Revised MoU Guidelines 2016-17

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1. **Memorandum of Understanding** (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) to fix the targets before the beginning of the financial year and is intended to evaluate the performance of the CPSE after the completion of the Financial Year vis-à-vis the targets fixed.

1.1 <u>**Applicability:**</u> 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.

1.2 <u>**Exemption from MoU:**</u> There may not be any exemption from MoU. However, in respect of CPSEs, which are closed/ not in operation or merged or wound up or shell companies or on the verge of being closed or merged with no revival package in sight, the administrative Ministry may send the proposal with its recommendations for exemption to DPE within 15 days from issue of these guidelines.

2. <u>**Definitions of Financial Terms**</u>: All the financial terms should be in conformity with definitions in explanatory notes after prescribed formats.The terms used are 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.

3. <u>**MoU Targets:**</u> With a view to distinguish 'excellent performance' from 'poor performance', 5 different performance targets should be fixed in the MoU, (1) 'Excellent', (2) 'Very Good', (3) ' Good', (4) ' Fair' and (5) 'Poor'. **IMC will fix the Basic Target** and levels of difference between Excellent, Very Good, Good and so on. CPSE will give information on national/ international benchmarks, as applicable.

3.1 To determine the basic target (BT) for financial parameters, the actual achievement of past 5 years and factors such as capacity and its expansion, business environment, projects under implementation, government policies, external factors and Company's growth forecast should be considered. Further national/ international benchmarks will also be considered, wherever applicable. Basic financial targets should be generally determined by projecting an ambitious growth over achievement or targets of the previous year. For CPSEs, which have recently started their business, the projection shall be done using the available data.

3.2 The targets set should be realistic, growth oriented and aspirational. They should be consistent with the Budget for 2016-17 and in conformity with those Administrative Ministry/Department and other statutory or regulatory bodies, as applicable. It is observed that some CPSEs under-pitch their projected performance for the coming year to plead their case for soft targets. In such cases, while undertaking the performance evaluation of MoU, **DPE/ IMC may call the CMD of the CPSE to explain reasons for such under pitching and gross over achievements.**

3.3 Group Target: The performance of some CPSEs are inter – dependent because their operations cut across different Ministries/Departments. In such circumstances, MoU targets of the concerned CPSEs may be fixed so that they are jointly and severally responsible for their performance and achievement of the targets. In addition to the regular negotiation meetings, either one joint meeting of the CPSEs may be held or separate meeting(s) of concerned CPSEs, Railways and/ or Administrative Ministries, DPE and **the IMC be convened to sort out interrelated issues.**

3.4 Revision of Targets: Once the MoUs are signed, any revision of targets is not permissible. MoU targets are unconditional and non-provisional.

4. The Ministry/Department shall also give a background note on the performance of the sector as well as CPSE along with applicable benchmarks while sending the MoU. **IMC** will take this information including the benchmarks into consideration while fixing MoU targets

5. **<u>Inter-Ministerial Committee (IMC):</u>** IMC would consist of Secretary, DPE as Chairman and Secretary of the concerned administrative Ministry/ Department or his Representative not below the rank of Joint Secretary, Secretary, Ministry of Statistics and Programme Implementation or his Representative not below the rank of Joint Secretary, Additional Secretary, NITI Aayog or his Representative not below the rank of Joint Secretary as Members. Joint Secretary/ Adviser(MoU) would provide secretarial support to the Committee. Secretary, DPE may co-opt any officer who is a finance expert, in case the need is felt.

   The role of the IMC would be to that assist the High Power Committee on MoU and Department of Public Enterprises in setting MoU targets of CPSEs before the beginning of the financial year and performance evaluation of MoUs after completion of that year.

6. **<u>Meeting of Standing Committee:</u>** DPE, vide OM no.3/10/2013-DPE (MoU), dated 10th September, 2013 has constituted a Standing Committee. It comprises of Joint Secretary/ Adviser looking after MoU in DPE, Joint Secretary/ Adviser of Administrative Ministry dealing with the CPSE, Adviser (Niti Aayog) concerned with the domain of CPSE, Director (MoU) and representative from Ministry of Statistics and Programme Implementation (MoSPI) to examine the MoU targets in detail in respect of each CPSE. Before the negotiation meetings of **IMC on MoU,** meetings of the Standing Committee may be held to discuss issues important/ relevant to the MoU exercise.

