

MEMORANDUM OF
UNDERSTANDING
FOR 2011-2012

Between



MECON LIMITED

AND

MINISTRY OF STEEL
GOVERNMENT OF INDIA

MEMORANDUM OF UNDERSTANDING
BETWEEN
MECON LIMITED
AND
MINISTRY OF STEEL, GOVERNMENT OF INDIA
FOR 2011-2012

PART - I

MOU 2011-12
Approved By DPE/TF
Signed *[Signature]*
15/12

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 sector,
- b) 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

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 broaden the business operations in diversified areas with suitable technology tie-up with world leaders.
- 1.3.4 To implement and maintain Total Quality Management (TQM) in all spheres of Company operations, firmly based on reliable information management system
- 1.3.5 To foster and sustain a competent and highly responsive workforce with adequate domain expertise.
- 1.3.6 To ensure compliance of environmental, health and safety norms in all projects engineered by the company.
- 1.3.7 To fulfill the social objectives as a responsible corporate citizen.

PART - II

As applicable to MOU signing Company

PART - III

TARGET & EVALUATION CRITERIA (MOU FOR 2011-12)

Evaluation Criteria		Unit	Weight (In %)	FIVE POINT PERFORMANCE RATING				
1	Static /Financial Parameters			EXCL	V.GOOD	GOOD	FAIR	POOR
1.1	Gross Sales	Rs. Cr.	10	698.00	664.00	632.00	602.00	573.00
1.2	Gross Margin	Rs. Cr.	10	135.00	129.00	123.00	117.00	111.00
1.3	Gross Profit	Rs. Cr.	5	131.00	125.00	119.00	113.00	107.00
1.4	Net Profit	Rs. Cr.	5	84.34	80.34	76.34	72.34	68.68
1.5	Cash Generation from Operations	Rs. Cr.	5	95.00	90.00	85.00	80.00	70.00
1.6	Working Capital / Turnover	Ratio	5	0.32	0.33	0.35	0.36	0.37
2 Dynamic Parameters								
2.1	Order Booking during the year	Rs. Cr.	5	620	577	550	523	498
2.2	Quality - Surveillance Audit / Recertification Audit : Corrective Action Request (CAR) ISO 9001 : 2008 (Refer Annexure-A)	Nos	5	0	1	2	3	4
2.3	Customer Satisfaction (Refer Annexure-B)	%	5	86.00	84.00	80.00	76.00	72.00
2.4	CSR Schemes to be Implemented Expenditure on Projects as per CSR Policy approved by Board of Directors	Rs. Cr.	5	2.75	2.50	2.00	1.75	1.50
2.5	Research & Development							
	a) Development of continuous multi-gas monitoring - Basic Design, Simulation study & selection of Components	Date	2.5	31-Jan-12	29-Feb-12	31-Mar-12	-	-
	b) Infra-Red camera based ladle condition monitoring - Design, Development of layout & finalization of broad Technical Specification of the System	Date	2.5	31-Jan-12	29-Feb-12	31-Mar-12	-	-
3 Sector / Enterprise Specific								
3.1	Preparation of the Corporate Plan upto 2016-17	Date	5	30-Sep-11	31-Oct-11	31-Dec-11	31-Jan-12	31-Mar-12
3.2	Technology Upgradation (New Co-operation agreement for technological upgradation / Strategic alliance)	Nos	5	3	2	1	-	-
3.3	Human Resource Development							
	a) Training Imparted (Refer Annexure-C)	Mandays	4	1345	1250	1190	1100	1020
	b) Inclusion of representative from minorities in the selection committees for recruitment at different levels by CPSE (Refer Annexure-C)		1	included	-	-	-	-
3.4	Reduction In Receivables							
	a) Percentage of sundry Debtors over six months old to total debtor as on 31-March-2012	%	2.5	25.00	28.00	30.00	32.00	34.00
	b) Percentage of total sundry Debtors to gross sales as on 31-March-2012	%	2.5	23.00	24.00	25.00	26.00	27.00
3.5	Corporate Governance - Compliance of all DPE guidelines	Nos <i>Compliance</i>	5	Compliance of all DPE Guidelines	Compliance of those DPE Guidelines, implementation of which is under the control of CPSE Mgmt.	-	-	-
3.5	Diversification efforts in other than metal sector of Gross Sales	Rs. Cr.	5	158.00	142.00	126.00	110.00	95.00
3.7	Exports turnover	Rs. Cr.	5	5.00	4.00	3.00	2.00	1.00

PART - IV

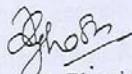
COMMITMENT / ASSISTANCE FROM GOVERNMENT


- 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 jobs.

