

# MEMORANDUM OF UNDERSTANDING

*Between*

**NMDC LIMITED**

*and*

**MINISTRY OF STEEL**  
GOVERNMENT OF INDIA

*for*

**2011-2012**



**NMDC LIMITED**  
HYDERABAD : (A.P.)  
MARCH, 2011





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## I. MISSION AND OBJECTIVES

### 1. Mission

To emerge as a global Environment friendly Mining Organisation with International standards of excellence, 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 24 Million Tonnes to 40 Million Tonnes by 2014-2015.

#### 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 and gold.

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** **2011-12**

In fulfillment of its obligations under the MOU, NMDC undertakes to achieve certain levels of performance for the year 2011-2012. The performance will be evaluated using the criteria listed at Annexure, I, IA, IB & IC 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 2011-12

Sl. No.	Criteria	Unit	Weightage	Criterion Value				
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor
<b>1.</b>	<b>STATIC FINANCIAL PARAMETERS</b>							
1.1	<u>Financial Performance Indicators</u>							
1.1.1	Gross Margin/Gross Block	%	2	313	306	291	276	262
1.1.2	Net Profit/Net Worth	%	10	26	25	24	23	22
1.1.3	Gross Profit/Capital Employed	%	10	45	44	42	40	39
1.2	<u>Financial Indicators-Size</u>							
1.2.1	Gross Margin	Rs Crore	8	9000	8800	8360	7942	7545
1.2.2	Gross Sales	Rs Crore	4	11000	10500	9975	9476	9002
1.3	<u>Financial Returns</u>							
1.3.1	PBDIT/Total Employment	Rs Lakhs	7	132	129	123	117	111
1.3.2	Added Value to Gross Sales	%	9	65.2	65.0	64.2	63.4	62.6
	Sub Total		50					



### III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2011-12 (Contd..)

Sl. No.	Criteria	Unit	Weightage	Criterion Value				
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor
<b>2</b>	<b>DYNAMIC PARAMETERS</b>							
2.1	Quality - Compliance with specifications	%	1	98	97	94	92	90
2.2	Customer Satisfaction	%	2	94	93	88	84	80
2.3	Human Resources Development	%TMD/WMD	5	1.11	1.06	1.01	0.96	0.91
2.4	R&D Effort		5	Details as per Annexure-IA				
2.5	Project Implementation		7	Details as per Annexure-IB				
2.6	Innovation:							
	No. of innovative projects completed by Quality Circles	No.	5	5	4	3	2	1
2.7	Energy Consumption - Iron Ore	KWHT.Excavn.	1	2.05	2.10	2.15	2.20	2.25
2.8	Inventory holdings as % of inventory Consumption	%	1	54	56	58	60	62
2.9	Compliance of Corporate Governance	%	5	90	80	70	60	50
2.10	Submission of data for PE Survey		1	15.09.11	01.10.11	15.10.11	31.10.11	After 31.10.11
	Sub Total		33					

**III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2011-12 (Contd..)**

Sl. No.	Criteria	Unit	Weightage	Criterion Value					
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
<b>3.0</b>	<b>SPECIFIC PARAMETERS</b>								
3.1	<u>Enterprise Specific/Sector Specific</u>								
3.1.1	Mine Hazards - loss of man-days	MDL / 1000 MDW	1	1.35	1.50	1.75	2.00	2.25	
3.1.2	Sustainability:								
(a)	Amount spent on afforestation	Rs Lakh	1	80	75	70	65	60	
(b)	Pollution Control Measures -								
(i)	Compliance with the National Ambient Air Quality Standards -Air	%	2	98	96	90	85	80	
(ii)	Effluent Treatment Plant - Compliance with Water quality discharge standards	%	2	98	96	90	85	80	
3.1.3	Corporate Social Responsibility :- Amount to be spent for Corporate Social Responsibility	% of Carry forward surplus	5	0.9	0.8	0.7	0.6	0.5	
3.1.4	Globalisation / New Initiatives		3	Details as per Annexure-IC					
3.1.5	Sale of Iron ore	LWMT	2	260	255	242	230	219	
3.1.6	O.M.S	Tonnes	1	23.00	22.00	21.00	20.00	19.00	
	Sub Total		17						
	<b>GRAND TOTAL</b>		<b>100</b>						