7. **<u>Participation by Administrative Ministry/ Department/ CPSEs</u>:** The representative of the Administrative Ministry/ Department, not below the rank of Joint Secretary, must be present in every negotiation meeting. However, for Maharatna CPSEs the negotiation exercise should preferably be led by the Secretary of the concerned Administrative Ministry/ Department considering the scale and importance of their operations. The CPSE team for the negotiation meetings should be restricted to CMD and Board level functionaries.

8. **<u>Pre-negotiation meeting</u>**: Standing Committee shall hold one or more pre-negotiation meeting(s) well before the start of negotiations to discuss the draft MoUs received from all CPSEs. Queries and suggestions for revision of MoU parameters & their weightage etc., if any, will be sent to the CPSEs/ Administrative Ministry/ Department through DPE, giving a reasonable period for them to respond before the negotiation meeting. Member Resource Group (MRG) will assist in this exercise.

9. **<u>Time-lines for submission of MoU & signing thereof:</u>** An advance copy of the draft MoU for 2016-17, including Annexures and a copy of the latest Annual Plan, Annual Budget, Corporate Plan and Annual Report along with other documents as specified in MoU guidelines, should be submitted directly to DPE. The MoU with all documents/Annexures, after the approval of Administrative Ministry/Department should be sent to DPE by 15th May 2016, if not sent earlier.

5 copies of MoU with all documents/Annexures are to be sent by CPSEs to the DPE or Members of the IMC prior to the date of Meeting.

MoU between CPSE and Administrative Ministry/ Department and between Subsidiary Company and Apex/ Holding CPSE should be signed, within the target date of 30th June 2016 or within 15 days from issue of IMC meeting minutes, whichever is later.

10. **Enclosures with Draft MoU:** CPSEs should enclose the Draft MoU in the relevant format along with all the annexures/ documents mentioned in the MoU Guidelines to DPE..

10.1 **CPSE will give a self – certification to the effect that while arriving at the targets of the financial** parameters, the definitions and norms laid down in the MoU guidelines of DPE have been strictly and scrupulously followed and no deviations have been made. At the time of evaluation if it is found that definitions as per MoU guidelines have not been followed by the CPSE, DPE will evaluate the MoU achievements as per the definitions given in MoU guidelines.

10.2 Key financial indicators of CPSEs relating to last five years along with MoU targets for 2016-17 should be submitted in the format enclosed.

10.3 DPE has prescribed single format for all CPSEs (except CPSEs under construction/under closure). CPSEs under construction will adopt Form-II, CPSEs under closure Form-III and all other CPSE will adopt Form-I.

10.4 The Summary Records of Discussion (SRD) minutes of the MoU negotiation meetings (2015-16), Action Taken Report (ATR) on the MoU 2015-16 issued by DPE, Annual Report 2014-15, financial results up to December, 2015 and expected result up to 31st March 2016 should be annexed with the draft MoU 2016-17.

10.5 CPSEs should submit latest copies of Corporate Plan, Annual Plan, Annual Budget, and Annual Report for 2014-15 and financial results for the period up to previous month and estimated result up to 31st March, 2016 should be made available before the negotiation meetings.

11. **Commitment/Assistance from Government:** The para stands deleted

12. **MoU Signing Process**: The revised MoUs based on the minutes of the MoU negotiation meetings should be sent by all CPSEs (Holding as well as Subsidiary Companies) through their administrative Ministries/Departments for authentication by DPE, before signing of the MoUs.

13. **MoU Evaluation 2016-17:** Evaluation of MoU of the CPSE is done at 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 data to Department of Public Enterprises after approval of the Board of CPSE and through the administrative Ministries/Departments within the target date of **30th September, 2017 or any other date communicated by DPE**.

CPSEs should submit the documentary evidence as proof of performance as provided in the MoU. Internal documents submitted by CPSEs for evaluation of parameters should be certified by the concerned CPSEs' Board level officials (i.e. CMD/MD/Director). Board Resolution, if any, may be certified by the CPSEs Company Secretary/CEO.

