

**MEMORANDUM
OF
UNDERSTANDING**

2012-13

BETWEEN



MSTC LIMITED

AND



**GOVERNMENT OF INDIA
MINISTRY OF STEEL**

MEMORANDUM OF UNDERSTANDING FOR 2012-13

This Memorandum of Understanding is made between MSTC Limited and Ministry of Steel, Govt. of India for the year 2012-13.

VISION

To emerge as a dominant B2B player in the area of trading with particular emphasis on Steel Industry.

MISSION

MSTC will endeavour to organize and expand a market for the various commodities handled by it by making the transactions as transparent as possible through extensive use of e-commerce.

CORPORATE OBJECTIVES:

- a) To emerge as a diversified trading house with particular emphasis on bulk raw materials for steel industry sourced both indigenously and internationally and towards this end gradually build up tie-ups with international trading houses, develop warehousing system and logistics.
- b) To plan and organize disposal of scrap and secondary arisings, unserviceable stores, etc. of organizations, both in the public sector and private sector and to popularise e-auction.
- c) To promote e-commerce / e-transactions in above areas and also in transactional sale of prime products.
- d) To undertake these activities so as to ensure an optimum return on capital employed and to attain a return of 15% on the Net worth.
- e) To ensure customers' satisfaction by providing prompt and efficient dealing with customers, principals and other business associate.
- f) To develop and maintain a competent, dedicated and motivated workforce.
- g) To achieve the aforesaid objectives, promote Joint Ventures with selected domain experts in the area of mining, logistics, warehousing, value addition to the merchandise etc.

COMMON PARAMETERS (Common to all PSEs)**1 Static Financial Parameters (50%)**

CRITERIA DESCRIPTION	Unit	Weight	Basic Target (Very Good)	Excellent	Very Good	Good	Fair	Poor	BE 11-12
(a) <u>Financial indicators – profit related ratios (%age)</u>									
(i) Gross Margin / Volume of Business	%	0.10	1.0706	1.0725	1.0706	1.0669	1.0632	1.0583	0.732
(ii) Gross Sales / Nos. of Employee	Rs. Crore	0.12	6.77	7.45	6.77	6.46	6.15	5.86	-
(b) <u>Financial indicators – Size related</u>									
(i) Gross Margin	Rs. Crore	0.08	169.16	186.40	169.16	160.64	152.46	144.56	63.00
(ii) Gross Sales	Rs. Crore	0.04	2200.00	2420.00	2200.00	2100.00	2000.00	1904.00	2109.00
(c) <u>Financial returns– productivity related</u>									
(i) PBDIT / Total Employment	Rs. Lakh	0.07	52.05	57.35	52.05	49.43	46.91	44.48	19.39
(ii) Added value / Gross Sales	%	0.09	1.79	2.00	1.79	1.65	1.52	1.37	0.95

Total**0.50****Note:-**

- i. Gross Sales would also include the service charge on business done in facilitator mode as well as the service charge element from Agency business.**
- ii. Volume of Business as given in Annexure II.**

2 Dynamic Parameters

CRITERIA DESCRIPTION	Unit	Weight	Basic Target (Very Good)	Excellent	Very Good	Good	Fair	Poor
<u>2.1 Research & Development:-</u>								
(i) Total R&D Expenditure as a percentage of PAT of FY 2011-12	%	0.025	0.50	0.55	0.50	0.45	0.40	0.35
(ii) Perspective Plan on R&D for 5 years- approved by Board	Date	0.010	30.11.12	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13
(iii) Introduction of e-Procurement- Total Solution	Date	0.005	30.11.12	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13
(iv) Preparation and submission of reports on ERP Finance Module	Date	0.005	31.01.13	31.12.12	31.01.13	15.02.13	28.2.13	15.03.13
(v) Preparation & Submission of Report on Inventory Quality Management in Trading Business	Date	0.005	31.01.13	31.12.12	31.01.13	15.02.13	28.2.13	15.03.13
<u>2.2 Corporate Social Responsibility:</u> Expenditure on projects as per DPE guidelines on CSR and approved by board of Directors (% of PAT of FY 2011-12)	%		3.00%	3.15%	3.00%	2.80%	2.65%	2.50%
(i) Adoption of a village preferably in West Bengal	Date	0.02	28.02.13	15.02.13	28.02.13	15.03.13	28.03.13	After 28.03.13
(ii) Construction of dispensary, extension of any small hospitals in West Bengal	Date	0.01	28.02.13	15.02.13	28.02.13	15.03.13	28.03.13	After 28.03.13
(iii) Construction/ extension of home	Date	0.01	28.02.13	15.02.13	28.02.13	15.03.13	28.03.13	After 28.03.13

