

MEMORANDUM OF UNDERSTANDING (MoU)

BETWEEN

MOIL LIMITED

AND

**MINISTRY OF STEEL
GOVT. OF INDIA**

2016-17



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

MEMORANDUM OF UNDERSTANDING (MoU)

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MOIL LIMITED

Nagpur

BRIEF NOTE

MOIL Limited [Formerly known as Manganese Ore (India) Limited], a Schedule 'A', Miniratna Category -I PSU, was originally set up in the year 1896 as Central Province Prospecting Syndicate and later renamed as Central Provinces Manganese Ore Company Limited (CPMO), a British Company incorporated in UK. Assets of the CPMO were taken over by Government and MOIL was formed in 1962 with 51% capital held by the Govt. of India and the State Governments of Maharashtra and Madhya Pradesh (17% each) and balance 49% by CPMO. In 1977, the balance 49% shareholding was acquired from CPMO and MOIL became a 100% Government Company under administrative control of the Ministry of Steel. In 2010, 20% shares of the Company were offered to Public and shares of the Company were listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on 15/12/2010. Present share holding pattern of MOIL, after disinvestment, is as under.

Sr. No.	Name of Shareholder	% holding of paid-up capital
1.	Government of India	71.57 %
2.	Government of Maharashtra	4.62 %
3.	Government of Madhya Pradesh	3.81 %
4.	Public	20.00 %
5.	Total	100.00 %

MOIL is the major producer of (i) high grade manganese ore in India, which is the raw material for manufacturing ferro alloys, an essential input for steel making and (ii) dioxide ore, which goes into manufacturing of dry cell batteries. At present, MOIL operates ten mines – six located in Nagpur and Bhandara districts of Maharashtra and four in Balaghat district of Madhya Pradesh. All these mines are about a century old and are operated at deeper horizons. Seven of the mines are operated by underground mining method and the rest by opencast method.

MOIL's core business is to extract and sale of manganese ore. During 2014-15, production of manganese ore was 11.39 lakh tons and 10.32 lakh tons in FY 2015-16.

As part of diversification, MOIL has set up projects for manufacture of Electrolytic Manganese Di-oxide (1000 Mt) and Ferro Manganese (10000 Mt) capacity. It has also diversified into generation of electricity by setting up Wind Farms of 20MW capacity.

Manganese ore is mostly (95%) going into production of steel and, as such, demand for the ore is subject to cyclical fluctuations depending on steel production.



PART A

The performance indicators and relative weightages for each of them for evaluation of the Company's performance during 2016-17 are indicated below.

SR NO	EVALUATION CRITERIA	UNIT	WT	PERFORMANCE RATING : 2016-17				
				Excel.	V. Good	Good	Fair	Poor
				100	80	60	40	20
i	Capacity Utilization							
	Production of manganese ore	000T	10	1150	1035	1000	975	950
ii	Efficiency parameters							
A	Production efficiency							
(a)	Reduction in electricity consumption at Balaghat mine against FY 2015-16	% reduction Kwh/MT	5	0.50	0.40	0.30	0.20	0.10
(b)	Improvement in high grade (ferro grade) production in the total product mix over FY 2015-16	%	2	2.00	1.90	1.80	1.70	1.60
(c)	Reduction in diesel consumption per MT of manganese ore production at Dongri Buzurg mine as against FY 2015-16	% reduction Ltr/MT	3	1.50	1.25	1.00	0.75	0.50
B	Technology upgradation							
	To improve efficiency of underground working conditions by improvement in Mine Ventilation System at Gumgaon Mine, with technologically advanced fan and its control system and energy saving device	Date	5	Sep 30 2016	Oct 15 2016	Oct 31 2016	Nov 15 2016	Nov 30 2016
C	Research & development							
i	Completion of study for using of waste rock in place of sand as a filling material. Report from National Research Institute or Any Academic Institute	Date	2	Jan 15 2017	Jan 31 2017	Feb 15 2017	Feb 28 2017	Mar 15 2017
iii	Leveraging Net worth (CAPEX)							
	Capital Expenditure (CAPEX) (Details as per Annexure-A)	₹ in Crores	15	139.52	132.54	125.91	119.29	112.66
iv	Monitoring parameter							
(a)	Percentage 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 (Excluding projects of joint venture companies) (Details as per Annexure-B)	%	5	100	90	80	70	60
v	Revenue from operation (Net of excise duty)	₹ in crores	5	635.00	615.00	600.00	585.00	570.00
vi	Profit Before Tax (excluding Other Income, Extraordinary and Exceptional items)	₹ in crores	10	35.00	31.00	25.00	20.00	15.00



