MEMORANDUM OF UNDERSTANDING

BETWEEN

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

AND

ANDREW YULE GROUP

YEAR 2015-16

MoU 2015-16
Approved by DPE/TF
Signed

PART-I

VISION / MISSION AND OBJECTIVES

VISION :

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

MISSION :

- Rs. 2000 Crore Group Turnover by the year 2020 .
- Diversify in new business areas to achieve target turnover.

OBJECTIVES :

Ensure steady growth in turnover and profit for achieving Mission of the company.

MoU 2015-16
Approved by DPE/TF
Signed

Annexure- II

COMPANY'S OBLIGATION UNDER THE MOU AND PERFORMANCE TARGET FOR 2015-16 : ANDREW YULE GROUP

Sl	Evaluation Criteria	Unit	Weight (in %)	2015-16 MOU Target Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)
1	**Static/ Financial Parameters (50%)**		50					
	[i] **Growth / Size / Activity (Two)**							
	a) Sales Turnover, excluding interest and other income (Operating Turnover) (Not include excise duty, VAT ,tax etc)	Rs. Crores	12	1625.84	1548.42	1471.00	1397.45	1327.58
	b) Gross Operating Margin	Rs. Crores	8	426.58	406.27	385.96	366.66	348.33
	[ii] **Profitability**							
	b) EBITDA / Net Block	%	10	50.86	48.44	46.02	43.72	41.53
	[iii] **Cost and Output Efficiency**							
	a) Sales Turnover / Net Block	%	5	599.39	570.85	542.31	515.19	489.43
	[iv] **Liquidity / Leverage**							
	a) Current Ratio	Ratio	7	2.50	2.25	2.12	2.05	2.00
	b) Inventory Turnover Ratio	Days	8	55	58	60	62	65
2	**Dynamic / non-financial Parameters**							
	[i] **Corporate Social Responsibility & Sustainability**		2	As per Appendix-1 to Annexure II				
	[ii] **Research & Development**		2					
	a) Development of Transformer of 33kvc class or above(TGIS) - Testing for commercial use and Validation	Date	2	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
	[iii] **Initiatives for Growth**		14					
	a) **Physical Targets**							
	1) Tea Production	Lac Kg	3	122	117	112	107	102
	2) Production of Transformer (Elect. Divn)	MVA	3	1450	1305	1175	1057	951
	3) Sales in Volume (Tide Water Oil Co.(I) Ltd) #	KL	2	70000	66500	63175	60016	57015
	b) **Corporate / strategic plan**							
	i) New line of business in HGIS, TGIS minimum order no .	In Nos	2	20	15	12	10	8
	ii) Secure order for 220 KV class Transformer	Date	2	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
	iii) Secure order for Export of Transformers	No. of Orders	2	4	3	2	1	0

MoU 2015-16
Approved by DPE/TF
Signed

Sl		Evaluation Criteria	Unit	Weight (in %)	2015-16 MOU Target Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)
	[iv]	**Project Management & Implementation**		6					
	i)	Possession of land for new Plant	Date	1	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16
	ii)	Disposal of Existing Chennai Plant Land	Date	1	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16
	iii)	Plantation in Tea Estate Infilling	No.	2	85000	76500	68850	61965	55768
	iv)	Finalization of Layout and Architectural Approval of the new plant	Date	2	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16
	[v]	**Productivity and Internal Processes**		7					
	f)	**Customer satisfaction and redress of customer grievances**							
	i)	Engineering & Electrical Division (LD)	as % of Turnover	2	1.00	1.25	1.50	1.75	2.00
	ii)	Index as per ISO Evaluation (Tide Water Oil Co.(I) Ltd.)	Index	2	99	95	90	86	81
	iii)	Design software instalation and successful run	Date	1	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
	iv)	Customer satisfaction of Electrical and Engineering Division taken on random basis	%	2	85	80	75	70	65
	[vi]	**Technology, Quality, Innovative practices**		8					
	a)	**New Technologies / improving existing ones**							
	[i]	Development of 100 KVA Transformer 5-Star Rating Transformer with the Amorphous Core	Date	2	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
	[ii]	Reduction in weight and Static Component of medium range Fan validation by Head of Design and test report	% of reduction	2	3%	2%	1%		
	b)	**Quality Management**							
	[i]	Tea price on North India Auction Average	Rs/Kg.	2	17.00	16.00	15.00	14.00	13.00
	e)	**Design and instalation of WIFI System and Lan Network**	No. of Orders	2	4	3	2	1	
	[vii]	**Human Resource Management- HRM (AYCL)**		6	As per Appendix-2 to Annexure II				
3		**Sector / Enterprise Specific Productivity/Efficiency ers:**		5					
	i)	Productivity at Tea Gardens	Kg / Hectare	2	1975	1875	1775	1675	1575
	II)	Energy usages in Tea Gardens	Rs/Kg.	1	16.50	17.50	18.00	18.50	19.00
	III)	Productivity of Tide Water Oil Co.(I) Ltd	Kl / employee	2	150	140	134	132	130
		Sub-total (2 + 3)		50					
		Total [1 + 2 + 3]		100					