for children, distressed women and old age person in West Bengal								
(iv) Creating educational facilities for the poor and under privileged children, home and school for disabled children, mentally retarded children etc.	Date	0.01	28.02.13	15.02.13	28.02.13	15.03.13	28.03.13	After 28.03.13
2.3 Sustainable Development:								
(i) SD Committee Details		0.005						
(ii) Total SD Expenditure as % of PAT of FY 2011-12	%	0.010	0.50	0.55	0.50	0.45	0.40	0.35
(iii) Perspective plan for SD activities to be undertaken on long term, short term basis in sync with Corporate Business Plan	Date	0.005	31.01.13	31.12.12	31.01.13	15.02.13	28.2.13	15.03.13
(iv) Solar Lighting system of Community Centre, Hospitals and Educational Institutions	Date	0.020	28.02.13	15.02.13	28.02.13	15.03.13	22.03.13	After 22.03.13
(v) Evaluation of Projects by an Independent Agency/Expert/Consultant		0.005						
(vi) Publication of SD Performance Report		0.005						
2.4 Compliance of Corporate Governance								
(i) As per DPE Guidelines on Corporate Governance O.M.		0.04		As per Template				

18(8)/2005-GM dated 22/6/2011, annual grading achieved for the year based on Corporate Governance Performance Evaluation should be taken as performance evaluation criteria								
(ii) Submission of completed data sheet for PE Survey to DPE	Date	0.01	01.10.12	15.09.12	01.10.12	15.10.12	31.10.12	After 31.10.12
2.5 HRD								
(i) Modification of Performance Management System (PMS)	Date	0.01	31.10.12	30.09.12	31.10.12	30.11.12	31.12.12	31.01.13
(ii) Recruitment from minority community of total fresh recruitment during 2012-13 (excl. SC/ST/ OBC)	%	0.01	10%	11%	10%	9%	8%	7%
(iii) Development of Non Professional executive Employees	% executives	0.01	20%	25%	20%	15%	10%	5%
(iv) Executives trained in other institutions in:								
• E-Commerce	Nos.	0.01	4	5	4	3	2	1
• Women Empowerment Programme	Nos.	0.01	4	5	4	3	2	1
• Senior Management Development Programme	Nos.	0.01	4	5	4	3	2	1
2.6 Project Implementation (modernization & expansions):	Date	0.02	30.11.12	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13

Implementation of Mobile Bidding System									
2.7 Customer Satisfaction:									
(i) Customer Satisfaction Survey for Iron Ore customers.	Date	0.02	31.10.12	30.09.12	31.10.12	30.11.12	31.12.12	31.01.13	
(ii) Feedback Report from actual users –									
a. Sponge iron	% of satisfied customer	0.01	50%	60%	50%	40%	30%	20%	
b. Other Steel Producers	% of satisfied customers	0.01	50%	60%	50%	40%	30%	20%	
2.8 Extent of Globalisation:									
Disposal of Hazardous Waste like Batteries, Waste oil etc.	Rs. Crore	0.02	5.00	6.00	5.00	4.00	3.00	2.00	

