

**MEMORANDUM
OF
UNDERSTANDING
2016 - 17**

BETWEEN



MECON LIMITED

&



**MINISTRY OF STEEL
GOVERNMENT OF INDIA**

MEMORANDUM OF UNDERSTANDING

**FOR
2016-2017**

Between



MECON LIMITED

AND



**MINISTRY OF STEEL
GOVERNMENT OF INDIA**



मेकॉन लिमिटेड, राँची - 834002
MECON LIMITED, RANCHI - 834002

**MEMORANDUM OF UNDERSTANDING
BETWEEN
MECON LIMITED
AND
MINISTRY OF STEEL, GOVERNMENT OF INDIA
FOR 2016-2017**

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 and mining sector and improved presence in diversified sectors, namely, Oil & Gas, Power and Infrastructure
- b) in-house development of 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,
- e) carrying out studies and developing projects related to improvement in climate change

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 provide technical and professional support to Government of India programmes such as "Make-in-India", "300 MT Steel by 2025-26", "Infrastructure for Steel & Mines in eastern zone", etc.
- 1.3.4 To broaden the business operations in diversified areas with suitable technology tie-up with appropriate expert companies & professionals.
- 1.3.5 To implement and maintain Total Quality Management (TQM) in all spheres of Company operations, firmly based on reliable information management system
- 1.3.6 To foster and sustain a competent and highly responsive workforce with adequate domain expertise and encourage innovation.
- 1.3.7 To ensure compliance of environmental, health and safety norms in all projects engineered by the company.
- 1.3.8 To work on studies & pilot projects in the field of climate change, like, clean coal technology, coal gasification, indigenous rare earth development, etc.
- 1.3.9 To fulfill the social objectives as a responsible corporate citizen.


**MEMORANDUM OF UNDERSTANDING BETWEEN MECON LIMITED
AND MINISTRY OF STEEL**

**For Financial Year 2016-17
EVALUATION CRITERIA & TARGETS
Form-I (Part-A)**

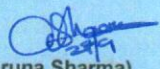
Sl. No.	Evaluation Criteria	Unit	Wt.	MoU Targets				
				Excellent	V. Good	Good	Fair	Poor
i.	Capacity Utilisation : New Orders Secured during the year	Rs. Cr.	10	725	700	675	650	625
ii.	Efficiency Parameters (Physical operations):							
	A. Production efficiency Completion of Milestones in clients' assignments (Stated for FY 2016-17) without time overrun (Orders above Rs. 10 Crs.) (List as per Annex-A)	%	10	100	90	80	70	60
	B. Technology up-gradation : Development of 4250 m ³ Blast Furnace Design Package	Date	5	15-01-2017	31-01-2017	15-02-2017	28-02-2017	15-03-2017
iii.	Leveraging Net Worth : CAPEX (including roof top Solar) (List as per Annex-B)	Rs. Cr.	15	12.0	11.5	11.0	10.5	10.0
iv.	Monitoring Parameter : Percentage of value of CAPEX Projects running / completed during the year without time / cost over run to total value of CAPEX running / completed during the year	%	5	100	90	80	70	60
v.	Turnover for Operations : Revenue from Operations (Net of excise duty)	Rs Cr.	15	400	380	360	345	330
vi.	Operating Profit/ Surplus : Reduction in loss / Deficit (excluding Other Income, Extraordinary, Exceptional Items & Prior Period Items)	%	15	100	30	25	20	15
vii.	Early signs of weakness : Reduction in Claims against the Company not acknowledged as debt, over the previous year. Claims raised by CPSEs & Others	%	5	40	30	25	20	10
viii.	Marketing efficiency ratios New Overseas orders secured during the year	Rs Cr.	5	5	4	3	2	1
ix.	Marketing efficiency ratios Trade Receivables as percentage of Revenue from Operations (Gross)	%	5	35	38	41	44	46
x.	Return on Investment : Reduction in Expenses as % of revenue from operation	%	10	12	10	8	6	4
Total			100					

