



MEMORANDUM OF UNDERSTANDING

KIOCL Limited and Ministry of Steel (MoS) agreed to enter into Memorandum of Understanding (MoU) for the year 2019-20.

The MoU contains the following:

Annexure-I : Brief about the CPSE

**Annexure-II Part-A : MoU Targets for 2019-20
& Part-B**

Annexure-III Part-A : Trend Analysis

Annexure-III Part-B : Trend Analysis



Annexure-I

BRIEF ABOUT THE CPSE

1.	Name of the CPSE	KIOCL LIMITED
2.	Status (Please tick)	Maharatna / Navaratna / Miniratna ✓/others
3.	Schedule of the CPSE (Please tick)	A ✓/B/C/D/ none
4.	Purpose for which CPSE has been setup and the main business now	KIOCL Limited, a Schedule-A, Mini Ratna Category-I CPSE under the Administrative Control of Ministry of Steel was incorporated on 02.04.1976. KIOCL is currently engaged in the business of manufacturing and selling of Iron Ore Pellets and Foundry Grade Pig Iron. The state of the art pelletisation plant with 3.5 MTPA rated capacity and 0.216 MTPA Blast Furnace Unit is located at Mangalore. KIOCL entered into the business of Operation & Maintenance of Beneficiation & Pelletisation Plant, Exploration of mineral deposits for the country. KIOCL is having over four decades of experience in the field of Mining, Beneficiation and Processing of Iron ore. The manufacturing facilities are accredited with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007.



5.	Any capital restructuring during 2018-19, i.e., buy back of shares, issue of bonus shares, issue of fresh shares, splitting of shares and percentage of PAT given as dividend	During 2018-19 KIOCL has brought back 1,25,88,235 equity shares, representing 1.98% of the Paid up Equity Share Capital @ Rs.170 per Equity share with total outgo of Rs.214 Crores which is 9.99% of the aggregate paid up share capital and free reserves of the Company. Consequently, the GoI holding in KIOCL has increased to 99.06% post buyback.
6.	Whether shares are listed (if yes, name of Stock Exchange and price of the share as on date)	Equity shares of KIOCL Limited are listed in Metropolitan Stock Exchange of India (MSEI), National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). Share is traded at Rs.142.10 as on 31.03.2019.
7.	Any change in capacity during the year or next year (MoU Year)	No
8.	Any business unit hived off or to be hived off or added or to be added during the year or next year (MoU Year)	No
9.	Brief about the Sector in which the CPSE is operating and national and international environment, regulatory environment etc.	<p>KIOCL operates an iron ore pellet plant with an annual production capacity of 3.50 Million Tons and supplies pellets to Steel Sector. KIOCL is a port based EOU having its own captive berth on west coast of India. Iron Ore Pellets are used in steel making process as a raw material. Steel is produced mainly through:-</p> <p>1. Blast Furnace route which uses lumps/pellets; and</p>



		<p>2. EAF / Induction Furnace route which uses DRI. DRI is produced using high grade pellets.</p> <p>DRI grade pellet feed is not available in India. KIOCL mainly supplies pellets to Steel mills using Blast Furnace in domestic and international markets. China which consumes around 50% of iron ore / pellets in export market is KIOCL's main overseas market. KIOCL has also expanded its market base to UK, Japan, South Korea etc. The domestic market for KIOCL pellet is limited as most of the major steel producers are equipped with captive pellet plants. During last few years, KIOCL has ventured in to manufacture of DR grade pellets using imported high grade iron ore concentrate under Make In India initiative, which has opened up new markets in Iran and Middle East.</p>
10.	Details of revival plan, if approved	Not Applicable
11.	Any adverse comment by Statutory Auditors and its impact on Revenue/Profit/Loss/Assets/Liabilities	Nil comments of Statutory Auditor.
12.	Whether C&AG supplemented the comments of Statutory Auditor. If not, give details along with impact	Nil comments of C&AG



