



MEMORANDUM OF UNDERSTANDING

FOR THE YEAR

2014-15

BETWEEN

BHARAT PUMPS & COMPRESSORS LIMITED

NAINI- ALLAHABAD

AND

DEPARTMENT OF HEAVY INDUSTRIES

NEW DELHI

PART I

1. MISSION, VISION AND OBJECTIVES OF BHARAT PUMPS AND COMPRESSORS LIMITED

1.1 MISSION, VISION

MISSION

To provide quality products and services in the area of oil and natural gas and related process industries, nuclear and thermal power plants, fertilizer, public transport services and other emerging sectors while complying to health, safety and environmental friendly norms.

VISION

To emerge as a leading player in the field of equipment manufacturing for fluid handling, Gas compression, Gas storage and related services and Project Management.

1.2 OBJECTIVES

OBJECTIVES

1. To attain substantial growth.
2. To focus on production, sales of spares and services
3. To initiate technological up gradation.
4. Diversification into Slurry Pumps
5. Enhancing revenue from other avenues.

PART II

1.3 COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

DHI to assist the company in resolving inter PSU issues wherever possible such as

- Liquidation of LD
- Securing orders from CPSUs including ONGC as per revival plan approved by Government of India and rate contracts with other CPSU's.
- To assist in filling up vacancy of non official independent directors of the board of directors

PART III
BHARAT PUMPS AND COMPRESSORS LTD
NAINI, ALLAHABAD
MOU ASSESMENT FORMAT

<u>MoU Assessment format for the Year 2014-15</u>								
Evaluation Criteria			MoU Target					Documentary evidence and source / origin of documents
1. Static/Financial Parameters	Unit	Weight (in %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	
Mandatory parameters(Sr. (i)-(iii))								
<u>(i) Growth/Size/Activity(Two)</u>								
a) Sales Turnover ,excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax etc.)	Rs.Cr.	10	210.00	200.00	190.00	180.00	170.00	Annual Accounts 2014-15

b) *Gross Operating Margin	<u>Rs Cr</u>	10	46.20	41.70	37.00	33.00	28.65	Annual Accounts 2014-15
<u>(ii) Profitability</u>								
a) EBITDA/Net Block	%	6	63.64	51.56	38.94	28.20	16.51	Annual Accounts 2014-15
<u>(iii) Costs and Output Efficiency</u>								
a) PAT per Employee	Rs. Lakh	6	1.40	0.94	0.46	0.08	-0.59	Annual Accounts 2014-15
<u>Optional Parameters-Sr. (iv)&(v)</u>								
<u>(iv) Liquidity/Leverage</u>								
a) Current Ratio	Ratio	10	1.53	1.43	1.33	1.23	1.13	Annual Accounts 2014-15
<u>(v) Efficiency of Asset use</u>								
a) Average No. Days of Inventory (Inventory Turnover Ratio)	No. of Days	8	120	130	140	150	160	Annual Accounts 2014-15
Sub total 1(I to v)		50						
* The Gross operating margin has been calculated taking into account 70% of Employee Benefit cost and 100%R/M, Manufacturing cost								

Evaluation Criteria			MoU Target					Documentary evidence and source / origin of documents
	Unit	Weight (in %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	
2. Dynamic/ non-financial Parameters								
(i) Corporate Social Responsibility & Sustainability								
a) Health camps in specified villages	Nos	1	10	8	6	4	2	Certificate from village head
b) Reduction in Power consumption w.r.t production compare to previous year	%	2	3.0	2.5	2	1.5	1	Annual Accounts 2014-15
(ii) Research and Development Design development of following								
a) CFD Analysis for Performance Improvement of Centrifugal Pumps	Time	2	Nov,14	Dec,14	Jan,15	Feb,15	Mar,15	Certificate by Design dptt
iii) Initiatives for Growth								
a) Business procurement from new customers	Nos	3	4	3	2	1	0	Customer certificate
b) Disposal of scrap material	Rs.lacs	2	90	80	70	60	50	Annual Accounts 2014-15
c) Diversification of products- Sale of Slurry Pumps	Nos	5	4	3	2	1	0	Certificate by Marketing deptt
d) Reduction in Order Processing cycle time(Existing 8 months)	Days	5	60	45	30	15	10	Certificate by Marketing deptt
iv)Productivity and Internal Processes								
Value added per employee over 2013-14(incremental)	%	7	40	30	20	10	5	Annual Accounts 2014-15
v) Technology, Quality, Innovative practices								
a) Reduction in LD over 2013-14	%	5	50	40	30	20	10	Annual Accounts 2014-15
b) Synergy with CPSEs /other Private manufacturing units for sourcing of input material & components	Rs. crs	5	50	45	40	35	30	Annual Accounts 2014-15