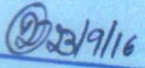
- Wherever the figures are not verifiable from the annual report, the verification at the time of MoU Evaluation would be done on the basis of certification by way of resolution regarding achievement of the above parameter by Board of Directors.
- Targets finalized by IMC are based on provisional figures submitted by the company for FY 2015-16. In case of better performance of the CPSE during the year 2015-16 as compared to Provisional figures, the difference between actual figures and provisional figures shall be added to the targets of 2016-17.
- Targets decided in MoU are unconditional and no offset will be allowed in any condition. Further evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 and 14.3 of MoU guidelines 2016-17.

For MECON Limited


(A K Tyagi)
Chairman-cum-Managing Director
DATED:

For Ministry of Steel


(Dr. Aruna Sharma)
Secretary

MoU 2016-17
Approved by IMC
Signed  23/9/16

Attachment A

LIST OF ORDERS (above Rs. 10 Crore) & MILESTONES STATED FOR FINANCIAL YEAR 2016-17

Sl. No.	Description	Client	Fees in Lakhs	Milestone activity as per timeline agreed with the client in the Contract Agreement / Work Order (falling within FY 2016-17)	Target Completion date
1	EPCM for Slurry Pipeline from Bachel to Nagarnar	NMDC LIMITED	2,471.0	Final Tender preparation with cost estimate and submission to NMDC (Package SP02)	15-11-2016
2	Phulpur Haldia Pipeline Project	GAS AUTHORITY OF INDIA LIMITED	3,830.1	Order Placement for Procurement of 18 inch 166 Km Line Pipe for Gorakhpur Spurlines of Phulpur Haldia Pipeline Project	31-12-2016
3	Design, Engineering and Supply of Power Supply System for Sinter Plant Package No.-4, Bokaro Steel Plant	BOKARO STEEL LIMITED	4,405.9	Supply of 80MVA & 16MVA transformers (Package EP4)	31-01-2017
4	Engineering & Project Management Consultancy Services for City Gas Distribution Network at Bengaluru GA	GAIL GAS LIMITED	1,681.0	Completion of second year target of Steel/MDPE pipe laying 1132 Inch-km	16-02-2017
5	PMC for 33/11kV Substations awarded by OPTCL for Segment - I under Phase - I & II of ODSSP project	ODISHA POWER TRANSMISSION CORPORATION LIMITED (OPTCL)	2,081.7	Charging/Commissioning of 33/11kV Sub-stations - 30 nos.	15-03-2017
6	MSM/EXP/05 - Reheating Furnace for MSM	SAIL - DSP	8,663.0	Commissioning	30-09-2016
7	INFRA/EXP/10 - Construction of balance Road Works under Phase - I Expansion	SAIL - DSP		Drawing of all major areas including Coke Street, Tamla gate, NSY, ASP will be issued	28-02-2017
8	91 - Coal Handling Plant	SAIL - RSP	18,592.0	Commissioning	15-08-2016
9	Procurement, Engineering & Project Management Services for Setting up a Forged Wheel Plant at Lalganj, Rae Bareilly	RINL	2,100.0	Handing Over the leveled Project Site to the Contractor of Main Technological Package	28-05-2016
10	Rebuilding of C.O. Battery No. 7 at BSL, Bokaro	SAIL - BSL	12,093.0	Completion of erection of Battery anchorage system	15-01-2017

