IMC meeting.
 - viii. Compliance of Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro Small and Medium Enterprises.
 - ix. Compliance of DPE Guidelines issued from time to time for CSR Expenditure by CPSEs.
 - x. Compliance of DPE guidelines on Digital India.
 - xi. Compliance of DPE guidelines on any policy, issued from time to time, and prescribed specifically in this regard.
- 14.3 Compliance of each of additional eligibility criteria to be confirmed/ certified by Board of Directors by way of resolution.
15. **CPSEs not signing of MoU or not submitting MoU evaluation:** The CPSEs who do not submit Draft MoU/ MoU evaluation through their administrative Ministries/ Departments within a stipulated time of the prescribed date will be rated as 'poor'. Stipulated time would be decided by Secretary, DPE (presently stipulated time is six months vide OM no M-03/0017/2016-DPE (MoU) dated 14.07.2017). The Prescribed dates are given in para 10 and 13 of the guidelines.
16. **Approval of Score and Rating:** DPE would carry out the evaluation of the performance of CPSE based on the MoU evaluation received through the administrative ministries/ department. The results of MoU score and rating of CPSEs would be submitted to the IMC. IMC may scrutinize the evaluation and wherever it is felt necessary, modify the score and rating. The score and the ratings of the CPSEs would be submitted to chairman of the HPC for approval. Score and rating would be final after it is approved by the Chairman of the HPC.



Brief about the CPSE

1.	Name of the CPSE		
2.	Status (Please tick): Maharatna/ Navratna/Miniratna/others		
3.	Schedule of the CPSE (Please tick) A/B/C/D/ none		
4.	Purpose for which CPSE has been setup and the main business now.		
5.	Any capital restructuring during 2016-17, i.e., buy-back of shares, issue of bonus shares, issue of fresh shares, splitting of shares and percentage of PAT given as dividend.		
6.	Whether shares are listed (if yes, name of Stock Exchange and price of the share as on date).		
7.	Any change in Capacity during the year or next year (MoU Year)		
8.	Any business unit hived off or to be hived off or Added or to be added during the year or next year (MoU Year)		
9.	Brief about the Sector in which the CPSE is operating and national and international environment, regulatory environment etc. May given as an annexure		
10.	Details of revival plan if approved		
11.	Any adverse comment by statutory auditors and its impact on Revenue/ Profit/ Loss/ Assets/ Liabilities.		
12.	Whether C&AG Supplemented the comments of Statutory Auditor. If not, give details alongwith impact.		
13.	Number and Name of subsidiary companies along with amount invested and share in its profit during last five years		
	Year*	Name of subsidiary	Amount invested (Rs.) Share in its profit (Rs.)
	2011-12		
	2012-13		
	2013-14		
	2014-15		
	2015-16		
14.	Number and Name of Joint Venture companies along with amount invested and share in its profit during last five years		
	Year*	Name of Joint Venture	Amount invested (Rs.) Share in its profit (Rs.)
	2011-12		
	2012-13		
	2013-14		
	2014-15		
	2015-16		

*Note: For each succeeding year of MoU, one more year may be added after the MoU 2017-18 and the first year deleted so that total data available is for the past five years.

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Mandatory parameters
PART A

(Applicable to all CPSEs except CPSEs Distributing Government grant)

Sl. No.	Financial Performance Criteria	Unit	Marks	Current Year (Estimate)	Best in 5 years	MoU Target for the year					%Improvement*
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%	
1	Turnover Revenue from Operations	Rs. crore	10								
2	Operating Profit/Loss CPSEs with operating profit (Profit/ Surplus before Tax excluding other Income, Extraordinary and Exceptional Items):- Operating profit/ surplus as a percentage of Revenue from operations (net). CPSEs with operating Loss (Loss/ Deficit not taking into account other Incomes, Extraordinary and Exceptional Items):- Reduction in operating Loss/ Deficit (s) over previous year.	 % %	20								
3	Return on investment: Profit Earning CPSEs with no accumulated losses: PAT or Surplus / Average Net Worth Loss making CPSEs or CPSEs having Accumulated losses: Reduction in Total Expenses as a percentage of Total Income as compared to previous year.	 % %	20								
	Total (A)		50								

*Improvement would be worked out on very Good Target for MoU year over Current year expected actuals.