SR NO	EVALUATION CRITERIA	UNIT	WT	PERFORMANCE RATING : 2016-17				
				Excel.	V. Good	Good	Fair	Poor
				100	80	60	40	20
vii	Early signs of weakness							
	Reduction in Claims against the company not acknowledged as debt raised by CPSEs and others	%	5	3.00	2.50	2.00	1.50	1.00
viii	Marketing efficiency ratios							
A	Inventory finished goods and work in progress to Sales of Products	No. of days	5	100	110	115	120	125
B	Trade receivables as percentage of turnover	%	5	20.00	22.00	24.00	26.00	28.00
ix	Return on investment							
(a)	Dividend / PAT	%	5	59.00	58.00	57.00	56.00	55.00
(b)	PAT / Net Worth	%	10	6.00	4.50	4.25	4.00	3.75
(c)	Dividend / Net Worth	%	5	3.54	2.61	2.42	2.24	2.06
x	CPSE Sector specific							
	Exploratory Drilling project at all mines.	Mtrs	3	6100	5000	4800	4600	4400
			100					

- 1 It was noted that the targets approved by IMC are based on Provisional figures submitted by the company for FY 2015-16. In case of better performance of the CPSE during the year 2015-16 as compared to provisional figures, the difference between actual figures and provisional figures shall be added to the targets of 2016-17.
- 2 It was decided that where achievement is not verifiable from annual report of the CPSE, the same would be accepted on the basis of certification by way of resolution from Board of Directors.
- 3 It was agreed that targets decided in MoU are unconditional and no offset will be allowed in any condition. Further evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 and 14.3 of MoU guidelines 2016-17.

(SHRI G. P. KUNDARGI)

Chairman-Cum-Managing Director
MOIL Limited
NAGPUR

(MS. ARUNA SUNDARARAJAN)

Secretary
Ministry of Steel
NEW DELHI

Date : 05th JULY 2016
Place : RAIPUR

MoU 2016-17
Approved by IMC
Signed 



MOIL LIMITED
NAGPUR

Statement of proposed capex for FY 2016-17

(₹ in Crores)

Sr. No.	Particulars	BE 2016-17
1	Deepening of holme shaft at Balaghat Mine.	12.83
2	Sinking of large Dia High speed Vertical Shaft at Balaghat Mine.	1.00
3	Sinking new vertical shaft at Munsar Mine Phase-II.	4.00
4	Sinking of new vertical shaft at Chikla Mine.	4.50
5	Sinking new vertical shaft at Ukwa Mine Phase-II.	4.00
6	Sinking of new High Speed Vertical Shaft at Gumgaon Mine. Phase-II	1.00
7	Deepening Vertical Shaft at Kandri Mine	3.00
8	Solar Project	0.50
9	Investment in Joint Venture for Ferro Manganese / Silico Manganese Plant with SAIL.	0.25
10	Ferro Manganese Plant at Bobbili in Joint Venture with RINL.	0.25
11	Development of new areas and acquisition of land, forest and environment clearance including prospecting and exploration.	2.94
A	SCHEMES SUB -TOTAL	34.27
B	Addition/Modification & Replacement	74.22
C	Township	28.87
D	R & D Scheme (Capital)	2.16
	GRAND TOTAL :	139.52