3. Specific Parameters

CRITERIA DESCRIPTION	Unit	Weight	Basic Target (Very Good)	Excellent	Very Good	Good	Fair	Poor	BE 10-11
A) Sector Specific Parameters:									
(i) Volume of Business (e-Commerce)	Rs. Crore	0.03	11000	12100	11000	10480	9980	9510	6600
(ii) Volume of business of Marketing Div. (Gross Sale & Facilitator mode)	Rs. Crore	0.02	2750	3025	2750	2620	2495	2375	-
(iii) Trading of New item (Agro Product) like Rice etc.	Rs. Crore	0.02	1.95	2.00	1.95	1.90	1.85	1.80	-

B) Enterprise Specific Parameters:									
(i) Migration of Networking System from IPv4 to IPv6	Date	0.04	31.10.12	30.09.12	31.10.12	30.11.12	31.12.12	31.01.13	-
(ii) Issue of Bonus share as per DPE O.M. No 3(11)/2011-DPE (MOU) dtd. 20/1/12	Date	0.01	31.10.12	30.09.12	31.10.12	30.11.12	31.12.12	31.01.13	-
(iii) Addition of New Customers in e-Commerce Segment	Nos. of Customer	0.02	6	8	6	4	3	2	-
(iv) Implementation of 2007 Pay Revision (As per Proforma-I of OM no 3(11)/2011-DPE(MOU) dtd.20/1/12	Date	0.01	30.11.12	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13	-
(v) Recovery of outstanding Debtors as on 31.03.12 (excl. sub-judice)	% of recovery	0.01	30%	40%	30%	25%	20%	15%	-

Total 0.50

GRAND TOTAL 1.00

Volume of Business means business done in Marketing and business made through agency but would not include volume of business of e-Procurement.

MSTC Limited, Kolkata

Commitments / Assistance from the Government

With a view to enabling MSTC to achieve long and short-term objectives specified in the MOU, it is agreed that Govt. shall assist MSTC in the matters detailed below:

MOS will assist in recovering outstanding dues from various departments/Ministries/PSUs and also in improving its business with other Govt. departments/PSUs.

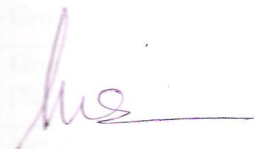
Delegation of Power:

Normal delegation of power approved in respect of MOU-signing companies and/or Mini Ratna shall also be followed in respect of MSTC.

Action Plan for implementation and monitoring of the MOU

MSTC will submit a report to the Government within 30 days of the end of each quarter. In addition, Audit Committee constituted by the Board and Board will review the performance as is being done in 2011-12.

A joint review of performance will be undertaken at the expiry of 6 months.



**S. K. TRIPATHI
CHAIRMAN-CUM-MANAGING
DIRECTOR,
MSTC LIMITED,
KOLKATA**



**P. K. MISRA, IAS,
SECRETARY TO THE
GOVERNMENT OF INDIA,
MINISTRY OF STEEL,
NEW DELHI**

Annexure-I

Absolute Value for MoU 2012-13

₹ in Crore

	Excellent	V Good	Good	Fair	Poor
Gross Margin (PBDIT)	186.40	169.16	160.64	152.46	144.56
Gross Profit (PBT)	112.40	101.42	95.94	90.44	85.30
Net Profit (PAT)	74.18	66.94	63.32	59.69	56.30
Capital Employed	1380.09	1298.00	1259.00	1220.50	1185.24
Net Worth	595.90	586.81	581.81	577.31	573.05
Gross Block	35.00	35.00	35.00	35.00	35.00
Gross Sales	2420.00	2200.00	2100.00	2000.00	1904.00
Returns on Capital Employed (PAT/CE) (%)	5.38	5.16	5.03	4.89	4.75
Added Value	48.39	39.36	34.74	30.41	26.04
Total Employment (Nos.)	325	325	325	325	325
Gross Margin/Gross Block (%)	532.57	483.31	458.97	435.60	413.03
Gross Profit to Capital Employed (%)	8.14	7.81	7.62	7.41	7.20
Net Profit to Net Worth (%)	12.45	11.41	10.88	10.34	9.82
PBDIT/Total Employment (Rs in Lakh)	57.35	52.05	49.43	46.91	44.48
Added Value/Gross Sales (%)	2.00	1.79	1.65	1.52	1.37

