



MEMORANDUM OF UNDERSTANDING

BETWEEN

**BRAHMAPUTRA VALLEY FERTILIZER
CORPORATION LIMITED**

AND

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

FOR THE YEAR 2014-15

**MEMORANDUM OF UNDERSTANDING
BETWEEN
BRAHMAPUTRA VALLEY FERTILIZER
CORPORATION LIMITED
AND
MINISTRY OF CHEMICALS & FERTILIZERS
DEPARTMENT OF FERTILIZERS
FOR THE YEAR 2014-15**

PART-I

1.1 MISSION AND OBJECTIVE OF THE COMPANY

1.1.1 Vision/ Mission

To be a significant producer of nitrogenous fertilizer in an efficient, economical and environment friendly manner and provide package agricultural services in Eastern India.

1.1.2 Objectives of the Company

- a) To produce and market nitrogenous 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 2014-15
- f) To continuously upgrade the quality of human resources of the company and promote organisational development.
- g) To explore and establish market for Companies goods and services to neighbouring countries, Bangladesh, Myanmar and Bhutan after consultation with DoF.
- h) To set up a new Brown field Ammonia Urea Plant (Namrup-IV) at Namrup expeditiously.

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-III

1.3 COMMITMENT/ ASSISTANCE FROM THE GOVERNMENT

The Government will assist in:

- a) Financial restructuring of the Company (BRPSE).
- b) Assist in setting up a brown field ammonia-urea plant at Namrup (DoF).
- c) Filling up the post of director (finance) and non-official director on the Board of the Company.

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-IV


(S D Singh)

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

 24.3.14
(Shaktikanta Das)

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

Approved by DPE/TF

Signed

BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LIMITED

Annexure-IV

PERFORMANCE EVALUATION CRITERIA AND TARGETS

COMMITMENTS OF PSE

2014-15

Evaluation Criteria	Unit	Weight	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
1. Static /Financial Parameters								
(a) Financial Performance Indicators								
(i) Sales Turnover	Rs.Cr.	8	660.00	620.00	580.00	540.00	500.00	Audited annual accounts
(ii) Gross Operating Margin	Rs.Cr.	8	132.03	124.23	115.58	107.49	98.83	
(iii) Net Profit	Rs.Cr.	5	-54.97	-64.32	-75.28	-83.46	-92.27	
(iv) Net Worth	Rs.Cr.	5	619.48	-628.83	-639.79	-647.96	-656.78	
(v) Cash Generation from operations	Rs.Cr.	5	42.05	34.35	23.35	15.27	6.97	
(vi) Working Capital Turnover Ratio	Ratio	3	-0.72	-0.67	-0.62	-0.57	-0.52	
(vii) Average no. days of inventory	days	3	3	4	5	6	7	
(viii) Average collection period of trade receivables (other than FICC subsidy)	days	3	0	0	0	1	2	
Sub-Total 1 (i to viii)		40						
2. Dynamic Parameters								
i. Physical Targets								
a) Urea Production								
Urea-II Production	MT	2	132300	126000	120000	114000	108300	Audited annual accounts
Urea-III Production	MT	2	297680	283500	270000	256500	243680	
b) Vermi-compost & Bio-Fertilizer Production								
Production and sale of Vermi Compost	MT	10	80	70	60	50	40	Audited annual accounts
Production and sale of Bio-fertilizers	MT	6	60	50	40	30	20	
(ii) Preperation/ implementation of Business/ revival plan								
Date for RFP (Request for proposal) for setting up new Brown field ammonia urea project (Namrup-IV)	date	30	30.09.14	31.10.14	31.12.14	15.02.15	31.03.15	Self-certification
(iii) Process Energy efficiency								
Specific Energy Consumption in Namrup-II	Gcal/MT	4	14.00	14.50	15.00	15.50	16.00	Relevant pages of FICC annual technical report
Specific Energy Consumption in Namrup-III	Gcal/MT	4	9.00	9.50	10.00	10.50	11.00	

Evaluation Criteria	Unit	Weight	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
(iv) CSR & Sustainability (Weightage: 3)								
Number of existing Lighting converted to Energy efficient LED Lights	Number	2	1000	900	800	700	600	Self- certification
Sub-Total 2 (i to ix)		60						
Total (1+2+3)		100						

Note: 1. Internal documents submitted by BVFCL for evaluation of parameters will be certified by Board level official.

2. Basic Target is placed at "Good" column

3. Non-compliance of Corporate Governance will be penalized by way of negative marking and the MoU Score will be increased in the manner specified in accordance with DPE OM dated 10th January, 2013.

Annual Score	Grading	Penalty marks	Diff. in score from excellent grade
85% and above	Excellent	0	0.00
75-85%	V.Good	0	0.00
60-74%	Good	0.5	0.02
50-59%	Fair	0.5	0.02
Below 50%	Poor	1.0	0.04

4. (i) Non-compliance of public procurement policy for MSME will be penalized up to 1 mark i.e. the MoU Ratings can be increased by 0.04.

(ii) Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark i.e. the MoU Ratings can be increased by 0.04.

(iii) Non-compliance of any directive of government & regulators will be penalized up to 1 mark i.e. the MoU Ratings can be increased by 0.04.