MoU 2015-16
Approved by DPE/TF
Signed

PART – II

MEANS OF VERIFICATION :

1)	Financial Parameters	:	Auditors Certificate / Balance Sheet / Directors' Report
2)	R & D	:	Certification by Design Department Head & G.M of the Division.
3)	CSR	:	Directors' Report / Annual Report to Ministry
4)	Initiatives for Growth	:	G.M of the Division Certification
5)	Project Management & Implementation	:	Board Approval / G.M of the Division Certification.
6)	Productivity & Internal Process	:	CA Certificate / G.M of the Division Certification
7)	Technology, Quality	:	CPRI Certificate / Certification by Design Department Head
8)	Quality Management (Tea)	:	Tea Board – Batting Order / Tea Price on North India auction average
9)	HRM	:	Certification by Auditors
10)	Sector / Enterprise Specific	:	G.M of the Division Certification

MoU 2015-16
Approved by DPE/TF
Signed

Note :

Non-Compliance of Corporate Governance

Non-compliance of Corporate Governance will be penalized by way of negative marking and the MOU Score will be decreased in the following manner in accordance with DPE OM 18(8)/2005-GM, dated 15th May 2010.

Sl. No.	Annual Score	Grading	Penalty Marks
1	85% and above	Excellent	0
2	75% - 84%	Very Good	0
3	60% - 74%	Good	0.5
4	50% - 59%	Fair	0.5
5	Below 50%	Poor	1

If the CPSE fails to submit the Self evaluation report of Corporate Governance through administrative Ministry/Department or directly to DPE within the timelines, CPSE would be graded as not complied and the same would be treated as poor rating.

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 up to 1.

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/department as per details in OM No. DPE/14(38)/10-Fin dated 28th June 2011 & 15th September 2014. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark. If there is any inconsistency between the compliance certificate submitted by CPSE and the observations in the Reports of the Comptroller and Auditor General of India for the year ended March'2014 & 2015 (if any), the CPSE will be penalized by reduction of 1 (one) mark.

Non-Compliance of CSR Guidelines:

CPSE will have to submit a certificate regarding compliance of the Act, Rules & Guidelines issued by DPE in this regard. Non-compliance will be penalised up to 1 mark at the time of MoU Evaluation.

Other Non-Compliance:

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

Other

It has been mutually agreed upon that all internal documents to be signed at least by a functional Director of the Boars.

MoU 2015-16
Approved by DPE/TF
Signed

ANNEXURE-III

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 .

MoU 2015-16
Approved by DPE/TF
Signed

ANNEXURE-IV

Assistance/Expectation from the Government :

Bridge Finance of Rs.150.00 crore for two years for relocation of Chennai Plant.

MoU 2015-16
Approved by DPE/TF
Signed

ANNEXURE-V

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, 2015 and March, 2016.
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

Katoch
31/3

(RAJAN S KATOCH)
Secretary to the Govt. of India
Department of Heavy Industry,
Ministry of Heavy Industries &
Public Enterprises

(Annexure- VIA)

TREND OF ANDREW YULE GROUP PERFORMANCE OF FINANCIAL PARAMETERS FOR THE LAST FOUR YEARS ALONGWITH PROJECTIONS OF NEXT TWO YEARS

