



MEMORANDUM OF UNDERSTANDING

Between

NMDC LIMITED

and

**MINISTRY OF STEEL,
GOVERNMENT OF INDIA**

for

2014-2015

NMDC LIMITED
HYDERABAD : (A.P.)
MARCH, 2014

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I. VISION/MISSION AND OBJECTIVES

1. Vision

To emerge as a global Environment friendly Mining Organisation and also as a quality Steel producer with a positive thrust on Social Development.

Mission

To maintain its leadership as the largest iron ore producer in India, while establishing itself as a quality steel producer and expanding business by acquiring and operating various iron ore, coal and other mineral assets in India and abroad, rendering optimum satisfaction to all its stake holders.

2. Objectives

2.1 Macro Objectives

2.1.1. To expand the operations in the areas of Mining and Mineral Processing to meet the growing demands from domestic and international Markets.

2.1.2 Achieve international standards in per capita productivity, value addition and cost effectiveness.

2.1.3 To increase the production of Iron Ore from the present level of around 27 Million Tonnes to 52.5 Million Tonnes by 2020

2.1.4 Setting up of Steel Plant at Nagarnar.

2.2 Micro Objectives

2.2.1 Achieve growth by:

(a) Expansion of existing mines

(b) Operating new mines fully owned by NMDC or in Joint Venture.

2.2.2 Give thrust to exploration and exploitation of coal, gold and other minerals.

2.2.3 To maintain environment protection.

2.2.4 To conserve mineral resources through scientific mining.

2.2.5 To maintain high level of customer satisfaction.

2.2.6 To improve the quality of life of people in general and socio economic environment in and around the mines in particular.

II. EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

All the powers which are admissible to a Navratna MOU signing company are already available to the Company.

In addition to above, any other delegation of powers needed will be taken up separately by NMDC with Ministry of Steel.

III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS **2014-15**


In fulfillment of its obligations under the MOU, NMDC undertakes to achieve certain levels of performance for the year 2014-2015. The performance will be evaluated using the criteria listed at Annexure 1, 1A, 1B, 1C, 1D to this chapter. The weights to be attached to each criterion and the criterion values corresponding to different performance ratings are also given therein.

NMDC LIMITED

III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2014-15

Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
1.	STATIC FINANCIAL PARAMETERS								
1.1	Mandatory Parameters								
1.1.1	<u>Growth/Size/Activity</u>								
1.1.1	Sales Turnover excluding interest and other income	Rs.Cr.	9	12927	12124	11518	10953	10387	Annual Report
1.1.2	Gross Operating Margin rate	%	15	79	77	75	73	71	Annual Report
1.2	<u>Profitability</u>								
1.2.1	PAT/Net Worth	%	6	19.76	18.69	17.29	16.18	15.07	Annual Report
1.2.2	EBIT/Average Capital Employed	%	6	41.6	39.2	36.1	33.6	31.2	Annual Report
1.3	<u>Costs and Output Efficiency</u>								
1.3.1	PAT per Employee	Rs. Lakhs	8	111.05	103.62	94.23	87.07	80.00	Annual Report
1.4	Optional Parameters								
1.4.1	<u>Efficiency of Asset Use</u>								
1.4.1	Average No. of days of Inventory	No. of days	6	50.00	55.00	60.00	65.00	70.00	Annual Report
	Sub Total		50						

Note: Task Force approved the average price(NSR) of Rs 3964/- per tonne of iron ore sold for calculating the target for sales turnover excluding interest and other income. It was also decided that in case of fluctuation in NSR by more than (+)/(-) 2%, the financial parameters/targets will accordingly undergo change.

