

समझौता जापन
Memorandum of Understanding
2020-21

राष्ट्रीय इस्पात निगम लिमिटेड
Rashtriya Ispat Nigam Limited
&
इस्पात मंत्रालय
Ministry of Steel

MEMORANDUM OF UNDERSTANDING

BETWEEN

RASHTRIYA ISPAT NIGAM LIMITED

AND

MINISTRY OF STEEL

2020-21

Rashtriya Ispat Nigam Limited (RINL) and Ministry of Steel (MoS) agree to enter into Memorandum of Understanding (MOU) for the year 2020-21.

The MOU contains the following annexures in accordance with MoU Guidelines for 2017-18 and onwards issued by Department of Public Enterprises (DPE):

- Annexure I** : **Brief about RINL**
- Annexure II** : **Performance Evaluation Parameters and Targets (Part-A and Part-B)**
- Annexure III** : **Trend Analysis (Part-A and Part-B)**

Brief about CPSE

| | | |
|-----|--|--|
| 1. | Name of the CPSE | RASHTRIYA ISPAT NIGAM LIMITED |
| 2. | Status (Please tick): | Maharatna / Navratna <input checked="" type="checkbox"/> Miniratna / Others |
| 3. | Schedule of the CPSE (Please tick) | A <input checked="" type="checkbox"/> / B / C / D / none |
| 4. | Purpose for which CPSE has been setup and the main business now. | The main purpose is to do business in the Iron and Steel Manufacturing Industry. |
| 5. | Any capital restructuring during 2019-20, i.e., buyback 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. | - |
| 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. | Appendix-1 |
| 10. | Details of revival plan, if approved. | Not Applicable |
| 11. | Any adverse comment by statutory auditors and its impact on Revenue/Profit/Loss/Assets/Liabilities. | - |
| 12. | Whether C&AG Supplemented the comments of the Statutory Auditor. If not, give details alongwith impact. | Not Applicable |
| 13. | Number and Name of subsidiary companies along with amount invested and share in its profit during last five years. | Appendix-2 |
| 14. | Number and Name of Joint Venture companies along with amount invested and share in its profit during last five years. | Appendix-3 |

| Sl. No | Financial Performance Criteria | Unit | Marks | Part-A | | MoU Target for the year 2020-21 | | | | | % Improv. # |
|------------------|---|---------------|-------|---------------------------|---------------------------|---------------------------------|-------|-------|-------|-------|-------------|
| | | | | Current Year (Estimated) | Best in 5 years | Excel | V.G. | Good | Fair | Poor | |
| | | | | | | 100% | 80% | 60% | 40% | 20% | |
| 1 | Turnover: Revenue from Operations (Net) | Rs. Cr. | 10 | 15920 | 20492 | 22000 | 21891 | 21000 | 20000 | 19000 | 38% |
| 2 | Operating Profit/Loss: Reduction in operating Loss/Deficit(s) over previous year | % | 20 | Op. Loss Rs 4353 Cr* | Op. Loss Rs. 158 Cr* | 100 | 65 | 45 | 35 | 20 | 65% |
| 3 | Return on investment: Reduction in Total Expenses as % of Total Income as compared to previous year | % | 20 | 125.45 (TE/TI ratio) | 98.98 (TE/TI ratio) | 21 | 15 | 13 | 10 | 8 | 15% |
| Total (A) | | | | | | | | | | | |
| Part-B | | | | | | | | | | | |
| 1 | Production of Saleable Steel | Mt | 10 | 4.45 | 5.0 | 5.7 | 5.4 | 5.2 | 5.0 | 4.8 | 21% |
| 2 | Improvement in BF Productivity over the previous year | % | 3 | 1.74 t/cum/day | 1.87 t/cum/day | 4 | 3 | 2 | 1 | 0.5 | 3% |
| 3 | Improvement in BF Coke Rate over the previous year | % | 3 | 417* kg/tHM | 459* kg/tHM | 2.5 | 2.0 | 1.5 | 1.0 | 0.5 | 2.0% |
| 4 | Improvement in Specific Water Consumption over the previous year | % | 2 | 2.27* Cum/tCS | 2.32* Cum/tCS | 1.3 | 1.0 | 0.8 | 0.6 | 0.4 | 1.0% |
| 5 | CAPEX | Rs. Cr. | 5 | 1416 | 1918 | 534 | 500 | 475 | 450 | 425 | - |
| 6 | 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 | % | 3 | 98 | 94 | 100 | 95 | 90 | 85 | 80 | - |
| 7 | No. of days of inventory of finished goods and work in progress to Revenue from operations (Net) | Days | 4 | 93 | 60 | 37 | 40 | 41 | 42 | 43 | 57% |
| 8 | Production of Iron Ore by OMDC | Lakh t | 2 | - | - | 0.8 | 0.5 | 0.4 | 0.3 | 0.2 | - |
| 9 | Reduction in claims against the Company not acknowledged as debt (overall) | % | 3 | Rs. 3164 Cr* Closing Bal. | Rs. 2869 Cr* Closing Bal. | 20 | 18 | 16 | 14 | 12 | 18% |
| 10 | Exports as percentage of Revenue from Operations(Net) | % | 3 | 9.63 | 12.17 | 12 | 11 | 10 | 9 | 8 | 14% |
| 11 | Increase in Production of Dolomite over previous year in the subsidiary i.e. Bisra Stone Lime Company Limited | % | 3 | 5.66 Lac t* | 5.67 Lac t* | 25 | 20 | 15 | 10 | 5 | 20% |
| 12 | Production from Forged Wheel Plant - Import substitution by providing Indigenous developed forged wheels | No. of wheels | 2 | - | - | 32000 | 30000 | 25000 | 20000 | 15000 | - |
| 13 | Production of Saleable Coal in Benga Mine of International Coal Venture Ltd. | Mt | 2 | 1.78 | 1.018 | 1.90 | 1.69 | 1.60 | 1.51 | 1.42 | - |
| 14 | Percentage of procurement of goods and services through GeM portal to total procurement of goods and services during the previous year i.e. 2019-20 | % | 5 | - | - | 25 | 20 | 15 | 10 | 5 | 20% |
| Total (B) | | | | 50 | | | | | | | |

