MEMORANDUM OF UNDERSTANDING

BETWEEN

GOVERNMENT OF INDIA
DEPARTMENT OF HEAVY INDUSTRY
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES

AND

ANDREW YULE GROUP

YEAR 2014-15

PART-I

VISION / MISSION AND OBJECTIVES

VISION :

To resurrect "YULE" brand in all areas of business of the group and be ready for future by focusing on development of state of the art products through innovation.

MISSION :

- Rs. 2000 Crore Group Turnover by the year 2020 .
- Diversify in new business areas to achieve target turnover.

OBJECTIVES :

Ensure steady growth in turnover and profit for achieving Mission of the company.

MoU 2014-15
Approved by DPE/TF
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COMPANY'S OBLIGATION UNDER THE MOU AND PERFORMANCE TARGET FOR 2014-15 : ANDREW YULE GROUP

Sl			Evaluation Criteria	Unit	Weight (in %)	2014-15 MOU Target Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1			**Static/ Financial Parameters (50%)**		50					
	[i]		**Growth / Size / Activity (Two)**							
		a)	Sales Turnover, excluding interest and other income (Operating Turnover) (Not include excise duty, VAT ,tax etc)	Rs. Crores	12	1550	1480	1400	1340	1270
		b)	Gross Operating Margin	Rs. Crores	8	326	310	295	280	266
	[ii]		**Profitability**							
		b)	EBITDA / Net Block	%	10	54.50	51.90	49.31	46.84	44.50
	[iii]		**Cost and Output Efficiency**							
		a)	Sales Turnover / Net Block	%	5	560.74	534.04	507.34	481.97	457.87
		b)	PAT per Employee	Rs. Lakhs	5	0.55	0.52	0.49	0.47	0.45
	[iv]		**Liquidity / Leverage**							
		b)	Debt Service Coverage Ratio	Ratio	10	9.17	8.73	8.29	7.88	7.48
2			**Dynamic / non-financial Parameters**							
	[i]		**Corporate Social Responsibility & Sustainability**		2	As per Appendix-1 to Annexure II				
	[ii]		**Research & Development**		2					
		a)	Reduction in static weight for medium range Fans for New Projects	%	2	9.00	8.50	8.00	7.50	7.00
	[iii]		**Initiatives for Growth**		12					
		a)	**Physical Targets**							
		1)	Tea Production	Lac Kg	2	120	115	110	105	100
		2)	Production of Distribution Transformer (Elect. Divn)	Nos.	2	3600	3400	3200	3000	2800
		3)	Production in Volume (Tide Water Oil Co.(I) Ltd) #	KL	2	69300	66000	62700	59565	56587
		4)	Average collection period of trade receivables (Debtors Turnover Ratio)	No of Days	2	50	60	65	70	75
		b)	**Corporate / strategic plan**							
		i)	New line of project business minimum order value .	Rs. Crores	2	15.00	10.00	7.00	6.00	5.00
		ii)	Secure order for Export of Transformers	No. of Orders	2	3	2	1	0	0

 # The production in volume shall exclude the volume from JV

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Sl	Evaluation Criteria	Unit	Weight (in %)	2014-15 MOU Target Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
[iv]	**Project Management & Implementation**		9					
i)	Plantation in Tea Estate Uprooting	Hectares	2	99	95	90	86	81
ii)	Plantation in Tea Estate Re-plantation	Hectares	2	143	137	130	124	117
iii)	Plantation in Tea Estate Infilling	No.	2	79820	72600	66000	60000	54000
iv)	Finalisation & submission of DPR for New Plant for Transformers	Date	1	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
v)	Electrical Division Capital Expenditure for Transformer production tools , testing equipment augmentation and design software	Rs. in Cr.	2	1.20	1.00	0.80	0.70	0.60
[v]	**Productivity and Internal Processes**		6					
f)	**Customer satisfaction and redress of customer grievances**							
i)	Engineering & Electrical Division (LD)	as % of Turnover	2	1.00	1.25	1.50	1.75	2.00
ii)	Index as per ISO Evaluation (Tide Water Oil Co.(I) Ltd.)	Index	2	99	95	90	86	81
iii)	Customer satisfaction of Electrical and Engineering Division	Nos	2	5	4	3	2	1
[vi]	**Technology, Quality, Innovative practices**		8					
a)	**New Technologies / improving existing ones / other innovative practices**							
[i]	Development of 100 KVA Transformer 3-Star Rating based on CPRA Certification	Date	3	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
b)	**Quality Management**							
[i]	Tea price on North India Auction Average	Rs/Kg.	2	16.00	15.00	14.00	13.00	12.00
e)	**Cyber Security - developing / setting up security**	No. of Orders	3	3	2	1	0	0
[vii]	Human Resource Management- HRM (AYCL)		6	As per Appendix-3 to Annexure II				
3	**Sector / Enterprise Specific Productivity/Efficiency ers:**		5					
i)	Productivity at Tea Gardens	Kg / Hectare	2	1950	1850	1750	1650	1550
II)	Energy usages in Tea Gardens	Rs/Kg.	1	17.00	18.00	18.50	19.00	19.50
III)	Productivity of Tide Water Oil Co.(I) Ltd	Kl / employee	2	150	140	132	128	125
	Sub-total (2 + 3)		50					
	Total [1 + 2 + 3]		100					

