



MEMORANDUM OF UNDERSTANDING

BETWEEN

**BRAHMAPUTRA VALLEY FERTILIZER
CORPORATION LIMITED**

AND

**MINISTRY OF CHEMICALS & FERTILIZERS
DEPARTMENT OF FERTLIZERS**

FOR THE YEAR 2012-13

**MEMORANDUM OF UNDERSTANDING
BETWEEN
BRAHMAPUTRA VALLEY FERTILIZER
CORPORATION LIMITED
AND
MINISTRY OF CHEMICALS & FERTILIZERS
DEPARTMENT OF FERTILIZERS
FOR THE YEAR 2012-13**

PART-I

1.1 MISSION AND OBJECTIVE OF THE COMPANY

1.1.1 Vision/ Mission

To be a major producer of fertilizer in an efficient, economical and environment friendly manner.

1.1.2 Objectives of the Company

- a) To produce and market fertilizers efficiently and economically in an environmentally sound manner.
- b) To maintain optimum levels of efficiency and productivity in all activities and to carry out up-gradation of Technology.
- c) Reduction in specific energy consumption of the product by taking up and implementing energy savings schemes.
- d) To continuously improve plant operation safety.

- e) To attain increase in urea production capacity utilization to full capacity during 2012-13
- f) To continuously upgrade the quality of human resources of the company and promote organisational development.

PART-II

1.2 AUTONOMY AND DELEGATION OF FINANCIAL POWERS

Enhanced autonomy and delegation of Financial Powers on Capital Expenditure is not required as the Company is not of economic size to generate surplus fund for capital expenditure or expansion/ diversification etc.

PART-IV

1.3 COMMITMENT/ ASSISTANCE FROM THE GOVERNMENT

The Government will assist in:

- a) Enhancement of superannuation age from 58 to 60 years and pay revision
- b) Recognition of capital expenditure of Rs 79.62 crores incurred beyond 31.03.2003 for Namrup-III for calculating the concession rate of urea
- c) Financial restructuring of the Company.
- d) Assist in setting up brown field ammonia-urea plant at Namrup.

PART-IV

1.4 ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

- 1.4.1 The major parameters of the MOU shall be monitored by the Board on quarterly basis.
- 1.4.2 The Department of Fertilizers shall continue to monitor the performance of the company on monthly / quarterly basis through Quarterly Review Meetings in vogue.
- 1.4.3 Evaluation of performance will be done by D.P.E annually.
- 1.4.4 Information for the purpose will be submitted by the Company in the Performa as given in Annexure-VII.

(N K Saha)

Chairman & Managing Director
On behalf of
Brahmaputra Valley Fertilizer
Corporation Limited

(Ajay Bhattacharya)

Secretary (Fertilizer),
Department of Fertilizers
On behalf of
Government of India

BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LIMITED

Annex-VII

PERFORMANCE EVALUATION CRITERIA AND TARGETS

COMMITMENTS OF PSE

2012-13

Evaluation Criteria	Unit	Weight	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V. Good (2)	Good (3)	Average (4)	Poor (5)	
1. Static /Financial Parameters								
(a) Financial Performance Indicators								
1.1 Gross Sales	Rs.Cr.	10	480.15	452.14	429.93	408.78	388.80	Audited annual accounts
1.2 Gross Margin	Rs.Cr.	10	73.12	41.39	21.30	3.34	-15.01	
1.3 Gross Profit	Rs.Cr.	5	27.48	-4.25	-24.34	-42.30	-60.65	
1.4 Net Profit	Rs.Cr.	5	-59.36	-91.09	-111.18	-129.14	-147.51	
1.5 Cash Generation from operations	Rs.Cr.	5	82.78	72.78	64.78	58.48	51.28	
1.6 Working Capital / Turnover	Ratio	5	0.313	0.263	0.229	0.197	0.163	
Sub-Total 1 (1.1+1.2+1.3+1.4+1.5+1.6)		40						
II. Dynamic Parameters (25%)								
2.1 Physical Targets								
Urea-II Production	MT	1	120000	114000	108300	102890	97750	Audited annual accounts
Urea-III Production	MT	1	270000	256500	243680	231500	219930	
2.2 Sales Target								
Urea sales	MT	2	390600	370950	352280	334540	317830	
2.3 Quality								
ISO 9001:2008 Compliance for Namrup-III	Full Compliance	2	Full Compliance	-	-	Non-Compliance	Non-Compliance	see note I
2.4 Customer Satisfaction:								
Complaint Redressal	%	2	100	95	90	85	80	see note II
2.5 Project Implementation								
2.5.1 Schemes for implementation								
(a) Replacement of tube bundle of RG Boiler in Ammonia-III	date	2	31.12.12	15.01.13	31.01.13	15.02.13	28.02.13	see note III