PART - V

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


(A K Ghosh) 13/03/11
CHAIRMAN-CUM-MANAGING DIRECTOR
MECON LIMITED


(P K Misra)
SECRETARY GOVT OF INDIA
MINISTRY OF STEEL

MOU 2011-12
Approved By DPE/TF

Signed 

QUALITY MANAGEMENT IN MECON

MECON has a well defined Quality Policy and to keep in line with the same, an Apex Quality Manual (AQM) has been formulated which is followed in the Company. The AQM is a formal statement and commitment from the management towards establishment and maintenance of the Quality Management System in the Company closely linked to the business and marketing plan of the Company, as well as the customer needs. The management is fully committed towards the maintenance of the Quality Management System in the Company and its continual improvement in accordance with the requirements of ISO-9001-2008 International Standard.

To maintain the quality system and produce conforming product/ services, suitable infrastructure, resources, information, equipment, measuring and monitoring devices, and environmental conditions are provided. All key processes in the organization are mapped and controlled by monitoring, measurement and analysis; and ensuring that product quality objectives are met.

Performance is regularly reviewed through internal audits and meetings during which it is determined whether the quality system is in place and what improvements can be made. Past problems and potential problems are dealt with. Records of these activities and the resulting decisions are kept and their effectiveness monitored.

TUV NORD CERT is the external agency which certifies that MECON's Quality Management system is established, documented, implemented and maintained and the organization is continually improving its effectiveness in accordance with the requirements of ISO:9001:2008 international standard. Every year, a Surveillance Audit is carried out by them with a Recertification Audit once in every 3 years, wherein MECON needs to demonstrate that the Quality Management system is functional in the Company, as envisaged, in order to fulfill Company's requirements, requirements of the customers and other relevant legal requirements.

In their detailed Audit Report, which TUV NORD CERT submit at the conclusion of the Surveillance, Audit / Recertification Audit, any non-conformity, observations and potential areas for improvement are clearly brought out. Such non-conformities are reflected in the report as Corrective Action Request (CAR) by TUV NORD CERT, which is a measure of non-fulfillment of the requirements of the Quality Management System. This has been put as one of the parameters in the MoU for measurement of Quality Standards of the Company. Thus the means of verification against this parameter would be the Audit Report submitted by TUV NORD CERT, after completion of the Surveillance / Recertification Audit.

ANNEXURE-B

**COMPUTATION METHODOLOGY OF CUSTOMERS SATISFACTIONS
INDEX (CSM)**

In line with company's stated quality policy i.e. "To function as Customer focused organization, providing globally competitive value added consultancy, engineering, turnkey execution and project management services", planned feedback are obtained from customers through structured Customer Satisfaction Measurement (CSM) questionnaire for both consultancy and EPC assignments.

In consultancy , the feedbacks are obtained at 50% and 100% project progress stages (scheduled) for projects having consultancy fee more than Rs. 25 lakhs and only on project completion stage (i.e. 100% progress) for projects having consultancy fee between Rs.10 lakhs and Rs. 25 lakhs.

For EPC projects, the feedbacks are taken at 50% and 100% project progress stages (scheduled) for projects of value more than Rs. 15 crores and only at project completion stage (i.e. at 100%) for projects of value between Rs 1 crore and Rs 15 crores.

However with a view to give equal importance to customers (regardless of fee/value) project coordinators are encouraged to obtain feedback from customers even when fee/value of projects are lower than guideline mentioned above.

The feedback are taken for the following attributes of project execution :

- Project Schedule Fulfillment
- Extent of satisfaction from services rendered (e.g. engineering, procurement, inspection, construction, supervision etc.)
- Quality of personnel deployed (e.g., Competence, commitment, courteousness, coordinaton, responsiveness)
- Client suggestions to improve efficiency.

The forms have been designed to facilitate objective assessment, and achievable scores for different levels of performance are indicated for uniformity (Excellent -5, Very Good -4, Good-3, Average-2, Poor-1). In case of delay in project schedule fulfillment, the reasons for slippages in schedules are also obtained.

On receipt of feedback from customer, CSM Index is calculated project-wise with the following weightages .

	<u>Consultancy</u>	<u>EPC</u>
Schedule fulfillment	40%	60%
Service Quality	30%	30%
Personnel Quality	30%	10%

Based on the number of feedbacks received, overall CSM index is calculated through simple averaging separately for Consultancy and EPC projects for each calendar year.

