



# MEMORANDUM OF UNDERSTANDING

Between

**NMDC LIMITED**

and

**MINISTRY OF STEEL,  
GOVERNMENT OF INDIA**

for

**2015-2016**


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NMDC LIMITED  
HYDERABAD : (A.P.)  
MARCH, 2015

MoU 2015-16 Approved by DPE/TF Signed <i>A. Praveen</i> 24/3/15
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## INDEX

	Page No.
I MISSION AND OBJECTIVES	1
II EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS.	2
III PERFORMANCE EVALUATION PARAMETERS AND TARGETS	3 - 9
IV FACILITATION/ASSISTANCE FROM THE GOVT.	10
V ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU	11
VI GLOSSARY OF TERMS	12

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## I. VISION/MISSION AND OBJECTIVES

### 1. Vision

To emerge as a global Environment friendly Mining Organisation and also as a quality Steel producer with a positive thrust on Social Development.

### Mission

To maintain its leadership as the largest iron ore producer in India, while establishing itself as a quality steel producer and expanding business by acquiring and operating various iron ore, coal and other mineral assets in India and abroad, 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 30 Million Tonnes to 75 Million Tonnes by 2018-19.

2.1.4 Setting up of Steel Plant at Nagarnar.

#### 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, gold and other minerals.

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.

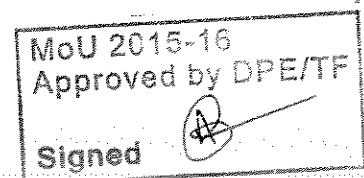
## **II. EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS**

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** **2015-16**

In fulfillment of its obligations under the MOU, NMDC undertakes to achieve certain levels of performance for the year 2015-2016. The performance will be evaluated using the criteria listed at Annexure 1, 1A, 1B & 1C 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 2015-16


Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
1.	<b>STATIC FINANCIAL PARAMETERS</b>								
1.1	<b>Mandatory Parameters</b>								
1.1.1	<u>Growth/Size/Activity</u> Sales Turnover excluding interest and other income	Rs.Cr.	15	13500	12800	12116	11515	10918	Annual Report
1.1.2	Gross Operating Margin	Rs.Cr.	10	9450	8870	8356	7881	7410	Annual Report
1.2	<u>Profitability</u>								
1.2.1	PAT/Net Worth	%	10	17.04	15.98	15.15	14.35	13.56	Annual Report
1.2.2	EBIT/Average Capital Employed	%	9	37.75	35.17	33.12	31.20	29.29	Annual Report
1.3	<b>Optional Parameters</b>								
1.3.1	<u>Efficiency of Asset Use</u> Average No. of days of Inventory	No. of Days	6	55	57	59	61	63	Annual Report
	Sub Total		50						

Note: Average price(NSR) of Rs 3475/- per tonne of iron ore sold is considered for calculating the target for sales turnover. In case of variation in NSR by more than (+)/(-) 5%, the financial parameters/targets will accordingly undergo change.

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### III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2015-16 (Contd..)


Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
2	<b>DYNAMIC PARAMETERS</b>								
2.1	<u>Research &amp; Development Initiatives for Growth</u>		3		Details as per Annexure-1A				
2.2.1	Production of Iron ore	LWMT	3	350	330	314	298	283	Annual Report
2.2.2	Sale of Iron ore	LWMT	3	380	360	342	325	309	Annual Report
2.3	<u>New Initiatives</u>								
2.3.1	Finalisation of ERP product for implementation		2	31.01.16	15.02.16	29.02.16	15.03.16	31.03.16	Certificate from Project Leader (ERP)
2.3.2	Finalisation and submission of Business Case for acquisition of fertiliser asset through Joint Venture approach		1	30.11.15	31.12.15	31.01.16	29.02.16	31.03.16	Certificate of Head of Business Development
2.4	<u>Project Management &amp; Implementation</u>								
2.4.1	Milestones to be reached for new/on-going projects that can not be completed during the year		14		Details as per Annexure-1B				
2.5	<u>Productivity and Internal Processes</u>								
2.5.1	Output Per Manshift (OMS)	Tonnes	4	32.00	30.40	28.88	27.44	26.06	Annual Report
2.5.2	Customer Satisfaction	%	1	96	95	90	86	82	Customer feedback reports
2.6	<u>Technology, Quality, Innovative Practices</u>								
2.6.1	Quality Management:								
2.6.1.2	No. of NCs cleared against the generation in implementation of ISO standards at Iron ore Projects.	%	3	95	90	85	80	75	Compiled report of M.R. of the projects.