13.	Number and Name of subsidiary companies along with amount invested and share in its profit during last five years	Separate sheet may be attached, if more than one subsidiary. Information may be separately given in respect of each subsidiary and aggregated (consolidated) also.		
	Year	Name of subsidiary	Amount invested (Rs.)	Share in its profit (Rs.)
	2013-14	No Subsidiary		
	2014-15			
	2015-16			
	2016-17			
	2017-18			
14.	Number and Name of Joint Venture companies along with amount invested and share in its profit during last five years	Separate sheet may be attached, if more than one Joint Venture. Information may be separately given in respect of each Joint Venture and aggregated (consolidated) also.		
	Year	Name of Joint Venture	Amount invested (Rs.)	Share in its profit (Rs.)
	2013-14	No Joint Venture Companies		
	2014-15			
	2015-16			
	2016-17			
	2017-18			

PART-A

ANNEXURE-II

COMPULSORY PARAMETERS

Sl. No.	Performance Criteria	Unit	Marks	Current Year (Estimate)	Best in 5 Years	MoU Targets 2019-20					% Improvement
						Excellent 100%	Very Good 80%	Good 60%	Fair 40%	Poor 20%	
i.	Turnover										
	Revenue from Operations	Rs. Crore	10	1860.00	1570.59	2350	2000	1850	1700	1600	7.53
ii.	Operating Profit										
	Operating Profit as a percentage of Revenue from Operations (Net)	%	20	0.15 (Operating Profit of Rs.2.67 Cr)	-5.92 (Operating loss of Rs.92.94 Cr)	1.50	1.25	1.00	0.75	0.50	733.33
iii.	Return on Investment										
	PAT/Average Net Worth	%	20	3.36	3.84	4.50	3.50	3.00	2.50	2.00	4.17
	Total (A)		50								


PART-B

OPTIONAL PARAMETERS

iv.	Capacity Utilization										
	Production of Pellets	Million Ton	10	2.17	2.327	2.40	2.30	2.20	2.10	2.00	5.99
v.	Exports as percentage of Revenue from Operations (Net)	%	7	70	63.66	75	70	65	60	55	0.00
vi.	Production Efficiency Parameter										
	Increase in productivity of Pellets in terms of Metric Ton per Man-day over previous year	Metric Ton/ Man Day	3	18.00	17.60	1.00	0.90	0.80	0.70	0.60	5.00
vii.	R & D, Innovation, Technology up-gradation parameter										
	Trial Production for actual usage/first billing of low Chrome content (from 18% to below 14%) in grinding media	Date	3	-	-	31/07/19	31/12/19	31/01/20	28/02/20	31/03/20	-
viii.	CAPEX	Rs. Crore	5	140.00	10.78	317	200	130	100	75	42.86
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 (Annexure A)	%	3	-	-	100	95	90	85	80	-
x.	Reduction in claims against the Company not acknowledged as debt (overall)	%	3	-	-	15	12	10	8	6	-
xi.	Human Resource Management										
1.	Achievement of HR Parameters (As per list given below)	Nos.	4	-	-	7	6	5	4	3	-
a.	Continuation of online submission of ACR/APAR in respect of all executives (E0 and above) along with compliance of prescribed timelines w.r.t writing of ACR/APAR.										
b.	Continuation of online Quarterly Vigilance clearance updation for Senior Executives (AGM and above).										
c.	Regular updation of succession plan and its approval by Board of Directors.										
d.	Continuation of Talent management and career progression by imparting atleast one week of atleast 10% executives training in Centre of Excellence within India e.g. IITs, IIMs, NITs, ICAI etc.										
e.	Implementation of Board decision on the findings of HR Audit.										
f.	Regular updation of online Human Resource Management System (HRMS) implementation (consisting of online employee data administration, employee self-service, exit procedure, talent management etc.) and its integration with finance.										
g.	Review & implementation of Employee performance on the lines of FR(56)(j) and submitting a Compliance Report to Board of Directors at the end of the year.										
2.	Achievement of next level of People Capability Maturity Model (PCMM) or its equivalent	Date	3	-	-	01/02/20	15/02/20	28/02/20	15/03/20	31/03/20	-
3.	Capability development programs for executives to build their technical & managerial competencies for higher positions with special focus on Web learning programs	No. of Programs	3	-	-	5	4	3	2	1	-
xii.	Other sector specific result-oriented measurable parameters										
	Reduction in Reportable loss time injury over previous year	%	3	2.73*	0.55*	80	60	40	30	20	-
xiii.	CPSE Conclave Parameter										
	Import Substitution : Reduction in import bill over previous year	%	3	*Rs.4.77 Cr.	*Rs.0.11 Cr.	90	80	70	60	50	-
	Total (B)		50								
	Grand Total : (A) + (B)		100								

* Absolute Values.