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Other Parameters
(Part-B)

Applicable to all Operating CPSEs except CPSEs in Finance Sector

Sl. No.	Performance Criteria	Unit	Marks	Current year (Estimate)	Best in 5 years	MoU Target for the year					%Improvement *
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%	
1	Capacity Utilisation/ Production/ Generation/ Transmission, etc.		0-10								
2	New orders Received during the year	Rs. crore	0-10								
3	Exports as a percentage of Revenue from operations	%	0-10								
4	Development or Revenue from new products or product with new features		0-10								
5	Any Production Efficiency parameter		0-10								
6	Completion of milestone of clients orders/ agreements without time overrun	%	0-10								
7	R&D, Innovation, Technology up-gradation parameter		0-10								
8	Increase in Market share	%	0-10								
9	CAPEX (Rs. Crore)		0-10								
10	Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year	%	0-10								
11	Number of days of inventory of finished goods and work in progress to Revenue from operations (Net)	Days	0-10								
12	Reduction in Inventory of more than one year old to Revenue from operations (Net)	%	0-10								
13	Trade receivables (Net) as number of days of Revenue from Operations (gross)	Days	0-10								
14	Reduction in claims against the Company not acknowledged as debt	%	0-10								
15	Return (share of profit/loss) on Investment in JV	%	0-10								
16	Milestones with respect to subsidiary CPSEs not signing MoUs separately		0-10								
17	Parameters pertaining to milestones of Revival		0-10								
18	HR Related Parameter		Up 10								
19	Any other sector specific result-oriented measurable parameters		0-10								
	Total (B)		50								

*Improvement would be worked out on very Good Target for MoU year over Current year expected actuals.

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Other Parameters
Annex-II (Part-C)
Applicable to all CPSEs Operating in Finance Sector

Sl. No.	Performance Criteria	Unit	Marks	Current year (Estimate)	Best in 5 years	MoU Target for the year					%Improvement*
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%	
1	Loans disbursed/ Total Funds Available	%	10-20								
2	Loans disbursed to Micro Finance Beneficiaries as a % Total Disbursement	%	0-10								
3	Overdue loans/ Total loans (Net)	%	10								
4	NPA/ Total loans (Net)	%	10								
5	Cost of raising funds through bonds as compared to similarly rated CPSEs/ entities		0-10								
6	Contingent liabilities: Reduction in claims against the Company not acknowledged as debt	%	0-5								
7	Return on Investment (share of profit/loss) in Joint Ventures- CPSEs having Joint Ventures	%	0-5								
8	Milestones with respect to subsidiary CPSEs not signing MoUs separately		0-5								
9	HR Related parameters		Upto 10								
10	Any other sector specific result-oriented measurable parameters		0-10								
11	Total		50								

*Improvement would be worked out on very Good Target for MoU year over Current year expected actuals.

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PART A
TREND Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
									Actual upto...	Estimated
1	Revenue from Operations - Gross	Rs. crore								
	Revenue from Operations - Net		Actual MoU							
2	a. Profit before Tax	Rs. crore								
	b. Other Incomes									
	c. Extraordinary & Exceptional items									
	d. Prior Period Items									
	e. Operating Profit/ Loss (a-b+/-c+/-d)		Actual MoU							
3	a. PAT	Rs. crore								
	b. Net Worth at year end									
	c. Average Net worth									
	d. PAT/ Avg. Net Worth	%	Actual MoU							
	e. Paid-up Share Capital									
	f. GoI share									
	g. Reserves and surplus									
4	Total Expenses	Rs. crore								
5	Total Incomes									
6	Total expenses/ Total Incomes	%								
7	Detail of other incomes	Rs. crore								
	a. Interest									
	b. Dividend									
	c. Other Incomes									
	d. Total									
8	a. Cash and Bank Balance and equivalent									
	b. Investment in mutual funds									
	c. Investment in shares (other than subsidiary/ JVs)									
	d. Total (a+b+c)									
	e. Cash credit/ Over-draft loan/ Short-Term loan									
	f. Balance in Current account									
9	Dividend paid/ declared for the year, excluding Dividend Tax									

Note: Trend would be given for actual figures for preceding five years (audited) and estimates of current year i.e. previous year to the year in respect of which targets are being negotiated.

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Annex-III (Part-B) - TREND Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
									Actual upto...	Estimated
1	Installed Capacity in respect of each product									
2	Capacity Utilisation in respect of each product		Actual MoU							
3	Contribution of each product in sales	%								
4	New orders received during the year	Rs. crore	Actual MoU							
5	Exports as a percentage of Revenue from operations	%	Actual MoU							
6	Development or Revenue from new products or product with new features		Actual MoU							
7	Production efficiency parameters		Actual MoU							
8	Completion of milestone of clients orders/ agreements without time overrun	%	Actual MoU							
9	R&D, Innovation, Technology up-gradation parameter		Actual MoU							
10	Market share	%	Actual MoU							
11	CAPEX		Actual MoU							
12	CAPEX contracts/ projects running/ completed without time/ cost overrun to total value of CAPEX	%	Actual MoU							
13	Inventory of finished goods and work in progress	Rs. crore								
14	Inventory of finished goods and work in progress to RO(Net)	%	Actual MoU							
15	Inventory of finished goods of more than one year	Rs. crore	Actual							
16	Inventory of finished goods of more than one year as a percentage of RO	%	Actual MoU							
17	Trade Receivables (net)	Rs. crore	Actual MoU							
18	Trade receivables (Net) as number of days of RO(gross)	Days	Actual MoU							
19	Claims against the Company not acknowledged as debt raised by:	Rs. crore								
	Central Government Departments									
	State Governments/ Local Authorities									
	CPSEs									
	Others									
	Total		Actual MoU							
20	Loans disbursed/ Total Funds Available		Actual MoU							
21	Overdue loans/ Total loans (Net)		Actual MoU							
22	NPA/ Total loans (Net)		Actual MoU							
23	Cost of raising funds as compared to similarly rated CPSEs/ entities		Actual MoU							
24	Return (share of profit/loss) on Investment in Joint Ventures	%	Actual MoU							
25	Any other result-oriented parameters taken for target setting		Actual MoU							