The CSM feedback received by project coordinators are compiled at MR (Management Representative) Secretariate for analysis and deliberation at management review meeting (Chaired by CMD) for needful corrective and preventive action.

The entire process of feedback record keeping / CSM Index Computation / analysis/ deliberation / corrective and preventive action is audited by independent third party assessment body (M/s TUV Nord) during annual surveillance / Certification audit.

TRAINING PROGRAMME IN MECON FOR 2011-12

In this competitive world, technology is changing everyday and MECON, being a knowledge-based company, needs to update its knowledge workers with the latest technologies by providing required training to them. MECON has a need based training system where training needs are derived from an On-line Competency Mapping System. Training programmes related to technology and technical skill aspects are organized based on the competency gaps identified for the individual. The knowledge updated employee is more efficient, effective and contributes in a better way towards fulfillment of the Organizational targets.

In addition to technology and technical skill related training, MECON also emphasizes on soft skills (Managerial and Behavioural) for overall personality development of its employees through Management Development and other related programmes.

HRD strategy for 2011-12 shall be planned for imparting training in the following areas:

➤ **Technology related**

In order to keep abreast with the latest technological advancement and exposure to state-of-art technologies, these programmes will be organized to provide participants with the knowledge and expertise on latest technological developments in various areas of activities/ sectors in which the company operates. It is mostly addressed by exposing our employees through workshops, seminars and training programmes on topics of relevance and strategic importance.

➤ **Technical Skills related**

The training imparted in this spectrum will be on the latest design & engineering tools and techniques. Exposure will also be planned on latest design & drafting softwares like AUTOPLANT, STRU CAD, STAAD PRO, etc. Similar other programmes on latest softwares for project management & monitoring, financial management and training for our medical executives are planned to keep our human resource up-to-date. This approach is expected to continuously hone the existing skills of our human resource, improve on their productivity and equip them to meet the challenges of the competition both on national as well as on international platform.

➤ **Soft Skills related**

The programmes under this category shall basically aim at providing adequate inputs to the employees in the area of behavioural, managerial and overall personality development aspects while accomplishing their tasks. The areas covered among others would include Inter-personal Relationship, Work-Life Balance, Motivation, Participative Management, Business Negotiation Skills, Leadership, Stress Management, Effective Communication & Presentation Skills, etc.

The Technical and Soft Skills related training would be imparted to both Executive as well as the Non-executive employees of MECON, as applicable and as may be necessary.

MOU Assessment for 'Sick and Loss making CPSEs'

Evaluation Criteria	Unit	Weight (in %)	2009-10	2010-11			MOU Target for 2011-12				
			Actual	MOU Target	Prov. upto Dec'10	Proj. upto Mar'11	EXCEL (1)	V GOOD (2)	GOOD (3)	FAIR (4)	POOR (5)
I. STATIC /FINANCIAL PARAMETERS											
1.1 Gross Sales	Rs in Cr	10	604.78	550.00	419.13	550.00	698.00	664.00	632.00	602.00	573.00
1.2 Gross Margin	Rs in Cr	10	135.51	95.00	102.89	110.00	135.00	129.00	123.00	117.00	111.00
1.3 Gross Profit	Rs in Cr	05	131.57	91.00	99.92	106.00	131.00	125.00	119.00	113.00	107.00
1.4 Net Profit	Rs in Cr	05	82.62	55.49	64.11	66.78	84.34	80.34	76.34	72.34	68.68
1.5 Cash Generation from Operations	Rs in Cr	05	NA	NA	NA	NA	95.00	90.00	85.00	80.00	70.00
1.6 Working Capital / Turnover	Ratio	05	NA	NA	NA	NA	0.32	0.33	0.35	0.36	0.37
Sub-total 1 (1.1+1.2+1.3+1.4+1.5+1.6)		40									

