

Memorandum of Understanding for 2017-18



सत्यमेव जयते



Meeting with CPSEs at Imphal
13th October, 2016

Department of Public Enterprises
Ministry of Heavy Industries & Public Enterprises
Government of India

Outline of Presentation

- Proposals for MoU Guidelines 2017-18
- MoU Negotiation 2016-17
- MoU Performance Evaluation 2015-16

Proposed MoU parameters for 2017-18
(Suggestions invited)

Additional eligibility criteria for Excellent rating

CPSEs getting 'Excellent' rating has to essentially comply with the following conditions, failing which its MoU rating would be treated as 'Very Good' and composite score shall be read as '90.00'.

- i. Compliance of Provisions of The Companies Act, 2013 or the relevant Act under which they have been regulated (To the extent compliances are within the ambit of CPSEs).
- ii. In case of listed CPSEs, compliance of provisions of Listing Agreement (To the extent compliances are within the ambit of CPSEs).

CPSEs agreed with these parameters in Jammu and Goa workshops

Additional eligibility criteria for Excellent rating

- iii. It should not be sick/ incipient sick CPSE.
- iv. Compliance of DPE Guidelines having financial implications.
- v. Compliance of Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro Small and Medium Enterprise.

CPSEs agreed with the parameter at iv above in Jammu and Goa workshops.

CPSEs in Goa workshop suggested that incipient sickness and non compliance of Public Procurement Policy should not be a bar for excellent rating. It was suggested that negative mark may be given for non compliance of Public Procurement Policy.

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- vi. No adverse observations by CAG on Annual Accounts pointing out misappropriation of funds of any amount or over/under statement of profit/ loss (surplus/ deficit)/ assets/ liabilities amounting to 0.1% of Revenue from Operation.
- vii. Holding of AGM without seeking extension of time.
- viii. Submission of Draft MoU/ MoU evaluation, duly approved by the Board, complete in all respects by due date.

CPSEs agreed with these parameters in Jammu and Goa workshops however it was suggested that 0.1% is very low it may be increased to 5% atleast.

CPSEs at Jammu workshop suggested to cover adverse comments by Statutory Auditors also but not agreed in Goa workshop.

2016-17 Parameters

Sl.	Evaluation Criteria	Unit	Wt
i	a. Capacity Utilisation/ production/ Generation for Manufacturing CPSEs Or Quantity Traded-for Trading CPSEs Or Loan Sanctioned-for Finance CPSEs Or Sector Specific Physical Target-for Service CPSEs	% Nos	10

CPSEs suggested as optional parameter in Jammu and Goa workshops.

Sl.	Evaluation Criteria	Unit	Wt
ii	<p>Efficiency Parameters (Physical operations):</p> <p>A. Production efficiency- Sector specific result oriented measurable efficiency parameters against benchmarks (upto 3 parameters)</p> <p>B. Technology up-gradation- Sector specific steps to upgrade technology/ operational environment (against benchmarks for the sector)</p> <p>C. Research & Development: Commercialization of R&D Achievements leading to Technology up-gradation.</p>		<p>10</p> <p>5</p> <p>0-5</p>

CPSEs suggested as optional parameter under sector specific parameters in Jammu and Goa workshops.

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Sl.	Evaluation Criteria	Unit	Wt
iii	CAPEX Or Borrowings/ Net Worth or any other appropriate parameter	Rs. Cr %	15- 20

CAPEX has to be considered on accrual basis and not on cash basis. CAPEX may be decided on the basis of viable projects available for expansion, modernisation or diversification, cash and bank balance or parked funds, net worth, borrowings etc.

CPSEs suggested as optional parameter in Jammu and Goa workshops.

Sl.	Evaluation Criteria	Unit	Wt
iv	<p>Monitoring Parameter:</p> <p>Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/completed during the year</p> <p>Or</p> <p>NPS/Loan Assets</p> <p>Or</p> <p>Reduction in Trade Receivables of over 6 months over previous year</p>	%	5-15

Suggested as optional parameter in line with CAPEX in Jammu and Goa workshops.

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Sl.	Evaluation Criteria	Unit	Wt
v	Turnover from Operations: Revenue from operations (Net of excise duty)	Rs. Cr.	5-15

Where price of product is regulated by statutory authorities/ international transparent mechanism, adjustment in revenue from operations may be allowed for variation in price above 5% only. Revenue from operations consist of: (a) Sale of products; (b) Sale of services; (c) Other operating revenues; Less: (d) Excise duty. In respect of a finance company, revenue from operations shall include revenue from (a) Interest income; and (b) Other income from financial services.

