

**MEMORANDUM
OF
UNDERSTANDING
FOR
2012-2013**

Between



MECON LIMITED

AND

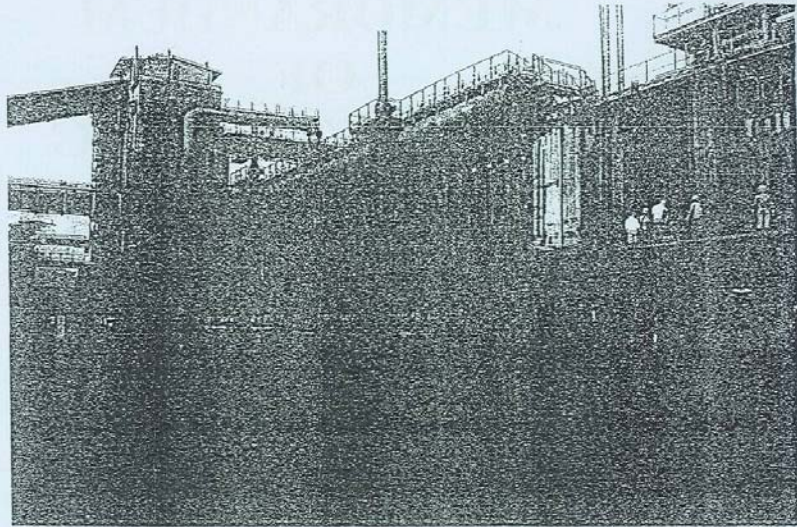


**MINISTRY OF STEEL
GOVERNMENT OF INDIA**

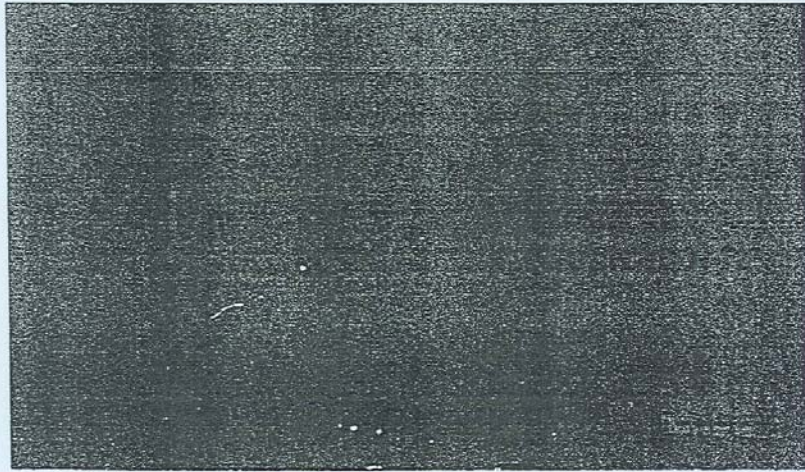


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MECON LIMITED

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COKE OVEN BATTERY # 1, BOKARO STEEL PLANT



BLAST FURNACE AT ISP, BURNPUR



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MEMORANDUM OF UNDERSTANDING
BETWEEN
MECON LIMITED
AND
MINISTRY OF STEEL, GOVERNMENT OF INDIA
FOR 2012-2013

PART – I

1. COMPANY MISSION AND OBJECTIVES

1.1 VISION

To strive to be a leading engineering, design and consultancy organization with global presence.

1.2 MISSION

To function as an internationally recognized centre of excellence for providing reliable & quality engineering services in the field of

- a) technical consultancy - design and engineering with focus on metal sector,
- b) design and supply of plant, equipment and systems with focus on metal sector,
- c) implementation of new industrial ventures from concept to commissioning,
- d) up-gradation & expansion of existing plants and infrastructure facilities

1.3 OBJECTIVES

1.3.1 To provide appropriate State-of-the-Art technology and quality services to customers / clients.

1.3.2 To ensure sustainable growth of the company and maximize gross margin / profitability.

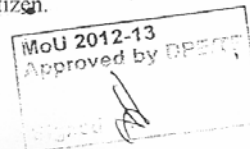
1.3.3 To broaden the business operations in diversified areas with suitable technology tie-up with world leaders.

1.3.4 To implement and maintain Total Quality Management (TQM) in all spheres of Company operations, firmly based on reliable information management system

1.3.5 To foster and sustain a competent and highly responsive workforce with adequate domain expertise.

1.3.6 To ensure compliance of environmental, health and safety norms in all projects engineered by the company.

1.3.7 To fulfill the social objectives as a responsible corporate citizen.





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ANNEXURE-IV

PART - II
TARGET & EVALUATION CRITERIA (MOU FOR 2012-13)

2.1 STATIC FINANCIAL PARAMETERS (50 Marks)

SL No.	PERFORMANCE CRITERIA	WTG %	UNIT	TARGET 2012-13	FIVE POINT PERFORMANCE RATING				
					EXCL	V.GOOD	GOOD	FAIR	POOR
1	Gross Margin / Gross Sales	10	%	15.69	16.94	16.92	15.69	15.25	14.61
2	Operating Turnover / Total Employment	12	Rs.Lakhs	23.00	25.36	24.15	23.00	21.90	20.85
3	Gross Margin	8	Rs. Crores	102.00	133.00	121.00	102.00	93.00	84.00
4	Gross Sales	4	Rs. Crores	650.00	785.00	715.00	650.00	610.00	575.00
5	PBDIT / Total Employment	7	Rs.Lakhs	5.60	7.31	6.65	5.60	5.11	4.62
6	Added Value / Sales	9	%	10.39	12.34	11.96	10.39	9.68	8.80