MDL = Man-days Lost , MDW = Man-days Worked ,

TMD = Training Man -Days, WMD = Working Man -Days

Annexure-IA

**NMDC LIMITED  
PERFORMANCE PARAMETERS 2011-12  
RESEARCH & DEVELOPMENT CENTRE**

Sl. No.	Criteria	Unit	Weightage	Criterion value				
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor
1	Development of flow sheet for beneficiation of Banded Hematite Quartzite (BHQ)	Study	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
2	Beneficiation studies:- Batch scale Dry beneficiation studies of Blue Dust	Study	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
3	Mineralogical study of BHQ/BHJ of Bailadilla iron ore mines	Study	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
4	Study for development of process to utilise ultra fine iron ore in Sintering process	Study	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
5	Expenditure on R&D activities	Rs Crore	1	20	18	16	14	12
	Total		5					

**NMDC LIMITED**  
**PERFORMANCE PARAMETERS 2011-12**  
**PROJECT IMPLEMENTATION**

Sl. No.	Milestone	Wei- gh- tage	Criterion Value				
			1 Excellent	2 Very Good	3 Good	4 Fair	5 Poor
1.0	3 MTPA Steel Plant, Nagarnar - Placement of order for 8 major technological packages	2	15.12.11	31.12.11	31.01.12	29.02.12	31.03.12
2.0	Pellet Plant, Donimalai - Completion of Basic Engineering for Pelletisation package	1	30.09.11	30.11.11	31.01.12	29.02.12	31.03.12
3.0	Kumaraswami Iron Ore Project - Completion of design and engineering for the Crushing Plant Package	1	30.11.11	31.01.12	29.02.12	15.03.12	31.03.12
4.0	Placement of order for technological package for BHJ/BHQ plant in Donimalai	1	31.01.12	15.02.12	29.02.12	15.03.12	31.03.12
5.0	Exploration:						
5.1	Tikamgarh Diamond RP Remote sensing & GIS Studies, Prioritization of suitable blocks and stream sediment sampling in selected blocks	1	31.10.11	30.11.11	31.12.11	31.01.12	29.02.12
5.2	Iron ore in Jharkhand Detailed Geological mapping in 1:4000 scale & Topographical Survey in Silpunji-Kantoria area in West Singhbhum Dist. for Iron Ore	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
	<b>Total</b>	<b>7</b>					

**NMDC LIMITED**  
**PERFORMANCE PARAMETERS 2011-12**  
**GLOBALISATION / NEW INITIATIVES FOR ACQUIRING PROPERTIES**

Sl. No.	Milestone	Wei-gh-tage	Criterion Value					
			1 Excellent	2 Very Good	3 Good	4 Fair	5 Poor	
<b>1.0 Domestic Properties:</b>								
1.1	Preparation and submission of proposal for NMDC's diversification into renewable energy to NMDC Board	0.5	30.09.11	31.10.11	30.11.11	31.12.11	31.01.12	
1.2	Formation of JV to carryout prospecting of at least one mineral property in India for further development	0.5	31.01.12	15.02.12	29.02.12	15.03.12	31.03.12	
<b>2.0 Foreign Properties:</b>								
2.1	Empanelment of Merchant Bankers, Technical consultants and Legal consultants for due diligence of mineral properties abroad	0.5	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12	
2.2	Setting up a subsidiary/representative office abroad to pursue acquisition of mineral properties	0.5	31.12.11	31.01.12	29.02.12	15.03.12	31.03.12	
2.3	Acquisition of an equity stake in at least one mineral deposit abroad individually or in joint venture	1	31.01.12	15.02.12	29.02.12	15.03.12	31.03.12	
	<b>Total</b>	<b>3</b>						

#### **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 Ranjithpura 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) Regarding issuance of clear RR for the rakes loaded based upon the weight of ore loaded in each wagon, as recorded by weightometers mounted on loading conveyor belts.
- iii) Presently Railway has classified Iron ore for export in class 180, but the Distance Based Surcharge of 45% on basic freight and Rs 1000 additional charge levied has made export freight approx. Rs.1300 more than the domestic freight. The additional charge and DBS levied on export may be removed.

5. 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.

(Rana Som)  
Chairman-cum-Managing Director  
NMDC Limited  
Hyderabad

(P.K. Misra)  
Secretary  
Ministry of Steel  
Government of India  
New Delhi

New Delhi

Date: 4.3.2011

## **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 3<sup>rd</sup> 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.

### **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.

### **Human Resources Development**

Trained Man-days (TMD) as a percentage of Worked Man-days (WMD) of all employees. (Executives + J.Os + Workmen)

### **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.

### **Corporate Governance**

Percentage - Number of points complied against number of applicable points in the Quarterly Compliance Report being submitted to MOS, GOI.