Note :- The business carried out by the Company under technical colaboration with JXNOE, Japan will be hived off to a separate JVC w.e.f. 1.4.2014. As a result the sales & profit would be lower for FY 2014-15.

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Appendix-1 to Annexure II

Degree of success in implementation the CSR and SD Projects for MOU 2014-15

Srl No.	Projects/Activities	Performance Indicator	Weight	Excellent	Very Good	Good	Fair	Poor
1	Skill Development Programme under CSR in (24 Pargana(S), Bankura, Jalpaigury Dist. In WB and Jorhat, Goaghat, Dibrugarh & Karbi Anglong Dist in Assam)	No of beneficiaries	1.00	200	175	150	125	100
2	Rain Water Harvesting at Banarhat TE Dist. Jalpaiguri under SD for improvement of water level and ecological balance	Date	1.00	Dec'14	Jan'15	Feb'15	Mar'15	
	Total :		**2.00**					

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Appendix-3 to Annexure II

MOU 2014-15 Target for HRM (AYCL)

SL	HRM - PERFORMANCE INDICATORS	Measurement Unit	Weigh tage	Excellent	V.Good	Good	Fair	Poor
A1	Training activities for Executives & Non-unionized Supervisors	**Mandays**	**1**	**100**	**85**	**70**	**55**	**50**
A2	Training / Multi-skilling / Skill Upgradation for Unionized Employees	**Mandays**	**1**	70	60	50	40	30
B	Talent Hunt	Number	**1**	15	12	10	18	5
C	**Employee Relations & Welfare**		**2**					
1	Effectiveness of Grievance Redressal system - % of grievances settled	% settlement	1	100	90	80	70	50
2	Medicare, Yoga classes to reduce stress where the job is stressful	Number of programs	1	5	4	3	2	1
D	**Manpower Rationalization Through**		**1**					
1	Average age of Employees	Age	1	49	50	51	52	53
	Grand Total (A+B+C+D)		**6**					

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Negative Marking for Non-Compliance of Corporate governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O.M. No. 18(8)/2005-GM Dated 14th May 2010. AYCL will follow both SEBI Guidelines and DPE guidelines on Corporate Governance. In the MoU for 2014-15, "Compliance of Corporate Governance" will not be a parameter, however, for non-compliance, negative marking will be imposed and MoU Score will be increased in the following manner:

Sl.	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 AYCL fails to submit the Self-evaluation report of Corporate Governance through Administrative Ministry, its score will be inflated accordingly.

Negative Marking for Non-Compliance of other Guideline / Regulations

Procurement from MSME

AYCL will follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O. No. 21(1)/2011-M.A. dated April 25, 2012 and 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.

MoU 2014-15
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MEANS OF VERIFICATION :

1) Financial Term	:	Auditors Certificate / Balance Sheet / Directors' Report
2) R & D	:	Certification by Design Department Head & G.M of the Division.
3) Tea average	:	Tea Board – Batting Order / Tea Price on North India auction
4) Refilling / Planting	:	By respective garden Manager / G.M. Tea Division
5) CSR	:	Directors' Report / Number of feedback from NGOs
6) HRM	:	Certification by Auditors

MoU 2014-15
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PART – IV

The Task Force desired that while finalizing the MOU 2014-15, instructions contained in DPE's OM No.3/19/2013-DPE(MOU) dated 11th November, 2013 should also be complied with. Although there is no weightage/marks kept for this, there would be negative marking in case of non-compliance.