Note: Trend would be given for actual figures for preceding five years (audited) and estimates of current year i.e. previous year to the year in respect of which targets are being negotiated

RO: Revenue from Operations.

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Annex IV

Applicable to CPSEs under closure, under construction/re-construction, CPSEs dependent on Government support for meeting the gap between income and expenditure

Sl. No.	Financial Criteria and Performance Criteria	Unit	Marks	Current year (Estimated)	Best in 5 years	MoU Target for the year				
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%
1	Most appropriate parameters and targets would be suggested by PNC for decision by the IMC. For such CPSEs, the emphasis should be to suggest parameters and fix targets for starting commercial operations as early as possible. For CPSEs under closure, the targets would be for ensuring time bound closure.									
2										
3										
4										
	Total		100							

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Definitions and Explanatory notes for Targets

The terms used should be same as defined in Schedule III or elsewhere in The Companies Act, 2013, applicable Ind AS/ Accounting Standards unless otherwise specified. All financial figures are to be taken on the basis of Audited Annual Accounts or Annual Report. For section 8 CPSEs preparing Income & Expenditure statement, profit/loss would mean surplus/deficit. **The raw score for performance below the 'poor' level would be worked out proportionately (the score will be treated as zero in those cases where the achievement in the parameter is zero or below zero).**

The terms used in Annex-II are also explained as under:-

A. Annex-II (Part-A):

1. **Revenue from Operations:** This would be taken as given in audited Annual Accounts of the CPSE. Target for turnover may be fixed net of excise duty, service tax, GST, etc., whether shown as reduction from Revenue from Operations or under the head Expenditure. As per schedule III, in respect of a company other than finance company revenue from operations consist of: (a) Sale of products; (b) Sale of services; (c) Other operating revenues. In respect of a finance company, revenue from operations shall include revenue from (a) Interest income; and (b) Other income from financial services.

If the price of product is regulated by statutory authorities/ international transparent mechanism, adjustment in revenue from operations may be allowed for variation in price, i.e., where target is fixed with the condition that adjustment in variation of price/ input cost (e.g., natural gas as a pass through in case of fertilizer) would be allowed due to regulatory regime, etc., the target would be adjusted according to the variation in price at the time of evaluation. For this purpose, first physical target would be decided and then financial target would be arrived at after applying applicable prices so that there is no ambiguity at the time of evaluation.

2. **Operating Profit/ Surplus or Reduction on Operating Loss/ Deficit:** It would mean Profit before Tax/ Surplus excluding other incomes, and not taking into account Extraordinary and Exceptional Items. Section 8 CPSEs, preparing Income and Expenditure Statement in place of Profit and Loss Account, profit/ loss would mean surplus/ deficit. The purpose of this is to capture profit from operations. This would be worked out from figures given in audited Annual Accounts. Extraordinary and Exceptional Items, prior period items may be excluded, if shown separately in audited Annual Accounts. There would be no adjustment in target due to changes in exchange rate, regulatory prices of raw material or finished goods or due to any other reason since target would be fixed as a ratio of operating profit to revenue from operations. With the change in price, there would be change in denominator alongwith change in numerator, hence ratio becomes price neutral to a large extent.

In case of loss making CPSEs, reduction in loss should be target since target cannot be fixed for loss. This reduction would be in the year under reference with reference to loss for the previous year. For excellent grade target for reduction in loss should be 100% or target for profit in absolute terms.

3. **PAT / Average Net Worth or Shareholders Fund:** Profit Earning CPSEs with no accumulated losses, ratio would be Profit after Tax (PAT)/ Avg. Net Worth. PAT would be

taken from audited Annual Accounts. There would be no adjustment due to changes in exchange rate, regulatory prices of raw material or finished goods. Net-worth would have the same meaning as defined in Section 2(57) of the Companies Act, 2013, i.e. Aggregate value of the paid up share capital and all reserves created out of profits and securities premium account, after deducting the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the Audited Balance Sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. This ratio gives return on Investment or shareholders fund. However, if there is extra- ordinary item of substantial value, the same would be considered at the time of evaluation.