MOIL LIMITED
NAGPUR

Monitoring Parameter : Capex projects for monitoring during FY 2016-17

Sr. No.	Name of project	Approved cost (₹ in Cr.)	Completion date	Milestone during 2016-17	Date of completion of milestone during 2016-17	Cost to be incurred during 2016-17 (₹ in Cr.)
1	Deepening of Holmes' shaft at Balaghat mine	28.30	Nov-2016	Completion of the shaft deepening work	31-12-2016	12.83
2	Sinking of 2nd vertical shaft at Chikla mine	48.70	2018-19	Sinking of vertical shaft upto 80 Mtrs.	30-10-2016	4.50
3	Sinking of 2nd vertical shaft at Munsar mine	51.32	2019-20	Sinking of vertical shaft upto 50 Mtrs.	31-01-2017	4.00
4	Deepening of vertical shaft at Kandri mine	14.82	2018-19	Deepening of vertical shaft upto 20 Mtrs. including raising	15-02-2017	3.00
5	Sinking of large Dia High Speed Vertical Shaft at Balaghat Mine	-	-	-	Token provision	1.00
6	Sinking of new vertical shaft at Ukwa Mine Phase II	-	-	-	Token provision	4.00
7	Sinking of new High Speed Vertical Shaft at Gumgaon Mine. Phase II	-	-	-	Token provision	1.00
8	Solar Project	-	-	-	Token provision	0.50
9	Investment in Joint Venture for Ferro Manganese / Silico Manganese Plant with SAIL	-	-	-	Token provision	0.25
10	Ferro Manganese Plant at Bobbili in Joint Venture with RINL	-	-	-	Token provision	0.25
11	Development of new areas and acquisition of land, forest and environment clearance including prospecting and exploration	-	-	-	31-03-2017	2.94
12	Addition/Modification & Replacement	-	-	-	31-03-2017	74.22
13	Township	-	-	-	31-03-2017	28.87
14	R&D Scheme (Capital)	-	-	-	31-03-2017	2.16
	Total					139.52

PART B



**MOIL LIMITED
TREND ANALYSIS**

Sr. No.	Evaluation Criteria	Unit	Financial Year					
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected
i	Production of manganese ore (Total)	000T	1071	1139	1135	1138	1032	1035
ii	Efficiency parameters (Based on Part A)							
A	Production efficiency (Sector specific result oriented measurable efficiency parameter)							
(a)	Reduction in electricity consumption at Balaghat mine against FY 2015-16	% reduction KwH/MT	NA	NA	NA	NA	NA	0.40
(b)	Improvement in high grade (ferro grade) production in the total product mix over FY 2015-16	%	NA	NA	NA	NA	NA	1.90
(c)	Reduction in diesel consumption per MT of manganese ore production at Dongri Buzurg mine as against FY 2015-16	% reduction Ltr/MT	NA	NA	NA	NA	NA	1.25
B	Technology upgradation (Sector specific steps to upgrade technology/operational environment)							
	To improve efficiency of underground working conditions by improvement in Mine Ventilation System at Gumgaon Mine, with technologically advanced fan and its control system and energy saving device	Date	NA	NA	NA	NA	NA	15.10.2016
C	Research & development (Commercialization of R&D achievements leading to technology up-gradation)							
i	Completion of study for using of waste rock in place of sand as a filling material	Date	NA	NA	NA	NA	NA	31.01.2017
iii	Capital Expenditure (CAPEX)	₹ in Crores	51.68	56.93	85.46	114.78	119.65	132.54
iv	Paid-Up Share Capital	₹ in Crores	168.00	168.00	168.00	168.00	168.00	168.00
v	Accumulated Reserves	₹ in Crores	2273.31	2597.64	2959.33	3213.70	3285.37	3335.40
vi	Net Worth	₹ in Crores	2441.31	2765.64	3127.33	3381.70	3453.37	3503.40
vii	Borrowings (shown in Non-current Liability)	₹ in Crores	0.00	0.00	0.00	0.00	0.00	0.00
viii	Borrowings/Net Worth	%	NA	NA	NA	NA	NA	NA
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)		NA	NA	NA	NA	NA	NA
x	Revenue from Operations (Gross)	₹ in Crores	905.68	975.03	1028.45	831.16	634.60	622.66
xi	Revenue from Operations (Net of excise duty)	₹ in Crores	899.58	967.12	1021.28	823.25	628.74	615.36
xii	Profit before Tax	₹ in Crores	606.63	636.78	769.33	650.57	270.26	253.37
xiii	Other income	₹ in Crores	203.32	235.27	303.32	316.61	252.16	205.00
xiv	Extraordinary Items	₹ in Crores	0.00	0.00	0.00	0.00	0.00	0.00
xv	Exceptional Items	₹ in Crores	0.00	0.00	0.00	0.00	20.84	0.00
xvi	Profit before Tax (excluding Other Incomes, Extraordinary and Exceptional Items)	₹ in Crores	403.31	401.51	466.01	333.96	18.10	31.00
xvii	Profit After Tax	₹ in Crores	410.77	431.72	509.56	428.01	172.98	165.68
xviii	Revenue from Operations (Net)/Total Expenses [excluding extra ordinary/exceptional items, if shown separately and Tax (Income Tax) Expense]	%	NA	NA	NA	NA	NA	NA
xix	Closing Inventory of finished goods (manganese ore) assumed @ Rs. 5000 PMT	₹ in Crores	57.08	30.72	20.63	109.38	130.46	162.50
xx	Closing Inventory of Work-in-progress	₹ in Crores	NA	NA	NA	NA	NA	NA
xxi	Sale of Products (Net of Excise duty)	₹ in Crores	899.58	967.12	1021.28	823.25	628.74	615.36