After completing the evaluation of the performance of the MoU signing CPSEs, 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 grading. IMC may seek guidance of High Power Committee or Chairman, High Power Committee on any issue related to MoU target setting or evaluation, whenever the need is felt. The composite score and the ratings of the CPSEs would become final after it is approved by the HPC.

14. The detail of MoU guidelines for 2016-17 is explained in following paragraphs and Forms annexed.

14.1 **<u>MoU Score and Rating</u>**: MoU score is an index of the performance of the CPSE which shall be calculated as the aggregate of all the "the actual achievements" vis-à-vis "the targets".

The system of grading of CPSEs on the basis of MoU Composite Score is as follows:

MoU Composite Score		**MoU Rating**
More than	Equal to or less than	
90	100	Excellent
70	90	Very Good
50	70	Good
33	50	Fair
0	33	Poor

14.2 **<u>Additional Eligibility criteria for Excellent rating</u>**: CPSEs getting 'Excellent' rating as per above grading system has to essentially comply with the following conditions, failing which its MoU rating would be treated as 'Very Good' and composite score shall be read as 90.00.

i. 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).
ii. In case of listed CPSEs, compliance of provisions of Listing Agreement (To the extent compliances are within the ambit of CPSEs).
iii. It should not be sick/ incipient CPSE.
iv. Compliance of DPE Guidelines having financial implications.
v. Compliance of Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro Small and Medium Enterprises.
vi. No adverse observations by CAG on Annual Accounts pointing out misappropriation of funds of any amount or Over/ under statement of profit/ loss (surplus/ deficit)/ assets/ liabilities amounting to 0.1% of Revenue from Operation.
vii. Holding of AGM without seeking extension of time.
viii. Submission of Draft MoU/ MoU evaluation, duly approved by the Board, complete in all respects by due date.

14.3 **<u>Additional Eligibility criteria for CPSEs other than excellent rating:</u>** CPSEs other than 'Excellent' rated CPSEs also to essentially comply with the following conditions, failing which its MoU rating would be reduced by score of 5 from the composite score.

i. 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).
ii. In case of listed CPSEs, compliance of provisions of Listing Agreement (To the extent compliances are within the ambit of CPSEs).

iii. Compliance of DPE Guidelines having financial implications.
iv. Compliance of Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro Small and Medium Enterprises.
v. No adverse observations by CAG on Annual Accounts pointing out misappropriation of funds of any amount or Over/ under statement of profit/ loss (surplus/ deficit)/ assets/ liabilities amounting to 0.1% of Revenue from Operation.
vi. Holding of AGM without seeking extension of time.
vii. Submission of Draft MoU/ MoU evaluation, duly approved by the Board, complete in all respects by due date.

14.4 The para stands deleted.

14.5 Compliance of Additional eligibility criteria to be confirmed /certified by Board of Directors.

15. <u>MoU Excellence Awards:</u>

The MoU Excellence Awards are divided into following three categories:

i. One from each syndicates,
ii. One from the listed CPSEs
iii. One from amongst the sick CPSE on its way to turnaround.

<u>List of Appendix</u>

Form-I: Format applicable for all CPSEs except CPSEs under Closure/ under construction.
Explanatory notes to Form-I

Form-II: MoU Assessment Format for CPSEs under Construction/ Reconstruction.
Form-III: MoU Assessment Format for CPSEs under closure.

FORM- I (Applicable for ALL CPSEs except CPSEs under Closure/ under construction)

PART-A

Sl. No.	Evaluation Criteria	Note No.	Unit	Wt.	MOU Targets				
					Ex.	V. Good	Good	Fair	Poor
					100	80	60	40	20
i	**Capacity Utilisation:** Capacity Utilisation/ Production/ Generation for Manufacturing CPSEs Or Quantity Traded- for Trading CPSEs Or Loans Sanctioned – for Finance CPSEs Or Sector Specific Physical Target- for Service CPSEs	5	%, Nos	10					
ii	**Efficiency Parameters (Physical operations):** **A. production efficiency** Sector specific result oriented measurable efficiency parameters against benchmarks (upto 3 parameters).	6		10					
	B. Technology up-gradation: Sector specific steps to upgrade technology/ operational environment (against benchmarks for the sector).	6		5					
	C. Research & Development: Commercialization of R&D Achievements leading to Technology up-gradation.	6		0-5					
iii	**Leveraging Net Worth:** CAPEX Or Borrowings/ Net worth or any other appropriate parameter	7	Rs Cr %	15-20					