MoU 2014-15
Approved by DPE/TF
Signed 

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1. Negative Marking for Non-Compliance of Corporate Governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O.M. No.18(8)/2005-GM Dated 14th May 2010. Listed CPSEs will follow both SEBI Guidelines and DPE guidelines while non-listed CPSEs would require to mandatorily follow the DPE Guidelines on Corporate Governance. In the MoU for 2014-15, "Compliance of Corporate Governance" will not be a parameter, however, for non-compliance, negative marking will be imposed and MoU Score will be increased in the following manner:

Sl.	Annual Score	Grading	Penalty Marks	Difference in Score from 'Excellent' Grade
01	85% and above	Excellent	0	0.00
02	75% - 84%	Very Good	0	0.00
03	60% - 74%	Good	0.5	0.02
04	50% - 59%	Fair	0.5	0.02
05	Below 50%	Poor	1.0	0.04

If a CPSE fails to submit the Self-evaluation report of Corporate Governance through Administrative Ministry, its score will be inflated accordingly.

2. Negative Marking for Non-Compliance of other Guideline/Regulations

a) Procurement from MSME


CPSEs will have to follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O.No. 21(1)/2011-M.A. dated April 25, 2012, and non-compliance with the aforesaid order will be penalized upto 1 mark at the discretion of Task Force at the time of MoU Evaluation.

b) Non -Compliance of DPE Guidelines

CPSEs have to give a certificate regarding implementation of Guidelines issued by DPE within prescribed timelines and format specified through its administrative ministry as per details in OM No. DPE/14(38)/10-Fin Dated 28th June 2011. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation.

c) Other Non-Compliance

Non-compliance of any directives of government including submission of data for Public Enterprises (PE) survey, MOSPI data updation on their website etc. and non-compliance of requirements of regulators in serious cases may be penalized upto 1 mark depending on the degree and seriousness of non-compliance. CPSE have to give a certificate regarding compliance of directives of Government and requirement of regulators

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III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2014-15 (Contd..)

Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
2	<u>DYNAMIC PARAMETERS</u>								
2.1	<u>Corporate Social Responsibility & Sustainability</u>		3		Details as per Annexure-1A				
2.2	<u>Research & Development</u>		2		Details as per Annexure-1B				
2.3	<u>Initiatives for Growth</u>								
2.3.1	Production of Iron ore	LWMT	3	310	290	276	262	249	Annual Report
2.3.2	Sale of Iron ore	LWMT	3	320	300	285	271	257	Annual Report
2.4	<u>Project Management & Implementation</u>								
2.4.1	Projects to be completed during the year:		2	30.09.14	30.11.14	31.01.15	28.02.15	31.03.15	Letter of Pellet Plant Incharge
2.4.1.1	Commissioning of Pellet Plant at Donimalai.								
2.4.2	Milestones to be reached for new/on-going projects that can not be completed during the year:		12		Details as per Annexure-1C				
2.5	<u>Productivity and Internal Processes</u>								
2.5.1	Output Per Manshift (OMS)	Tonnes	5	30.00	28.50	27.08	25.72	24.44	Annual Report
2.5.2	Customer Satisfaction	%	1	96	95	90	86	82	Customer feedback reports certified by outsiders.
2.6	<u>Technology, Quality, Innovative Practices</u>								
2.6.1	Quality Management:								
2.6.1.2	No. of NCs cleared against the generation in implementation of ISO standards at Iron ore Projects.	%	3	90	85	80	75	70	Compiled report of M.R. of the projects.

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III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2014-15 (Contd..)

Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
2.6.2	Safety Management:								
2.6.2.1	Mine Hazards - loss of man-days	MDL / 1000 MDW	2	1.35	1.50	1.75	2.00	2.25	Directors report in Annual Report
2.7	<u>Human Resource Management</u>		8	Details as per Annexure-1D					
	Sub Total		44.0						
3.0	SPECIFIC PARAMETERS								
3.1	<u>Enterprise Specific/Sector Specific</u>								
3.1.2	Quality - Compliance with specifications	%	1	98	97	94	92	90	Certificate of Independent external Agency
3.1.3	Energy Consumption - Iron Ore	KWH/ T of T.Excvn.	2	1.75	1.84	1.93	2.03	2.13	Energy consumption statements(Monthly)
3.1.4	Pollution Control Measures -								
(i)	Compliance with the National Ambient Air Quality Standards -Air	%	1	98	96	90	85	80	Report of external agency
(ii)	Effluent Treatment Plant - Compliance with Water quality discharge standards	%	1.5	98	96	90	85	80	Report of external agency
3.1.5	Closure of CAG Audit para No.14.1 Report No.13 of 2013 for idle investment of Rs 65.55 cr.(Wind Mill at Karnataka)	Date	0.5	31.03.15	-	-	-	-	
	Sub Total		6.0						
	GRAND TOTAL		100						