Evaluation Criteria	Unit	Weight	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V. Good (2)	Good (3)	Average (4)	Poor (5)	
(b) Replacement of First Compartment of Reformed Gas Boiler of Namrup-II	date	2	15.01.13	31.01.13	15.02.13	28.02.13	15.03.13	see note III
2.6 Improvement in Process management	days							
On Stream days for Namrup-III	days	5	310	300	290	280	270	see note III
2.7 Compliance of Guidelines issued by DPE								
2.7.1 Reservation for SC, ST & OBC in appointment	%	1	Yes	-	-	-	No	Certification by HR verified by external agency
2.7.2 Posting of deputationists	Full	0.5	Yes	-	-	-	No	
2.7.3 Implementation of 2007 Pay Revision	Full	1	Yes	-	-	-	No	
2.7.4 Submission of compliance Report of DPE Guidelines	Date	0.5	30.06.12	31.08.12	30.09.12	31.10.12	>31.10.12	
Sub-Total 2 (2.1+2.2+2.3+2.4+2.5+2.6+2.7)		20						
3. Sector/ Enterprise Specific Parameters (35%)								
3.1 Detailed Technical plan for Revival based on approval of CCEA	Months	2	4	5	6	7	8	Board approval
3.2 Energy Savings								
3.2.1 Specific Energy consumption in Namrup-III	Gcal/MT	2	11.00	11.60	12.20	12.80	13.50	See note V
3.2.2 Specific Energy consumption in Namrup-II	Date	2	14.00	14.70	15.50	16.30	17.80	
3.2.3 Use of exhaust steam from Turbine of BFW Pump in de-aerator of Ammonia-II	Date	1	01.05.12	15.06.12	30.06.12	15.07.12	31.07.12	see note III
3.3 Technology Upgradation								
(a) Installation of improved design EMG Turbine	date	3	31.12.12	15.01.13	31.01.13	15.02.13	28.02.13	see note III
(b) Upgradation of Cooling Water Pump turbine drive to Motor	date	5	15.07.12	31.07.12	15.08.12	31.08.12	15.09.12	
3.4 Generation of funds from non-performing assets								
Sale of scrap	Rs.crores	1	1.00	0.90	0.85	0.80	0.75	Audited annual accounts

Evaluation Criteria	Unit	Weight	MoU Target					Documentary evidence and source/origin of documents
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3.5 HRM Performance Evaluation								See note VI
3.5.1 Performance Evaluation score								
i. Total Training Days during the years:	days	1	500	450	400	350	300	
ii. Recruitment of employees & Trainees	nos	1	50	45	40	35	30	
iii. Attrition of employees	nos	1	45	50	55	60	65	
iv. Presence of Mentorship Development Programme	no of mentors	1	10	9	8	7	6	
3.5.2 Inclusion of a representative from Minorities in the selection committees for recruitment at different levels	Full Compliance	1	Full Compliance	-	-	Non-Compliance		
3.6 Debtors and Creditors								See note VII
Balance confirmation for all Sundry Debtors and Creditors	%	4	80	75	70	65	60	
3.7 Preparation of MIS Manual	date	4	31.12.12	15.01.13	31.01.13	15.02.13	28.02.13	See note IV
3.8 Renewal of time bound lease agreement	%	3	90	80	70	60	50	See note X
3.9 Inventory control								See note VIII
3.9.1 Computerisation of inventory control system	date	3	31.12.12	15.01.13	31.01.13	15.02.13	28.02.13	
3.10 Corporate Governance								Board Note
Compliance of DPE Guidelines	Full Compliance	5	Compliance of all DPE Guidelines	Compliance of those DPE	-	Non-Compliance	Non-Compliance	
Sub-Total 3 (3.1+3.2+3.3+3.4+3.5+3.6+3.7+3.8+3.9+3.10)		40						
Total (1+2+3)		100						

Evaluation Criteria	Unit	Weight	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V. Good (2)	Good (3)	Average (4)	Poor (5)	

Assumption made for MOU 2012-13

1. Concession Price: Rs.12645 /MT for Namrup-II and

Rs.9462/MT for Namrup-III.