(Rs. in Crore)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15				2015-16	2016-17	2017-18
	Mou Target	Actual	Mou Target	Actual	MoU Target	Actual	Mou Target	Actual	MOU Target	Actual 30.09.14	Actual upto 31.12.14	Projected for 31.3.15	MOU Target	Projection	Projection
Production (in Rs. Cr.)	996.14	950.61	1110.60	1098.03	1195.74	1266.89	1428.70	1383.14	1476.20	727.89	1087.95	1434.83	1531.94	1616.10	1705.93
Profit & Loss Statement Items															
Sales Turnover, excluding interest and other income (Operating Turnover)	**991.44**	**1037.33**	**1122.00**	**1201.23**	**1207.74**	**1290.94**	**1436.20**	**1410.98**	**1480.15**	**698.12**	**1068.98**	**1446.16**	**1548.42**	**1634.33**	**1724.41**
Interest and other income	8.24	44.19	11.05	23.66	14.75	19.80	13.40	31.56	27.25	13.56	22.21	23.91	21.87	21.06	21.71
Gross Operating Margin	**294.20**	**320.62**	**369.10**	**309.02**	**314.11**	**343.43**	**370.28**	**371.43**	**310.30**	**190.53**	**303.42**	**390.11**	**406.27**	**428.63**	**447.09**
Gross Operating Margin Rate (%)	**29.67**	**30.91**	**32.90**	**25.73**	**26.01**	**26.60**	**25.78**	**26.32**	**20.96**	**27.29**	**28.38**	**26.98**	**26.24**	**26.23**	**25.93**
EBITDA (Earnings Before Interest, Taxes, Depreciations, Amortization)	**110.00**	**165.04**	**151.00**	**129.52**	**159.68**	**137.08**	**147.13**	**160.56**	**143.84**	**65.84**	**104.32**	**129.38**	**131.40**	**137.03**	**140.68**
Depreciation	10.73	14.62	13.86	14.13	14.38	14.12	14.41	13.78	15.53	5.96	8.93	11.46	12.61	13.15	13.73
EBIT (Earnings Before Interest, Taxes)	**99.27**	**150.42**	**137.14**	**115.39**	**145.30**	**122.96**	**132.72**	**146.78**	**128.31**	**59.88**	**95.39**	**117.92**	**118.79**	**123.88**	**126.95**
Interest Expenses	25.41	20.45	27.05	21.31	24.88	14.63	18.21	14.09	14.69	7.25	10.50	14.62	11.28	11.72	12.20
Prior period Expenses	0.00	0.00	0.00	0.00	0.00	0.00	4.10	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00
Extra Ordinary Items	0.00	4.10	0.00	2.61	0.00	0.00	0.00	0.00	0.00	107.64	107.39	107.64	0.00	0.00	0.00
Any other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-3.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	**73.86**	**134.07**	**110.09**	**96.69**	**120.42**	**108.33**	**118.61**	**129.21**	**113.67**	**160.27**	**192.28**	**210.94**	**107.51**	**112.16**	**114.75**
Tax	19.20	30.12	31.89	26.99	32.86	33.71	33.16	38.37	32.08	40.55	48.57	53.10	29.41	29.86	30.13
Profit after tax (PAT)	**54.66**	**103.95**	**78.20**	**69.70**	**87.56**	**74.62**	**85.45**	**90.84**	**81.59**	**119.72**	**143.71**	**157.84**	**78.10**	**82.30**	**84.62**
Dividend Paid	0.00	5.23	0.00	10.46	0.00	13.07	0.00	0.00	0.00	0.00	0.00	43.50	26.10	26.10	26.10
Profit transferred to Balance Sheet	54.66	0.00	78.20	57.47	87.56	59.33	85.45	90.84	81.59	119.72	0.00	105.42	46.65	50.85	53.17

TREND OF ANDREW YULE GROUP PERFORMANCE OF FINANCIAL PARAMETERS FOR THE LAST FOUR YEARS ALONGWITH PROJECTIONS OF NEXT TWO YEARS