Attachment B**List of CAPEX Projects for 2016-17**

Sl. No.	Description	Budgeted / Actual Cost (Lakh Rs.)	Scheduled Completion Date
1	ILL from RailTel(Installation Charges)	13.57	08-08-2016
2	Network Attached Storage	12.66	24-08-2016
3	FO connectivity at TA & CD, Ispat Hospital & Cash counter centre at Hudco building	8.00	28-02-2017
4	Laptops	50.00	28-02-2017
5	Ram Upgrade for 17 PC's & Workstations under procurement	6.60	28-02-2017
6	Printer/Peripherals/Plotter/Scanner	70.00	28-02-2017
7	Workstation	112.00	30-05-2016
8	Procurement of roll pass schedule Software for Hot Rolling Mills(HSMM)	8.67	30-07-2016
9	Gear Design Calculation Software	11.20	30-07-2016
10	Primavera	10.36	30-07-2016
11	55" LEDTV for MAS section	1.14	30-09-2016
12	Active Directory (Ranchi, Delhi & Bangalore)	25.00	30-10-2016
13	Additional Desktop on repeat order basis	55.00	30-12-2016
14	Addl. Hardware & Software for GIS Lab	64.00	30-12-2016
15	Document Management System	75.00	31-03-2017
16	Hardware Upgradation /New Server	50.00	31-03-2017
17	Asset Management	40.00	31-03-2017
18	Disaster Recovery (DR) site at Bangalore including software	50.00	31-03-2017
19	Misc. IT Related Item & Engineering Software	50.00	31-03-2017
20	MS Project 5 User Network License	4.15	31-08-2016
21	VC System and LED TV for CMD and Directors	25.20	31-08-2016
22	Modem for PRI line	0.56	31-08-2016
23	Unified Threat Management for Ranchi and other offices	44.00	31-12-2016
24	Advanced Underground Design Module in the existing SUPRAC licenses	18.50	31-12-2016
25	NIC mail	3.60	31-12-2016
	Sub-Total Software & Automation Projects	809.20	
26	Construction of JVM building at TA&CD stock yard	82.00	31-03-2017
27	Enhancement of Sub Power Distribution Network with LPRF communication based energy meters in Shyamali - PH-I	60.00	28-02-2017

Sl. No.	Description	Budgeted / Actual Cost (Lakh Rs.)	Scheduled Completion Date
28	Enhancement of Sub Power Distribution Network with LPRF communication based energy meters in Shyamali - PH-II	200.00	31-03-2017
29	PDBs, DG DBs, HT, LT Cabling in MECON H.O. Complex & Shyamali	10.00	31-03-2017
30	Various equipment for Horticulture activities	3.00	31-03-2017
31	Purchase of Pumps, Motors etc. for borewells & water supply	15.00	31-03-2017
32	Water Harvesting in Shyamali & Head Office	35.00	31-03-2017
33	Installation of Roof Top Solar PV Power Plant (20 kWP) in MECON Head Office	19.00	31-03-2017

Sub-Total Sustainable Development Projects **424.00**
TOTAL **1,233.20**
Say, **12 Crores**

FORM - I (Applicable for ALL CPSEs except CPSEs Under Closure / Under construction)								
PART - B								
TREND ANALYSIS								
Sl. No.	Evaluation Criteria	Unit	Financial Year					
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected
i.	Capacity Utilisation (Based on Part A)	%, Nos.	NA	NA	NA	NA	NA	NA
ii.	Efficiency Parameters (Physical operations - Based on Part A)							
iii.	CAPEX	Rs. in Crores	3.92	9.86	10.97	20.17	17.53	11.00
iv.	Paid-up Share Capital	Rs. in Crores	90.54	77.94	65.34	52.74	40.14	40.14
v.	Accumulated Reserves	Rs. in Crores	247.61	336.27	374.14	379.92	217.26	101.25
vi.	Net Worth	Rs. in Crores	314.98	391.29	416.80	410.23	235.22	119.46
vii.	Borrowings (shown in Non-Current Liability)	Rs. in Crores	25.00	0.00	0.00	0.00	0.00	0.00
viii.	Borrowings / Net Worth	%	7.94	0.00	0.00	0.00	0.00	0.00
ix.	Percentage of value of CAPEX contracts / projects running / completed during the year without time / cost overrun to total value of CAPEX contracts running / completed during the year (wherever applicable)							
x.	Revenue from Operations (Gross)	Rs. in Crores	723.21	564.82	371.44	430.59	327.85	360.00
xi.	Revenue from Operations (Net of excise duty)	Rs. in Crores	723.21	564.82	371.44	430.59	327.85	360.00
xii.	Profit before Tax	Rs. in Crores	201.53	150.72	68.69	33.01	-174.70	-115.76
xiii.	Other Income							
	- Interest	Rs. in Crores	54.18	70.81	71.29	64.33	56.10	45.00
	- Dividend	Rs. in Crores	0.03	0.01	0.02	0.02	0.01	0.01
	- Others	Rs. in Crores	13.02	12.38	44.42	44.21	15.91	14.99
	- Total	Rs. in Crores	67.23	83.20	115.73	108.56	72.02	60.00
xiv.	Extraordinary Items / Prior Period Items	Rs. in Crores	0.37	1.83	0.36	1.34	-0.09	0.00
xv.	Exceptional Items	Rs. in Crores	0.00	0.00	0.00	0.00	0.00	0.00
xvi.	Profit before Tax (excluding Other Incomes, Extraordinary, Prior Period items and Exceptional Items)	Rs. in Crores	134.67	69.35	-46.68	-74.21	-246.81	-175.76
xvii.	Profit after Tax	Rs. in Crores	136.36	101.02	49.48	20.27	-162.41	-115.76