## 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 2011-12. 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.



Authorised Signatory

डी. सुब्बारायुडु

D. SUBBARAYUDU

सुब्बरायुडु महाप्रबन्धक (विप)

General Manager (FM)

एनएचसीसी लि. के लिए/For NHSC Ltd.

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12	
	MOU (VG)	Actual	MOU (VG)	Actual	MOU (VG)	Actual	MOU (VG)	Actual	MOU (VG)	Actual upto 31.12.10	Likely for the year (Prov)	MOU (VG)
1	2	3	4	5	6	7	8	9	10	10	11	12
Gross Sales	3795	4183	4629	5709	5900	7561	4815	6236	6000	7599	10431	10500
Gross Margin	3244	3582	3908	5011	5100	6725	4085	5291	4750	6671	8753	8800
Profit Before Tax	3183	3498	3842	4947	5032	6648	4002	5207	4652	6587	8646	8651
Gross Block	1343	1304	1443	1421	1569	1869	1736	1771	1995	2120	2119	2876
Less :- Depreciation	791	799	857	853	927	1001	1001	984	1088	1141	1163	1309
Net Block	552	505	586	568	643	747	734	787	907	979	956	1567
Share Capital of CPSE	132	132	132	132	132	396	396	396	396	396	396	396
Reserves & Surplus of CPSE	5512	5699	7527	8157	10714	11240	13097	13876	16150	18242	18268	22698
Less :- Deferred rev. exp./pre-acquisition loss	30	27	30	25	20	22	18	22	16	21	19	16
Less :- Profit & Loss A/c	0	0	0	0	0	0	0	0	0	0	0	0
Net Worth of CPSE	5615	5774	7629	8265	10826	11615	13475	14250	16530	18617	18646	23079
Investment	74	74	74	83	86	72	83	76	76	136	136	136
Sundry Debtors	569	283	629	488	283	1027	200	427	350	398	398	394
Inventory	180	127	154	166	152	302	187	299	523	382	382	406
Total Current assets	6254	5525	8062	8283	9950	11771	13262	14264	15593	17862	17493	19072
Total Current liabilities & provisions	1370	417	1346	775	326	1165	800	1348	732	865	865	865
Net current Assets	4884	5108	6716	7508	9634	10606	12462	12916	14861	16997	16627	18206
Capital Employed (Net Block + net current assets)	5436	5613	7301	8076	10277	11353	13196	13703	15768	17976	17584	19774
Total Debt (Loan Fund)	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	5663	5828	7878	8296	10862	11695	13499	14357	16604	18728	18755	23185
No of employees of CPSE	5500	5582	5600	5660	6100	5852	6100	5895	6500	6195	6500	6800
Dividend paid/proposed (As per B/Sheet) Excl. Tax	422	465	507	652	664	876	528	694	621	0	1155	1155
Added Value (Gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)	2701	3020	3178	4203	4072	5569	2765	3921	3173	5772	6995	6823
Ratio												
Debt/Equity	0	0	0	0	0	0	0	0	0	0	0	0
Return on Net Worth (%age)	38%	40%	33%	39%	31%	38%	20%	24%	19%	24%	31%	25%
PBDIT/Total employment of CPSE (Rs)	5898600	6416535	6978732	9012068	8360656	11897965	6696721	8975776	7307692	10766269	13466154	12941176
Gross Profit/Capital employed (%age)	59%	62%	53%	61%	49%	59%	30%	38%	30%	37%	49%	44%
Net Profit/Net Worth (%age)	38%	40%	33%	39%	31%	38%	20%	24%	19%	24%	31%	25%
Working of Gross Margin												
Net Profit	2112	2320	2536	3251	3322	4372	2642	3447	3107	4401	5774	5777
Tax	1071	1178	1306	1696	1710	2276	1360	1760	1545	2186	2872	2874
Net profit before tax	3183	3498	3842	4947	5032	6648	4002	5207	4652	6587	8646	8651
add extra ordinary items	0	0	0	0	0	0	0	0	0	0	0	0
Profit before prior period	3183	3498	3842	4947	5032	6648	4002	5207	4652	6587	8646	8651
add interest	61	80	66	60	65	74	80	73	95	80	104	146
Gross Profit	3183	3498	3842	4947	5032	6648	4002	5207	4652	6587	8646	8651
add Depreciation	61	80	66	60	65	74	80	73	95	80	104	146
Misc expenditure written off	0	3	0	3	3	3	3	3	3	3	3	3
Gross Margin before interest, depreciation & misc. expenditure written off	3244	3582	3908	5011	5100	6725	4085	5291	4750	6671	8753	8800