(Rs. in Crore)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15				2015-16	2016-17	2017-18
	Mou Target	Actual	Mou Target	Actual	MoU Target	Actual	Mou Target	Actual	MOU Target	Actual 30.09.14	Actual upto 31.12.14	Projected for 31.3.15	MOU Target	Projection	Projection
Balance Sheet Items															
Gross Block	346.88	373.80	405.94	391.97	426.20	400.27	445.88	412.61	461.79	417.88	419.01	428.25	460.25	472.60	575.95
Less : Depreciation	128.08	126.71	139.13	140.19	154.43	151.55	168.01	161.88	184.63	168.63	171.46	176.68	189.00	201.60	214.50
Net Block	218.80	247.09	266.81	251.78	271.77	248.72	277.87	250.73	277.16	249.25	247.55	251.57	271.25	271.00	361.45
Share Capital of CPSE	83.81	82.81	83.82	82.81	82.81	82.81	182.81	111.36	111.38	111.36	111.36	111.36	111.36	111.36	111.36
Reserve & Surplus of CPSE	338.12	372.41	443.15	418.93	533.58	417.21	513.38	483.29	633.53	600.00	613.14	581.59	621.09	662.63	705.08
Less deferred reve exp / pre-acquision Loss	0.00	0.09	0.09	0.09	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less Profit & Loss A/c (Loss figure)	121.46	72.05	100.14	61.01	50.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Worth of CPSE	300.47	383.08	426.74	440.64	565.40	499.93	696.19	594.65	744.91	711.36	724.50	692.95	732.45	773.99	816.44
Investment	9.78	9.80	10.00	60.97	59.40	63.12	68.45	65.96	66.42	130.51	129.90	129.52	129.52	129.52	129.52
Total Current Assets	612.55	589.95	581.53	634.00	691.71	700.08	679.97	761.50	723.46	806.52	790.04	751.82	793.92	830.58	869.88
Total Current Liabilities & Provision	283.78	282.56	228.90	303.87	287.95	403.37	272.16	375.97	313.59	367.30	342.64	350.85	374.59	381.70	376.69
Net Current Assets	328.77	307.39	352.63	330.13	403.76	296.71	407.81	385.53	409.87	439.22	447.40	400.97	419.33	448.88	493.19
Capital Employed (Net Block + Net Current Assets)	547.57	554.48	619.44	581.91	675.53	545.43	685.68	636.26	687.03	688.47	694.95	652.54	690.58	719.88	854.64
Total long-term Debt (Loan Funds)	263.40	181.13	211.79	204.74	183.36	111.91	95.39	89.92	57.68	84.68	75.66	83.28	116.40	156.99	158.05
Total Assets	557.35	564.28	629.44	642.88	734.93	617.00	835.50	729.33	849.31	846.49	851.07	825.61	898.68	981.11	1024.57
No. of Employees of CPSE	16090	15888	15888	15688	15688	15762	15747	15772	15761	15736	15734	15734	15718	15718	15718
Ratios															
PAT / Net Worth (%age)	18.19	27.14	18.32	15.82	15.49	14.93	12.27	15.28	10.95	16.83	19.84	22.78	10.66	10.63	10.36
EBITDA / Net Block (% age)	50.27	66.79	56.59	51.44	58.76	55.11	52.95	64.04	51.90	26.42	42.14	51.43	48.44	50.56	38.92
PAT / Total Employment of CPSE (Rs. Lakhs)	0.34	0.65	0.49	0.44	0.56	0.47	0.54	0.58	0.52	0.76	0.91	1.00	0.50	0.52	0.54
Sales Turnover / Net Block	453.13	419.82	420.52	477.10	444.40	519.03	516.86	562.75	534.04	280.09	431.82	574.85	570.85	603.07	477.08
EBIT / Capital Employed (%age)	18.13	27.13	22.14	19.83	21.51	22.54	19.36	23.07	18.68	8.70	13.73	18.07	17.20	17.21	14.85
Current Ratio	2.16	2.09	2,54	2.09	2.40	1.74	2.50	2.03	2.31	2.20	2.31	2.14	2.12	2.18	2.31
Debt Service Coverage Ratio	3.91	7.36	5.07	5.41	5.84	8.40	7.29	10.42	8.73	8.26	9.08	8.07	10.53	10.57	10.41

Note 1- Extraordinary Income represents capital gain on slump sale of Eneos business under technical collaboration with JX Nippon Oil & Energy Corporation to a joint Venture Companywith TWO & JX NOE as equal partners

Note 2 - PBT without extraordinary income will be Rs. 103.30 crores for 2014-15 which includes profit from Eneos business for half of the year . However in the subsequent years income from Eneos business will not accrue to TWOL & so PBT will be lower.

Appendix-1 to Annexure II

Degree of success in implementation the CSR and SD Projects for MOU 2015-16

Srl No.	Projects/Activities	Performance Indicator	Weight	Excellent	Very Good	Good	Fair	Poor
1	Skill Development Programme in (24 Pargana(S), Bankura, Jalpaigury Dist. In WB and Jorhat, Goaghat, Dibrugarh & Karbi Anglong Dist in Assam)	No of beneficiaries	1	250	200	175	150	125
2	Rain Water Harvesting at Khowang TE Dist. Jalpaiguri under SD for improvement of water level and ecological balance- Inspection by External Agency	Date	1	Dec'15	Jan'16	Feb'16	Mar'16	
	Total :		2					

MoU 2015-16
Approved by DPE/TF
Signed

Appendix-2 to Annexure II

MOU 2015-16 Target for HRM (AYCL)

Sl.	HRM - PERFORMANCE INDICATORS	Measurement Unit	Weigh tage	Excellent	V.Good	Good	Fair	Poor
				150	**125**	**100**	**75**	**50**
1	Training activities for Executives & Non-unionized Supervisors	**Mandays**	**2**					
				90	80	70	60	50
2	Training Activities for Unionized Employees	**Mandays**	**2**					
	Employee Relations & Welfare							
				5	4	3	2	1
3	Special Technical Programmes	No. of programs	1					
				10	8	6	4	2
4	Manpower Rationalization Through Redeployment	Number	1					
	Grand Total		6					

MoU 2015-16
Approved by DPE/TF
Signed