- # Improvement worked out on Very Good target for MoU over Current year estimated figures; * Figures in Absolute Terms
- In case the ratio of Total Expenses/Total Income goes up from 125.45%, the target at 'Excellent' level would increase, so that Total Expenses/Total Income will not be more than 100%.
 - In working out achievements for the year, quantified qualifications of CAG / Statutory Auditors would be adjusted in case of overstatement of Revenue/ Profit/ Surplus or understatement of Loss/Deficit in addition to the negative marks prescribed in MoU guidelines.
 - Adjustment would be made in the targets in case of improvement in actual performance over the estimated performance in the base year (2019-20) as per MoU Guidelines.
 - The targets decided are unconditional and no offset will be allowed on any ground. Further evaluation would be subject to compliance of Additional Eligibility criteria as contained in MoU guidelines.

M
P K Rath
15/10/2020
Chairman-cum-Managing Director
Rashtriya Ispat Nigam Ltd.

P K Tripathi
P K Tripathi
Secretary to GoI
Ministry of Steel

Date :

Part-A (Trend Analysis)

| Sl | Financial Performance Criteria | Unit | Target | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | |
|----------|--|-----------|------------|---------|---------|---------|---------|---------|--------------------|--------------|
| | | | v/s Actual | | | | | | Actual upto Sep-19 | Est./ Actual |
| 1 | Revenue from Operations -Gross | Rs. crore | | 10432 | 10163 | 12419 | 14607 | 20492 | 7481 | 15920 |
| | Revenue from Operations -Net | | Actual | 9314 | 9020 | 11141 | 14344 | 20492 | 7481 | 15920 |
| | MoU | | 10740 | 10697 | 11250 | 14310 | 21000 | 11595 | 26000 | |
| 2 | a. Profit before Tax | Rs. crore | | 103 | -1702 | -1690 | -1911 | -307 | -2347 | -4288* |
| | b. Other Incomes | | | 256 | 349 | 260 | 265 | 347 | 91 | 239 |
| | c. Extraordinary & Exceptional items | | | 0 | 0 | 0 | 541 | -225 | 0 | 182 |
| | d. Prior Period Items | | | -5 | 0 | 0 | 0 | 0 | 0 | 0 |
| | e. Operating Profit/ Loss (a-b+/-c+/-d) | | Actual | -158 | -2051 | -1951 | -1636 | -879 | -2438 | -4345# |
| | MoU | | 223 | 77 | -1922 | -1619 | -1148 | -308 | -91 | |
| 3 | a. PAT | Rs. crore | | 62 | -1604 | -1263 | -1369 | 97 | -4289 | -3910 |
| | b. Net Worth at year end | | | 11594 | 9914 | 8651 | 7221 | 7352 | 3063 | 3272 |
| | c. Average Net worth | | | 11867 | 10754 | 9283 | 7936 | 7287 | 5208 | 5312 |
| | d. PAT/ Net Worth (Avg.) | | % | Actual | 0.53 | -14.91 | -13.61 | -17.25 | 1.33 | -82.37 |
| | | MoU | 2.48 | 0.96 | -18.65 | -18.84 | -9.55 | -1.87 | 5.17 | |
| | e. Paid-up Share Capital | Rs. crore | | 5190 | 4890 | 4890 | 4890 | 4890 | 4890 | 4890 |
| | f. Gol share | % | | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| | g. Reserves and surplus | Rs. crore | | 6404 | 5024 | 3761 | 2331 | 2462 | 335 | -1618 |
| 4 | Total Expenses | Rs. crore | | 9473 | 11070 | 14370 | 15980 | 21371 | 9919 | 20265 |
| 5 | Total Incomes | Rs. crore | | 9571 | 9369 | 12679 | 14610 | 20839 | 7572 | 16160 |
| 6 | Total expenses/ Total Incomes | % | | 98.98 | 118.17 | 113.33 | 109.38 | 102.55 | 130.99 | 125.41@ |
| 7 | Detail of other incomes | | | | | | | | | |
| | a. Interest | Rs. crore | | 67 | 95 | 66 | 79 | 89 | 21 | 69 |
| | b. Dividend | | | 0.01 | 0 | 0.15 | 0.09 | 0.04 | 0 | 0 |