2.2 DYNAMIC PARAMETERS (27 Marks)

1	Human Resource Development	5		Refer Annexure-A & XIV
2	Research & Development	5		As per Annexure-XII
3	Sustainable Development	5		As per Annexure-XIII
4	Project Monitoring & Implementation	12	Nos.	As per Annexure-IV A

2.3 SECTOR SPECIFIC PARAMETERS (8 Marks)

1	New Order Booking during 2012-13	5							
	a) PSU / Govt	2	Rs. Crores	345	380	360	345	330	310
	b) Private	2	Rs. Crores	185	205	195	185	175	165
	c) Foreign	1	Rs. Crores	5	5	5	5	4	3
	Total		Rs. Crores	535	590	560	535	509	478
2	Reduction in Sundry Debtors more than six months	3	%	30.00	40.00	35.00	30.00	25.00	20.00

2.4 ENTERPRISE SPECIFIC PARAMETERS (15 Marks)

1	Corporate Governance - Compliance of Corporate Governance guidelines	5	%	60 to 74	85 and above	75 to 84	60 to 74	50 to 59	Below 50
2	Compliance of DPE's guidelines	5	Compliance						
	i) Reservation for SC,ST and OBC in appointment	1							
	ii) Posting of deputationists	0.5							
	iii) Implementation of 2007 Pay revision	1							
	iv) Switching over from CDA to IDA pattern of pay scale	1							
	v) To submit proposal to Ministry for listing of the company	1							
	vi) Submission of data/prescribed Reports to DPE as per DPE's guidelines	0.5							
3	Corporate Social Responsibility- Expenditure on Projects as per CSR Policy approved by Board of Directors (refer Annexure-XI)	5	Rs. Crores	2.00	2.20	2.10	2.00	1.90	1.80



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PROJECT MONITORING & IMPLEMENTATION

ANNEXURE-IV A

Wino	Widesc	Client Name	Fees (Rs. In Cr.)	Estimated Progress % as on March 2012	Incremental progress % 2012-13 (Milestone)	Scheduled Cost (Rs. In Cr.)	Schedulad Turnover 2013 (Rs. In Cr.)		
							Schedulad Excellent	Very Good	Good
9101	MODERNISATION AND EXPANSION OF BHILAI STEEL PLANT TO 7.0 MTPA	BHILAI STEEL PLANT	403.09	53.00	12.00	26.00	43.00	41.00	39.00
Q6QZ	Detailed engineering & consultancy services for 3.0MTPA greenfield Integrated Steel Plant at Nagarnar	NMDC LIMITED	351.05	32.00	20.00	38.00	63.00	60.00	57.00
Q6X8	PMC Services for 3.0 MTPA ISP at Nagarnar, Chhattisgarh	NMDC LIMITED	244.00	2.00	18.00	24.00	39.50	37.50	35.50
9103	EXPANSION OF ROURKELA STEEL PLANT	ROURKELA STEEL PLANT	185.92	80.00	14.00	14.00	23.00	22.00	21.00
E24F	Detailed Engineering & Consultancy Services for Expansion of BSL to 7.0 MT	BOKARO STEEL LIMITED	129.79	80.00	14.00	10.00	16.00	15.00	14.00
9172	Modernisation & Expansion of Durgapur Steel Plant (DSP), Durgapur	DURGAPUR STEEL PLANT	86.63	62.50	7.00	12.00	19.50	18.50	17.50
Q6P9	Providing DEC for Stage-II Expansion from 3.0 to 6.0 MTPA Meramandali ISP Orissa	BHUSHAN STEEL LIMITED	80.00	80.00	8.00	3.50	5.50	5.00	4.50
Q6HD	JSL-Duburi, 0.8 MTPA DEC	JINDAL STAINLESS LIMITED	40.70	75.50	24.50	8.00	13.00	12.00	11.00
G23K + others	DETAILED PROJECT EXECUTION REPORT FOR EXPANSION & DEC FOR BENEFICIATION PLANT OF GUA MINES / Meghatapur + others	SAIL (RMD) KOLKATA	151.00	10.66	11.50	10.00	16.00	15.00	14.00
A22P	Installation of 7 m tall Coke Oven Battery No.6	ROURKELA STEEL PLANT	364.04	70.95	19	56.00	69.00	65.00	61.00
E24G	Rebuilding of Coke Oven Battery No.1&2	BOKARO STEEL LIMITED	235.13	92.51	5.00	10.00	11.50	10.50	9.50
123D / 123E	Benzol Recovery and Distillation Plant (Phase II) - Design, engineering and supply / Civil work, erection, testing and commissioning	VISAKHAPATNAM STEEL PLANT (RINL)	98.30	20.01	69.5	45.00	68.00	65.00	62.00
TOTAL						256.50	387.00	366.50	346.00

** As per requirement, the above 12 projects are the highest value jobs(turnover from these jobs may not constitute 70% of total expected turnover)

** MECON is handling a number of other projects which shall contribute to the total expected turnover as per MoU

MoU 2012-13
Approved by DPE/TF
Signed



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PART - III

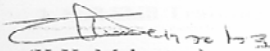
COMMITMENT / GOVERNMENT'S ASSISTANCE

- Actively assist MECON, in its effort to take up the issues with concerned Government and PSU clients in recovering outstanding and unpaid dues.
- Provide necessary guidance and assist MECON in taking up issues, wherever applicable in facilitating award of engineering, consultancy and project management jobs.