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**III. PERFORMANCE EVALUATION PARAMETERS AND TARGETS 2015-16 (Contd..)**

Sl. No.	Criteria	Unit	Weightage	Criterion Value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
2.6.2	Safety Management:								
2.6.2.1	Mine Hazards - loss of man-days	MDL / 1000 MDW	2	1.35	1.50	1.75	2.00	2.25	Directors report in Annual Report
2.7	<u>Human Resource Management</u>		8	Details as per Annexure-1C					
	Sub Total		44.0						
3.0	<b>SPECIFIC PARAMETERS</b>								
3.1	<u>Enterprise Specific/Sector Specific</u>								
3.1.2	Quality - Compliance with specifications	%	1	95	94	93	92	91	Monthly Quality Reports
3.1.3	Energy Consumption - Iron Ore	KWH/T of T.Excavn.	2	1.70	1.79	1.87	1.97	2.07	Energy consumption statements(Monthly)
3.1.4	Pollution Control Measures -								
(i)	Compliance with the National Ambient Air Quality Standards -Air	%	1.0	100	98	96	94	92	Report of external agency
(ii)	Effluent Treatment Plant - Compliance with Water quality discharge standards	%	1.5	100	98	96	94	92	Report of external agency
3.1.5	Closure of CAG Audit para No.14.1 Report(commercial) No.3 of 2011-12 for Non recovery of persquisite tax.	Date	0.5	31.03.16	-	-	-	-	
	Sub Total		6.0						
	<b>GRAND TOTAL</b>		<b>100.0</b>						

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**Note:** 1) All Internal documents to be signed at least by Functional Director of Board.  
2) Negative Marking for non-compliance of Corporate Governance principles, non-compliance of guidelines relating to the percentage fixed for procurement from MSME, non-compliance to DPE guidelines and CSR provisions as per Companies Act and other non-compliance of any directives of government including submission of data for Public Enterprises (PE) survey and MOSPI data up-dating.




**NMDC LIMITED**  
**PERFORMANCE PARAMETERS 2015-16**  
**RESEARCH & DEVELOPMENT CENTRE**

Sl. No.	Criteria	Unit	Weightage	Criterion value					Documentary evidence and source / origin of documents
				1 Excellent	2 V.Good	3 Good	4 Fair	5 Poor	
1	Development of an eco friendly tailing disposal system by filtration of iron ore tailings and study of issues related to their transportation and storage(Phase – 3)	Study	1.00	31.12.15	31.01.16	28.02.16	23.03.16	31.03.16	Certificate of external agency/ Research Advisory Committee
2	Iron Making from BLD-5 iron ore fines using lignite as reductant.	Study	1.00	31.12.15	31.01.16	28.02.16	23.03.16	31.03.16	Certificate of external agency/ Research Advisory Committee
3	Recovery of iron values and pure silicon dioxide from rejects of lean grade iron ore tailing	Study	1.00	31.12.15	31.01.16	28.02.16	23.03.16	31.03.16	Certificate of external agency/ Research Advisory Committee
	<b>Total</b>		<b>3.0</b>						

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**PERFORMANCE PARAMETERS 2015-16  
PROJECT MANAGEMENT & IMPLEMENTATION**