- In working out achievements for the year 2019-20, quantified qualifications of CAG/Statutory Auditors would be adjusted in case of overstatement of Revenue/Profit/Surplus or understatement of Loss/Deficit in addition to the negative marks prescribed in MoU guidelines.
- It was agreed that targets decided are unconditional and no offset will be allowed on any ground. Further evaluation would be subject to compliance of Additional Eligibility criteria as contained in MoU guidelines.


 Secretary to the Govt. of India (4/5/19)
 Ministry of Steel
 New Delhi, dated :


 Chairman-cum-Managing Director
 KIOCL Limited

CAPEX FOR 2019-20

Sl. No.	Name of the Project	Estimated cost of the project (Rs. in Crores)	Year wise amount to be incurred (Rs. in Crores)	Scheduled completion date (Estimated)	CAPEX during the year (Rs. in Crores)	Milestone to be achieved during the year	Amount to be spent (Rs. in Crores)	Date of milestone (estimated)	Source of funding (Own/ borrowed/ budgetary support)
1	Obtaining Statutory clearances for execution of Devadari iron ore Mining lease deed with Govt. of Karnataka and exploratory drilling.	100.00	2019-20: Rs. 100 Crores	31.03.2020	100.00	i. Payment of Net Present Value of forest land and compensatory afforestation charges to State Forest Dept/ Payment of stamp duty fee to State Govt. for execution of mining lease deed ii. Expenses towards consultancy charges for statutory clearances and engineering. iii. Expenditure towards exploratory drilling iv. Project welfare activities.	100.00	31.03.2020	Own. Project cost for commencing the Devadari mine will be estimated on completion of exploratory drilling and preparation of DPR.

2	Setting up of Coke Oven Plant at Blast Furnace Mangalore (backward integration project) and Setting up of Ductile Iron Spun Pipe Plant at BFU (forward integration project)	846.90	2019-20: Rs. 137 Crores 2020-21: Rs. 400 Crores 2021-22: Rs. 309.90 Crores	30 months	137.00	Basic Engineering & Design, land development and civil & structural works and procurement of plant machinery, technology provider	137.00	31.03.2020	Partly own fund and partly borrow from financial institution.
3	Setting up of 2 MTPA pellet plant at RINL premises, Vishakhapatnam, JV project of KIOCL and RINL	1032.80	2019-20: Rs. 200 Crores 2020-21: Rs. 550 Crores 2021-22: Rs. 282.80 Crores	24 Months	50.00 (74 % stake in equity of KIOCL)	Basic Engineering & Design, land development and civil & structural works and procurement of plant machinery, technology provider	50.00	31.03.2020	Partly own fund and partly borrow from financial institution. Out of Rs. 200 Crores, equity is Rs. 67 Crores and Rs. 133 Crores is debt. JV will borrow the debt.
4	Miscellaneous	30.00	2019-20: Rs. 30 Crores	12 months	30.00	Procurement of items for modification in pellet plant & Blast Furnace Unit at Mangalore and any other items for company's business	30.00	31.03.2020	Own fund
	Total	2009.70			317.00				