2. Input Prices

Natural Gas

Rs.5185 per 1000 SM3 at 8850 Mkcal.

Bags

Rs.1502 per 100 bags

3. Production criteria

Production has been taken based on achievable figures as discussed during Task Force meeting. Financial figures are derived based on production and sales figures.

Only one stream of Urea Plant of Namrup-II will be operated . 2nd Stream can not be operated due to limited supply of Natural Gas.

BE figures have been taken in 'GOOD' column. The difference in target values have been kept at 5%.

Notes for Documentary evidence and source/origin of

Note I: Certification for ISO Auditor.

Note II: Complaints received and its redressal will be submitted after getting verified by external agency.

Note III: Certification from Head of the Production and verified by external agency

Note IV: Records/ Reports of Marketing Deptt. verified by external agency

Note V: Audited Annual Technical Report (ToP) to FICC (DoF)

Note VI: Records of fulfilment of parameters verified by external agency

Note VII: Certification by Statutory Auditor

Note VIII: Certification by Head of IT and verified by external agency

Note IX: Verified by external agency

Note X: Certification by Head of Administration and verified by external agency

Particulars	2007-08		2008-09		2009-10		2010-11		2011-12			2012-13
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual upto 30.09.11	Anticipated	MoU Target (Projected)
Add Value (gross margin - 10% of cap.employed)	-10.14	-54.50	-3.61	-128.17	-13.38	-39.07	-45.73	-20.63	-29.30	-66.30	-29.29	-34.92
Ratio												
Debt/ equity	1.41	1.63	1.70	1.88	1.77	2.13	2.60	2.46	2.58	2.70	2.80	2.98
Return on net worth %	-54.02	125.84	43.53	14.02	31.33	14.02	31.33	29.98	23.33	18.48	23.33	23.10
PBDIT/Total employment Rs.	360893	54960	438980	-632775	210353	119280	-68333	350830	174333	-56673	296514	177500
Gross profit/Capital employed %	1.55	-6.69	-3.01	12.85	-18.67	-4.78	-13.48	-0.50	-4.29	-4.58	-1.73	-4.33
Net Profit/Net Worth %	-54.02	-239.73	1520.39	125.84	43.53	14.02	31.33	29.98	23.33	18.48	23.33	23.10
Working of gross Margin												
Net Profit	-60.14	-105.84	-62.64	-215.04	-94.20	-27.86	-151.55	-85.09	-95.02	-64.50	-86.38	-111.18
Tax	0	0	0	0	0	0	0	0	0	0	0	0
Net profit before Tax	-60.14	-105.84	-62.64	-215.04	-94.20	-27.86	-151.55	-85.09	-95.02	-64.50	-86.38	-111.18
Add Prior period	-	1.35	-	-3.69	-	-26.89	-	7.67	0	0	0	0
Add extra ordinary items	-	-	-	21	-	-34.67	-	0.00	0	0	0	0
Profit before prior period	-60.14	-104.49	-62.64	-197.31	-94.20	-89.42	-151.55	-77.42	-95.02	-64.50	-86.38	-111.18
Add interest	69.40	71.85	82.09	79.51	81.50	63.61	100.96	74.46	73.46	37.00	75.70	86.84
Gross profit	9.26	-32.64	19.45	-117.80	-12.70	-25.81	-50.59	-2.96	-21.56	-27.50	-10.68	-24.34
add depreciation	37.62	39.51	36.52	38.45	39.52	40.72	42.39	40.99	42.48	21.30	43.00	45.64
Misc expenditure written off	-	-	-	-	-	-	-	-	-	-	-	-
Gross margin before interest, depreciation & misc.exp. Written off	46.88	6.87	55.97	-79.35	26.82	14.91	-8.20	38.03	20.92	-6.20	32.32	21.30