Sl. No.	Milestone	Wei- gh- tage	Criterion Value					Documentary evidence and source / origin of documents
			1 Excellent	2 Very Good	3 Good	4 Fair	5 Poor	
<b>1</b>	<b>3 MTPA Steel Plant, Nagarnar:</b>							
1.1	Commencement of no load trial run of individual equipment for RMHS	1.00	31.12.15	31.01.16	25.02.16	15.03.16	31.03.16	Letter of Consultant (MECON)
1.2	Completion of boiler erection for Coke Oven	1.00	31.12.15	20.01.16	25.01.16	05.02.16	25.02.16	Letter of Consultant (MECON)
1.3	Readiness for charging of Transformer for By-Product	1.00	25.12.15	31.01.16	15.02.16	28.02.16	31.03.16	Letter of Consultant (MECON)
1.4	Erection of 1st converter in SMS (placement)	1.00	30.05.15	30.06.15	31.07.15	20.08.15	20.09.15	Letter of Consultant (MECON)
1.5	Issue of LAC w.r.t. following packages: Railway siding package-I, Central Store Building (Package No.52) and Construction of colony (B,C&D type Qtrs.)	1.00	30.09.15	30.11.15	31.01.16	29.02.16	31.03.16	Letter of Consultant (MECON/Other)
1.6	<b>Kumaraswami Iron Ore Project</b>							
a	Completion of Downhill Conveyor Gallery Erection	1.00	31.07.15	30.09.15	31.10.15	15.11.15	30.11.15	Letter of Kumaraswamy Incharge
b	Load Trials for a continuous period of 72 hours	1.00	31.10.15	31.12.15	29.02.16	15.03.16	31.03.16	Letter of Kumaraswamy Incharge
1.7	<b>Load Trials of 1.2 MTPA Pellet Plant at Donimalai</b>							
a	Conducting load trials of Pellet Plant	1.00	31.08.15	31.10.15	31.12.15	29.02.16	31.03.16	Letter of Pellet Plant Incharge
b	Completion of Performance Guarantee Tests of Pellet Plant	1.00	31.01.16	15.02.16	29.02.16	15.03.16	31.03.16	Letter of Pellet Plant Incharge
1.8	<b>Slurry Pipe Line Project-II in Bailadila Sector</b>							
	<b>Works related to Phase-I from Bailadila to Nagarnar:</b>							
a	Completion of Basic Engineering (BE)	1.00	31.12.15	31.01.16	29.02.16	15.03.16	31.03.16	Letter of Slurry Pipeline Incharge
b	Award of one Package	1.00	31.10.15	30.11.15	31.12.15	31.01.16	31.03.16	Letter of Slurry Pipeline Incharge
1.9	Selection of investor for investment in Slurry Pipeline project-III in Bailadila Sector	1.00	30.11.15	31.12.15	31.01.16	29.02.16	31.03.16	Letter of Slurry Pipeline Incharge
1.10	Capital Expenditure (in Rs.Cr.)	2.00	3767	3588	3409	3238	3076	Certificate of Expenditure
	<b>Total</b>	14.0						

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**PERFORMANCE PARAMETERS 2015-16  
HUMAN RESOURCE MANAGEMENT**

SL.	HRM PERFORMANCE INDICATOR	Weightage
1	<p><b>Assessment centre for gradation of employees for succession planning</b></p> <ul style="list-style-type: none"> <li>• Award of work to external consultant by 30.09.15 for Excellent, 31.10.15 for V.Good, 30.11.15 for Good, 31.12.15 for Fair and 31.01.16 for Poor.</li> <li>• 50% of uncovered GMs and EDs who have minimum 3 years left over service to be covered in 2015-16</li> <li>• 50% of uncovered JGMs who have minimum 5 years left over service to be covered</li> </ul>	1.0
2	<p><b>Training for Employees of Steel Plant, Nagarnar</b></p> <ul style="list-style-type: none"> <li>• Training for existing Land losers through NISST(80% for Excellent/70% for Very Good/60% for Good/ 50% for Fair and 40% for Poor)</li> <li>• Training of all other non-executives of Steel Plant in partnership with other Integrated Steel Plant (80% for Excellent/70% for Very Good/60% for Good/50% for Fair and 40% for Poor)</li> <li>• Recruitment of 150 nos. Executive Trainees by 31.08.15 for Excellent, 30.09.15 for Very Good, 31.10.15 for Good, 30.11.15 for Fair and 31.12.15 for Poor)</li> <li>• Development of Skill Matrix of existing Executives of NISP by 31.10.15 for Excellent, 30.11.15 for V.Good, 31.12.15 for Good, 29.02.16 for Fair and 31.03.16 for Poor.</li> </ul>	1.0 1.0 1.0 1.0
3	<p><b>Quality Circle projects completed during the year</b></p> <ul style="list-style-type: none"> <li>• 20 nos. for Excellent, 15 for V.Good, 12 for Good, 10 for Fair and 9 for Poor</li> </ul>	1.0
4	<p><b>Assessment Centre for identification of High Performance Executives:(AGM/DGM level)</b></p> <ul style="list-style-type: none"> <li>• Award of work for identification of High Performance Executives (AGM/DGM level) and submission of draft report: ( by 31.12.15 for Excellent, 31.01.16 for V.Good, 29.02.16 for Good, 15.03.16 for Fair and 31.03.16 for Poor)</li> </ul>	1.0
5	<p>Training for 20 officers of E-6 and above level on 'Certified training in Project Management / Risk Management' for Senior Level Officers by 30/11/15 for Excellent, 31/12/15 for Very Good, 31/01/16 for Good, 28/2/16 for Fair and 31/3/16 for Poor.</p>	1.0
Total		8.0

