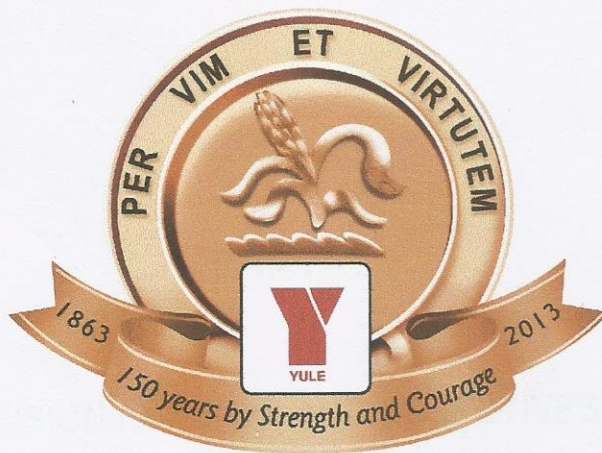




MEMORANDUM OF UNDERSTANDING

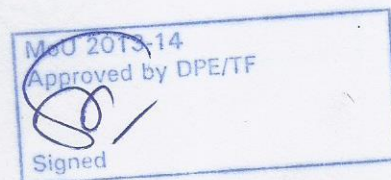
BETWEEN

**GOVERNMENT OF INDIA
DEPARTMENT OF HEAVY INDUSTRY
MINISTRY OF HEAVY INDUSTRIES
& PUBLIC ENTERPRISES**

AND

ANDREW YULE GROUP

YEAR 2013-14



PART-I

VISION / MISSION AND OBJECTIVES

VISION :

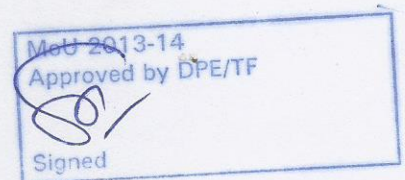
To resurrect "YULE" brand in all areas of business of the group and be ready for future by focusing on development of state of the art products through innovation.

MISSION :

- Diversify in new business areas to achieve target turnover.
- To be amongst top ten tea producers of the country in quality rating of which at least 2 tea estates to be in top five.

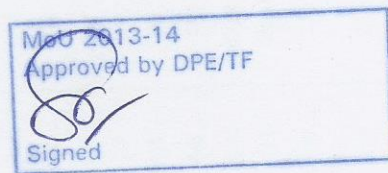
OBJECTIVES :

- a) Ensure steady growth in turnover and profit for achieving Mission of the company.
- b) Rs. 2000 Cr. Group Turnover by 2020.



Exercise of enhanced Autonomy and delegation of Powers

AYCL will be empowered with all such delegated powers as are given to MOU signing Companies from time to time .



COMPANY'S OBLIGATION UNDER THE MOU AND PERFORMANCE TARGET FOR 2013-14 : ANDREW YULE GROUP								
Sl	Particulars	Unit	Weight (in %)	2013-14 MOU Target				
				Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1	<u>Static/ Financial Parameters (50%)</u>		50					
	a) <u>Financial indicators</u>							
	Profit related ratio							
	i) Gross margin/gross block	%	2	35.77	34.06	32.44	30.82	29.28
	ii) Net profit/net worth	%	10	13.53	12.88	12.27	11.66	11.07
	iii) Gross profit/capital employed	%	10	19.18	18.27	17.40	16.53	15.70
	b) <u>Financial indicators-size related</u>							
	i) Gross Margin (Excluding interest Income)	Rs. Crores	8	158	151	145	138	132
	ii) Gross Sales	Rs. Crores	4	1751	1677	1607	1537	1470
	c) <u>Financial returns productivity related</u>							
	i) PBDIT/total employment	In RS.	7	101260	96438	91846	87254	82891
	ii) Added value/sales	%	9	4.78	4.56	4.34	4.12	3.92
			20					
2	<u>Dynamic Parameters</u>							
	a) <u>Physical Target</u>							
	i) Tea Production	Lac Kg	2	127	121	115	109	104
	ii) Production of Transformer (Elect. Divn)	MVA	2	1047	998	950	903	857
	iii) Production in Volume (Tide Water Oil Co.(I) Ltd)	KL	2	72765	69300	66000	62700	59555
	b) <u>Quality</u>							
	i) Tea price on North India Auction Average	Rs/Kg.	2	16.00	15.00	14.00	13.00	12.00
	c) <u>Customer Satisfaction</u>							
	i) Engineering Division (warranty expenditure)	as % of Turnover	2	0.60	0.70	0.80	0.90	1.00
	ii) Electrical Division (L.D)	as % of Turnover	1	1.00	1.25	1.50	1.75	2.00
	d) <u>Project Implementation / Capital Expenditure</u>							
	i) Plantation in Tea Estate Uprooting	Hectares	10	110	105	100	95	90
	ii) Plantation in Tea Estate Re-plantation	Hectares	2	143	137	130	124	117
	iii) Plantation in Tea Estate Infilling	No.	2	66150	63000	60000	57000	54150
	iv) Electrical division-Acquiring of land for Transformer plant	Date	2	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
	v) Electrical Division Capital Expenditure for Distribution Transformer & Power Transformer tools and testing equipment augmentation	Rs. in Cr.	1	1.50	1.25	1.00	0.75	0.50
	vi) Engineering Division-Capital Expenditure	Rs in Cr	1	2.50	2.00	1.50	1.00	0.50