iv	**Monitoring Parameter:** 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 Or NPA/ Loan Assets Or Reduction in Trade Receivables of over 6 months over previous year	8	%	5-15						
v.	**Turnover for Operations:** Revenue from Operations (Net of excise duty)	9	Rs. Cr	5-15						
vi	**Operating Profit/ Surplus:** Profit/ Surplus before Tax or Reduction in Loss/ Deficit (excluding Other Income, Extraordinary and Exceptional Items) – as the case may be.	10	Rs. Cr. %	10-15						
vii	**Early signs of weakness:** Reduction in Claims against the Company not acknowledged as debt, over the previous year. Claims raised by: Central Government Departments: State Government Departments or Local Bodies: CPSEs: Others:	11	% Rs. Cr.	5-10						
viii A	**Marketing efficiency ratios** Number of days of Inventory of finished goods and Work-in–progress to Sale of Products (wherever applicable). Or Disbursement/ Loan Sanctioned (for Finance CPSEs) Or Sector specific result oriented measurable parameter for other CPSEs	12	No. of Days %	5						
B	Trade Receivables as percentage of Revenue from Operations (Gross) Or Overdue loans to Loan Assets	13	%	5-10						

ix a	**Return on Investment:** **Profit Earning CPSEs:** i. Dividend /PAT ii PAT / Net Worth or Shareholders Fund iii Dividend/ Networth	14	%	 5 10 5						
b.	**Not for Profit Section 8 CPSEs, generating surplus:** i. Surplus/ Net Worth ii. Resources Raised or Surplus Redeployed	15	 % Rs. Cr.	 10 5-10						
c.	**Loss making CPSEs or CPSEs having Accumulated losses**: i. Reduction in Expenses (for Loss Making CPSEs) ii. Implementation of Revival Plan (Milestones)	16	 %	 5-10 10-15						
x	**Sector/ CPSE specific targets**	17		0-10						
	Total			**100**						

Explanatory Notes:

1. The terms used are 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.

2. All parameters need to be taken except where weightage of zero is allowed.

3. For section 8 CPSEs preparing Income & Expenditure statement, profit/loss would mean surplus/ deficit.

4. The implementation of benchmark MoU parameter would be as under:

   i. MoU parameters for Maharatna's CPSE with international footprints should be benchmarked with Global/Asian best.
   ii. MoU parameters for Navratna CPSEs should be benchmarked at least with best performing company in private sector at national level.
   iii. MoU parameters for Miniratna I & II CPSEs should be benchmarked with best performing company in private sector at national/Sector level.
   iv. MoU parameters for below Miniratna CPSEs should be benchmarked at least with company in private sector at national/Sector level.

5. **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, wherever available or technical/ financial capacity.

i. In case of multi-product company, capacity utilization may be taken in respect of major products contributing 10% or more in the turnover individually or products contributing top 80% or more in the turnover in aggregate, whichever is more. In case of multi-unit CPSE, one target may be given for each product.
ii. Manufacturing CPSEs: Capacity utilization with reference to installed or rated capacity.
iii. Trading CPSEs: Capacity utilization with reference to capacity to trade.
iv. Finance CPSE (generally non-banking finance companies): Capacity utilization with reference to loans sanctioned to capacity to sanction loan based on line of credit available or sources of finance, etc.
v. CPSEs in service sector: Capacity reference to its capacity to deliver e.g. CPSEs in infrastructure (road construction), its capacity may be determined by how much quantity of work it can deliver, i.e., capacity to construct roads in km in a year. Capacity utilization may be taken keeping in view sector specific requirements. Administrative Ministries/ CPSEs may work out capacity to perform on the basis of strength of the CPSE.