FORM - I (Applicable for ALL CPSEs except CPSEs Under Closure / Under construction)								
PART - B								
TREND ANALYSIS								
Sl. No.	Evaluation Criteria	Unit	Financial Year					
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected
xviii.	Revenue from Operations (Net) / Total Expenses [excluding extra ordinary / exceptional items, if shown separately and Tax (Income Tax) Expense]	%	122.88	114.00	88.84	85.30	57.05	67.19
xix.	Closing Inventory of finished goods	Rs. in Crores	-	-	-	-	-	-
xx.	Closing Inventory of Work-in-Progress / Jobs- in - Progress	Rs. in Crores	4.79	5.88	5.74	5.04	7.41	7.41
xxi.	Sale of Products (Net of Excise duty) / Sale of Services	Rs. in Crores	643.83	511.65	341.29	389.92	317.28	360.00
xxii.	Number of days of Inventory of finished goods and Work-in-progress to Sale of Products (wherever applicable)	No of Days	NA	NA	NA	NA	NA	NA
xxiii.	Trade Receivable of over 6 months (Net)	Rs. in Crores	50.54	57.88	71.46	77.75	98.72	81.18
xxiv.	Trade Receivables (Net) (Total)	Rs. in Crores	161.20	158.72	174.95	199.25	247.08	147.60
xxv.	Trade Receivables (Net) as percentage of Revenue from Operations (Gross)	%	22.29	28.10	47.10	46.27	75.36	41.00
xxvi.	Cash and Bank Balance	Rs. in Crores	723.60	786.32	733.49	701.61	604.45	504.75
xxvii.	PAT / Net Worth	%	43.29	25.82	11.87	4.94	(69.05)	(96.90)
xxviii.	Dividend / PAT	%	8.20	10.25	19.64	44.84	0.00	0.00
xxix.	Dividend / Net Worth	%	3.55	2.65	2.33	2.22	0.00	0.00
xxx.	Claims against Company not acknowledged as debt	Rs. in Crores						
	- By Central Govt.		14.78	16.00	16.83	19.21	8.03	-
	- By State Govt. & Local Bodies		23.32	14.58	18.09	19.10	35.69	-
	- By CPSEs		NIL	NIL	NIL	NIL	NIL	-
	- By Others		11.98	69.29	72.78	60.97	84.46	-
xxxi.	CPSE specific / sector specific (List all from Part A)							
xxxii.	Resources Raised		NA	NA	NA	NA	NA	NA
xxxiii.	Surplus Redeployed		NA	NA	NA	NA	NA	NA
xxxiv.	Major Expenses							
	1.		NA	NA	NA	NA	NA	NA
	2.		NA	NA	NA	NA	NA	NA
	3.		NA	NA	NA	NA	NA	NA



मेकॉन लिमिटेड, राँची - 834002
MECON LIMITED, RANCHI - 834002

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 projects.