Sl	Particulars	Unit	Weight (in %)	2013-14 MOU Target				
				Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
3	<u>Sector / Enterprise Specific Productivity/Efficiency are:</u> Preparation / Implementation of the Business plan i) Secure one order for Water Pollution control related project ii) Secure order for Small Wind Turbines (New Business) iii) Distribution Transformer production line establishment Technology Upgradation iv) Development of 63 KVA & 100 KVA Distribution Transformer v) Productivity at Tea Gardens vi) Sundry Debtors (No. of days to sales) vii) Inventory Control (No. of days Production) viii) Productivity of Tide Water Oil Co.(I) Ltd 4 <u>Corporate Social Responsibility (CSR) and Sustainable Development (SD)</u> 5 <u>Research & Development</u> i) R & D on Marine application lubricant lab scale ii) Total R & D Exp as %age of PAT iii) Process development in manufacturing of power transformer iv) Development of ID Fans to intermediate size to narrow 7 <u>Human Resource Management - HRM (AYCL)</u>	Date Date Date Date Kg/ Hectare No of Days No of Days KI / employee Date % Date Date Date	12 1 1 1 2 2 2 2 1 8 5.00 1.25 1.25 1.25 1.25 5	Jul-13 Jun-13 Sep-13 Aug-13 1874 50 50 146 Nov-13 0.70 Nov-13 Aug-13	Aug-13 Jul-13 Oct-13 Sep-13 1785 55 55 139 Dec-13 0.60 Dec-13 Sep-13	Sep-13 Aug-13 Nov-13 Oct-13 1700 60 60 132 Jan-14 0.50 Jan-14 Oct-13	Oct-13 Sep-13 Dec-13 Nov-13 1615 65 65 125 Feb-14 0.40 Feb-14 Nov-13	Nov-13 Oct-13 Jan-14 Dec-13 1534 70 70 119 Mar-14 0.30 Mar-14 Dec-13
				As per Appendix-1 & 2 to Annexure II				
				As per Appendix-3 to Annexure II				
				100				

In the likelihood of a JVC on 50:50 basis with JXNOE, JAPAN for carved out ENEOS brand lubricant business in the near future, the targets under each category will be revised and reduced by Rs200 crores. The gross margin figures will also be reduced accordingly taking it to be 9% of the gross sales.
The target values for all other related financial parameters would be reworked accordingly.

Contd..

MoU 2013-14
Approved by DPE/TF
Signed

Footnote :- Non-Compliance of Corporate Governance will be penalized by way of negative marking and the mou Score will be increased in the following manner in accordance with DPE OM 18(8)/2005-GM, dated 22nd June 2011

Sl. No.	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 the CPSE fails to submit the self evaluation report in the format enclosed with the OM, its Grading will be treated as poor and score will be inflated accordingly.