6. **Efficiency Parameters (Physical operations):**

A. **Production efficiency :** Sector specific result oriented measurable efficiency parameters against benchmarks (upto 3 parameters):

i. Manufacturing CPSEs: Production efficiency with reference to reduction in per unit of raw material, energy consumed or any parameter leading to optimize production.
ii. Trading CPSEs: Efficiency with reference to reduction in cost of operations.
iii. Finance CPSEs: Efficiency with reference to cost of finance availed and efficiency of operations.
iv. Service CPSEs efficiency with reference to the reduction in cost of operations.

B. **Technology up-gradation:** Sector specific steps to upgrade technology/ operational environment (against benchmarks for the sector):

i. Manufacturing CPSEs: Technology up-gradation.
ii. Trading CPSEs: Trading processes/ technology up-gradation.
iii. Finance CPSEs: Processes/ technology up-gradation.
iv. Service CPSEs: Processes/ technology up-gradation.

C. **Research & Development:** Commercialization of R&D Achievements leading to Technology up-gradation: This parameter may be for Manufacturing CPSEs.

7. **Leveraging Net Worth:**

A. **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.**

B. **Borrowing/ Net worth:** For CPSEs which do not have any CAPEX plan, the parameter for target setting may be for Borrowings/ Net worth. Borrowing would mean long term borrowings shown under the head Non- Current Liabilities in audited Annual Accounts. Net-worth would have the same meaning as defined in Section 2(57) of the Companies Act, 2013, 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.

CPSEs which do not require borrowings for their operations may do so for the purpose of acquisition of other companies or may diversify into other areas of operations. The CPSEs in consultancy sector which do not have any CAPEX Plan or any diversification or acquisition plan may suggest any other appropriate parameter with the approval of Standing Committee/IMC.

8. **Monitoring Parameter:**

A. **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 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. **Time/ cost overrun of projects under monitoring of MoSPI to be captured from OCMS system maintained by them. CPSEs are to ensure that details of all projects of over Rs. 150 crore are entered in OCMS system of MoSPI and/or has to submit details of 10 top projects**. 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.

B. **NPA/ Loan Assets:** NPA/ Loan Assets may be parameter for target setting for Finance CPSEs. 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 would be based on Audited balance Sheet.

C. **Reduction in Trade Receivables of over 6 months over previous year**: The CPSEs which do not have any CAPEX plan, parameter may be to reduce trade receivables of over 6 months. Reduction in Trade Receivables over six months would be on the basis of audited Annual Accounts to be compared as on the last date of the year under reference with last date of the preceding financial year. For example, for MoU 2016-17, comparison would be between Trade Receivables of over six months as on 31.3.2016 and 31.3.2017.

9. **Turnover for Operations:**

Revenue from Operations (Net of excise duty)**:** This would be taken as given in audited Annual Accounts of the CPSE. **Where price of product is regulated by statutory authorities/ international transparent mechanism, adjustment in revenue from operations may be allowed for variation in price above 5% only.** 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; ***Less:*** *(*d) Excise duty. In respect of a finance company, revenue from operations shall include revenue from (a) Interest income; and (b) Other income from financial services

10. **Operating Profit/ Surplus:** Profit before Tax/ Surplus or Reduction in Loss/ Deficit (excluding Other Income, Extraordinary and Exceptional Items) – as the case may be. Applicable to all CPSEs. 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 due to**

changes in exchange rate, regulatory prices of raw material or finished goods or due to any other reason.

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 i.e. 2016-17 with reference to loss for the previous year i.e. 2015-16. For excellent grade target for reduction in loss should be 100% or target for profit in absolute terms.

11. **Early signs of weakness:**

Reduction in Claims against the Company not acknowledged as debt, over the previous year. Claims raised by Central Government Departments; State Government Departments or Local Bodies; CPSEs; Others. Applicable to all CPSEs. However, more weightage would be given for claims by CPSEs and others after analysis of profile of such claims.This would be taken on the basis of figures given in Notes to Accounts. Evaluation would be done for reduction in claims for the year 2016-17 based on claims outstanding as on 31.3.2017 and claims outstanding as on 31.3.2016.