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Sl. No.	Particulars	Unit	(' in crores)										
			2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
(1)	(2)	(3)	MOU (4)	Actual (5)	MOU (6)	Actual (7)	MOU (8)	Actual (9)	MOU (10)	Actual (11)	MOU (12)	Projected as on 31.03.2011 (13)	Projected (14)
1	Production		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2	Gross Sales	Rs in Cr.	340.00	365.62	375.00	466.21	405.00	552.44	470.00	604.78	550.00	550.00	632.00
3	Gross Margin	Rs in Cr.	48.00	51.40	52.10	65.37	55.00	86.20	76.00	135.51	95.00	110.00	123.00
4	Profit before tax	Rs in Cr.	20.16	23.38	26.85	39.53	35.62	74.76	64.50	124.69	84.08	100.00	114.32
5	Gross Block	Rs in Cr.	113.03	106.04	114.91	109.32	117.54	114.00	120.00	116.91	130.00	125.00	130.00
6	Less : Depreciation	Rs in Cr.	41.15	36.77	40.31	37.59	46.52	40.65	47.09	44.16	48.55	48.46	52.46
7	Net Block	Rs in Cr.	71.88	69.27	74.60	71.73	71.02	73.35	72.91	72.75	81.45	76.54	77.54
8	Share Capital	Rs in Cr.	2.42	40.14	103.14	103.14	103.14	103.14	103.14	103.14	103.14	103.14	90.54
9	Reserves & Surplus (other than Revaluation Reserve)	Rs in Cr.	-	-	-	-	-	-	-	10.81	67.70	73.92	147.32
10	Less: DRE / Pre acquisition Loss	Rs in Cr.	8.95	9.64	1.04	1.02	0.15	0.15	-	-	-	-	-
11	Less - Profit & Loss A/c	Rs in Cr.	163.03	162.81	143.39	130.34	111.90	68.14	31.10	-	-	-	-
12	Net Worth	Rs in Cr.	(169.56)	(132.31)	(41.29)	(28.22)	(8.91)	34.85	72.04	113.95	170.84	177.05	237.86

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Sl. No.	Particulars	Unit	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
			MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected as on 31.03.2011	Projected
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
13	Investment	Rs.in Cr.	6.90	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.12	5.12
14	Sundry Debtors	Rs.in Cr.	180.00	76.94	90.00	91.28	120.00	142.71	150.00	163.14	183.33	183.33	210.67
15	Inventory	Rs.in Cr.	0.80	1.04	0.85	0.84	1.00	1.23	1.10	1.19	1.30	1.30	1.40
16	Total Current Assets	Rs.in Cr.	389.63	310.65	322.07	612.39	415.06	765.36	740.10	810.65	722.20	778.39	834.69
17	Total Current Liabilities & Provisions	Rs.in Cr.	301.97	295.01	246.87	522.04	320.89	621.81	627.36	631.51	539.48	570.58	616.30
18	Net Current Assets	Rs.in Cr.	87.66	15.64	75.20	90.35	94.17	143.55	112.74	179.14	182.72	207.81	218.39
19	Capital Employed (Net Block + Net Current assets)	Rs.in Cr.	159.54	84.91	149.80	162.08	165.19	216.90	185.65	251.89	264.17	284.35	295.93
20	Total Debt (Loan funds)	Rs.in Cr.	307.97	196.45	172.00	171.25	153.60	161.46	123.01	120.16	85.00	86.50	50.00
21	Total Assets	Rs.in Cr.	461.51	379.92	396.67	684.12	486.08	838.71	813.01	883.40	803.65	854.93	912.23
22	No of Employees	nos.	1,550	1,631	1,669	1,674	1,805	1,788	1,867	1,886	1,903	1,873	1,838
23	Dividend Paid	Rs.in Cr.	-	-	3.15	1.00	3.15	3.15	3.15	3.15	3.15	3.15	2.52
24	Add Value (Gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)	Rs.in Cr.	32.05	42.91	37.12	49.16	38.48	64.51	57.44	110.32	68.58	81.57	93.41