MoU 2014-15
Approved by DPE/TF

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ANNEXURE-III

Exercise of enhanced Autonomy and delegation of Powers

AYCL will be empowered with all such delegated powers as are given to MOU signing Companies from time to time .

MoU 2014-15
Approved by DPE/TF

Signed

ANNEXURE-IV

Assistance/Expectation from the Government :

A. Bridge Finance of Rs.150.00 crore for two years for relocation of Chennai Plant.

B. Appointment of Non-Official Directors (NODs) as per applicable regulations

MoU 2014-15
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PART – V

Action Plan for implementation and monitoring the MOU

1. AYCL undertake to submit quarterly reports on the various aspects of the MOU within 30 days of each quarter ending June, September, December, 2014 and March, 2015.

2. The Board of Directors of AYCL will ensure monitoring of performance against MOU targets in every meeting.

3. Secretary (HI) will review AYCL's performance against MOU targets once in six months.

4. Annual evaluation of performance against MOU targets will be undertaken by the Department of Public Enterprises.

(KALLOL DATTA)
Chairman & Managing Director
Andrew Yule & Company Limited

(AMBUJ SHARMA)
Additional Secretary to the Govt. of India
Ministry of Heavy Industries & Public Enterprises
Department of Heavy Industry

(Annexure- VI)

TREND OF ANDREW YULE GROUP PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

(Rs. in Crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15
	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual	MoU Target	Actual	Mou Target	Projected for 31.03.2014	Mou Target
Production (in Rs. Cr.)	859.30	785.97	996.14	950.61	1110.60	1098.03	1195.74	1266.89	1428.70	1348.82	1476.20
Profit & Loss Statement Items											
Sales Turnover, excluding interest and other income (Operating Turnover)	**855.07**	**883.71**	**991.44**	**1037.33**	**1122.00**	**1201.23**	**1207.74**	**1290.94**	**1436.20**	**1352.52**	**1480.15**
Interest and other income	8.72	28.45	8.24	44.19	11.05	23.66	14.75	19.80	10.90	32.04	27.25
Gross Operating Margin	**210.54**	**300.39**	**294.20**	**320.62**	**369.10**	**309.02**	**314.11**	**343.43**	**370.28**	**323.05**	**310.30**
Gross Operating Margin Rate (%)	**24.62**	**33.99**	**29.67**	**30.91**	**32.90**	**25.73**	**26.01**	**26.60**	**25.78**	**23.89**	**20.96**
EBITDA (Earnings Before Interest, Taxes, Depreciations, Amortization)	**70.18**	**125.62**	**110.00**	**165.04**	**151.00**	**129.52**	**159.68**	**137.08**	**144.63**	**138.89**	**143.84**
Depreciation	9.12	10.95	10.73	14.62	13.86	14.13	14.38	14.12	14.41	13.62	15.53
EBIT (Earnings Before Interest, Taxes)	**61.06**	**114.67**	**99.27**	**150.42**	**137.14**	**115.39**	**145.30**	**122.96**	**130.22**	**125.27**	**128.31**
Interest Expenses	22.57	25.66	25.41	20.45	27.05	21.31	24.88	14.63	18.21	14.51	14.69
Prior period Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.60	0.04	0.05
Extra Ordinary Items	0.00	4.24	0.00	4.10	0.00	2.61	0.00	0.00	0.00	0.00	0.00
Any other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	**38.49**	**93.25**	**73.86**	**134.07**	**110.09**	**96.69**	**120.42**	**108.33**	**118.61**	**110.80**	**113.67**
Tax	10.05	31.62	19.20	30.12	31.89	26.99	32.86	33.71	33.16	33.03	32.08
Profit after tax (PAT)	**28.44**	**61.63**	**54.66**	**103.95**	**78.20**	**69.70**	**87.56**	**74.62**	**85.45**	**77.77**	**81.59**
Dividend Paid	0.00	4.36	0.00	5.23	0.00	10.46	0.00	13.07	0.00	0.00	0.00
Profit transferred to Balance Sheet	28.44	56.55	54.66	0.00	78.20	57.47	87.56	59.33	85.45	77.77	81.59