ANNEXURE-III

PART-A

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	Current Year	
									Actual upto Sept., 2018	Estimated (2018-19)
1	Revenue from Operations - Gross	Rs. crore	Actual	1532.37	628.84	205.57	929.36	1605.41	818.60	1836.65
	Revenue from Operations - Net		Actual	1272.34	534.14	184.02	869.84	1570.59	797.16	1824.50
			MoU (EX)	-	-	-	-	1400	1500	
2	a. Profit before Tax	Rs. crore	Actual	61.40	31.26	(89.67)	31.22	86.08	59.12	98.83
	b. Other Incomes		Actual	174.93	212.02	213.82	156.37	179.02	54.16	96.17
	c. Extraordinary & Exceptional items		Actual	(9.36)	-	-	(1.73)	-	-	-
	d. Prior Period Items		Actual	-	-	-	-	-	-	-
	e. Operating Profit/Loss (a-b+/-c+/-d)		Actual	(104.17)	(180.76)	(303.48)	(123.42)	(92.94)	4.96	2.67
			MoU (EX)	-	-	-	-	100% Reduction	100% Reduction	
3	a. PAT	Rs. crore	Actual	39.94	30.82	(80.15)	47.93	81.47	45.89	64.30
	b. Net Worth at year end		Actual	2124.53	2149.66	2062.41	2101.38	2142.56	2131.09	1914.88
	c. Average Net worth		Actual	2109.39	2137.10	2106.04	2081.90	2121.97	2123.60	2030.26
	d. PAT/Average Net Worth	%	Actual	1.89	1.44	(3.81)	2.30	3.84	2.16	3.36
			MoU (EX)	-	-	-	-	1.00	2.00	
	e. Paid-up Share Capital	Rs. crore	Actual	634.51	634.51	634.51	634.51	634.51	634.51	621.93
	f. GoI share		Actual	628.14	628.14	628.14	628.14	628.14	628.14	616.05
	g. Reserves and surplus		Actual	1490.02	1515.15	1427.90	1466.87	1511.12	1496.58	1292.95
4	Total Expenses	Rs. crore	Actual	1385.94	714.91	509.06	1054.51	1698.35	816.28	1821.80
5	Total Incomes		Actual	1456.70	746.17	419.39	1085.73	1784.43	875.41	1920.70
6	Total expenses/Total Incomes	%	Actual	95.14%	95.81%	121.38%	97.12%	95.18%	93.25%	94.85%
7	Detail of other incomes									
	a. Interest	Rs. crore	Actual	161.93	176.71	156.18	143.93	117.27	54.16	96.17
	b. Dividend		Actual	-	-	-	-	-	-	-
	c. Other Incomes		Actual	22.42	35.31	57.64	12.44	61.75	2.64	2.66
	d. Total		Actual	184.35	212.02	213.82	156.37	179.02	56.80	98.83
8	a. Cash and Bank Balance and equivalent	Rs. crore	Actual	1715.80	1764.49	1956.75	1845.01	1863.38	1799.32	1697.72
	b. Investment in mutual funds		Actual	-	-	-	-	-	-	-
	c. Investment in shares other than subsidiary/ JVs)		Actual	-	-	-	-	-	-	-
	d. Total (a+b+c)		Actual	1715.80	1764.49	1956.75	1845.01	1863.38	1779.32	1697.72
	e. Cash credit/ Over-draft loan/ Short-Term loan		Actual	-	-	-	-	-	-	-
	f. Balance in Current account		Actual	-	-	-	-	3.24	2.25	2.50
9	Dividend paid/ declared for the year, excluding Dividend Tax	Rs. crore	Actual	8.24	6.34	-	23.48	67.26	-	81.05

Note: Trend would be given for actual figures for preceding five years (audited) and estimates of current year i.e. previous year to the year of which targets are being negotiated.