| | c. Other Incomes | | | 189 | 254 | 194 | 186 | 258 | 70 | 170 |
| | d. Total | | | 256 | 349 | 260 | 265 | 347 | 91 | 239 |
| e. Total | | | | | | | | | | |
| 8 | a. Cash and Bank Balance and equivalent | Rs. crore | | 64 | 46 | 54 | 52 | 121 | 33 | 18 |
| | b. Investment in mutual funds | | | - | - | - | - | - | - | - |
| | c. Investment in shares other than subsidiary/ JVs) | | | - | - | - | - | - | - | - |
| | d. Total (a+b+c) | | | 64 | 46 | 54 | 52 | 121 | 33 | 18 |
| | e. Cash credit | | | 2220 | 2353 | 3971 | 5062 | 7735 | 8667 | 11367 |
| | f. Short-Term Borrowings | | | 5225 | 4232 | 4078 | 4159 | 1986 | 2087 | - |
| | g. Balance in Current account | | | 3 | 15 | 9 | 5 | 31 | 8 | 4 |
| 9 | Dividend paid/ declared for the year, excluding Dividend Tax | Rs. crore | | 25 | - | - | - | - | - | - |

Note:

As per earlier provisional figures, *: 4295, #: 4353 and @: 125.45

Part-B (Trend Analysis)

| Sl. No. | Financial Performance Criteria | Unit | Target v/s Actual | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | |
|---------|---|------------|-------------------|---------|---------|---------|---------|---------|--------------------|--------------|
| | | | | | | | | | Actual upto Sep-19 | Est./ Actual |
| 1 | Installed Capacity in respect of Saleable Steel | Mt | | 5.27 | 4.81 | 4.97 | 5.57 | 5.71 | 2.86 | 5.71 |
| 2 | Capacity Utilisation in respect of Saleable Steel | Mt | Actual | 3.02 | 3.51 | 3.85 | 4.50 | 5.00 | 2.28 | 4.45 |
| | | | MoU | 4.15 | 4.00 | 4.32 | 4.80 | 5.50 | 2.60 | 5.80 |
| 3 | Contribution of Saleable Steel product in sales. | % | | 92 | 94 | 94 | 95 | 95 | 93 | 94 |
| 4 | New orders received during the year | Rs. crore | Actual | | | | | | | |
| | | | MoU | | | | | | | |
| 5 | Exports as a percentage of Revenue from operations | % | Actual | 4.04 | 4.13 | 8.77 | 12.17 | 6.92 | 9.34 | 9.63 |
| | | | MoU | 8.82 | 10.64 | 9.07 | 8.54 | 8.29 | 8.00 | 8.04 |
| 6 | Development or Revenue from new products or product with new features | | Actual | | | | | | | |
| | | | MoU | | | | | | | |
| 7 | Production efficiency parameter-Specific Water Consumption | cum/tCS | Actual | 2.78 | 2.63 | 2.50 | 2.40 | 2.32 | 2.30 | 2.27 |
| | | | MoU | 2.80 | 2.80 | - | - | 2.33 | 2.29 | 2.29 |
| 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 | Rs. crore | Actual | 1623 | 1492 | 1406 | 1584 | 1918 | 666 | 1416 |
| | | | MoU | 1535 | 1402 | 1350 | 1400 | 1400 | 668 | 1400 |
| 12 | CAPEX contracts/ projects running/ completed without time/ cost overrun to total value of CAPEX | % | Actual | - | - | 91 | 92 | 94 | 82 | 98 |
| | | | MoU | - | - | 90 | 90 | 90 | 90 | 90 |
| 13 | Inventory of finished goods and work in progress | Rs. crore | | 3130 | 1873 | 2344 | 2411 | 3369 | 4526 | 4055 |
| 14 | Inventory of finished goods and work in progress to RO(Net) | Days | Actual | 123 | 76 | 77 | 61 | 60 | 110 | 93 |
| | | | MoU | - | - | 66 | 63 | 42 | 58 | 45 |
| 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 | 1035 | 958 | 879 | 996 | 1130 | 687 | 611 |
| | | | MoU | 1555 | 1235 | 1100 | 912 | 1210 | 1500 | 1500 |
| 18 | Trade Receivables (Net) as number of days of Revenue from Operations (Gross) | No of Days | Actual | 36 | 34 | 26 | 25 | 20 | 17 | 14 |
| | | | MoU | - | - | 32 | 21 | 21 | 24 | 21 |