Loss making CPSEs or CPSEs having accumulated losses parameter would be reduction in Total Expenses as a percentage of Total Income as compared to previous year. It may be ensured that target for excellent would be reduction to the extent to bring net loss to at least zero. Similarly for CPSEs with first year of operation, target may be Total Expenses as a percentage of Total Income with excellent target of 100 or less.

B. Annex-II (Part-B):

1. **Capacity Utilisation:** Capacity utilization used to be a part of Notes to Accounts in case of manufacturing companies till recently. Reference may be made to earlier Annual Accounts while introducing target under this parameter. The purpose of this target is to reflect performance of CPSEs in physical/ quantitative terms which lead to quantification of goods and services. Reference to capacity utilization may be with reference to installed capacity or rated capacity, wherever available. The target may be given either as a percentage of installed capacity or rated capacity or production/ generation/ transmission in absolute terms.
2. **New orders received during the year:** This may be a parameter mainly for CPSEs in Consultancy or Construction Sector. Only new orders received during the year would be taken.
3. **Export as a percentage of Revenue from Operations:** This parameter may be taken in respect of CPSEs having potential for export. The target may be to increase export income. Export would include sale of goods and sale of services.
4. **Development or Revenue from new products or product with new features:** This parameter may be taken where CPSE is engaged in innovative work or has the capacity to develop new products. The intention of this parameter is to encourage development of new products/ features and also to encourage their commercialization.
5. **Production Efficiency parameter:** Any sector specific result oriented measurable parameter leading to physical efficiency in production over previous year may be taken, eg., reduction in specific energy consumption, reduction in raw material input per unit of production, etc.
6. **Completion of milestones of client's orders/ agreement without time overrun:** This would be a compulsory parameter for CPSEs manufacturing on the basis of orders received from clients and Consultancy organizations where delay leads to levy of penalty. The target for excellent level would be 100%.

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7. **R&D, innovation, technological upgradation:** Commercialisation of R&D achievement, innovation or technological upgradation leading to efficiency in operations, or reduction in cost may be taken under this heading.
8. **Increase in market share:** This parameter may be taken where transparent system of measuring market share is available.
9. **CAPEX:** Capital Expenditure (CAPEX) means any expenditure incurred towards acquisition/addition of fixed assets i.e. on completion, it would form part of fixed assets. CAPEX may be for expansion, modernization or diversification. This has to be considered on accrual basis and not on cash basis. CAPEX may be decided on the basis of viable projects available for expansion, modernization or diversification, cash and bank balance or parked funds, net-worth, borrowings, etc. CAPEX may be with own funds or by borrowings by leveraging net-worth or may be by way of budgetary support. **CAPEX would be compulsory target for CPSEs having adequate funds or borrowing capacity and have viable business opportunities for expansion, modernization or diversification.** In case of manufacturing CPSEs not taking CAPEX as one of the parameters, justification need to be given duly supported by the administrative Ministry. There may be some projects for expansion, modernisation, diversification having project completion period of more than one year. In such cases, detail of the project e.g. total cost, year-wise amount to be incurred, schedule completion date, amount to be spent, milestone to be achieved during the year, source of funding (own/ borrowed/ budgetary support) etc. need to be given for each project separately.
10. **Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year:** This would be a compulsory target for CPSEs which have taken target for CAPEX. This would be worked out in respect of **all ongoing projects for value above Rs.150 crore.** Information would be given where there was time and/ or cost over-run. CPSE would submit list of all projects which are in progress and /or 10 top projects at the time of target setting. **CPSEs are to ensure that details of all projects of over Rs. 150 crore are entered in OCMS system of MoSPI.** It may be ensured that parameter of monitoring time and cost overrun of projects for numerator and denominator would be referring to same set of projects.
11. **Number of days of Inventory of finished goods and Work-in-progress to Sale of Products (wherever applicable).** This parameter is compulsory to all CPSEs having inventory of finished goods and work in progress of more than 15 days except the CPSEs which have been mandated to have minimum stock by the Government of India/ administrative Ministries/ Departments. The figures would be taken from audited Annual Accounts for inventory of finished goods, work in progress and sale of products. It is to be noted that inventory of raw material, stores and spares, loose tools and others (if any) shall be excluded and goods in transit shall be included under the relevant sub head work in progress or finished good as applicable.
12. **Reduction in inventory of more than one year old as a percentage of Revenue from Operations:** This would be a parameter for trading CPSEs. These CPSEs need to liquidate their stock as early as possible.