Enclosure-2

Format of Quarterly Compliance Report by CPSEs to nodal Administrative  
Ministries/Departments under Para 8.3 of DPE's Guidelines on Corporate  
Governance for CPSEs

Name of the CPSE: -----  
Administrative Ministry/Department: -----  
Whether listed or unlisted: -----  
Quarter ending on: -----

S. No.	Activity	CG Guidelines Clause <sup>1</sup>	Status of compliance with the CG guidelines (Yes/No/NA)	Remarks
1	2	3	4	5
<b>I</b>	<b>Board of Directors</b>			
1.	Composition of Board	3.1		
2.	Non-official Directors	3.1		
3.	Part-time directors compensation and disclosures	3.2		
4.	Number of Board meetings	3.3.1		
5.	Review of compliance of laws	3.3.3		
6.	Code of Conduct	3.4		
7.	Risk management	3.6		
8.	Training for new Board members	3.7		
<b>II</b>	<b>Audit Committee</b>			
9.	Constitution of Audit Committee	4.1		
10.	Audit Committee assigned due role	4.2		
11.	Audit Committee vested adequate powers	4.3		
12.	Meetings of Audit Committee	4.4		
13.	Review of information by Audit Committee	4.5		
<b>III</b>	<b>Remuneration Committee</b>			
14.	Constitution of remuneration Committee	5.1		
<b>IV</b>	<b>Subsidiary Companies</b>			
15.	Board of subsidiary companies	6.1		
16.	Review of financial statements of subsidiary by Audit Committee	6.2		

17.	Review of performance of subsidiary by Board	6.3		
<b>V</b>	<b>Disclosures</b>			
18.	Transactions	7.1		
19.	Accounting Standards	7.2.1		
20.	Consolidated financial statements	7.2.3		
21.	Segment-wise profit and loss statement	7.2.4		
22.	Board Disclosures - Risk management	7.3		
23.	Remuneration of directors	7.4		
24.	Management Discussion and Analysis	7.5		
25.	Disclosures by Senior management.	7.5.2		
<b>VI</b>	<b>Report and Compliance</b>			
26.	Report on Corporate Governance	8.1		
27.	Compliance Certificate	8.2.1		
28.	Chairman" speech in AGM and annual report	8.2.2		
29.	Holding of AGM, Adoption of audited accounts and filing of adopted accounts with the Registrar of Companies within the stipulated time@			
30.	Timely submission of Compliance report	8.3		

@ Information in respect of this item should be furnished at the end of the relevant quarter of the relevant year.

(Name and Signature of the Chief Executive)

**NMDC Limited**  
**Proposed CSR initiatives during 2011-12**

Budget Head	Sub-headings	Amount (in Rs. Lakhs)
<b>Education</b>	Scholarship Scheme	100
	Provision of School Uniforms	35
	Literacy Improvement Prog in 84 Govt. Schools of Dantewada	100
	Contribution to Mid-day meal Scheme	80
	Others	160
	<b>Sub-Total</b>	<b>475</b>
<b>Drinking Water</b>	Nal-Jal Yojana	35
	Digging Bore-wells & Misc.	15
	<b>Sub-Total</b>	<b>50</b>
<b>Health &amp; Hygiene</b>	Free Medical Treatment to Adivasis at Project Hospitals	100
	Hospital on Wheels facility for 29 Villages in Bailadila	30
	Organizing Medical Camps & Misc.	70
	<b>Sub-Total</b>	<b>200</b>
<b>Infrastructure</b>	Works as required by Village Panchayats viz., Roads, Community Centres Electrification etc	<b>375</b>
<b>Financial Assistance</b>	Natural Calamities & Other requirements	<b>500</b>
<b>Partnership with State Govt. for various infrastructural works</b>	Various works as proposed by State Govt. of Chhattisgarh	<b>1500</b>
<b>Livelihood Linked Learning Prog.</b>	Skill Development training programmes for unemployed tribal youth of Bastar	<b>50</b>
<b>Environment</b>	Tree Plantation / Compensatory afforestation	500
	Desilting works	100
	Misc	100
	<b>Sub-Total</b>	<b>700</b>
<b>Misc.</b>	Providing Road transportation facilities to villagers / Adivasis	100
	Others	50
	<b>Sub-Total</b>	<b>150</b>
	<b>Grand Total</b>	<b>4000</b>



Soil Testing -Blast Furnace Area



**NMDC LIMITED**  
Website : [www.nmdc.co.in](http://www.nmdc.co.in)