Annexure -II

Performance Evaluation Statement - Last 5 Years

	2012-13 (Projected) Very Good	2011-12 (Projected)	2010-11	2009-10	2008-09	2007-08
Gross Margin / Volume of Business (%age)	1.071	0.65	1.80	1.10	0.94	1.13
Gross Margin / Gross Sales (%age)	7.69	2.39	4.04	-	-	-
Volume of Business / No. of Employees (Rs Crore)	48.62	52.62	44.51	40.14	46.96	41.85
Gross Sales / No. of Employees (Rs Crore)	6.77	14.36	19.82	-	-	-
Gross Margin (Rs. Crore)	169.16	111.50	150.70	137.67	140.29	138.33
Gross Sales (Rs Crore)	2,200.00	4668.98*	6261.84*	6679.48*	9063.66*	6921.54*
PBDIT / Total Employment (Rs. in Lakh)	52.05	34.31	47.68	44.27	41.80	47.37
Added value / Gross Sales (%age)	1.79	1.46	1.62	1.50	1.23	1.45
i) Vol. in Sale& Purchase	2,050.00	1,500.00	1,618.49	4,086.57	6,525.87	4,620.80
ii) Vol. in Facilitator mode transaction	2,750.00	3,000.00	4,314.53	2,298.30	1,981.57	1,724.43
iii) Volume of Business in Marketing Division (Rs Crore) { (i)+(ii)}	4,800.00	4,500.00	5,933.02	6,384.87	8,507.44	6,345.23
iv) Volume of Business in Agency Division (Rs crore)	11,000.00	12,600.00	8,167.75	6,099.83	6,333.43	5,578.55
v) Total Volume of Business (Rs crore) { (iii)+ (iv)}	15,800.00	17,100.00	14,100.77	12,484.70	14,840.87	11,923.78
Volume of Business through e-Commerce (Rs Crore)	11,000.00	12,600.00	8,167.75	-	10,937.00	5,142.94

Annexure-X

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2012-13. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.

Sd/
Authorised Signatory

Annexure - XI

TEMPLATE FOR CSR REVIEW - DETAILS OF CHOSEN PROJECTS

(Amount in Lakh Rs.)

S. No.	Name of the Project	Starting Date	Completion Date	Amount allotted with Yearwise Breakup	Date of Completion of Need Assessment/ Baseline Survey & Name of Agency	Name of Implementing Agency and Date of Appointment	Amount spent on Documentation and Dissemination and Name of the Agency Appointed	Name of Monitoring Agency	Brief Details of Evaluation Report
1	2	3	4	5	6	7	8	9	10
1	(i) Adoption of a village preferably in West Bengal					Self	NA	Self	
2	(ii) Construction of dispensary, extension of any small hospitals in West Bengal					Self	NA	Self	
3	(iii) Construction/ extension of home for children, distressed women and old age person in West Bengal					Self	NA	Self	
4	(iv) Creating educational facilities for the poor and under privileged children, home and school for disabled children, mentally retarded children etc.					Self	NA	Self	
TOTAL				0.00					