PART - IV

FREQUENCY PLAN OF MONITORING THE MOU

- Monthly monitoring by the Management.
- Quarterly monitoring by the Board of Directors
- Half yearly monitoring by the Administrative Ministry
- Annual monitoring by the Department of Public Enterprises


(K.K. Mehrotra)

CHAIRMAN-CUM-MANAGING DIRECTOR
MECON LIMITED



(P K Misra)
SECRETARY, GOVERNMENT OF INDIA
MINISTRY OF STEEL



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ANNEXURE-A

TRAINING PROGRAMME IN MECON FOR 2012-13

In today's knowledge-based business scenario, the competitiveness of the organizations cannot be better explained than its capability to treasure an ever growing and competent workforce. MECON, being an Engineering Consultancy and a confluence of various streams of engineering & other technical fields, needs a continuous endeavor to keep its knowledge domain abreast with the latest technology, software and skill. To keep our competitive edge intact, we provide the appropriate training to all our employees after the training need analysis through Competency Mapping System.

HRD strategy for the Financial Year 2012-13 shall be planned for imparting training under the following heads:

1. Technical Training

➤ **Technology Related :**

For providing employees with competence of the latest Technological Developments in core sectors in which the Company operates.

➤ **Skill Related :**

To continuously hone the design , engineering and Project Management skills so that the human resource is prepared to meet the challenges of competition both within the country and globally.

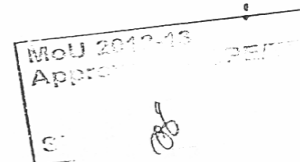
2. Soft Skill Training

➤ **Behavior Related :**

The programs under this category shall basically aim at imparting participation with appreciation of behavioral aspects while accomplishing their tasks.

➤ **Managerial Related :**

These programs mainly in the form of management development programs will be organized for executives promoted from supervisory levels to managerial levels (junior management, middle management and top management levels). The aim here shall be to develop future managers to lead the organization from the front.





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MECON LIMITED
TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Annexure-IX

Sl. No.	Particulars	Unit	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13
			MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected	Projected
(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(12)	(13)	(14)
1	Production		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2	Gross Sales	Rs.in Cr.	375.00	466.21	405.00	552.44	470.00	604.78	550.00	641.38	632.00	550.00	650.00
3	Gross Margin	Rs.in Cr.	36.60	32.37	26.96	35.90	39.00	84.35	55.00	102.70	81.00	64.67	102.00
4	Profit before tax	Rs.in Cr.	26.85	39.53	35.62	74.76	64.50	124.69	84.08	140.93	114.32	106.33	141.77
5	Gross Block	Rs.in Cr.	114.91	109.32	117.54	114.00	120.00	116.91	130.00	121.28	130.00	130.00	135.00
6	Less : Depreciation	Rs.in Cr.	40.31	37.59	46.52	40.65	47.09	44.16	48.55	48.11	52.46	52.11	56.11
7	Net Block	Rs.in Cr.	74.60	71.73	71.02	73.35	72.91	72.75	81.45	73.17	77.54	77.89	78.89
8	Share Capital	Rs.in Cr.	103.14	103.14	103.14	103.14	103.14	103.14	103.14	103.14	90.54	90.54	77.94
9	Reserves & Surplus (other than Revaluation Reserve)	Rs.in Cr.	-	-	-	-	10.81	67.70	100.84	147.32	152.41	223.73	
10	Less: DRE / Pre acquisition Loss	Rs.in Cr.	1.04	1.02	0.15	0.15	-	-	-	-	-	-	-
11	Less : Profit & Loss A/c	Rs.in Cr.	143.39	130.34	111.90	68.14	31.10	-	-	-	-	-	-
12	Net Worth	Rs.in Cr.	(41.29)	(28.22)	(8.91)	34.85	72.04	113.95	170.84	203.98	237.86	242.95	301.67
13	Investment	Rs.in Cr.	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.12	5.12	5.12	5.12

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Annexure-IX

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

(₹ in crores)

Sl. No.	Particulars	Unit	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13
			MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected	Projected
(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(12)	(13)	(14)
14	Sundry Debtors	Rs.in Cr.	90.00	91.28	120.00	142.71	150.00	163.14	183.33	214.68	210.67	183.33	216.67
15	Inventory	Rs.in Cr.	0.85	0.84	1.00	1.23	1.10	1.19	1.30	1.50	1.40	1.98	2.47
16	Total Current Assets	Rs.in Cr.	322.07	612.39	415.06	765.36	740.10	810.65	722.20	963.70	834.69	779.39	864.39
17	Total Current Liabilities & Provisions	Rs.in Cr.	246.87	522.04	320.89	621.81	627.36	631.51	539.48	725.23	616.30	546.28	598.80
18	Net Current Assets	Rs.in Cr.	75.20	90.35	94.17	143.55	112.74	179.14	182.72	238.47	218.39	233.11	265.59
19	Capital Employed (Net Block + Net Current assets)	Rs.in Cr.	149.80	162.08	165.19	216.90	185.65	251.89	264.17	311.64	295.93	311.00	344.48
20	Total Debt (Loan funds)	Rs.in Cr.	172.00	171.25	153.60	161.46	123.01	120.16	85.00	85.12	50.00	50.00	25.00
21	Total Assets	Rs.in Cr.	396.67	684.12	486.08	838.71	813.01	883.40	803.65	1,036.87	912.23	857.28	943.28
22	No of Employees	nos.	1,669	1,674	1,805	1,788	1,867	1,866	1,903	1,868	1,838	1,796	1,820
23	Dividend Paid	Rs.in Cr.	3.15	1.00	3.15	3.15	3.15	3.15	3.15	3.15	2.52	2.52	1.89
24	Add Value (Gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)	Rs.in Cr.	21.62	16.16	10.44	14.21	20.44	59.16	28.58	71.54	51.41	33.57	67.56