12. **Marketing efficiency ratios:**

A. **Number of days of Inventory of finished goods and Work-in–progress to Sale of Products (wherever applicable).** 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.

i. Manufacturing CPSEs: Ratio with reference to Inventory of finished goods and Work-in–progress.
ii. Trading CPSEs: Ratio with reference to closing stock of goods traded.

B. **Disbursement/ Loan Sanctioned (for Finance CPSEs):** Disbursement shall be taken from loan sanctioned during the year.

C. **Sector specific result oriented measurable parameter for other CPSEs:** May adopt sector specific result oriented measurable parameter for efficient marketing.

13. **Marketing efficiency ratios:**

A. **Trade Receivables as percentage of Revenue from Operations (Gross):** This parameter is applicable to all CPSEs except CPSEs in Finance sector. The figures of trade receivable, revenue from operations would be taken from audited Annual Accounts. This is an efficiency ratio to know how effectively the CPSE is able to recover its debt.

B. **Overdue loans to Loan Assets:** This parameter is applicable to CPSEs in Finance sector. Figures of loan due but not recovered and total loan due would be based on audited accounts.

14. **Return on Investment:** Applicable to all profit earning CPSEs except CPSEs registered under section 8 of the Companies Act and CPSEs having accumulated losses. Target for return on investment may be fixed to compare opportunity cost keeping in view the sector in which CPSEs is operating.

A. **Dividend /PAT :** Target may be fixed keeping in view PAT, net-worth, cash and bank balance, capacity to CAPEX, target for CAPEX, any government guidelines etc.

B. **PAT / Net Worth or Shareholders Fund:** Profit after Tax (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. 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.

C. **Dividend/ Networth:** Dividend declared would mean dividend for the year under reference including interim dividend paid, if any, and/ or final dividend declared in the respective Annual General Meeting. Dividend tax or any other tax on dividend will not be included in the dividend declared. Although dividend is declared on paid-up share capital but the purpose of this ratio is to compare opportunity cost with return. While fixing the target under this head profit after tax, net-worth, cash and bank balance, capacity to CAPEX, target for CAPEX, any government guidelines, may also be kept in view. 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.

15. **Return on Investment:** Applicable to all CPSEs registered under section 8 of the Companies Act and generating surplus.

    A. Surplus/ Net Worth:
    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.

    B. Resources Raised or Surplus Redeployed:
    Resources raised or surplus redeployed or any other parameter keeping in view relevant benchmarks available may be set as target

16. **Return on Investment:** Applicable to all Loss Making CPSEs or CPSEs having accumulated losses:

    A. **Reduction in Expenses (for Loss Making CPSEs)**: Target would be for reduction in expenses contributing maximum in the cost as compared to previous year.

    B. **Implementation of Revival Plan (Milestones):** Steps for roadmap for revival or implementation of revival package may be set as target. Where revival package has not been approved, target may be for steps to make it profitable.

17. **Sector/ CPSE specific targets:**
    Standing Committee/IMC has flexibility to choose an outcome based sector specific parameter if essentially required and not covered above.

FORM- IV (Applicable for ALL CPSEs except CPSEs Under Closure/ Under construction)

PART-B

TREND ANALYSIS

Sl. No.	Evaluation Criteria	Unit		Financial Year				
			2015-16 up to ____ Actual	2015-16 Estimated upto 31st March 16	2014-15	2013-14	2012-13	2011-12
i.	Capacity Utilisation (Based on Part A)	%, Nos						
ii.	Efficiency Parameters (Physical operations)- Based on Part A							
iii.	CAPEX	Rs Crore						
iv.	Paid-Up Share Capital	Rs Crore						
v.	Accumulated Reserves	Rs Crore						
vi.	Net worth	Rs Crore						
vii.	Borrowings (shown in Non-current Liability)	Rs Crore						
viii.	Borrowings /Net Worth	%						
ix.	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 (wherever applicable)							
x.	Revenue from Operations (Gross)	Rs. Crore						
xi.	Revenue from Operations (Net of excise duty)	Rs. Crore						
xii.	Profit before Tax	Rs. Crore						
xiii.	Other Income - Interest - Dividend - Others - Total	Rs. Crore						
xiv.	Extraordinary Items	Rs. Crore						
xv.	Exceptional Items	Rs. Crore						
xvi.	Profit before Tax (excluding Other Incomes, Extraordinary and Exceptional Items)	Rs. Crore						
xvii.	Profit After Tax	Rs. Crore						