Evaluation Criteria			MoU Target					Documentary evidence and source / origin of documents
	Unit	Weight (in %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	
vi) Human resource Management – HRM								
a) Approval of Succession plan by Board	Month days	4	31-12-14	15-01-15	31-01-15	15-02-15	28-02-15	Board Approval Note
b) Induction of fresh Engineers	Nos	4	20	15	10	5	0	Office order HD deptt
3. Sector Specific Parameters /Enterprise-specific Parameters								
a) Growth in spare business	%	3	30	25	20	15	10	Internal MIS report
b) Order Booking	Rs. crs	2	220	200	180	160	140	Annual Accounts 2014-15
Sub Total (2+3)		50						
Total (1+2+3)		100						

Means of verification (documentary evidence and source/origin of documents) in respect of non- financial targets is specified by CPSE

1. **Non-compliance of Corporate Governance will be penalized by way of negative marking and the MOU Score will be increased in the following manner in accordance with DPE OM 18(8)/2005-GM, dated 22nd June 2011**

Sl.No.	Annual Score	Grading	Penalty Marks	Difference in Score from “Excellent Grade”
01	85% and above	Excellent	0	0.00
02	75% - 84%	Very Good	0	0.00
03	60% - 74%	Good	0.5	0.02
04	50% - 59%	Fair	0.5	0.02
05	Below 50%	Poor	1.0	0.04

If the CPSE fails to submit the Self evaluation report in the format enclosed with the OM, its Grading will be treated as poor and score will be inflated accordingly.

CPSEs have to give a Certificate regarding implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. Non-Compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MOU Evaluation. (In other words, the MOU Ratings can be increased by 0.

2. **Procurement from MSME**
CPSE will follow the Public procurement policy for Micro, small and medium enterprise (MSMEs) order DO No20(1)/2011-M.A, dated April 25, 2012.
Non compliance with the aforesaid order will be penalized up to 1 mark at the discretion of Task Force at the time of MoU evaluation.

PART – IV

ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

Periodical review of progress on performance of BPCL with reference to MoU will be carried out as under.

Monthly	-	by Management
Quarterly	-	by the Board of Directors of the Company Board
Half yearly	-	by the Administrative Ministry
Yearly review	-	by the Department of Public Enterprises

CHAIRMAN AND MANAGING DIRECTOR
BHARAT PUMPS AND COMPRESSORS LTD.
NAINI, ALLAHABAD

Dy. SECRETARY
DEPARTMENT OF HEAVY INDUSTRY
NEW DELHI

PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS

(Rs. in Crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Bench marking details available
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Projected for 31.03.14	Projected	
Capacity Utilisation(For each plant separately)												
PCP PLANT	-	93	-	71	-	54	-	47	-	50	53	
GCD PLANT	-	49	-	75	-	75	-	36	-	21	21	
Production(in Qty)												
Reciprocating. compressors	-	25	-	18	-	7	-	6	-	3	2	
Reciprocating. Pumps	-	14	-	42	-	10	-	18	-	19	20	
Centrifugal. Pumps	-	70	-	32	-	90	-	47	-	38	40	
Gas cylinders	-	23464	-	34240	-	35961	-	19067	-	10000	15000	
Production(in Rs.Cr)	-	262.31	-	197.33	-	147.10	-	142.19	-	162.06	190.00	
Production(including excise)	-	281.84	-	209.09	-	158.30	-	152.74	-	181.81	200.00	
Profit and loss Statement Items	-		-		-		-		-			
Sales Turnover ,excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty ,tax etc.)	-	251.49	-	198.46	-	140.95	-	118.47	-	162.06	190.00	
Interest and other income	-	14.69	-	10.68	-	12.03	-	7.30	-	7.50	5.00	
Gross Operating Margin rate(%)	-	25.89	-	17.84	-	3.74	-	-14.09	-	4.82	19.00	
Gross Operating Margin	-	65.11	-	35.40	-	5.27	-	-16.69	-	7.81	37.00	
EBDITDA(Earnings before, Interest, Taxes, Depreciation and Amortisation)	-	50.84	-	27.45	-	8.31	-	-18.84	-	6.31	14.50	
Depreciation	4.00	2.16	4.25	3.20	4.90	3.82	5.20	4.94	5.00	4.90	5.00	
EBIT(Earnings before Interest and Taxes)	-	48.67	-	24.27	-	4.49	-	-23.77	-	1.41	9.50	
Interest Expenses	8.00	6.74	8.50	5.26	6.40	2.61	6.80	2.99	6.00	5.30	5.00	
Prior Period Expenses	0.00	-0.71	0.00	0.01	0.00	-0.31	0	0	0	0	0	
Extra ordinary Items	18.08	10.13	16.63	4.75	8.93	0	7.25	0	4.38	0	0	
Any other expenses	1.00	0.50	0.60	1.19	0.00	0.00	0.00	0	0	0	0	