CPSEs suggested as compulsory parameter in Jammu and Goa workshops with higher weightage.

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Sl.	Evaluation Criteria	Unit	Wt
vi	Operating Profit/Surplus: Profit/ Surplus before Tax or Reduction in Loss/ Deficit (excluding other Income, Extraordinary and Exceptional Items)- as the case may be	Rs Cr./%	10- 15

Operating Profit/ Surplus would be worked out from figures given in audited Annual Accounts. Extraordinary and Exceptional Items, prior period items may be excluded, if shown separately in audited Annual Accounts. There would be no adjustment due to changes in exchange rate, regulatory prices of raw material or finished goods or due to any other reason.

CPSEs suggested as compulsory parameter in Jammu and Goa workshops with higher weightage.

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Sl.	Evaluation Criteria	Unit	Wt
vii	Early signs of weakness: Reduction in claims against the company not acknowledged as debt, over the previous year. Claims raised by: <ul style="list-style-type: none">- Central Government Departments- State Government Departments or Local Bodies- CPSEs- Others	% Rs. Cr.	5-10

CPSEs suggested as optional parameter in Jammu and Goa workshops.

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Sl.	Evaluation Criteria	Unit	Wt
viii	Marketing efficiency ratios: A.Number of days of Inventory of finished goods and Work in progress to Sale of Products (wherever applicable) Or Disbursement/Loan Sanctioned (for Finance CPSEs) Or Sector specific result oriented measurable parameter for other CPSEs	No. of Days/ %	5

CPSEs suggested as optional parameter in Jammu and Goa workshops.

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Sl.	Evaluation Criteria	Unit	Wt
viii	Marketing efficiency ratios: B. Trade Receivables as percentage of Revenue from Operations (Gross) Or Overdue loans to Loan Assets	%	5- 10

CPSEs suggested as optional parameter in Jammu and Goa workshops.

Contd....

Sl.	Evaluation Criteria	Unit	Wt
ix	Return on Investment: a. Profit Earning CPSEs: i. Dividend/ PAT ii. PAT/ Net Worth or Shareholders Fund iii. Dividend/ Net Worth		5 10 5

CPSEs Suggested as compulsory parameter in Jammu and Goa workshops with higher weightage for PAT or surplus / Net Worth .

CPSEs Suggested Dividend/ Net Worth as compulsory parameter in Jammu workshop but not agreed in Goa workshop.

Sl.	Evaluation Criteria	Unit	Wt
ix	<p>Loss making CPSEs or CPSEs having Accumulated losses:</p> <p>i. Reduction in total expenses (for Loss Making CPSEs)</p> <p>ii. Implementation of Revival Plan (Milestones)</p>		<p>5-10</p> <p>10-15</p>

CPSEs Suggested as compulsory parameter in Jammu and Goa workshops with higher weightage for reduction in total expenses as percentage of Revenue from operations.

Implementation of Revival Plan (Milestones) was suggested as optional parameter.

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Sl.	Evaluation Criteria	Unit	Wt
x	Sector/ CPSE specific targets:		0-10
	Total		100

CPSEs suggested as compulsory parameter in Jammu and Goa workshops with higher weightage .

Parameters considered in 2016-17

- Return on Investment in Joint Ventures – CPSEs having Joint Ventures
- Milestones with respect to subsidiary CPSEs not signing MoUs separately
- Reduction in cost of raising loan over previous year.
- Completion of clients order/ milestones without time overrun.

CPSEs suggested to continue these parameter in Jammu and Goa workshops with Return on Investment in Joint Ventures should be share of profit/loss in Joint Venture.

MoU Negotiation 2016-17

MoU Negotiation 2016-17 - Status

Particulars	No of CPSEs
No. of CPSEs	382
MoU negotiation (IMC) meetings held	234
CPSEs exempted	143
MoU not submitted by CPSE	5

Summary of MoU Negotiation

Year	MoU Signed	Exempt	Not Signed	Total
2016-17	234*	143	5	382
2015-16	215	83	Nil	298
2014-15	214	72	6	292
2013-14	197	65	7	269
2012-13	196	52	9	257
2011-12	197	48	10	255

*Including MoU to be signed.

Summary of MoUs Signed and Evaluated

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1	MoUs signed	198	197	196	197	214	215
2	Evaluated	161	175	189	189	200	\$

\$ Due in September 2016

MoU Evaluation: Grading of MoU signing CPSEs

Grades	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Excellent	74	67	76	75	77	73
Very Good	30	44	39	39	40	53
Good	20	24	33	37	35	41
Fair	20	24	25	36	29	26
Poor	1	2	2	2	8	07
Total	145	161	175	189	189	200

Thank You