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Benchmarking detail available
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Projected for 31.3.2013	MoU Target (Projected)	
Balance Sheet Items												
Gross Block	977.45	1015.91	1041.80	1024.54	1093.39	1074.25	1129.56	1065.47	1184.36	1118.74	1174.68	
Less: Depreciation	528.29	536.78	571.13	577.94	620.20	621.59	665.94	652.96	715.27	697.65	741.44	
Net Block	449.16	479.13	470.67	446.60	473.19	452.66	463.62	412.51	469.09	421.09	433.24	
Share Capital of CPSE	365.83	365.83	365.83	365.83	365.83	365.83	365.83	365.83	365.83	365.83	365.83	
Reserve & Surplus	-	-	-	-	-	-	-	-	-	-	-	
Less Deferred Revenue/pre-acquisition loss	-	1.61	-	1.17	-	2.55	0.29	-	0.77	-	-	
Less Profit & Loss A/C (Loss Figure)	582.21	564.57	849.61	649.66	773.20	778.48	847.22	811.11	885.14	930.34	1005.62	
Net Worth	-216.38	-198.74	-483.78	-283.83	-407.37	-412.65	-481.39	-445.28	-519.31	-564.51	-639.79	
Investments	-	-	-	-	-	-	-	-	-	-	-	
Total current assets	223.19	260.88	222.89	348.60	317.35	379.90	295.26	510.52	490.87	504.65	527.24	
Total current liabilities & provision	270.34	182.03	318.31	798.69	288.35	939.73	196.66	1168.17	267.54	1333.11	1470.22	
Net current assets	-47.15	78.85	-95.42	-450.09	29.00	-559.83	98.60	-657.65	223.33	-828.46	-942.98	
Capital employed (net block+net current asset)/ (Net worth + long term borrowing)	402.01	557.98	375.25	-22.49	502.19	-123.65	562.22	-255.23	692.42	-412.61	-512.91	
Total long term debt (loan funds)	646.47	777.61	950.96	900.35	944.81	1065.44	1090.68	1160.91	1251.21	1253.55	1348.05	
Total assets	1012.30	1143.44	1316.79	1266.18	1310.64	1431.27	1456.51	1526.74	1617.04	1619.38	1713.88	
No. of Employees	1275	1250	1200	1084	1200	1062	1200	991	1200	1030	850	
Ratio												
PAT/Net Worth	0.435	0.140	0.313	0.300	0.233	0.312	0.231	0.073	0.110	0.211	0.118	
EBITDA/Net Block	0.060	0.031	-0.017	0.085	0.044	0.085	0.046	0.280	0.187	0.040	0.145	
EBIT/Average Capital employed	-0.032	-0.046	-0.135	0.132	-0.043	0.041	-0.043	-0.278	0.060	0.064	-0.037	
PAT per employee (Rs. Lakhs)	-7.39	-2.23	-12.63	-7.85	-7.92	-12.13	-9.27	-3.29	-4.75	-11.58	-8.86	
Current Ratio	0.83	1.43	0.70	0.44	1.10	0.40	1.50	0.44	1.83	0.38	0.36	
Debt Service Coverage Ratio	-0.16	-0.41	-0.50	-0.04	-0.29	-0.06	-0.28	0.78	0.42	-0.29	-0.07	
Operating Cash Flow	39.94	10.85	-29.11	-12.19	52.53	48.31	64.78	42.60	96.96	-5.48	23.35	
Average no. days of Inventory	6.30	6.89	5.38	3.19	3.29	3.44	4.38	6.52	9.21	9.44	5.00	
Inventory Turnover Ratio	57.89	52.95	67.78	114.56	110.95	106.12	83.31	55.99	39.62	38.68	47.89	
Average Collection period of Trade receivables (days)	0	0	0	0	0	0	0	0	0	0	0	
Debtor Turnover Ratio	0	0	0	0	0	0	0	0	0	0	0	
Loans Sanctioned	65.00	65.00	45.00	45.00	67.80	67.80	0.00	0.00	0.00	25.00	25.00	
Disbursement	65.00	65.00	45.00	45.00	67.80	67.80	0.00	0.00	0.00	0.00	0.00	

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Benchmarking detail available
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Projected for 31.3.2013	MoU Target (Projected)	
NPA/ Loan Assets	0	0	0	0	0	0	0	0	0	0	0	
Average Cost of Funds	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	13.50%	
Cash generation from operation	39.94	10.85	-29.11	-12.19	52.53	48.31	64.78	42.60	96.96	-5.48	23.35	
Working Capital Turnover Ratio	-5.63	3.32	-2.74	-0.89	15.70	-0.72	4.36	-0.86	2.46	-0.56	-0.62	

Note: Cash generation from operation and Operating Cash Flow have been taken same. Urea sale is being done on cash & carry basis. Hence trade receivables is nil.
2010-11, 2011-12 & 2012-13 Actual figures have been updated as per revised Schedule VI

Namrup units of plants are unique. All other units commissioned based on the same technology as Namrup-II Plants had been decommissioned. Namrup-III plants are only indigenously designed urea plant. Hence benchmarking details have not been provided.