ANNEXURE-III

PART-B

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	Current Year	
									Actual upto Sept., 2018	Estimated (2018-19)
1	Installed Capacity in respect of each product									
	a) Installed Capacity - Pellet Plant	Million Tonnes	Actual	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	b) Installed Capacity - Pig Iron Plant	Lakh Tonnes	Actual	2.16	2.16	2.16	2.16	2.16	2.16	2.16
2	Capacity Utilisation in respect of each product									
	a) Utilisation of Pellet Plant against installed capacity of 3.50 MTPY	%	Actual	49	22	3	42	66	53	71.20
			MoU (EX)	51.43	64.28	57.14	43	55	62	
	b) Utilisation of Pig Iron Plant against installed capacity of 2.16 LTPY	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
3	Contribution of each product in sales									
	a) Pellets	%	Actual	99.84	99.69	99.32	99.99	99.87	99.84	100.00
	b) Pig Iron		Actual	0.16	0.31	0.68	0.01	0.13	0.16	-
4	New Orders received during the year	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
5	Exports as a percentage of Revenue from operations	%	Actual	-	12	35	56	63.66	78.15	70
			MoU (EX)	-	-	-	No Target	No Target	65	
6	Production efficiency parameters									
	Increase in productivity of Pellets in terms of Metric Ton per Man-day over previous year.	%	Actual	13.17 MT/MD	8.36 MT/MD	-	11.71 MT/MD	17.60 MT/MD	15.00 MT/MD	18.00 MT/MD
			MoU (EX)	-	-	3%	No Target	No Target	No Target	
7	Completion of milestone of clients orders/agreements without time overrun	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
8	R&D, Innovation, Technology upgradation parameter									
	Trial Production for actual usage/first billing of low Chrome content (from 18% to below 14%) in grinding media	Date	Actual	New Initiative						
			MoU (EX)							
9	Market Share	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
10	CAPEX	Rs. Crore	Actual	4.53	8.75	1.49	10.78	2.31	8.99	140.00
			MoU (EX)	-	50	27	200	350	338	
11	CAPEX contracts/ projects running/ completed without time/ cost overrun to total value of CAPEX	%	Actual	-	-	-	3.08	-	-	-
			MoU (EX)	-	-	-	100	100	100	
12	Inventory of finished goods and work in progress	Rs. Crore	Actual	192.40	263.79	23.83	66.63	91.93	33.45	39.39
13	Inventory of finished goods and work in progress to RO (Net)	%	Actual	14	43	18	7	5.73	4.20	2.16
			MoU (EX)	-	-	-	-	-	-	-
14	Inventory of finished goods and work in progress to RO (Net)	No. of Days	Actual	55.19	180.26	47.25	27.96	21.37	15.32	7.88
			MoU (EX)	-	-	-	-	11	11	
15	Inventory of finished goods of more than one year	Rs. Crore	Actual	-	-	-	-	-	-	-
16	Inventory of finished goods of more than one year as a percentage of RO	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	

Sl. No.	Financial Performance Criteria	Unit	Target	2013-14	2014-15	2015-16	2016-17	2017-18	Current Year	
			v/s Actual						Actual upto Sept., 2018	Estimated (2018-19)
17	Trade Receivables (Net)	Rs. Crore	Actual	81.97	13.31	16.05	144.39	54.04	132.56	119.30
			MoU (EX)	-	-	-	-	-	-	
18	Trade receivables (Net) as number of days of RO (Gross)	No. of Days	Actual	19.53	7.72	28.44	56.73	12.29	59.11	23.71
			MoU (EX)	-	-	-	-	7	No Target	
19	Claims against the Company not acknowledged raised by:									
	Central Government Departments	Rs. Crore	Actual	479.55	484.85	501.57	410.66	347.04	347.04	347.04
	State Governments/ Local Authorities		Actual	149.65	149.65	189.98	189.98	180.52	180.52	180.52
	CPSEs		Actual	110.57	110.57	111.97	111.97	110.57	110.57	110.57
	Others		Actual	39.48	65.05	21.40	31.33	27.03	27.03	27.03
	Total		Actual	779.25	810.12	824.92	743.94	665.16	665.16	665.16
			MoU (EX)	-	-	-	-	10% Reduction (Overall)	15% Reduction (Overall)	
20	Loans disbursed / Total Funds Available	Rs. Crore	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
21	Overdue loans / Total loans (Net)	Rs. Crore	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
22	NPA / Total loans (Net)	Rs. Crore	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
23	Cost of raising funds as compared to similarly rated CPSEs / entities	Rs. Crore	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
24	Return (share of profit/loss) on Investment in Joint Ventures	%	Actual	-	-	-	-	-	-	-
			MoU (EX)	-	-	-	-	-	-	
25	Any other result-oriented parameters taken for target setting									
	Reduction in Reportable loss time injury over previous year	Frequency Rate	Actual	1.18	0.71	0.69	0.55	1.12	4.26	2.73
			MoU (EX)	-	-	-	-	-	-	
26	CPSE Conclave Parameter									
	Import Substitution : Reduction in import bill over previous year	%	Actual	Rs. 48.55 Lakhs	Rs. 99.59 Lakhs	Rs. 10.68 Lakhs	Rs. 190.56 Lakhs	Rs. 1433.62 Lakhs	-	Rs. 477.65 Lakhs
			MoU (EX)	-	-	-	-	-	-	

Note : Trend would be given for actual figures for preceding five years (audited) and estimates of current year i.e. previous year to the year of which targets are being negotiated.

RO : Revenue from Operations.