#### 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 Ranjitpura 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/other Ministries

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) Presently Railway has classified Iron ore for export in class 180, but the Distance Based Surcharge of 25% on basic freight and additional charge levied has made export freight approx. Rs.1600 more than the domestic freight. The additional charge and DBS levied on export may be removed.

5. Filling up of the vacancy of Independent Directors in the Board and commitment from the Ministry to fill up the same by December 2015.

6. 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.



(Narendra Kothari)  
Chairman-cum-Managing Director  
NMDC Limited  
Hyderabad



(Rakesh Singh)  
Secretary  
Ministry of Steel  
Government of India  
New Delhi

New Delhi

Date: 25.03.15

## **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. Quantity sold through e-auction will be excluded.

### **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.

### **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.

## 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 2015-16. 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

जी. मल्लिकार्जुन राव  
G. MALLIKHARJUNA RAO  
महाप्रबन्धक (वित्त)/General Manager (Finance)  
एन.एम.डी.सी. लि., हैदराबाद.  
NMDC LTD., HYDERABAD.

## Calculation of Gross Operating Margin

Rs. in Crore

Particulars	Source	2015-16 VG Level
<b>A.Saels Turnover(Net)-Gross Revenue from Operations less excise duty</b>	Note No. 2.20 P/L	<b>12,800</b>
<b>Cost of Goods Sold</b>		
<b>Consumption of Raw Material</b>	Note No. 2.22 P/L	<b>35</b>
<b>Consumption of stores and spares</b>	P/L	<b>436</b>
<b>Power</b>	Note No. 2.25 P/L	<b>63</b>
<b>Electricity</b>	Note No. 2.25 P/L	<b>13</b>
<b>Water</b>	Note No. 2.25 P/L	<b>2</b>
<b>Employee Benefit expense</b>	Note No. 2.24 P/L	<b>881</b>
<b>Repair &amp; Maintenance</b>	Note No. 2.26 P/L	<b>113</b>
<b>Royalty &amp; Cess</b>	P/L	<b>1,558</b>
<b>Additional amounts payable as per MMDR Act</b>	P/L	<b>550</b>
<b>Depreciation</b>	Note No. 2.29 & 2.10 P/L	<b>181</b>
<b>Changes in inventories of finished goods and WIP</b>	Note No. 2.23 P/L	<b>98</b>
<b>Profit/Loss from Discontinuing operations</b>	P/L	-
<b>B.Total Cost of Goods Sold</b>		<b>3,930</b>
<b>C.Gross Operating Margin (A-B)</b>		<b>8,870</b>







**NMDC Limited, Hyderabad**

**Details of Inventory in No. of Days MoU 2015-16**

No of days		365
<b>TOTAL EXPENSES (EXCL. TAX)</b>		6,103
LESS: ADMINISTRATION EXP		-
SELLING & DISTRIBUTION EXP		1,363
FINANCING EXPENSES		-
TAXES		-
INTEREST EXP.		-
EXTRAORDINARY ITEMS		-
PRIOR PERIOD ITEMS		-
OTHER EXPENDITURE		811
Contribution to SPV at Karnataka		-
<b>COST OF GOODS SOLD (A)</b>		3,930
Opening Inventory		605
Closing Inventory		606
<b>Avg. Inventory (B)</b>		605
<b>Inventory Turnover Ratio C= (A/B)</b>		6.49
<b>Average No. Days of Inventory (365/C)</b>		57

**Details of Working of Capital Employed as per MoU Guidelines**

Particulars	Projected for 2014-15	(Rs in Crs)
		2005-06 MoU (VG)
<b>Capital employed</b>		
Networth	32,776	34,255
Less :		
Capital WIP	7,387	9,611
Investments	960	1,511
Closing capital employed	24,429	23,132
<b>Avg Capital employed</b>		23,781
EBIT	8	8,364
<b>EBIT / Avg. Capital Employed</b>		35.17%