Part-B (Trend Analysis)...continued

| Sl. No | Financial Performance Criteria | Unit | Target | 2014 -15 | 2015 -16 | 2016 -17 | 2017 -18 | 2018 -19 | 2019-20 | |
|--------|--|-----------|---------------|-------------|-------------|-------------|-------------|-------------|--------------------------|------------------|
| | | | v/s Actual | | | | | | Actual upto Sep-19 | Est. / Actual |
| 19 | Claims against the Company not acknowledged as debt raised by: | | | | | | | | | |
| | Central Government Departments | Rs. crore | | 407 | 423 | 438 | 429 | 392 | 402 | 355 |
| | State Governments/ Local Authorities | | | 2112 | 1387 | 1440 | 1525 | 1608 | 1668 | 1716 |
| | CPSEs | | | 75 | 79 | 6 | 2 | 61 | 61 | 89 |
| | Others | | | 1020 | 979 | 1084 | 1068 | 1225 | 1271 | 1004 |
| | Total | | Actual | 3614 | 2869 | 2968 | 3023 | 3285 | 3402 | 3164 |
| | | 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 | BF Coke Rate | kg/tHM | Actual | 543 | 543 | 490 | 459 | 460 | 432 | 417 |
| 26 | BF Productivity | t/cum/day | Actual | 1.28 | 1.45 | 1.87* | 1.78* | 1.61 | 1.72 | 1.74 |
| 27 | Production of Dolomite in the subsidiary i.e. Bisra Stone Lime Company Limited | Lakh t | Actual | 1.05 | 4.82 | 4.76 | 5.67 | 5.34 | 2.74 | 5.66 |

*Under 2 BF operation

Appendix-1

Brief about the Sector in which the CPSE is operating and national and international environment, regulatory environment/ benchmarks etc.

As per World Steel Association forecast – SRO October 2019, steel demand in China is expected to grow by 7.8% & 1.0% and the rest of the world is expected to record a growth of 0.2% & 2.5% in 2019 and 2020 respectively. The growth is driven by 4.1% growth in the emerging and developing economies excluding China. Chinese steel demand is showing high growth in 2019 owing to a strong real estate sector, but forecasted to slow down in 2020. In India, in 2020 active infrastructure investment is expected to drive construction and also automotive industry is expected to pick up. Demand growth in India is projected as 7% for 2020.

RINL operates exclusively in Long products segment with major share (>82%) of products belonging to Bars & Rods category, where more than 68% of market share is occupied by secondary players.

Prices of long products in the country witnessed steel fall during the period Apr'19 to Oct'19 – e.g. prices of rebar 25 mm (Mumbai) fell by 14% from a level of Rs 46,709/t in Apr'19 to Rs 42,110/t in Oct'19. During the same period there has been a 4% increase in prices of iron ore. Prices of imported hard coking coal hovered at a very high level - around \$ 200/t during the first four months of 2019-20, before softening in the next three months.