xviii.	Revenue from Operations (Net)/Total Expenses [excluding extra ordinary/ exceptional items, if shown separately and Tax (Income Tax) Expense]	%						
xix.	Closing Inventory of finished goods	Rs. Crore						
xx.	Closing Inventory of Work-in – progress	Rs. Crore						
xxi.	Sale of Products (Net of Excise duty)	Rs. Crore						
xxii.	Number of days of Inventory of finished goods and Work-in – progress to Sale of Products (wherever applicable)	No. of Days						
xxiii.	Trade Receivables of over 6 months	Rs. Crore						
xxiv.	Trade Receivables (Total)	Rs. Crore						
xxv.	Trade Receivables as percentage of Revenue from Operations (Gross)	%						
xxvi.	Cash and Bank Balance	Rs Crore						
xxvii.	PAT/ Net worth	%						
xxviii.	Dividend/PAT	%						
xxix.	Dividend / Net Worth or Surplus/Net Worth	%						
xxx.	Claims against the Company not acknowledged as debt	Rs Crore						
	By Central Government Departments							
	By State Departments							
	By CPSEs							
	By Others							
xxxi.	CPSE specific/ sector specific (List all from Part A)							
xxxii.	Resources Raised							
xxxiii.	Surplus Redeployed							
xxxiv.	Major Expenses 1. 2. 3.							

	Finance CPSEs (Additional Information)							
Sl. No.	**Evaluation Criteria**	**Unit**	**2015-16 Upto__ __**	**2015-16 Estimated upto 31st March 16**	**2014-15**	**2013-14**	**2012-13**	**2011-12**
xxxv.	Loans Sanctioned during the year	Rs Crore						
xxxvi.	Capacity to Sanction Loan based on line of credit available & sources of finance etc.	Rs. Crore						
xxxvii.	Loans Sanctioned/ Capacity to Sanction Loan	%						
xxxviii.	Loans Disbursed from Loans Sanctioned during the year							
xxxix.	Loans Disbursed/Loans Sanctioned							
xl.	Overdue loans	Rs. Crore						
xli.	Outstanding Loans or Loan Assets	Rs. Crore						
xlii.	NPA	Rs. Crore						
xliii.	Overdue loans to Outstanding Loans (Loan assets)	%						
xliv.	NPA/Loan Assets	%						

FORM-II
(MoU Assessment Format for CPSEs Under Construction/ Reconstruction)
PART-A

Sl. No.	Evaluation Criteria	Unit	Weight	MoU Target				
				Excellent	**V. Good**	**Good**	**Fair**	**Poor**
				100	**80**	**60**	**40**	**20**
1. Project Related Parameters								
i.	Physical Achievement							
ii.	Financial Achievement							
iii.	Regulatory Clearances							
iv.	Project Implementation							
2. Dynamic Parameters								
i.	Corporate Plan/Vision							
ii.	Human Resource Management-HRM							
3. Any other parameter								
	Total		**100**					

Note: There would be no mandatory parameter for CPSEs Under Construction/ Reconstruction.

FORM-III

(MoU Assessment Format for CPSEs under closure)

PART A

S. No.	Evaluation Criteria	Unit	Weight	MoU Target				
				Excellent	V. Good	Good	Fair	Poor
				100	80	60	40	20
1	Sale/ Transfer of assets other than land & building							
2	Sale/ Transfer of Land & Building							
3	VRS to employees							
4	Liquidation of Liabilities							
5	Any Other Criteria							

Note: There would be no mandatory parameter for CPSEs under Closure.

FORM IV

MoU Targets and Achievements for past five years for all CPSEs

To be given on the basis of MoU's and achievements

Self-declaration/certification by CPSE

It is hereby certified that the targets/ actual achievements in respect of MoU parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2016-17. In case, any deviation is found at any point of time, DPE is free to evaluate the performance as per MoU Guidelines. CPSE has no right of claim in this regard.

(CMD/CEO)