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TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Annexure-IX

(₹ in crores)

Sl. No.	Particulars	Unit	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13
			MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected	Projected
(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(12)	(13)	(14)
	Additional for "Trading & Consultancy Sector"												
41	i) Gross margin / Gross Sales		9.76	6.94	6.66	6.50	8.30	13.95	10.00	16.01	12.82	11.76	15.69
42	ii) Operating Turnover / Total no. of Employees	Rs in lakhs	11.48	17.77	12.32	19.77	14.50	17.39	16.00	23.50	21.43	21.80	23.00
43	Gross Margin - Profit before interest, depreciation, tax, including deferred tax, amortisation, prior period adjustment A/c & extra ordinary items - Rs in Crores	Rs.in Cr.	36.60	32.37	26.96	35.90	39.00	84.35	55.00	102.70	81.00	64.67	102.00
44	Net Profit after tax but before extra ordinary and prior period adjustment A/c	Rs.in Cr.	23.85	37.18	30.62	64.39	50.00	82.09	55.49	93.84	77.32	71.99	95.77
45	ADD VALUE (Rs in Crores)	Rs.in Cr.	21.62	16.16	10.44	14.21	20.44	59.16	28.58	71.54	51.41	33.57	67.56

Current business income and other income has not been considered as a part of a Gross Margin.



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Profit and Loss Account for the year 2012-13

(Rs. in Crores)

Particulars	2012-13
TURNOVER	650.00
Current Business Income	38.00
Other income	8.00
Accretion / (Decretion) to JIP	-
Provision no longer required written back	-
Sub-Total	46.00
INCOME (A)	696.00
Expenditure	
Payments to & prov. for employees	282.75
Social Amenities	10.50
Other expenses & Provisions	47.75
Payment to Sub-Contractors	180.00
Payment to Sub-Consultants	27.00
EXPENDITURE (B)	548.00
GROSS MARGIN (A)-(B)	148.00
GROSS MARGIN (exculding current business income and other income)	102.00
Less	
Prior Period Exp./ (Income)	-
Interest	2.23
Depreciation	4.00
DRE	-
Sub Total (C)	6.23
NET PROFIT BEFORE TAX	141.77
Provision for Taxation	46.00
NET PROFIT AFTER TAX	95.77



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Balance Sheet for 2011-12 (Projected)

(Rs. in Crores)

Particulars	Projected 2011-12
SOURCE OF FUNDS	
Shareholders' Funds	
- Equity	
- Preference Equity	40.14
- Reserves & Surplus	50.40
- Capital Redemption Reserve	
- Bond Redemption Reserve	12.60
- Revaluation Reserve	50.00
- General Reserve	23.17
- Profit & Loss A/c	7.10
	82.71
Loan Funds	266.12
- Secured Loans	
- Loan from Financial Institutions	
- Working Capital Borrowings	
- Unsecured Loans	
- Loan from Financial Institutions	
- Loan from Banks (VRS)	
- Non Convertible Bonds	
- Loan from GOI for Computers	50.00
- Interest on Loan from GOI	
	50.00
TOTAL	316.12
APPLICATION OF FUNDS	
Fixed Assets	
- Gross Block	
- Less : Depreciation	130.00
- Net Block	52.11
	77.89
Investments	5.12
Current Assets, Loans & Advances	
- Inventories	
- Job-in-Progress	1.98
- Sundry Debtors	5.08
- Cash & Bank Balances	183.33
- Other Current Assets	458.66
- Loans & Advances	61.30
	69.04
	779.39
Less : Current Liabilities & Provisions	
- Liabilities	
- Sundry Creditors (Trade)	
- Sundry Creditors (Others)	127.60
- Advances from clients	30.45
- Liquidated Damages Recovered	165.00
- Other Liabilities	6.00
	23.63
- Provisions	352.68
- Provision for Bonus	
- Provision for Gratuity	0.06
- Provision for Leave Encashment	14.00
- Other Employee Benefits	109.00
- Employee Defined Contribution	11.12
- Provision for Contingencies	56.46
- Provision for Preference Dividend	0.03
	2.93
	193.60
Total Current Liabilities & Provisions	546.28
Net Current Assets	233.11
TOTAL	316.12



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Profit and Loss Account for the year 2011-12

(Rs. in Crores)

Particulars	PROJ.
TURNOVER	550.00
Current Business Income	40.00
Other income	10.00
Accretion / (Decretion) to JIP	1.00
Provision no longer required written back	1.00
Sub-Total	52.00
INCOME (A)	602.00
Expenditure	
Payments to & prov. for employees	267.22
Social Amenities	10.61
Other expenses & Provisions	50.00
Payment to Sub-Contractors	140.00
Payment to Sub-Consultants	19.50
EXPENDITURE (B)	487.33
GROSS MARGIN (A)-(B)	114.67
GROSS MARGIN (exculding current business income and other income)	64.67
Less	
Prior Period Exp./ (Income)	0.98
Interest	3.36
Depreciation	4.00
DRE	-
Sub Total (C)	8.34
NET PROFIT BEFORE TAX	106.33
Provision for Taxation	35.32
NET PROFIT AFTER TAX	71.01



