

A.K. Jain  
Convener

Syndicate Group of Sick & Loss making CPSEs  
C/o Department of Public Enterprises,  
New Delhi.  
11<sup>th</sup> October, 2010

Dear Shri Chatterjee,

Please refer to your letter D.O. No. 5(14)/2008-DPE(MoU) dated 20<sup>th</sup> August, 2010 regarding review of existing MoU format, parameters, inter-se-weightage etc. for Sick & Loss making CPSEs.

The Syndicate Group has deliberated on these issues in detail. I have pleasure in enclosing the Report of the Syndicate Group for further action by the Department of Public Enterprises.

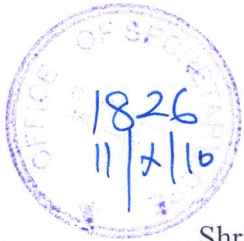
The Syndicate Group would like to place on record its appreciation of the excellent assistance given by S/Shri J.R. Panigrahi, Director, V.K. Jindal, Director (Finance) and Lakhani Singh, Resource Person.

*With best wishes,*

Yours sincerely,

*A.K. Jain*  
(A.K. Jain)

Shri Bhaskar Chatterjee, IAS  
Secretary, Department of Public Enterprises,  
Public Enterprises Bhavan, CGO Complex,  
Lodhi Road, New Delhi.



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**Report of the Syndicate Group of 'Sick & Loss making CPSEs' regarding MoU format, parameters, inter-se weightage etc.**

The MoU Full Task Force in its meeting held on 22<sup>nd</sup> February, 2010 recommended revision of the criteria and MoU format for sick & loss making CPSEs to accommodate their unique needs. In his letter dated 20<sup>th</sup> August, 2010, Secretary, Department of Public Enterprises requested the newly created Syndicate Group of 'Sick & Loss making CPSEs' to deliberate on the aforesaid issues and suggest the MoU format, parameters, inter-se weightage etc. for such CPSEs.

2. The Syndicate Group convened its meetings on 9th , 22nd and 23rd September, 2010 to deliberate on these issues. The Group met CMD, HMT Ltd. and CMD, Bharat Pumps & Compressors Ltd. to know their views on these issues and had detailed discussions with them. The Group also had the benefit of guidance and advice from Chairman, Task Force on MoUs.

3. After detailed deliberations in the matter, the Group recommends the following changes in the existing MoU format :

- (i) The Group felt that, in the case of sick & loss making CPSEs, dynamic / sector specific / enterprise specific parameters are more important for revival purposes than static / financial parameters. The overall weightage for static / financial parameters and dynamic / sector specific / enterprise specific parameters should be 40% and 60% respectively.
- (ii) In case of static / financial parameters, the existing parameters can be kept in the MoU format except that 'Added Value' parameter should be deleted as it is not very relevant in case of sick & loss making CPSEs. Two new parameters viz. 'Cash Generation from Operations' and 'Working Capital Turnover Ratio' should be added at Sl. No. 1.5 and 1.6 respectively.
- (iii) The definitions of 'Gross Margin' and 'Net Profit' given in the existing MoU format should be deleted as definitions of all static / financial parameters are given separately in DPE guidelines.
- (iv) The parameters relating to 'Gross Sales' and 'Gross Margin' should be given a weight of 10% each while remaining four parameters under static / financial parameters should be given a weight of 5% each.
- (v) The overall weight of dynamic parameters should be 25%.
- (vi) In case of dynamic parameters, the existing parameters can be kept in the MoU format except that parameter relating to 'Capital Expenditure / Greenfield Investments / Joint Ventures' should be deleted as the same would figure in sector / enterprise specific parameters under the sub-heading 'Preparation / Implementation of Business / Revival Plan'. Under the

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