Even with improved demand conditions, long product segment prices are not expected to go up any further due to strong competition from secondary sector in India with surplus capacities.

Appendix-2**Number and Name of subsidiary companies along with amount invested and share in its profit during last five years.****Eastern Investments Limited**

Based on Consolidated P&L of M/S EIL:

| Year | Name of Subsidiary | Amount Invested Cumulative (Rs Crores)* | Total Share (Rs Cr) |
|---------|---------------------------------|---|---------------------|
| 2014-15 | M/s Eastern Investments Limited | 361.02 | -11.37 |
| 2015-16 | M/s Eastern Investments Limited | 361.02 | -2.77 |
| 2016-17 | M/s Eastern Investments Limited | 361.02 | -5.27 |
| 2017-18 | M/s Eastern Investments Limited | 361.02 | -134.74 |
| 2018-19 | M/s Eastern Investments Limited | 361.02 | -244.75 |

* Rs 361.02 Crores was invested by RINL in M/s Eastern Investments limited during FY 2010-11

Appendix-3**Number and Name of Joint Venture companies along with amount invested and share in its profit during last five years****1. M/s International Coal Ventures PRIVATE LIMITED**

| Year | Name of Joint venture | Amount Invested Cumulative (Rs .Cr) | Share in Profits (Rs. Cr) |
|---------|---|-------------------------------------|---------------------------|
| 2014-15 | International Coal Ventures PRIVATE LIMITED | 240.56 | -61.82 |
| 2015-16 | International Coal Ventures PRIVATE LIMITED | 336.36 | -201.94 |
| 2016-17 | International Coal Ventures PRIVATE LIMITED | 376.36 | -17.83 |
| 2017-18 | International Coal Ventures PRIVATE LIMITED | 376.36 | 5.64 |
| 2018-19 | International Coal Ventures PRIVATE LIMITED | 376.36 | -30.26 |

2. M/s RINMOIL FERRO ALLOYS PRIVATE LIMITED

| Year | Name of Joint venture | Amount Invested Cumulative (Rs .Cr) | Share in Profits (Rs. Cr)# |
|---------|--------------------------------------|-------------------------------------|----------------------------|
| 2014-15 | RINMOIL FERRO ALLOYS PRIVATE LIMITED | 0.10 | 0.00 |
| 2015-16 | RINMOIL FERRO ALLOYS PRIVATE LIMITED | 0.10 | 0.00 |
| 2016-17 | RINMOIL FERRO ALLOYS PRIVATE LIMITED | 0.10 | -0.03 |
| 2017-18 | RINMOIL FERRO ALLOYS PRIVATE LIMITED | 0.10 | -0.01 |
| 2018-19 | RINMOIL FERRO ALLOYS PRIVATE LIMITED | 0.10 | -0.01 |

3. M/s RINL POWERGRID TLT PRIVATE LIMITED (RPTPL)

| Year | Name of Joint venture | Amount Invested Cumulative (Rs .Cr) | Share in Profits (Rs. Cr)# |
|---------|------------------------------------|-------------------------------------|----------------------------|
| 2014-15 | RINL POWERGRID TLT PRIVATE LIMITED | 0.00 | 0.00 |
| 2015-16 | RINL POWERGRID TLT PRIVATE LIMITED | 0.10 | 0.00 |
| 2016-17 | RINL POWERGRID TLT PRIVATE LIMITED | 3.40 | 0.00 |
| 2017-18 | RINL POWERGRID TLT PRIVATE LIMITED | 4.00 | -0.01 |
| 2018-19 | RINL POWERGRID TLT PRIVATE LIMITED | 4.00 | -0.02 |

Consolidated Joint Ventures

| Year | Name of Joint venture | Amount Invested Cumulative (Rs .Cr) | Total Share (Rs. Cr)# |
|---------|---------------------------|-------------------------------------|-----------------------|
| 2014-15 | M/S ICVL, RINMOIL & RPTPL | 240.66 | -61.82 |
| 2015-16 | M/S ICVL, RINMOIL & RPTPL | 336.56 | -201.94 |
| 2016-17 | M/S ICVL, RINMOIL & RPTPL | 379.86 | -17.86 |
| 2017-18 | M/S ICVL, RINMOIL & RPTPL | 380.46 | 5.61 |
| 2018-19 | M/S ICVL, RINMOIL & RPTPL | 380.46 | -30.28 |

RINMOIL & RPTPL have not started commercial operations