CPSEs have to give a Certificate regarding implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. 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. (In other words, the MOU Rating can be increased by 0.04)

MoU/2013-14
Approved by DPE/TF
Signed

Assistance/Expectation from the Government :

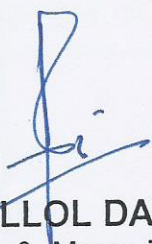
1. No Budgetary support required for new Project Proposal
 - a. Air Separation Business
 - b. Small Wind Turbine : Solar-Hybrid Business
 - c. Enhancement of capacity & rating of transformer production unit.
2. Conversion of outstanding GOI loan of Rs. 41.52 Crs. into equity at a face value of Rs. 2 per share and waiver of interest accrued thereon amounting to Rs. 33.43 Crs. and frozen upto 31st March, 2012.
3. Write off accumulated losses against GOI's equity share capital of Rs. 12.95 Crs so as to make the balance sheet representative of actual financial position.
4. In order to maintain a minimum public share holding at 10% as per SEBI's shareholding norms, GOI after approval of present proposal, would have to divest 1.83 Cr. no. of shares and it is expected that with wiping of accumulated losses in accounts of AYCL, it would fetch better value in the market. In addition AYCL plans to go in for follow on public offer.

MoU 2013-14
Approved by DPE/TF

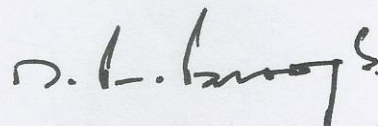
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Action Plan for implementation and monitoring the MOU

1. AYCL undertake to submit quarterly reports on the various aspects of the MOU within 30 days of each quarter ending June, September, December, 2013 and March, 2014.
2. The Board of Directors of AYCL will ensure monitoring of performance against MOU targets in every meeting.
3. Secretary (HI) will review AYCL's performance against MOU targets once in six months.
4. Annual evaluation of performance against MOU targets will be undertaken by the Department of Public Enterprises.



(KALLOL DATTA)
Chairman & Managing Director
Andrew Yule & Company Limited



(M. F. FAROOQUI)
Secretary to the Govt. of India
Department of Heavy Industry,
Ministry of Heavy Industries &
Public Enterprises

[illegible]

TREND OF ANDREW YULE GROUP PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 6 YEARS

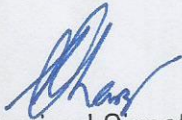
(Rs. in Crore)

Particulars	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual
Ratio												
Debt/Equity	1.69	3.86	1.93	2.51	3.14	2.19	2.81	2.47	2.21	2.16	0.94	
Return on Net Worth (%age)	1.62	24.78	9.85	20.03	18.19	26.07	18.32	15.23	15.49	13.67	12.27	
PBDIT / Total Employment of CPSE (Rs.)	28383.54	56912.55	43592.77	78463.46	68365.44	103877.14	95040.28	82559.92	101784.80	87356.32	91846.07	
Gross Profit/Capital Employed (%age)	10.09	19.66	12.77	23.60	18.13	27.13	22.14	19.83	21.51	20.17	17.40	
Net Profit / Net Worth (%age)	1.62	24.78	9.85	20.03	18.19	26.07	18.32	15.23	15.49	13.67	12.27	
Working of Gross Margin												
Net Profit	3.27	38.74	28.44	57.39	54.66	99.85	78.20	67.09	87.56	69.81	85.45	
Tax	6.45	20.49	10.05	31.62	19.20	30.12	31.89	26.99	32.86	29.49	33.16	
Net Profit Before Tax	9.72	59.23	38.49	89.01	73.86	129.97	110.09	94.08	120.42	99.30	118.61	
Less Interest Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Add Extra-Ordinary Items	90.85	20.12	0.00	4.24	0.00	4.10	0.00	2.61	0.00	0.00	0.00	
Profit Before Prior Period	100.57	79.35	38.49	93.25	73.86	134.07	110.09	96.69	120.42	99.30	112.01	
Add Interest	25.85	26.41	22.57	25.66	25.41	20.45	27.05	21.31	24.88	23.93	18.21	
Gross Profit	35.57	85.64	61.06	114.67	99.27	150.42	137.14	115.39	145.30	123.23	130.22	
Add Depreciation	9.43	7.56	9.12	10.95	10.73	14.62	13.86	14.13	14.38	14.33	14.41	
Misc. Expenditure Written Off	0	0	0	0	0	0	0	0	0	0	0	
Gross Margin Before Interest, Depreciation & Misc. Expenditure Written Off	45.00	93.20	70.18	125.62	110.00	165.04	151.00	129.52	159.68	137.56	144.63	

N.B. :- Gross Margin of Rs144.63 crore is exclusive of interest earning for the A/c Year 2013-14

Self declaration/certification by AYCL

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 2013-14. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate the performance based on audited accounts as per MoU Guidelines. AYCL has no right of claim in this regard.