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PERFORMANCE PARAMETERS 2014-15
CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

Sl.No	Performance Indicator	Criterion	Unit	Weightage	Criterion Value				Documentary Evidence	
					Excell.	Very Good	Good	Fair		Poor
1	SD Project- Water Management: Secondary waste water treatment at Bachel, Bailadila for recycling of treated water.	Balance 40% of the erection and commissioning works of STP	Date	1.5	31.03.15	-	-	-	-	Certificate of Civil Head of the Project
2	CSR Project: Shiksha Sahayog Yojana	Coverage of students from Bastar region comprising of 7 districts of South Bastar, Dantewada, Bijapur, Sukma, Bastar, Kondagaon, Narayanpur and North Bastar Kanker	No. of students	1.5	10000	9500	9000	8500	8000	Details of Students
		Total		3						

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PERFORMANCE PARAMETERS 2014-15
RESEARCH & DEVELOPMENT CENTRE

Sl. No.	Criteria	Unit	Weightage	Criterion value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
1	Feasibility of filtration of tailings generated from iron ore processing & associated issues related to their transportation and stacking: Phase-2	Study	1	31.12.14	31.01.15	28.02.15	23.03.15	31.03.15	Certificate of external agency/ Research Advisory Committee
2	Utilization of Dolo-char waste in iron ore sintering processes to partially replace coke.	Study	1	31.12.14	31.01.15	28.02.15	23.03.15	31.03.15	Certificate of external agency/ Research Advisory Committee
	Total		2						

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PERFORMANCE PARAMETERS 2014-15
PROJECT MANAGEMENT & IMPLEMENTATION

Sl. No.	Milestone	Wei- gh- tage	Criterion Value					Documentary evidence and source / origin of documents
			1 Excellent	2 Very Good	3 Good	4 Fair	5 Poor	
1	3 MTPA Steel Plant, Nagarnar:							
1.1	90% Completion of Detailed Engineering in respect of Thin Slab Caster and Hot Strip Mill.	1.00	30.09.14	30.11.14	31.01.15	28.02.15	31.03.15	Letter of Consultant (MECON)
1.2	90% Completion of Basic Engineering in respect of Lime & Dolomite Plant.	1.00	30.06.14	30.09.14	31.12.14	28.02.15	31.03.15	Letter of Consultant (MECON)
1.3	Blast Furnace - Completion of Blast Furnace shell erection.	1.00	30.11.14	31.01.15	28.02.15	15.03.15	31.03.15	Letter of Consultant (MECON)
1.4	<u>Issue of LAC w.r.t. the following packages:</u>							
1.4.1	Main Receiving Sub-station (MRS)	0.50	30.06.14	30.09.14	31.12.14	28.02.15	31.03.15	Certificate of Steel Plant ED/GM
1.4.2	Inter Plant Pipeline	0.50	30.06.14	30.09.14	31.12.14	28.02.15	31.03.15	Certificate of Steel Plant ED/GM
1.4.3	Turbo Blower	0.50	30.06.14	30.09.14	31.12.14	28.02.15	31.03.15	Certificate of Steel Plant ED/GM
1.4.4	Permanent Water	0.50	30.06.14	30.09.14	31.12.14	28.02.15	31.03.15	Certificate of Steel Plant ED/GM
2	Kumaraswamy Iron Ore Project: Commissioning of Downhill Conveyor Belt System	2.00	31.12.14	28.02.15	15.03.15	22.03.15	31.03.15	Letter of Kumaraswamy Incharge
3	Commissioning of Bailadila Iron Ore Project, Deposit-11B	2.00	31.08.14	30.11.14	31.01.15	28.02.15	31.03.15	Letter of Deposit-11B Incharge
4	Capital Expenditure (Rs. Cr.)	3.00	4345	4128	3921	3725	3539	Expenditure Statement
	Total	12.00						