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Balance Sheet for 2011-12 (Projected)

(Rs. In Crores)

Particulars	Projected 2011-12
SOURCE OF FUNDS	
Shareholders' Funds	
- Equity	40.14
- Preference Equity	50.40
- Reserves & Surplus	
- Capital Redemption Reserve	12.60
- Bond Redemption Reserve	50.00
- Revaluation Reserve	23.17
- General Reserve	7.10
- Profit & Loss A/c	82.71
	266.12
Loan Funds	
- Secured Loans	
- Loan from Financial Institutions	-
- Working Capital Borrowings	-
	-
- Unsecured Loans	
- Loan from Financial Institutions	-
- Loan from Banks (VRS)	-
- Non Convertible Bonds	50.00
- Loan from GOI for Computers	-
- Interest on Loan from GOI	-
	50.00
TOTAL	316.12
APPLICATION OF FUNDS	
Fixed Assets	
- Gross Block	130.00
- Less : Depreciation	52.11
- Net Block	77.89
Investments	5.12
Current Assets, Loans & Advances	
- Inventories	1.98
- Job-in-Progress	5.08
- Sundry Debtors	183.33
- Cash & Bank Balances	458.66
- Other Current Assets	61.30
- Loans & Advances	69.04
	779.39
Less : Current Liabilities & Provisions	
- Liabilities	
- Sundry Creditors (Trade)	127.60
- Sundry Creditors (Others)	30.45
- Advances from clients	165.00
- Liquidated Damages Recovered	6.00
- Other Liabilities	23.63
	352.68
- Provisions	
- Provision for Bonus	0.06
- Provision for Gratuity	14.00
- Provision for Leave Encashment	109.00
- Other Employee Benefits	11.12
- Employee Defined Contribution	56.46
- Provision for Contingencies	0.03
- Provision for Preference Dividend	2.93
	193.60
Total Current Liabilities & Provisions	546.28
Net Current Assets	233.11
TOTAL	316.12



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Profit and Loss Account for the year 2011-12

(Rs. in Crores)

Particulars	PROJ.
TURNOVER	550.00
Current Business Income	40.00
Other income	10.00
Accretion / (Decretion) to JIP	1.00
Provision no longer required written back	1.00
Sub-Total	52.00
INCOME (A)	602.00
Expenditure	
Payments to & prov. for employees	267.22
Social Amenities	10.61
Other expenses & Provisions	50.00
Payment to Sub-Contractors	140.00
Payment to Sub-Consultants	19.50
EXPENDITURE (B)	487.33
GROSS MARGIN (A)-(B)	114.67
GROSS MARGIN (exculding current business income and other income)	64.67
Less	
Prior Period Exp./(Income)	0.98
Interest	3.36
Depreciation	4.00
DRE	-
Sub Total (C)	8.34
NET PROFIT BEFORE TAX	106.33
Provision for Taxation	35.32
NET PROFIT AFTER TAX	71.01



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EXPLANATORY NOTE

General

The Company has shown all round improvement in its performance during the last 5 to 6 years.

In view of the nature of steel business being cyclic, the company has taken steps to intensify its activities in the non-steel sectors. Added emphasis has already been provided on oil and gas, infrastructure and power sectors. However, MECON, due to lack of adequate references in these diversified areas has to depend on collaborators thereby not being able to capitalize fully on the opportunity in these sectors. Assistance from the Ministry/Government by way of ensuring rationalization of pre-qualification criteria in the above sectors will help the company in harnessing its potential and safeguard against cyclic fluctuation/over dependence on any particular sector.

Since inception, as an independent company, right from the financial year 1973-74, MECON had been a profit making company on consistent basis for 25 years upto 1997-98 by which time the company had earned a cumulative pre-tax profit of Rs. 168.3 crores against an investment by way of Government equity of only Rs. 2 crores. However in view of the adverse business scenario, MECON for the first time could not earn profit in the year 1998-99 and this trend continued upto 2003-04. Soon after implementation of business and administrative restructuring measures, the company achieved partial turnaround with a net profit after tax of Rs. 10.73 crores in 2004-05 and Rs. 16.12 crores in 2005-06. Subsequently with implementation of the financial restructuring measures, the company made rapid turnaround which is evident from the following:

- ❖ The turnover increased from Rs. 173.86 crores during 2004-05 to Rs. 641.38 crores during 2010-11.
- ❖ The PBT of the company increased almost ten times from Rs. 10.73 crores during 2004-05 to Rs. 140.93 crores during 2010-11.
- ❖ The net worth of the company became positive as on 30.09.2008 (net worth was -257.91 crores as on 31.03.2004). The net worth of the company stands at Rs. 203.98 crores as on 31.03.2011.
- ❖ The company has been able to wipe out its accumulated losses as on 30.09.2009 (accumulated loss as on 31.03.2004 was Rs. 210.04 crores).

Further, MECON Limited has been deleted from the list of sick CPSEs of BRPSE as confirmed by Ministry in June 2011.