TREND ANALYSIS Contd.....

Sr. No.	Evaluation Criteria	Unit	Financial Year					
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected
xxii	Number of days of Inventory of finished goods and Work-in-progress to Sale of Products (Wherever applicable)	No. of days	54	26	17	130	105	110
xxiii	Trade Receivables of over 6 months	₹ in Crores	NA	NA	NA	NA	NA	NA
xxiv	Trade Receivables (Total)	₹ in Crores	99.33	288.10	113.18	107.27	142.05	155.66
xxv	Trade Receivables as percentage of Revenue from Operations (Gross)	%	10.97	29.55	11.00	12.91	22.38	22.00
xxvi	Cash and Bank Balance	₹ in Crores	2088.42	2276.78	2792.83	2829.89	2850.10	2800.00
xxvii	PAT/Net Worth	%	16.83	15.61	16.29	12.66	5.01	4.50
xxviii	Dividend/PAT	%	20.45	21.40	24.73	33.36	48.56	58.00
xxix	Dividend/Net Worth or Surplus/Net Worth	%	3.44	3.34	4.03	4.22	4.14	2.61
xxx	Claims against the Company not acknowledged as debt	₹ in Crores						
xxxi	CPSE specific/sector specific Exploratory Drilling project at all mines.	Mtrs	5031	5573	5743	6096	5633	5000
xxxii	Resources Raised		NA	NA	NA	NA	NA	NA
xxxiii	Surplus Redeployed		NA	NA	NA	NA	NA	NA
xxxiv	Major Expenses		NA	NA	NA	NA	NA	NA