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PERFORMANCE PARAMETERS 2014-15
HUMAN RESOURCE MANAGEMENT

SL.	HRM PERFORMANCE INDICATOR	Weightage
1	<p>Assessment centre for gradation of employees for succession planning</p> <ul style="list-style-type: none"> • Award of work to external consultant by 30.09.14 for Excellent, 31.10.14 for V.Good, 30.11.14 for Good, 31.12.14 for Fair and 31.01.15 for Poor. • 50% of GMs and EDs who have minimum 3 years left over service to be covered in 2014-15 • 50% of JGMs who have minimum 5 years left over service to be covered 	0.5 0.5 0.5
2	<p>Training of Employees</p> <ul style="list-style-type: none"> • Training for 50% of the Functional Directors, Independent Directors, EDs and GMs on "Leadership" and "Strategy & Risk Management" • Employees trained as % of total employees (35% for Excellent/30% for Very Good/27.5% for Good/25% for fair and 22.5% for poor) • Training mandays per employee per year (3.1 for Excellent/3.0 for Very Good/2.8 for Good/2.7 for fair and 2.6 for poor) • Workers skill development for multi skilling/Skill Up-gradation (150 for Excellent/140 for Very Good/130 for Good/120 for fair and 110 for poor) 	0.5 0.5 0.5 0.5
3	<p>Quality Circle projects completed during the year</p> <ul style="list-style-type: none"> • 15 nos. for Excellent, 13 for V.Good, 11 for Good, 9 for Fair and 7 for Poor 	0.5
4	<p>Motivation to employees</p> <ul style="list-style-type: none"> • Award of work for Employee Satisfaction & Organisation Climate Survey by 30.09.14 for Excellent, 31.10.14 for V.Good, 30.11.14 for Good, 31.12.14 for fair and 31.01.15 for poor. • Draft report by 31.03.15 for assessing level of motivation of employees and suggesting ways for improvement. 	0.5 0.5
5	<p>Development of Service Charter for welfare of employees</p> <ul style="list-style-type: none"> • Committee comprising Director (Finance), Director (Personnel), One Management Representative and One Workmen Representative to be constituted. • Meetings: The above committee should hold one meeting in every two months and One meeting is to be conducted once in six months at CMD's level. 	0.5 0.5
6	<p>Talent Management/Change Management</p> <ul style="list-style-type: none"> • Award of work to external consultant by 30.09.14 for excellent 31.10.14 for V.Good, 30.11.14 for Good, 31.12.14 for fair and 31.01.15 for poor. • Draft Report by 31.03.15 	0.5 0.5
7	<p>Image Building</p> <ul style="list-style-type: none"> • Appointment of outside expert consultant to improve image. Award of work by 30.09.14 for excellent, 31.10.14 for V.Good, 30.11.14 for Good, 31.12.14 for Fair and 31.01.15 for Poor. • Draft Report by 31.01.15 for Excellent, 15.02.15 for V.Good, 28.02.15 for Good, 15.03.15 Fair, and 31.03.15 for Poor 	0.5 0.5
	Total	8.0

MoU 2014-15
Approved by DPE/TF
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IV. FACILITATION /ASSISTANCE FROM THE GOVERNMENT

NMDC has made the commitment of Performance Evaluation Targets based on certain assumptions in respect of infrastructural facilities and support from external agencies like Railways, Ports, etc., whose cooperation has a direct bearing on the performance of NMDC committed in this MOU. NMDC shall make every effort to regularly coordinate with these agencies. However, Ministry of Steel may assist NMDC as and when required in the following aspects to improve NMDC's performance: -

