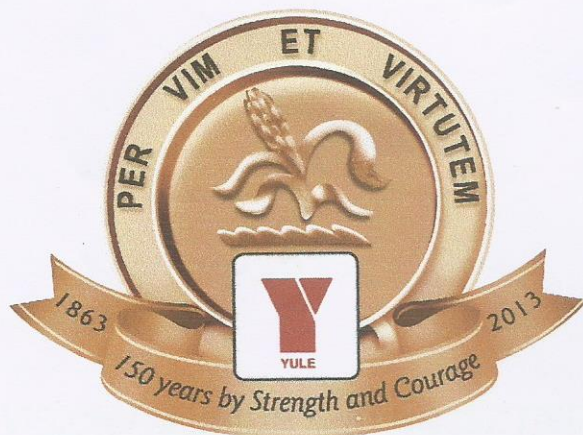




# **MEMORANDUM OF UNDERSTANDING**

**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 :

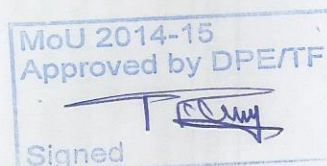
To resurrect "YULE" brand in all areas of business of the group and be ready for future by focusing on development of state of the art products through innovation.

#### 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. ✓





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

MoU 2014-15  
Approved by DPE/TF  
Signed



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

**Note :- The business carried out by the Company under technical collaboration 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.**



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

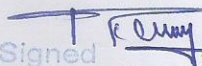
| Srl No. | Projects/Activities                                                                                                                                    | Performance Indicator | Weight      | Excellent | Very Good | Good   | Fair   | Poor |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|-----------|-----------|--------|--------|------|
| 1       | Skill Development Programme under CSR in (24 Pargana(S), Bankura, Jalpaiguri 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 |      |
|         | <b>Total :</b>                                                                                                                                         |                       | <b>2.00</b> |           |           |        |        |      |

MoU 2014-15  
Approved by DPE/TF  
  
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**Appendix-3 to Annexure II**

**MOU 2014-15 Target for HRM (AYCL)**

| Sl | HRM -<br>PERFORMANCE<br>INDICATORS                                    | Measurement<br>Unit | Weigh<br>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             |           |        |      |      |      |

MoU 2014-15  
Approved by DPE/TF  
  
Signed



## 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 14<sup>th</sup> 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:

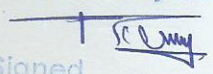
| Sl. | Annual Score  | Grading   | Penalty Marks | Difference in Score From 'Excellent' Grade |
|-----|---------------|-----------|---------------|--------------------------------------------|
| 01  | 85% and above | Excellent | 0             | 0.00                                       |
| 02  | 75%-84%       | 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

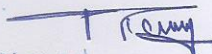
### Procurement from MSME

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  
Approved by DPE/TF  
  
Signed

**MEANS OF VERIFICATION :**

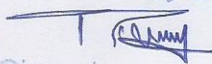
- |                         |   |                                                                |
|-------------------------|---|----------------------------------------------------------------|
| 1) Financial Term       | : | Auditors Certificate / Balance Sheet / Directors' Report       |
| 2) R & D                | : | Certification by Design Department Head & G.M of the Division. |
| 3) Tea<br>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  
Approved by DPE/TF  
  
Signed



## 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  
  
Signed

## 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 .

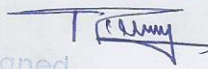
MoU 2014-15  
Approved by DPE/TF  
  
Signed



## 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  
Approved by DPE/TF  
  
Signed

**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



| Particulars                                                              | (Rs. in Crore) |        |            |         |            |         |            |         |            |                             |                       |
|--------------------------------------------------------------------------|----------------|--------|------------|---------|------------|---------|------------|---------|------------|-----------------------------|-----------------------|
|                                                                          | 2009-10        |        | 2010-11    |         | 2011-12    |         | 2012-13    |         | 2013-14    |                             | 2014-15<br>Mou Target |
|                                                                          | Mou Target     | Actual | Mou Target | Actual  | Mou Target | Actual  | Mou Target | Actual  | Mou Target | Projected for<br>31.03.2014 |                       |
| 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               |
| <b>Profit &amp; Loss Statement Items</b>                                 |                |        |            |         |            |         |            |         |            |                             |                       |
| 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                 |



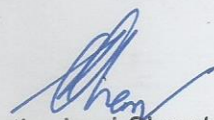
## (Rs. in Crore)

(Rs. in Crore)



**Self declaration/certification by AYCL**

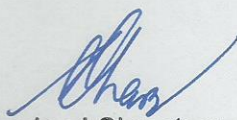
It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2014-15. In case, any deviation is found at the time of appraisal of performance, 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