Annexure-XII

Template for R&D Performance Target Setting cum Evaluation

S. No.	Evaluation Criteria	Unit	Weight-age	MOU Target Values					Achievement
				Excellent	V. Good	Good	Fair	Poor	
1	2	3	4	5	6	7	8	9	10
Table 1- Mandatory Parameter- Total R& D Expenditure as a percentage of PAT									
1.0	Total R&D Expenditure as % of PAT	Percentage	2.5	0.30	0.25	0.20	0.15	0.10	
Sub-total - 1			2.5						
Table 2 - Projects Chosen by CPSE									
2.1	(i) Perspective Plan on R&D for 5 years-approved by Board	Date	1.0	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13	
2.2	(ii) Introduction of e-Procurement- Total Solution	Date	0.5	31.10.12	30.11.12	31.12.12	31.01.13	28.02.13	
2.3	(iii) Preparation and submission of reports on ERP Finance Module	Date	0.5	31.12.12	31.01.13	15.02.13	28.2.13	15.03.13	
2.4	(iv) Preparation & Submission of Report on Inventory Quality Management in Trading Business	Date	0.5	31.12.12	31.01.13	15.02.13	28.2.13	15.03.13	
Sub-total - 2			2.5						
Total (1+2)			5.0						

Annexure-XIII
Template for SD Performance Target Setting cum Evaluation

S. No.	Description	Unit	Weight-age	MOU Target Values					Achievement
				Excellent	V. Good	Good	Fair	Poor	
1	2	3	4	5	6	7	8	9	10
Mandatory Parameter									
Whether Specific SD Plan and Budget passed by Board or its Designated Committee		Yes/No	No. & Date of Board Resolution						
Table 1	SD Committee Details	0.5							
Board level Designated Committee Name				Chairman of Board level Designated Committee			Number of Meetings	Key Decisions taken during the year	
Table 2	Total SD Expenditure as % of PAT	Percentage	1.0	0.30	0.25	0.20	0.15	0.10	
	Total expenditure (Current FY) (Rs lakhs)			Profit after Tax (Previous FY)		Actual Expenditure		Expenditure as % of Last Year's PAT	
Table 3	Projects Chosen by CPSE	2.5		MOU Target Values					Achievement
S. No.	Project/Activity			Excellent	V. Good	Good	Fair	Poor	
A 1	Perspective plan for SD activities to be undertaken on long term, short term basis in sync with Corporate Business Plan	Date	0.5	31.12.12	31.01.13	15.02.13	28.02.13	15.03.13	
A 2	Solar Lighting system of Community Centre, Hospitals and Educational Institutions	Date	2.0	15.02.13	28.02.13	15.03.13	22.03.13	After 22.03.13	
Table 4	Evaluation of Projects	0.5							
No. of Projects evaluated by an Independent External Agency/Expert/Consultant etc.									
Table 5	Publication of SD Performance Report	0.5		31.01.13	15.02.13	28.02.13	15.03.13	31.03.13	
	SD Performance Report	Yes/No		Mode of SD Report					
Total (1 to 5)			5.0						

HRM Temp

Template for HRM Performance Target Setting cum Evaluation

S. No.	Evaluation Criteria	Unit	Weight-age	MOU Target Values					Achievement
				Excellent	V. Good	Good	Fair	Poor	
1	2	3	4	5	6	7	8	9	10
A.	Competency & Leadership Development								
A 1	Compulsory								
1	Development of Non Professional Employees	% Executives	1	25	20	15	10	5	
2	Executives trained in other institutions in								
2.1	E-Commerce	Numbers	1	5	4	3	2	1	
2.2	Women Empowerment Programme	Numbers	1	5	4	3	2	1	
2.3	Senior Management Development Programme	Numbers	1	5	4	3	2	1	
Sub-total - A			4						
B	Performance Management								
6	Modification of Performance System (PMS)	Target Date	1	15.09.12	01.10.12	15.10.13	31.10.12	After 31.10.12	
Sub-total - B			1						
C	Recruitment, Retention & Talent Management								
9	Recruitment from minority community of total fresh recruitment during 2012-13 (excl. SC/ST/OBC)	%	1	11	10	9	8	7	
Sub-total - C			1						
Total (A to C)			6						