1. Rake Supply:
Rakes are indented by the Projects of NMDC on day to day basis both at Bailadila Sector and Donimalai sector in line with the targets set for the projects. NMDC expects the supply of rakes both on KK-line for Bailadila Sector and at Ranjitpura for Donimalai sector as per the indents raised. Any short supply of rakes in both the sectors shall adversely affect the dispatches/sales which in turn effect the production as well as profits of NMDC.
2. Law & Order issue:
In view of extremist activities, evacuation of ore and consequently production of ore from Bailadila sector is getting severely affected, thus halting the growth of the company, besides hardship of the employees. Intervention at appropriate level in this regard is required for growth of the company for fruitful contribution to the growth of the Nation.
3. Central/State Departments Clearances
Speedy Forest / Environmental Clearances and leases for Projects under construction / Planning will help NMDC to implement New Projects without Time / Cost over runs. Assistance of Ministry shall be sought as and when required for expediting the pending matters about leases / clearances to take up with the State Govt. / MOEF etc.,
4. Issues with Railways
Assistance from the Ministry of Steel is sought for taking up:
 - i) The issue of removing inflated mileage being charged presently at 20% level for Iron Ore movement from Bailadila to Visakhapatnam.
 - ii) Presently Railway has classified Iron ore for export in class 180, but the Distance Based Surcharge of 25% on basic freight and additional charge levied has made export freight approx. Rs.1600 more than the domestic freight. The additional charge and DBS levied on export may be removed.
 - iii) Removal/Reduction of export duty on iron ore which is presently 30%.
5. Timely action on filling up positioning of Non-official Directors on the Board of NMDC.
6. Any other assistance as and when required.

V. ACTION PLAN FOR IMPLEMENTATION AND MONITORING
OF THE MOU

1. Performance Evaluation against MOU parameters shall be carried out every month and monitored by the functional Directors and CMD.
2. The performance evaluation shall be submitted to the Board on quarterly basis during the Board meetings for information.
3. The Joint review by NMDC and Ministry of Steel shall be carried out at the end of each quarter in the Quarterly Performance Review Meetings.


25/3/14

(C.S. Verma)
Chairman-cum-Managing Director
NMDC Limited
Hyderabad


25/3

(G. Mohan Kumar)
Secretary
Ministry of Steel
Government of India
New Delhi

New Delhi

Date: 25/3/14

VI. GLOSSARY OF TERMS

Production - Iron Ore

Quantity of total lumps, CLO and fines/slimes produced from the run of mine ore expressed in wet metric tonnes.

Sales - Iron Ore

Quantity of Iron Ore Sold/Shipped F.O.R./F.O.T basis for Domestic customers & F.O.B. basis for Exports.

Mine Hazards – loss of mandays

Actual Man-days lost during the year due to accidents in the Mines (3 iron ore and one diamond mine) per 1000 man-days worked.

OMS

Total Excavation in all Iron Ore Mines *divided by* the total No. of employees working in production related departments in these Mines.

Customer Satisfaction

The customer feed-back shall be obtained from at least two customers from each Iron Ore mines at the end of 3rd Quarter of the year and consolidated evaluation shall be taken into account.

Quality

The compliance of quality specifications in respect of the quantities supplied for three domestic buyers from Bailadila Sector and two domestic buyers from Donimalai Sector shall be considered. The quality analysis made at the loading yard at Projects shall be taken for evaluation. Quantity sold through e-auction will be excluded.

Energy Consumption

Industrial Electrical Energy Consumption of all three Iron Ore Mines (Bld-14/11C, Bld-5/10&11A & DIOM) in KWH per ton of excavation.

Pollution Control

Number of samples meeting the quality specifications prescribed by Central Pollution Control Boards (CPCB) / State Pollution Control Boards (SPCB) as a percentage of total number of samples.

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 2014-15. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per MoU Guidelines. CPSE has no right of claim in this regard.



Authorised Signatory

डी.एस.आर.शास्त्री/D.S.R. SASTRY
महाप्रबंधक (वित्त)
General Manager (Finance)
एन एम डी सी लि., हैदराबाद.
NMDC LTD, Hyderabad.