13. **Trade Receivables as number of days of Revenue from Operations (Gross):** This parameter is compulsory to all CPSEs having trade receivables of more than 15 days. The figures of trade receivable, revenue from operations would be taken from audited Annual Accounts. Trade receivables would include all trade receivables wherever shown in the Balance Sheet except deferred trade receivables.
14. **Reduction in Claims against the Company not acknowledged as debt (Net):** This would be taken on the basis of figures given in Notes to Accounts to the Balance Sheet under the heading 'Contingent Liabilities'. Evaluation would be done for reduction in claims from the opening balance. **Efforts should be made to bring claims by the CPSEs to Nil and substantial reduction in respect of claims raised by others.** This may be bifurcated into Claims raised by:
- Central Government Departments;
 - State Government Departments or Local Bodies;
 - CPSEs;
 - Others
15. **Return (share of profit/ loss) in Joint Ventures:** This would be a compulsory parameter for CPSEs having investment (after written off) in Joint Ventures. Share of profit/ loss would be as per actual profit and loss (PAT) in the Joint Venture Company.
16. **Milestones with respect to subsidiary CPSEs not signing MoU separately:** This would be a compulsory parameter for CPSEs having subsidiaries and not signing MoU. The parameter would depend on the nature of the CPSE.
17. **Parameters pertaining to milestones of Revival:** Where revival/ restructuring of the CPSE has been approved by the competent authority and revival plan is under implementation, in such cases, milestones for revival may be taken as target to ensure timely implementation of revival plan of the CPSE.
18. **HR Related Parameter:** The MoU may have 10 points for HR parameters. Parameters may be drawn out of bouquet of parameters that may be prescribed by DPE for use in the MoUs.
19. **Any other sector specific result-oriented measurable parameter:** Under this head, sector specific result-oriented measurable parameter may be taken. Parameters which are process oriented may not be taken. The minimum weightage of the parameters may be kept as 3 so that it may be given adequate consideration by the CPSE.

C. Annex-II (Part-C):

1. **Loans disbursed/ total funds available (in %):** This would be worked out on the basis of total loans disbursed during the year and total funds available. Total funds available would include cash and bank balance in the beginning of the year, share capital received during the year, loans raised/ repaid during the year, any funds received from any source for this purpose, sale of assets, repayment/ pre-payment received during the year, and reducing therefrom any investment in assets.
2. **Loans disbursed to Micro Finance Beneficiaries as a percentage of total disbursement:** The intention of this target is to increase the percentage of loans disbursed to Micro Finance Beneficiaries as compared to bigger beneficiaries.

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3. **Overdue loans/ total loans (net) (in %):** Figures of loan due but not recovered and total loan (net) would be based on audited accounts.
4. **NPA/ Total loans (net) (in %):** The figures of NPA would be Net NPA taken on the basis of regulatory framework under which CPSE perform as on the last date of the year under reference. Loan assets (net) would be based on Audited balance Sheet.
5. **Cost of raising funds through bonds as compared to similarly rated CPSEs/ entities:** This would be a compulsory parameter for CPSEs raising funds from the market. Target for excellence would be for raising funds at cheaper rates as compared to similarly rated CPSEs/ entities.
6. **Reduction in Claims against the Company not acknowledged as debt (Net), Return (share of profit/ loss) in Joint Ventures, Milestones with respect to subsidiary CPSEs not signing MoU separately, HR Related Parameter and Any other sector specific result-oriented measurable parameter:** As given in Part 'B'.

D Miscellaneous:

In case there is no suitable parameter under Annex II (Part B or C), weightage may be assigned to Return on Investment.



No. M-03(4)/2002-DPE (MoU)
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No.14, CGO Complex
Lodhi Road, New Delhi – 110 003
Dated the 2nd January, 2019

OFFICE MEMORANDUM

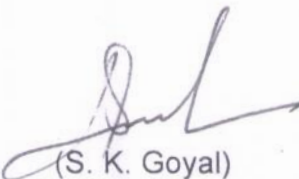
Subject: High Powered Committee for Central Public Sector Enterprises (CPSEs) signing Memorandum of Understanding.

The undersigned is directed to refer to OM of even no. dated 30th September, 2005 regarding constitution of High Powered Committee (HPC) under the chairmanship of Cabinet Secretary as an apex body for Central Public Sector Enterprises (CPSEs) signing Memorandum of Understanding (MoU) and to state that since Planning Commission is replaced by NITI Aayog, hence, HPC will now consist of following members:

• Cabinet Secretary	Chairman
• Finance Secretary	Member
• Secretary (Expenditure)	Member
• CEO (NITI Aayog)	Member
• Secretary (Statistics & Programme Implementation)	Member
• Chairman (PESB)	Member
• Chairman (Tariff Commission)	Member
• Chief Economic Adviser	Member
• Secretary (Public Enterprises)	Member-Secretary

2. The secretarial support for this Committee will continue to be provided by the Department of Public Enterprises.

This issue with the approval of Minister (HI&PE)