TREND OF ANDREW YULE GROUP PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

(Rs. in Crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15
	Mou Target	Actual	Mou Target	Actual	Mou Target	Actual	MoU Target	Actual	Mou Target	Projected for 31.03.2014	Mou Target
Balance Sheet Items											
Gross Block	354.85	365.49	346.88	373.80	405.94	391.97	426.20	400.27	445.88	420.29	461.79
Less : Depreciation	118.54	113.51	128.08	126.71	139.13	140.19	154.43	151.55	168.01	169.00	184.63
Net Block	236.31	251.98	218.80	247.09	266.81	251.78	271.77	248.72	277.87	251.29	277.16
Share Capital of CPSE	101.64	83.81	83.81	82.81	83.82	82.81	82.81	82.81	182.81	111.38	111.38
Reserve & Surplus of CPSE	287.15	314.28	338.12	372.41	443.15	418.93	533.58	417.21	501.28	559.75	633.53
Less deferred reve exp / pre-acquision Loss	0.00	0.09	0.00	0.09	0.09	0.09	0.00	0.09	0.00	0.00	0.00
Less Profit & Loss A/c (Loss figure)	100.10	111.54	121.46	72.05	100.14	61.01	50.99	0.00	0.00	0.00	0.00
Net Worth of CPSE	288.69	286.46	300.47	383.08	426.74	440.64	565.40	499.93	684.09	671.13	744.91
Investment	3.11	10.02	9.78	9.80	10.00	60.97	59.40	63.12	68.45	66.42	66.42
Total Current Assets	529.18	502.91	612.55	589.95	581.53	634.00	691.71	700.08	679.97	715.83	723.46
Total Current Liabilities & Provision	287.27	268.92	283.78	282.56	228.90	303.87	287.95	403.37	272.16	311.62	313.59
Net Current Assets	241.91	233.99	328.77	307.39	352.63	330.13	403.76	296.71	407.81	404.21	409.87
Capital Employed (Net Block + Net Current Assets)	478.22	485.97	547.57	554.48	619.44	581.91	675.53	545.43	685.68	655.50	687.03
Total long-term Debt (Loan Funds)	196.24	210.28	263.40	181.13	211.79	204.74	183.36	111.91	95.12	64.59	57.68
Total Assets	481.33	495.99	557.35	564.28	629.44	642.88	734.93	617.00	835.23	782.30	849.31
No. of Employees of CPSE	16099	16010	16090	15888	15888	15688	15688	15762	15747	15756	15761
Ratios											
PAT / Net Worth (%age)	9.85	21.51	18.19	27.14	18.32	15.82	15.49	14.93	12.49	11.59	10.95
EBITDA / Net Block (% age)	29.70	49.85	50.27	66.79	56.59	51.44	58.76	55.11	52.05	55.27	51.90
PAT / Total Employment of CPSE (Rs. Lakhs)	0.18	0.38	0.34	0.65	0.49	0.44	0.56	0.47	0.54	0.49	0.52
Sales Turnover / Net Block	361.84	350.71	453.13	419.82	420.52	477.10	444.40	519.03	516.86	538.23	534.04
EBIT / Capital Employed (%age)	12.77	23.60	18.13	27.13	22.14	19.83	21.51	22.54	18.99	19.11	18.68
Current Ratio	1.84	1.87	2.16	2.09	2.54	2.09	2.40	1.74	2.50	2.30	2.31
Debt Service Coverage Ratio	2.71	4.47	3.91	7.36	5.07	5.41	5.84	8.40	7.15	8.63	8.73

ANNEXURE-VII

Self declaration/certification by AYCL

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 MoU Guidelines. AYCL has no right of claim in this regard.

Authorised Signatory

ANNEXURE-VIII

Self declaration for Compliance of Directives of Government & Regulators

It is hereby certified that the AYCL has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government / regulators. AYCL has no right of claim in this regard.

Authorised Signatory