MECON has implemented a number of cost cutting measures for bringing down its operational cost. Keeping in view the impending retirements during next 3 to 4 years, the Company is inducting fresh engineering graduates and professionals suitably at lower levels for succession of knowledge and to ensure continuity & growth of the organization.



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Gross Margin

Consequent upon rightsizing of the company by way of VRS, normal superannuation, improved order book and other measures taken to improve upon the productivity and bring down the operational costs, the company started to achieve positive gross margin starting 2003-04 after a gap of 5 years. Thereafter the company has steadily traversed its path of turnaround and has posted a gross margin of Rs. 149.48 crores during the FY 2010-11.

Static Financial parameters

As a result of the losses incurred by the company since 1998-99, the net worth of the company got eroded. The company has however been able to achieve positive net worth as on 30.9.2008. The net worth of the company as on 31.03.2009 is Rs. 34.85 crores. The capital employed by the company turned positive i.e. Rs. 45.86 crores as on 31.03.05. The capital employed as on 31.03.2011 is Rs.311.64 crores and is expected to improve substantially by the end of 2011-12. The net working capital of the company also turned positive i.e. Rs. 15.64 crores as on 31.03.2007. The net working capital as on 31.03.2011 is Rs.238.47 crores and is expected to improve substantially by the end of 2011-12.

In line with the MOU guidelines, the following static financial parameters have been considered:

- i. Gross Sales
- ii. Gross Margin
- iii. Gross Margin / Gross Sales
- iv. Operating Turnover / Total Employment
- v. PBDIT / Total Employment
- vi. Added Value / Sales

Financial Budgetary support from the Government

Considering the nature of business and competitive environment and to achieve further turnaround, the requirement of funds under various heads for the year 2012-13 are as given below:

Non Plan Expenditure

- i) 50% interest subsidy on VRS loan Rs. 1.64 crores
(Rs. 50 crores drawn in 2002-03 and Rs. 142 crores drawn in 2003-04.
Rs. 17 crores bond loan redeemed on 25.08.2006 and redemption of Bank
loan of Rs 50 crores has started from Dec'07 onwards in five equal
annual installments @ Rs 10 crores each)
- ii) Waival of Govt. guarantee fee against the loan for VRS as per
financial package approved by the Govt.
 - a) 1% of Rs. 50 crores Bond loan (out of Rs. 142 crores raised Rs. 0.50 crores
through private placement of bond) as on 1/04/2012



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Means of verification for Non-Financial Targets

2.2	Dynamic Parameters	
2.2.1	Human Resource Development	
a	Management Training Programs	To be certified by competent authority of Company based on actual performance
b	Training on 'Project Management for Executives' with certification	
c	Inclusion of representative from minorities in the selection committees for recruitment at different levels	
2.2.2	Research & Development	
a	a) Development of Trolley based portable Battery and / or mains operated Solid State Microclimate Cooling System for Industrial maintenance personnel working at elevated temperature at Steel Plant	One publication to be presented in Symposium
b	Basic System Design and Simulation Study for the development of Continuous Ozone Monitoring System for Steel Plants	One publication to be presented in Symposium
c	Infrared camera based ladle condition monitoring – Development of basic software for operation of PC based IR Camera and its simulation study in our laboratory	One publication to be presented in Symposium
2.2.3	Sustainable Development	A stand-alone SD Report or a chapter as a part of the Annual Report
2.2.4	Project Monitoring & Implementation (12 projects)	To be certified by competent authority of Company based on actual performance
2.3	Sector Specific Parameters	
2.3.1	Order Booking	
a	PSU / Govt	To be certified by competent authority of Company based on actual performance
b	Private	To be certified by competent authority of Company based on actual performance
c	Foreign	To be certified by competent authority of Company based on actual performance
	Total	To be certified by competent authority of Company based on actual performance
2.3.2	Reduction in Sundry Debtors more than six months	To be certified by competent authority of Company based on actual performance
2.4	Enterprise Specific Parameters	
2.4.1	Corporate Governance - Compliance of Corporate Governance guidelines	To be certified by competent authority of Company based on actual performance
2.4.2	Compliance of DPE's guidelines	To be certified by competent authority of Company based on actual performance
2.4.3	Corporate Social Responsibility-Expenditure on Projects as per CSR Policy approved by Board of Directors	To be certified by competent authority of Company based on actual performance



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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.

S. C. K. P. K.
Authorised Signatory



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Annexure-XI

TEMPLATES FOR CSR REVIEW									
TABLE-1									
DETAILS OF 5 CHOSEN PROJECTS									
Sl. No.	Name of the project	Starting date	Completion date	Amount allotted with year-wise 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 Agency appointed	Name of Monitoring Agency	Brief details of Evaluation report (Separate sheet to be attached)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Construction of 40-bedded men's/boy's hostel building at Cheshire Home, Bariatu, Ranchi	15.12.11	15.06.12	₹ 16.8 lakhs (2011-12) & ₹ 16.8 lakhs (2012-13)	05.04.10	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
2.	Construction of Class rooms at Kissan Uchh Vidyalaya, Ormanjhi, Ranchi	15.12.11	15.06.12	₹ 16.8 lakhs (2011-12) & ₹ 16.8 lakhs (2012-13)	17.03.10 & 07.06.11	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
3.	Construction of 26-bedded boy's hostel building (1 st Floor) at St. Michael's School for the Blind, Old Hazaribagh Road, Ranchi	15.01.11	15.06.12	₹ 13.0 lakhs (2011-12) & ₹ 13.0 lakhs (2012-13)	Apr'11	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
4.	Construction of girl's hostel building at Brajkishore Netraheen Balika Vidyalaya, Bargain, Bariatu, Ranchi	01.01.11	30.06.12	₹ 15.0 lakhs (2011-12) & ₹ 15.0 lakhs (2012-13)	30.07.11	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
5.	Construction of girl's hostel building at Fatima Educational & Health Trust, Itki, Dist.-Ranchi	15.12.11	15.06.12	₹ 14.5 lakhs (2011-12) & ₹ 14.5 lakhs (2012-13)	28.09.11	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
6. Other projects									
6a)	Community education (for children)	01.04.12	31.03.13	₹ 10.0 lakhs (2012-13)	Regular activity	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started