(S. K. Goyal)
Advisor (MoU)
Tel.24365841

E-mail: mou-dpe@nic.in

To

Cabinet Secretariat/all members of the Committee

File No: M-03/0009/2015
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

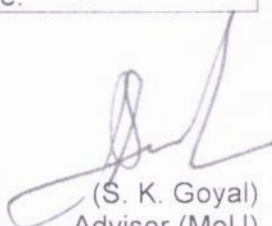
Public Enterprises Bhawan
Block No: 14, C.G.O. Complex
Lodhi Road, New Delhi – 110 003.
Dated: 7th January, 2019

OFFICE MEMORANDUM

Subject: Inter-Ministerial Committee (IMC) for Central Public Sector Enterprises (CPSEs) signing Memorandum of Understanding.

The undersigned is directed refer to OM of even no. dated 10th May, 2016 regarding constitution of Inter-Ministerial Committee (IMC) and to state that High Powered Committee (HPC) had approved replacing 'representative not below the rank of Joint Secretary' with 'senior representative' in respect of Ministry of Statistics and Programme Implementation and NITI Aayog. Now IMC consist following members:-

1.	Secretary, DPE	Chairman
2.	Secretary of concerned administrative Ministry/ Department or his representative not below the rank of Joint Secretary.	Member
3.	Secretary, Ministry of Statistics and Programme Implementation or his senior representative.	Member
4.	Additional Secretary, NITI Aayog or his senior representative.	Member
	Secretary, DPE may co-opt any officer who is a finance expert in case the need is felt.	
	Adviser (MoU), DPE would provide secretarial support to the Committee.	


(S. K. Goyal)
Advisor (MoU)
Tel.24365841
E-mail: mou-dpe@nic.in

To

1. Secretaries to the Government of India of all administrative Ministries/ Departments having CPSEs.
2. Secretary (Shri. K.V. Eapen), M/o. Statistics & Programme Implementation.
3. Additional Secretary (Shri Yaduvendra Mathur), NITI Aayog.
4. Adviser, MoU (Shri S.K. Goyal), DPE.

Copy to:

1. PPS to Secretary (DPE).

F. No. M-03/0017/2016-DPE(MoU)
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No: 14, C.G.O. Complex
Lodhi Road, New Delhi - 110 003.
Dated: 3rd January, 2017

OFFICE MEMORANDUM

Subject : Constitution of Pre-Negotiation committee (PNC) on MoU

The undersigned is directed to convey the approval of the competent authority for constitution of Pre - negotiation Committee (PNC) earlier known as Standing Committee consisting of following:

1. Adviser (MoU), DPE
 2. Joint Secretary/Adviser of Administrative ministry (dealing with CPSE)
 3. Adviser, Niti Aayog
 4. Representative from Ministry of Statistics and Programme Implementation (MOSPI)
 5. Director (MoU), DPE
2. The role of the PNC would be to assist IMC in determining the most appropriate and relevant parameters for measuring improvement in performance and for fixing targets.
3. Meetings of the PNC would be held in each case before the meetings of IMC to look at the trends, discuss, negotiate and recommend MoU parameters and targets.


(Mukesh Kumar Gupta)
Director (MoU)
Tel: 24360841

To,

1. Secretary (Ms. Seema Bahuguna), DPE.
2. Secretary (Dr. T.C.A. Anant), M/o. Statistics & Programme Implementation, S. P. Bhawan, Sansad Marg, New Delhi-110001.
3. Secretary of Administrative Ministry (as per list).
4. Additional Secretary (Sh. Alok Kumar), NITI Aayog, Yojana Bhawan, Sansad Marg, New Delhi-110001
5. Shri S.K. Goyal, Adviser (MoU), DPE.

Copy to:
CMD of CPSEs

225

F.No.M-03/0017/2016-DPE (MoU).
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan,
Block No.14, CGO Complex
Lodhi road, New Delhi,
Dated the 14th July, 2017

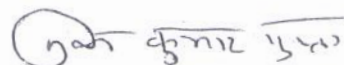
Office Memorandum

Subject:- Submission of MoU/MoU evaluation.

The undersigned is directed to refer to para 15 of MoU Guidelines for the year 2016-17 and 2017-18 and onwards stating that "the CPSEs who do not submit their draft MoU/MoU evaluation through their administrative Ministries/Departments within a **stipulated time** of the prescribed date will be treated as '**Poor**'. It was also stated that the time frame would be decided by Secretary, DPE.

2. The prescribed dates for submission of draft MoU/MoU evaluation are given in relevant guidelines as extended from time to time. It is further informed that the **stipulated time** for submission of draft MoU/MoU evaluation is end of six months from the prescribed date.

This issues with the approval of the competent authority.