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Sl. No.	Particulars	Unit	(in crores)										
			2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
(1)	(2)	(3)	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected as on 31.03.2011	Projected
	RATIO		(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
25	Debt/Equity	%age	NA	NA	NA	NA	NA	4.63	1.71	1.05	0.50	0.49	0.21
26	Return on Net worth (% age)	%age	-	-	-	-	-	189%	76%	73%	32%	38%	32%
27	PBDIT / Total Employment (Rs.)	Rs In lakhs	3.10	3.15	3.12	3.91	3.05	4.82	4.00	7.18	4.99	5.87	6.69
28	Gross Profit / Capital Employed (% age)	%age	20.16	41.89	24.27	32.83	29.13	37.57	38.16	52.23	34.45	37.28	40.21
29	Net Profit / Net worth (% age)	%age	NA	NA	NA	NA	NA	189.07	76.35	72.50	32.48	37.72	32.09
	Working of Gross Margin												
30	Net Profit	Rs.in Cr.	20.16	20.38	23.85	33.32	30.62	65.89	55.00	82.62	55.49	66.78	76.34
31	Tax	Rs.in Cr.	-	3.00	3.00	6.21	5.00	8.87	9.50	42.07	28.59	33.22	37.98
32	Net Profit before Tax	Rs.in Cr.	20.16	23.38	26.85	39.53	35.62	74.76	64.50	124.69	84.08	100.00	114.32
33	Add Prior Period (Income)/ Exp	Rs.in Cr.	-	0.60	-	3.86	-	(1.50)	(5.00)	(0.53)	-	1.20	0.98
34	Add: Extra Ordinary items	Rs.in Cr.	-	-	-	-	-	-	-	-	-	-	-
35	Profit before Prior period	Rs.in Cr.	20.16	23.98	26.85	43.39	35.62	73.26	59.50	124.16	84.08	101.20	115.30
36	Add: Interest	Rs.in Cr.	12.00	11.59	9.50	9.82	12.50	8.22	11.35	7.41	6.92	4.80	3.70
37	Gross Profit	Rs.in Cr.	32.16	35.57	36.35	53.21	48.12	81.48	70.85	131.57	91.00	106.00	119.00
38	Add: Depreciation	Rs.in Cr.	2.50	2.48	3.00	3.55	6.00	3.84	5.00	3.79	4.00	4.00	4.00
39	Misc Expenditure written off	Rs.in Cr.	13.34	13.35	12.75	8.61	0.88	0.88	0.15	0.15	-	-	-
40	Gross Margin before Interest, Depreciation & Misc Expenditure written off	Rs.in Cr.	46.00	51.40	52.10	65.37	55.00	85.20	76.00	135.51	95.00	110.00	123.00

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

(in crores)

Sl. No.	Particulars	Unit	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
			MOU	Actual	MOU	Actual	MOU	Actual	MOU	Actual	MOU	Projected as on 31.03.2011	Projected
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Additional for "Trading & Consultancy Sector"												
41	i) Gross margin / Gross Sales	% age	14.12	14.06	13.89	14.02	13.58	15.60	16.17	22.41	17.27	20.00	19.46
42	ii) Operating Turnover / Total no. of Employees	Rs In lakhs	10.68	10.91	11.48	17.77	12.32	19.77	14.50	17.39	18.18	19.54	21.43
43	Gross Margin - Profit before interest, depreciation, tax, including deferred tax, amortisation, prior period adjustment A/c & extra ordinary items - Rs in Crores	Rs.in Cr.	48.00	51.40	52.10	65.37	55.00	86.20	75.00	135.51	95.00	110.00	123.00
44	Net Profit after tax but before extra ordinary and prior period adjustment A/c	Rs.in Cr.	20.16	20.98	23.85	37.18	30.62	64.39	50.00	82.09	55.49	67.98	77.32
45	ADD VALUE (Rs in Crores)	Rs.in Cr.	32.05	42.91	37.12	49.16	38.48	64.51	57.44	110.32	68.58	81.57	93.41

EXPLANATORY NOTE1. **General**

- (a) The Company has shown all round improvement in its performance during the last 4 to 5 years and is progressing steadily on its way to turnaround.
- (b) 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 oil and gas, infrastructure and power sectors. However, MECON, due to lack of adequate references in these diversified areas has to depend on collaborators thereby not being able to capitalize fully on the opportunity in these sectors. Assistance from the Ministry/Government by way of 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.
- (c) 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 Rs. 168.3 crores against an investment by way of Government equity of only Rs. 2 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. Soon after implementation of business and administrative restructuring measures, the company achieved partial turnaround with a net profit after tax of Rs. 10.73 crores in 2004-05 and Rs. 16.12 crores in 2005-06. Subsequently with implementation of the financial restructuring measures, the company made rapid turnaround which is evident from the following:
- ❖ The turnover increased from Rs. 173.86 crores during 2004-05 to Rs. 604.78 crores during 2009-10.
 - ❖ The PBT of the company increased almost ten times from Rs. 10.73 crores during 2004-05 to Rs. 124.69 crores during 2009-10.
 - ❖ 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 Rs. 113.95 crores as on 31.03.2010.
 - ❖ The company has been able to wipe out its accumulated losses as on 30.09.2009 (accumulated loss as on 31.03.2004 was Rs. 210.04 crores).
- (d) MECON has implemented a number of cost cutting measures for bringing down its operational cost. Keeping in view the impending retirements during next 3 to 4 years, the Company is inducting fresh engineering graduates and professionals suitably at lower levels for succession of knowledge and to ensure continuity & growth of the organization.