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6b)	Resource generation (stitching training, driving training etc.)	01.04.12	31.03.13	₹ 7.0 lakhs (2012-13)	Regular activity	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
6c)	Vocational training (electrician, radio & TV, welding, Computer application etc.)	01.04.12	31.03.13	₹ 3.0 lakhs (2012-13)	Regular activity	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
6d)	Community health program (health camps, specialized medical equipment, ambulances etc.)	01.04.12	31.03.13	₹ 26.0 lakhs (2012-13)	Health camps - Regular activity, Others-to be surveyed/ identified	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
6e)	Program for aiding disabled/ handicapped (Construction of buildings/workshop, Vehicles etc.)	01.04.12	31.03.13	₹ 81.0 lakhs (2012-13)	Buildings- identified, Other-to be surveyed/ identified	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
6f)	Model villages (Drinking water, solar lighting system, construction of community halls, irrigation system etc.)	01.04.12	31.03.13	₹ 30.0 lakhs (2012-13)	Partially surveyed/ identified	Project not yet started	N.A.	MECON (Self monitoring)	Project not yet started
	TOTAL			₹ 76.1 lakhs (2011-12) & ₹ 233.1 lakhs (2012-13)					

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Annexure-XII


R&D Performance Target Setting cum Evaluation Template

1. To be Filled and Submitted by each CPSE to the Task Force prior to Annual Target Setting as well as Performance Evaluation of MoU.
2. Circuit Breaker: Any CPSE which has not got its Specific R&D Plan and R&D Budget passed by its Board will automatically be rated as "Poor" in R& D of MoU.
3. CPSE, while submitting self- evaluation report to DPE, will not fill up score allotted for each Table and the Total Score, as the same will be awarded by the Task Force at the time of performance evaluation of the MoU.

Table 1- Mandatory Parameter- Total R& D Expenditure as a percentage of PAT									
		Unit	Weightage	Performance Target					Achievement
				Excellent	V. Good	Good	Fair	Poor	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Total R&D Expenditure as % of PAT (Please refer para 3.8(i) of the Guideline)	Rs.Lakhs	2.5	40.0	38.0	36.0	34.0	32.0	Approved by Board

Total Score for this Table	2.5
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Score allotted by the Task Force	
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Table 2 - Projects chosen by CPSE

At the time of draft MoU : Every year, CPSEs shall submit R&D projects (Maharatna & Navratna -Five Projects, Minirama- 1&II and other CPSEs below- Three Projects along with one most important / vital/key Performance Indicator to Task Force at the time of draft MoU. The Task Force will approve the same or add any other R&D projects alongwith performance indicator(s).

At the time of MoU Evaluation : The verification of achievement in respect of approved performance indicator (s) and evaluation / rating of each R&D project will be done by Independent Expert/Research Advisory Committee of CPSE. Such evaluation / rating will be considered / accepted by Task Force during evaluation for allotting MoU score on R&D.

Target Value									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
S. No.	Projects Chosen (Annexure -I)	Performance Indicator (Annexure-II)	Weightage	Excellent	V. Good	Good	Fair	Poor	Actual
2.1	Development of Trolley based portable Battery and / or mains operated Solid State Microclimate Cooling System for Industrial maintenance personnel working at elevated temperature at Steel Plant	One publication to be presented in Symposium	1	31-Jan-13	28-Feb-13	31-Mar-13			
			Expenditure (Rs. Lakhs)	14.5	14	13			
2.2	Basic System Design and Simulation Study for the Development of Continuous Ozone Monitoring System for Steel plants	One publication to be presented in Symposium	0.75	31-Jan-13	28-Feb-13	31-Mar-13			
			Expenditure (Rs. Lakhs)	12.5	12	12			
2.3	Infrared camera based ladle condition monitoring – Development of basic software for operation of PC based IR Camera and its simulation study in our laboratory	One publication to be presented in Symposium	0.75	31-Jan-13	28-Feb-13	31-Mar-13			
			Expenditure (Rs. Lakhs)	13	12	11			

Total Score for this Table 2.5

Score allotted by the Task Force

Total Score on R&D 5

Total allotted Score for both Tables





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Annexure - XIII

SD Performance Target Setting Cum Evaluation Template

1. To be Filled and Submitted by each CPSE to the Task Force prior to Annual Target Setting as well as prior to Performance Evaluation of MoU.
2. Circuit Breaker: Any CPSE which has not got its Specific SD plan and SD Budget passed by its Board or its Designated Committee will automatically be rated as 'Poor' in SD of MoU.
3. CPSE, while submitting self-evaluation report to DPE, will not fill up score allotted for each table and the total score, as the same will be awarded by the Task force at the time of performance evaluation of the MoU.