(M. K. Gupta)
Director (MoU)

Department of Public Enterprises
Tel: 24360841

To: 1. Secretaries of administrative Ministries.
2. CMDs of CPSEs.

Copy to

1. Staff Officer to Cabinet Secretary, Cabinet Secretariat.
2. Secretary (Performance Management), Management Division, Cab. Sectt.
3. Secretary (Dr.T.C.A.Anant), M/o Statistics & Programme Implementation, S.P.Bhavan, Sansad Marg, New Delhi-110001.
4. Additional Secretary (Shri Yaduvendra Mathur), NITI Aayog, Yojna Bhavan, Sansad Marg, New Delhi-110001.
5. Secretary (Dr. Krishan Kumar Jalan), Department of MSME, M/o Micro, Small & Medium Enterprises, Udyog Bhawan, Rafi Marg, New Delhi-110011.

F.No.M-03/0017/2016-DPE (MoU).
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises
(MoU) Division


Public Enterprises Bhawan,
Block No.14, CGO Complex
Lodi road, New Delhi,
Dated 14th March, 2018

Office Memorandum

Subject:- MoU Guidelines 2017-18 and onwards- compliance of DPE Guidelines having financial implications for FY 2018-19 regarding.

The undersigned is directed to refer to subject mentioned above and to state that as per para 14.2 (iii) of MoU Guidelines 2017-18 and onwards, compliance of DPE guidelines having financial implications is mandatory, failing which 1 mark would be reduced from the score of CPSEs. A list of DPE Guidelines having financial implications for the year 2018-19 is enclosed.

Encl: A/A



(Vijay Kumar Darak)
Asstt. Director (MoU)
Email- mou-dpe@nic.in
Tel.No. 011-24363720

To,

Secretaries of all Administrative Ministries/Department

Copy To,

Chief Executives/CMDs of all CPSEs.

ANNEXURE**List of DPE Guidelines having Financial Implication for the year 2018-19**

Sl. No.	OM No.	Date of issue
Policy Planning Division		
1	Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs) PP/14(0005)/2016, circulating DIPAM guidelines on the subject issued vide a DIPAM OM No. 5/2/2016-policy dated 27 th May, 2016.	20 th June, 2016
2	Guideline on Investment of Surplus Funds by the CPSEs OM No. 18(1)/2012-Fin	8 th May, 2017
3	Guidelines for "Streamlining the mechanism for revival & restructuring of sick/incipient sick and weak CPSEs: General principles and mechanism of restructuring." DPE/5(1)/2014-Fin. (Part IX)	29 th October, 2015
4	Expenditure Management Economy Measures and Rationalization of Expenditure. DPE OM No. DPE/3(4)/08-Fin	26 th November, 2014
5	Expenditure Management Economy Measures and Rationalization of Expenditure DPE OM No. DPE/3(4)/08-Fin	12 th September, 2014
6	Relaxation of Norms for Startups Medium Enterprises in Public Procurement Regarding Prior Experience-Prior Turnover Criteria. DPE/5(1)/2014-Fin, circulating Dept of Expenditure OM No. 20/2/2014.PPD(PT.) dated 25 th July, 2016.	8 th November, 2016
Wage Cell		
7	Revision of scales of pay of the executives holding posts Below the board level and non-unionised supervisors w.e.f. 1.1.1992. O.M. No. 2(50)/86-DPE (WC)	19 th July, 1995
8	Board level posts in Public Enterprises-revision of scales of pay of schedule posts w.e.f. 1.1.1992. O.M. No. 2(50)/86-DPE (WC)	19 th July, 1995
9	Policy for the sixth round for wage negotiations in Public Sector Enterprises. O.M No.2(11)/96-DPE(WC)	14 th January, 1999
10	Policy for the sixth round for wage negotiations in Public Sector Enterprises. O.M No.2(11)/96-DPE(WC)	26 th July, 2000
11	Board level posts and below board level posts including non-unionised supervisors in Public Enterprises - revision of scales of pay w.e.f. 1.1.1997. O.M No. 2(49)/98-DPE(WC)	25 th June, 1999
12	Wage negotiations for workers in Central Public Sector Enterprises in respect of those CPSEs which have opted for five year wage negotiation w.e.f 1.1.97. O.M No. 2/11/96-DPE (WC)-GL-I	11 th February, 2004
13	Policy for the 7th round of wage negotiations for unionized workers in Central Public Sector Enterprises w.e.f. 1.1.2007. O.M. No. 2(7)/2006-DPE(WC) -GL-XIV	9 th November, 2006
14	Policy for the 7th round of wage negotiations for unionized workmen in Central Public Sector Enterprises (CPSEs) - periodicity of wage settlement. O.M. No. 2(7)/06-DPE (WC) - GL VI	1 st May, 2008
15	Pay revision of CPSEs employees following CDA pattern in 69 Central Public Sector Enterprises.O.M. No. 2(54)/2008-DPE (WC)-XI/08	14 th October, 2008