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

EXPLANATORY NOTE

General

The company is operating in three Strategic Business Units (SBUs), namely Metal, Energy and Infrastructure, with major contribution from Metal SBU.

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 Energy and Infrastructure sectors. However, due to lack of adequate references in these diversified areas, MECON has to depend on collaborators thereby not being able to capitalize fully on the opportunity in these sectors. Assistance from the Ministry of Steel, Government of India by way of jobs on nomination basis as well as 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 ₹168.30 crores against an investment by way of Government equity of only ₹2.00 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 leading to the company being referred to BRPSE for business and administrative restructuring. Implementation of the revival / restructuring measures approved by the GOI, turnaround the company, which is evident from the following:

- ❖ The equity share capital of the company increased to ₹40.14 crores during the FY 2006-07. Fresh infusion of capital was made through issue of 5% Non-Cumulative Redeemable Preference Share amounting to ₹63.00 crores which is redeemed from 2011-12 to 2015-16 in five equal installments.
- ❖ The turnover increased from ₹173.86 crores during 2004-05 to ₹643.83 crores during 2011-12. However, due to slowdown in industry turnover for 2015-16 is declined to ₹ 317.28 crores during 2015-16.
- ❖ The company earned PBT of ₹ 10.73 crores during 2004-05 and continued to be a profit making company with a PBT of ₹33.01 crores during 2014-15. However, the company incurred loss before tax of ₹ 174.70 crores during 2015-16 due to slowdown in industry and overall business scenario.

- ❖ 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 ₹235.22 crores as on 31.03.2016.
- ❖ The company has been able to wipe out its accumulated losses as on 30.09.2009 (accumulated loss as on 31.03.2004 was ₹210.04 crores).

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

Due to ongoing recession in steel industry, restriction on Iron-ore and coal mining and other associated factors, the company could not book substantial orders in the recent past. However, order booking is expected to improve in future.

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 which stands at ₹235.22 crores as on 31.03.2016. The capital employed by the company turned positive on 31.03.05. The capital employed as on 31.03.2016 was ₹181.24 crores.

In line with the MOU guidelines for 2016-17, the following financial parameters have been considered:

- i. CAPEX
- ii. Revenue from operations (Net of excise duty)
- iii. Reduction in Loss / Deficit (excluding Other Income, extraordinary and Exceptional Items & Prior Period Items) over previous year
- iv. Reduction in Claims against the Company not acknowledged as debt, over the previous year.
- v. Trade Receivables as percentage of Revenue from Operations (Gross)
- vi. Reduction in Expenses as % of revenue from operation over previous year



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MECON LIMITED, RANCHI - 834002

Annexure-VII

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 2016-17. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per MoU Guidelines. CPSE has no right of claim in this regard.

Authorised Signatory

गौतम चक्रवर्ती

Goutam Chakraborty

महाप्रबंधक (प्रौद्योगिकी) एवं प्रबंधन प्रतिनिधि
General Manager (Technology) & MR

मेकॉन लिमिटेड, राँची-834002
MECON Limited, Ranchi-834002



मेकॉन लिमिटेड, राँची - 834002
MECON LIMITED, RANCHI - 834002

Annexure-VIII

SELF-DECLARATION FOR COMPLIANCE OF DIRECTIVES OF GOVERNMENT & REGULATORS

It is hereby certified that the CPSE has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government/regulators. CPSE has no right of claim in this regard.

Authorized Signatory

गौतम चक्रवर्ती

Goutam Chakraborty

महाप्रबंधक (प्रौद्योगिकी) एवं प्रबंधन प्रतिनिधि
General Manager (Technology) & MR

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MECON Limited, Ranchi-834002

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