S.No.	Activity	
I	Whether Specific SD Plan and Budget passed by Board or its Designated Committee	Passed by Board
	1	2

Table 1. SD Committee details			
Board level Designated Committee Name	Chairman of Board level Designated Committee	Number of regular meetings held	Key decisions during the year
1	2	3	4
To be intimated later			

Total Score for this Table 0.5

Score allotted by the Task Force

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Table 4- Evaluation of Projects

No. of projects evaluated by an Independent External Agency/ Expert/ Consultant, etc.

Total Score for this Table 0.5

Score allotted by the Task Force

Table 5 - Publication of SD Performance Report

Activity	Yes / No	Mode of SD Report (If reported, whether a stand-alone SD Report or a part of Annual Report, etc.)
1	2	3
SD performance Report		

Total Score for this Table 0.5

Score allotted by the Task Force

Total Score of all Tables 5

Total allotted Score for all Tables





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Annexure-XIV

Template for HRM Performance Evaluation under Memorandum of Understanding

Sl.	HRM - PERFORMANCE INDICATORS	Measurement Unit	Weightage	Target value under five point scale - Basic Target(Good/Very Good) - To be filled at the time of submission of draft MoU by CPSE	Actual Performance (To be filled at the time of submission of performance evaluation by CPSE)	Self-Evaluation Score(to be filled up at the time of submission of performance evaluation by CPSE)
Sl.		Measurement Unit	Weightage			
A	Competency & Leadership Development					
	A1 Compulsory					
1	% actualization of Training Plan & Training Days per employee per year	% fulfillment & Days/per employee per year	5	1190 Mandays		
2	Developing critical mass of leaders through a system of career planning & development	% fulfillment of planned leadership development programmes	5	50 Mandays		
3	Training budget as % of employee cost	% of employees cost	5	HRD Budget (Total)=Rs. 50 Lakhs		
4	% fulfillment of training plan for Multi-skilling / Skill Upgradation of non-executives	%	5	100 Mandays		

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A2 Optional (Out of below five, one is to be taken in the MOU)		5			
5	% of executives covered in 360 degree feedback system against plan	%			
6	% of Senior level executives (HoDs & GMs and above) covered in Assessment & Development Centre	%			
7	Training interventions in new/advanced technology - % fulfillment of training plan in new technology	%	790 Mandays (Includes 450 mandays related to Technology, 300 Mandays related to Skill & 40 Mandays related to 'Training on Project management for Executives' with certification)		
8	Interventions towards Industry- Academia Interface	Yes/No; details			
9	% fulfillment of Plan for carrying out Competency Mapping of employees	%			
Total		25			
B Performance Management					
10	To ensure implementation of Bell Curve Approach in PMS rating	Yes / No	4	Yes	
11	Linkage of Developmental Plan of Executives with Performance Management System	Yes/ No	3	Yes	
12	Implementation of PRP linked to PMS	Yes/No; details	3	Yes	
Total			10		

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C Recruitment, Retention & Talent Management						
13	Manpower Rationalization through	%	5	Yes		
	- Voluntary retirements					
	- Redeployment			Yes		
	- Any other			Yes		
14	Attrition as % of total employees	%	5	5 % (including retirement)		
15	Presence of Mentorship Development Programme - Nos. of Mentors & Mentees	Yes / No ; Numbers	5	Yes (20 mentors ,40 manhours soft skill related)		
16	Formulation / Implementation of systems for management of Talent such as - Job rotation system, reward system, sponsoring sr. executives for Advanced Management Programme, growth opportunities etc	Schemes / Initiatives & their details	5	Sponsorship programs are mainly in the form of management development programs organized for senior executives .		
Total			20			
D Enabling Creativity & Innovation						
17	Nos. of Nominations/entries submitted for National Awards (PM Shram Awards, Vishwakarma Rashtriya Puraskar)	Nos. of nominations/ entries submitted for national awards	5	1		
18	Number of suggestions generated per employee per year	Nos. per employee	5	Suggestion scheme to be developed		



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19	% of Quality Circle projects completed against total Quality circle projects undertaken in a year	% fulfillment	5	1 no. training (40 mandays)		
	Total		15			
E	Employee Relations & Welfare					
20	Effectiveness of Grievance Redressal system - % of grievances settled vis-à-vis received during the year	% settlement	4	80%		
21	Pension, medicare, Yoga classes to reduce stress where the job is stressful, setting up of wellness centre such as Gym etc.	Number of programs/date of implementation of scheme	4	3 (47 mandays soft skill related)		
22	Employee satisfaction survey - ESI measure in %	%	4	80%		
23	Formulation & Implementation of social security scheme	Yes/ No	4	Yes		
24	Number of structured meetings with employees' representatives	Number of meetings	4	2		
	Total		20			

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F HR Branding & Excellence - Indicate achievement in this field for initiatives such as :					
25	Participation in survey conducted by external agencies (Employer of choice, Best employer, Best Place to Work etc.)	Details regarding the initiatives to be given alongwith achievements		I	
	Review/ Revisit/ Re-engineer HR Policy for meeting changing business priorities.			Policy to be reviewed	
	Benchmarking projects undertaken in area of HR			Online PMS to be implemented	
	Organization Culture Building initiatives			Refresher program will be conducted to make the employees aware of organization's policy at different levels	
	Total		10		
	Grand Total		100		
NB: Total score out of 100 awarded on HRM to CPSE will be converted into score out of 5 in MoU on pro-rata basis					