Sl. No.	OM No.	Date of issue
16	Board level and below board level executives and Non-Unionised supervisors in Central Public Sector Enterprises (CPSEs) - revision of scale of pay w.e.f. 01.01.2007. O.M. No. 2(70)/08-DPE(WC)	26 th November, 2008
17	Pay revision of CPSEs employees following CDA pattern in 69 Central Public Sector Enterprises. O.M. No. 2(54)/2008-DPE (WC)-GL-I/09	20 th January, 2009
18	Revision of pay scales of executives of Central Public Enterprises (CPSEs) W.E.F 01.01.2007 - Performance Management System (PMS)-linkage of Performance Related Pay (PRP) with MoU rating of CPSEs and performance of individual executives - regarding. O.M. No. 2(70)/08-DPE(WC)-GL IV/09	9 th February, 2009
19	Revision of scales of pay w.e.f 01.01.2007 for board level and below board level executives and Non-Unionised supervisors in the Central Public Sector Enterprises (CPSEs)- Report of the committee of ministers thereon. O.M. No. 2(70)/08-DPE(WC)-GL VII/09	2 nd April, 2009
20	Recommendations of 2nd Pay Revision Committee (PRC) in respect to sick CPSEs and CPSEs having level less than Rs. 50 crore. O.M. No.2(74)/08-DPE(WC)-GL-XI/2010	16 th June, 2010
21	Policy for the 7th round of wage negotiations for unionized workers in Central Public Sector Enterprises (CPSEs) w.e.f. 01.01.2012. O.M. No. 2(110)/11-DPE (WC) - GL XVI	13 th June, 2013
22	Pay Revision of Board Level and Below Board Level Executives and Non-Unionised Supervisors of CPSEs w.e.f. 01.01.2017. OM No.W-02/0028/2017-DPE-(WC)-GL-XIII/17	3 rd August, 2017
23	Pay revision of employees following CDA pattern in Central Public Sector Enterprises. O.M. No. W-02/0058/2016-DPE (WC)-GL-XIV/17	17 th August, 2017
24	Pay Revision of Board Level and Below Board Level Executives and Non-Unionised Supervisors of CPSEs w.e.f. 01.01.2017 decision on allowances other than the allowances under 'Cafeteria approach'. OM No.W-02/0028/2017-DPE-(WC)-GL-XIV/17	4 th August, 2017
25	Pay Revision of Board Level Executives and Non-Unionised Supervisors of CPSEs w.e.f. 01.01.2017-decision on location based compensatory allowances and Non-Practicing Allowances (NPA). OM No.W-02/0028/2017-DPE-(WC)-GL-XVI/17	07 th September, 2017
26	Wage policy regarding 8 th Round of Wage Negotiations for workmen in CPSE. OM No. W-02/0015/2016-DPE-(WC)-GL-XXIV/17.	24 th November, 2017

F.No.M-03/0017/2016-DPE (MoU).
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan,
Block No.14, CGO Complex
Lodi road, New Delhi,
Dated the 24th May, 2018

Office Memorandum

Subject:- Additional eligibility criteria for MoU for the year 2018-19.

The undersigned is directed to refer to para 14.2 (xi) of MoU Guideline on the above subject and to state that compliance of guideline issued by DPE vide OM No. DPE/GM-0050/2014-GM-FTS-1980 dated 17th May, 2018 regarding 'Implementation of the Apprenticeship Act, 1961 in CPSEs' has been prescribed under this clause. Compliance of this Guideline will be evaluated as per para 14.2 (xi) of MoU Guidelines.

Encl: As above.


(Saibal Sarkar)
Director (MoU)
Tel: 24360841

To
Secretaries of all Administrative Ministries/Departments.

Copy: Chief Executives/CMDs of all CPSEs.


F.No.M-03/0017/2016-DPE (MoU).
Government of India
Ministry of Heavy Industries and Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan,
Block No.14, CGO Complex
Lodi road, New Delhi,
Dated the 06th May, 2018

Office Memorandum

Subject:- Additional eligibility criteria for MoU for the year 2018-19.

The undersigned is directed to refer to para 14.2 (xi) of MoU Guideline on the above subject and to state that compliance of guideline issued by DPE vide OM No. 6(9)/2005-DPE (SC/ST Cell)/FTS-1955 dated 17th April, 2018 regarding 'Accessible India Campaign (Sugamya Bharat Abhiyan)' has been prescribed under this clause. Compliance of this Guideline will be evaluated as per para 14.2 (xi) of MoU Guidelines.


(Saibal Sarkar)
Director (MoU)
Tel: 24360841

To
Secretaries of all Administrative Ministries/Departments.

Copy: Chief Executives/CMDs of all CPSEs.