Authorised Signatory

Appendix-1 to Annexure II

CSR and Sustainability Development (SD) Parameters for MOU 2013-14

Srl No.	Parameter	Unit of measurement	Weight	Excellent	Very Good	Good	Fair	Poor
1(i)	(a) The number of Seminars / workshops / Training sessions regarding CSR & SD	Nos.	0.50	5	4	3	2	1
	(b) Top management / Executives participation	Nos.	0.25	25	20	15	10	5
	(c) No of Employees participation	Nos.	0.25	75	60	45	30	15
1 (ii)	Impact on products / services / processes and reduction in carbon foot-print							
	(a) Management of Bio waste at MIM & Hoolungoorree Tea Estate use of Bio base fertilizer	In Tone	1.00	55.00	52.50	50.00	47.50	45.00
	(b) Use of Renewable Energy System	KWH	1.00	2500	2200	2000	1800	1600
2	(a) Number of meetings with stakeholders	Nos.	0.50	10	8	6	4	2
	(b) Number of feedback from participants	Nos.	0.50	50	40	30	20	10
3	Publication of annual reports on CSR & SD in In-house Journal and frequently update information on the company's website		1.00	Yes				No
4	The degree of success in implementation the CSR & SD projects		2.00	As per Appendix-2 to Annexure II				
5	The expenditure incurred on CSR and SD activities	In Lacs	0.50	40.00	35.00	30.00	25.00	20.00
6	(a) No of meetings held by the Board Level Committee with Executive Committee	Nos.	0.50	2	1			
	(b) No of meetings of the Executive Committee for planning, implementation and monitoring of CSR activities	Nos.	0.50	6	5	4	3	2
	Total :-		8.00					

Appendix-2 to Annexure II

CSR and Sustainability Development (SD) Projects/Activities for MOU 2013-14

Srl No.	Projects/Activities	Performance Indicator	Weight	Excellent	Very Good	Good	Fair	Poor
1	Skill Development Programme under CSR in (24 Pargana(S), Bankura, Jalpaiguri Dist. In WB and Jorhat, Goaghat, Dibrugarh & Karbi Anglong Dist in Assam)	No of beneficiaries	0.50	215	200	185	170	155
2	Drinking Water Facilities under CSR	No of Taps	0.25	6	5	4	3	2
3	Management of Bio waste at MIM TE & Hoolungoorree TE (Darjeeling Dist in WB & Jorhat Dist. In Assam)	In Tone	0.25	55.00	52.50	50.00	47.50	45.00
4	Rain Water Harvesting at Banarhat TE Dist. Jalpaiguri under SD for improvement of water level and ecological balance	Date	0.25	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
5	Development of renewable energy system at Chennai works – in two stages	KWH	0.25	2500	2200	2000	1800	1600
6	Aforestation at Tea Gardens to minimize destruction due to storm etc.	Nos.	0.25	7000	6500	6000	5500	5000
7	Adoption of Industrial Technical Institute (ITI) in backward district notified in W.B. Finalization of adoption ITI	Date	0.25	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
	Total :		2.00					

MOU 2013-14 Target for HRM (AYCL)

HRM - PERFORMANCE INDICATORS	Measurement Unit	Weightage	Excellent	V.Good	Good	Fair	Poor
A1 Risk Management Training for Senior Management Personnel	Mandays	0.5	20	15	10	5	
A2 Training activities for Executives & Non-unionized Supervisors	Mandays	0.5	150	125	100	75	50
B Training / Multi-skilling / Skill Upgradation for Unionized Employees	Mandays	1	100	90	80	70	60
C Employee Relations & Welfare		2					
1 Effectiveness of Grievance Redressal system - % of grievances settled	% settlement	1	100	90	80	70	50
2 Medicare, Yoga classes to reduce stress where the job is stressful	Number of programs	1	5	4	3	2	1
D Manpower Rationalization Through		1					
1 Voluntary retirement	Number	0.5	20	15	10	5	
2 Redeployment or any other Multitasking	Number	0.5	20	15	10	5	
Grand Total (A+B+C+D)		5					