2. Gross Margin

Consequent upon rightsizing of the company by way of VRS, normal superannuation, improved order book and other measures taken to improve upon the productivity and bring down the operational costs, the company started to achieve positive gross margin starting 2003-04 after a gap of 5 years. Thereafter the company has steadily traversed its path of turnaround and has posted a gross margin of Rs. 135.51 crores during the FY 2009-10.

3. Static 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. The net worth of the company as on 31.03.2009 is Rs. 34.85 crores. The capital employed by the company turned positive i.e. Rs. 45.86 crores as on 31.03.05. The capital employed as on 31.03.2010 is Rs.251.89 crores and is expected to improve substantially by the end of 2010-11. The net working capital of the company also turned positive i.e. Rs. 15.64 crores as on 31.03.2007. The net working capital as on 31.03.2010 is Rs.179.14 crores and is expected to improve substantially by the end of 2010-11.

In line with the MOU guidelines, the following static financial parameters have been considered:

- i) Gross Sales
- ii) Gross Margin
- iii) Gross Profit
- iv) Net Profit
- v) Cash Generation from Operations
- vi) Working Capital / Turnover

4. Financial Budgetary support from the Government

Considering the nature of business and competitive environment and to achieve further turnaround, the requirement of funds under various heads for the year 2011-12 are as given below:

Non Plan Expenditure

- | | |
|--|-----------------|
| i) 50% interest subsidy on VRS loan
(Rs. 50 crores drawn in 2002-03 and Rs. 142 crores drawn in 2003-04.
Rs. 17 crores bond loan redeemed on 25.08.2006 and redemption of Bank
loan of Rs 50 crores has started from Dec'07 onwards in five equal
annual installments @ Rs 10 crores each) | Rs. 2.83 crores |
| ii) Waival of Govt. guarantee fee against the loan for VRS as per
financial package approved by the Govt. | |
| a) 1% of Rs. 10 crores bank loan outstanding as on 1/4/2010 | Rs. 0.10 crores |
| b) 1% of Rs. 75 crores Bond loan (out of Rs. 142 crores raised
through private placement of bond) as on 1/04/2010 | Rs. 0.75 crores |

ANNEXURE-X

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 2011-12. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.



Authorised Signatory

नरेन्द्र कुमार

N. KUMAR

महाप्रबन्धक (नि.यो. एवं त.से.) एवं प्र.प्र.
General Manager (CP & TS) & MR
मेकॉन लिमिटेड, राँची - 834002
MECON LIMITED, RANCHI - 834002

Means of verification for Non Financial Targets

2.2	Dynamic Parameters	
2.2.1	Order Booking during the year	To be certified by Company based on actual performance
2.2.2	Quality - Surveillance Audit / Recertification Audit : Corrective Action Request (CAR) ISO 9001 : 2008	Certification by External Agency TUV NORD
2.2.3	Customer Satisfaction	Certification by External Agency TUV NORD
2.2.4	CSR Schemes to be Implemented	
	Expenditure on Projects as per CSR Policy approved by Board of Directors	To be certified by Company based on actual performance
2.2.5	Research & Development	
	a) Development of continuous multi-gas monitoring - Basic design, Simulation study & selection of components	To be certified by Company based on actual performance
	b) Infra-Red camera based ladle condition monitoring - Design, Development of layout & finalization of broad technical specification of the system	To be certified by Company based on actual performance
2.3	Sector / Enterprise Specific	
2.3.1	Preparation of the Corporate Plan upto 2016-17	To be certified by Company based on actual performance
2.3.2	Technology Upgradation (New Co-operation agreement for technological upgradation / Strategic alliance)	To be certified by Company based on actual performance
2.3.3	Human Resource Development	
	a) Training Imparted	To be certified by Company based on actual performance
	b) Representation of minority in the selection committee in case of recruitment by CPSE	To be certified by Company based on actual performance
2.3.4	Reduction In Receivables	
	a) Percentage of sundry Debtors over six months old to total debtor as on 31-March-2012	To be certified by Company based on actual performance
	b) Percentage of total sundry Debtors to gross sales as on 31-March-2012	To be certified by Company based on actual performance
2.3.5	Corporate Governance - Compliance of DPE guidelines	To be certified by Company based on actual performance
2.3.6	Diversification efforts in other than metal sector of gross sales	To be certified by Company based on actual performance
2.3.7	Exports turnover	To be certified by Company based on actual performance