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Bench marking details available
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Projected for 31.03.14	Projected	
Profit Before Tax	42.62	31.09	28.92	14.26	26.77	1.57	15.75	-26.76	13.12	-3.89	4.50	
Tax	14.49	5.44	12.21	4.73	9.10	2.48	6.14	1.14	4.46	0.00	1.53	
Profit after tax	28.13	25.65	16.71	9.53	17.67	-0.91	9.71	27.91	8.66	-3.89	2.97	
Dividend Paid	0	0.63	0	0.63	0	0	0.63	0	0	0	0	
Profit Transferred to statutory reserves												
Any other Item												
Profit Transferred to Balance Sheet	-	25.62	-	8.90	-	0	-	0	-	0	-	
Balance Sheet Items												
Gross Block	83.52	51.38	98.01	70.03	101.86	81.27	115.94	86.48	106.27	87.28	87.78	
Less: Depreciation	32.57	30.38	34.10	33.00	39.88	36.25	43.10	40.64	46.25	45.54	50.54	
Net Block	50.95	21.00	63.91	37.03	61.98	45.02	72.84	45.84	60.02	41.74	37.24	
Share Capital of CPSE	53.53	53.53	53.53	53.53	53.53	53.53	53.53	53.53	53.53	53.53	53.53	
Reserve and Surplus of CPSE	86.91	78.80	87.41	87.71	110.23	86.79	76.48	58.88	96.96	54.99	57.96	
Less: Deferred revenue exp/Pre acquisition Loss	0.42	1.19	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	
Less: Profit and Loss A/C(Loss figure)DTA	0	7.09	0	10.83	7.09	8.65	10.83	7.50	8.64	7.50	7.00	
Net worth of CPSE	140.02	124.05	140.94	130.41	156.67	131.68	119.18	104.91	141.85	101.02	104.49	
Investment	0	0	0	0	0	0	0	0	0	0	0	
Total current assets	274.70	299.42	276.41	237.36	234.57	206.69	232.33	181.46	199.83	179.63	192.10	
Total current liabilities & Provision	105.77	120.91	140.00	128.49	134.81	113.28	157.00	102.62	72.00	105.00	112.50	
Net current assets	168.93	178.51	136.41	108.87	99.76	93.40	75.33	78.84	127.83	74.63	79.60	
Capital Employed(Net block+ Net current assets)	219.88	199.51	200.32	145.90	161.74	138.41	148.18	99.31	187.85	91.52	91.49	
Total long term debt(loop funds)	80.26	78.94	59.38	44.40	14.81	16.00	39.00	12.00	22.00	16.00	4.00	
Total Assets	326.05	330.99	340.32	314.13	303.57	267.86	326.00	261.02	368.49	255.52	268.56	
No. of employee of CPSE	-	1077	-	1072	-	984	-	889	-	793	648	

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Bench marking details available
	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Actual	MoU	Projected for 31.03.14	Projected	
Ratios												
PAT/Net Worth	20.09	20.68	11.86	7.31	11.28	-0.693	8.10	-26.60	6.11	-3.85	2.84	
EBDITDA/Net Block	-	242.05	-	74.14	-	18.45	-	-41.09	-	15.12	38.94	
EBIT/Average Capital Employed	-	24.64	-	14.36	-	3.71	-	-20.88	-	1.48	10.38	
PAT per Employee(Rs. Lakhs)	-	2.38	-	0.89	-	-0.09	-	-3.14	-	-0.49	0.46	
Current Ratio	-	1.50	-	1.37	-	2.47	-	1.77	-	1.71	1.71	
Debt service Coverage Ratio	-	7.22	-	4.61	-	1.72	-	-7.96	-	0.27	1.90	
Operating cash flow												
Average No. days of Inventory	-	121.04	-	133.99	-	137.17	-	158.93	-	187.54	140.00	
Inventory/Turnover Ratio(CGS/AI)	-	3.02	-	2.72	-	2.66	-	2.30	-	1.95	2.61	
Average Collection Period of trade Receivables	-	119.29	-	149.25	-	214.76	-	256.26	-	180.29	151.76	
Debtors/Turnover Ratio	-	0.326	-	.409	-	.583	-	.696	-	.494	.416	

Self declaration/certification

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 2014-15. 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.

Authorized Signatory

Declaration

Non compliance of any directives of Government including submission of data for Public Enterprise (PE) Survey and non compliance of requirement of regulators in serious cases may be penalized up to 1 mark depending on the degree and seriousness of non compliance. CPSE shall give a certificate regarding compliance of directives of Government requirement of regulators.

Authorised Signatory