FORM IV



MOIL LIMITED

TREND OF PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS

(₹ Crores)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16		2016-17
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	Proposed
Production(Mn Ore)excl fines(000T)	830	839	900	883	875	875		977		906	
Production(Mn Ore)fines(000T)	320	232	250	256	250	250		162		126	
Total Production(000T)	1150	1071	1150	1139	1125	1135	1125	1139	1140	1032	1035
Production (₹ in Crores)	486.35	502.37	473.81	573.51	555.14	562.44	556.00	497.20	610.94	616.50	574.29
Gross Sales	1150.00	905.68	793.84	975.03	797.43	1028.45	900.00	831.16	866.62	634.60	622.66
Excise Duty & Royalty	49.77	39.20	36.06	44.29	23.00	45.77	42.00	41.80	46.62	42.76	43.85
Net Sales	1100.23	866.48	757.78	930.74	774.43	982.68	858.00	789.36	820.00	591.84	578.81
Interest and other income	86.00	203.32	160.00	235.27	209.51	303.32	245.00	316.61	285.00	252.16	205.00
Gross Operating Margin Rate (%)	69.87%	58.39%	58.23%	55.85%	51.88%	57.32%	50.43%	55.92%	42.01%	19.47%	23.42%
Gross Operating Margin	768.73	505.95	441.26	519.80	401.75	563.27	432.72	441.41	344.52	115.26	135.57
EBITDA	782.00	636.54	516.00	669.81	526.00	804.51	592.46	695.65	575.96	322.73	302.25
Depreciation	32.35	29.91	35.97	33.03	36.63	35.18	36.80	45.08	35.28	52.47	48.88
EBIT	749.65	606.63	480.03	636.78	489.37	769.33	555.66	650.57	540.68	270.26	253.37
Interest Expenses											
Prior period expenses											
Extra ordinary items											
Any other expenses											
Profit before tax	749.65	606.63	480.03	636.78	489.37	769.33	555.66	650.57	540.68	270.26	253.37
Tax	249.01	195.86	159.45	205.06	166.34	259.77	188.87	222.56	187.12	97.28	87.69
Profit after tax	500.64	410.77	320.58	431.72	323.03	509.56	366.79	428.01	353.56	172.98	165.68
Dividend Paid	100.13	84.00	64.12	92.40	64.61	126.00	73.36	142.80	142.80	84.00	96.09
Profit transferred to Statutory reserves											
Any other item											
Profit transferred to Balance Sheet	366.00	300.00	241.00	325.00	247.00	370.00	281.00	250.00	181.53	75.00	50.03
Balance Sheet Items											
Gross Block	479.16	422.58	509.46	479.91	596.66	510.07	617.90	610.72	671.44	671.88	730.48
Less Depreciation	223.09	215.53	259.41	246.39	296.28	277.73	319.82	316.81	352.09	360.98	409.86
Net Block	256.07	218.72	250.05	233.52	300.38	232.34	298.08	293.91	319.35	310.90	320.62
Paid up Share Capital	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00	168.00
Reserves & Surplus	2340.80	2273.30	2512.83	2597.64	2766.82	2959.33	3047.78	3213.70	3395.23	3285.37	3335.40
Less : Deferred Rev.Exp/pre acquisition loss											
Less : Profit & Loss A/C											
Net Worth	2508.80	2441.30	2680.83	2765.64	2934.82	3127.33	3215.78	3381.70	3563.23	3453.37	3503.40
Investments	60.21	4.21	82.21	4.21	72.21	4.21	4.21	4.21	4.21	0.21	0.21
Total Current Assets	2455.58	2479.55	2609.72	2846.99	2646.79	3471.83	2840.23	3647.95	3830.35	3269.82	3433.31
Total Current Liabilities&Provisions	279.94	229.36	307.11	275.17	296.54	344.50	344.09	266.25	279.56	254.57	267.30
Net Current Assets	2175.64	2250.19	2302.61	2571.82	2350.25	3127.33	2496.14	3381.70	3550.79	3015.25	3166.01
Capital Employed	2431.71	2468.91	2552.66	2734.45	2650.63	3359.67	2794.22	3675.61	3870.14	3326.15	3486.63
(Net Block+Net Current Assets)											
Capital Employed											
(Net Worth-CWIP-Investment)	2431.71	2539.76	2552.66	2734.45	2850.63	3054.14	2794.22	3324.59	3357.41	3372.76	3460.13
Total debt(loan funds)											
Total Assets	2756.63	2743.25	2914.17	3134.91	2947.17	3704.17	3138.31	3941.86	4149.70	3580.72	3753.93
Ratio											
PAT/Net Worth	19.96	16.83	11.96	15.61	11.01	16.29	11.41	12.66	9.92	5.01	4.73
EBITDA/Net Block	305.39	291.03	206.36	286.83	175.11	346.26	198.76	236.69	180.35	103.81	94.27



SELF DECLARATION/CERTIFICATION FOR 2016-17

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 latest 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.

(G. P. KUNDARGI)

CHAIRMAN-CUM-MANAGING DIRECTOR