

MEMORANDUM OF UNDERSTANDING

BETWEEN

MADRAS FERTILIZERS LIMITED

AND

**MINISTRY OF CHEMICALS & FERTILIZERS,
DEPARTMENT OF FERTILIZERS**

FOR THE YEAR 2014-15

1.1 MISSION / VISION AND OBJECTIVES OF THE COMPANY

1.1.1 VISION

Our vision is to become a significant player aiming to set benchmark standards and to bring a positive force in the industry in particular Southern Region through our sheer performance and unstinted growth

1.1.2 MISSION

- ✦ To ensure timely availability of quality fertilizers and keep flagship product 'VIJAY' as the farm hold name
- ✦ To play a significant role for sustainable agricultural productivity with focus on Integrated Plant Nutrient Management
- ✦ To provide employees with an exciting, enabling and supportive environment to be innovative and entrepreneurial in an ethical working place based on meritocracy and equal opportunity
- ✦ To be a committed Corporate Citizen in protecting the environment, complying with Safety Standards and Corporate Social Responsibility

MoU 2014-15
Approved by DPE/TF

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1.1.2 OBJECTIVES

- ❖ Studying feasibility on Modern Logistics Park
- ❖ Speeding-up Feedstock Conversion to Natural Gas from Naphtha

1.2 PERFORMANCE EVALUATION CRITERIA AND TARGETS

The Performance Evaluation parameters and targets are given separately.

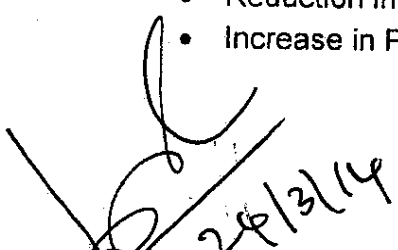
1.3 COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

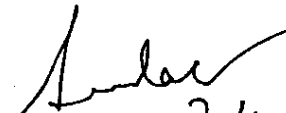
1.3.1 Assistance required

- Rs. 104 Cr. as Plan Loan Fund for capital schemes
- Waiver of Rs.554.24 Cr. (as on 31.12.2013) Gol loan as part of Revival Scheme
- Write-off of Rs. 331.66 Cr. (as on 31.12.2013) towards Gol Loan Interest and penal interest thereon
- Early release of Budgetary Support for Capital Schemes
- Continuation of special dispensation in pricing mechanism under New Pricing Scheme Stage-III (NPS-III) beyond 31.03.2010 and upto the conversion to Natural Gas
- Continuation of additional subsidy for sourcing "N" thru Naphtha based Captive Ammonia under NBS upto the conversion to Natural Gas
- Ministry will assist in the appointment of Independent Directors in the Company


1.3.2 Our Commitments

- Consistency in Plant Operation
- Reduction in Energy Consumption
- Increase in Productivity


24/3/14
Dr. V. Jayakumar
Chairman and Managing Director
On behalf of
Madras Fertilizers Limited


24-3.14
Shaktikanta Das
Secretary
Dept. of Fertilizers
On behalf of
Govt. of India


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1.2 PERFORMANCE EVALUATION CRITERIA AND TARGETS : MoU 2014-15
(Criteria range - 5 levels of performance viz., Excellent, Very Good, Good, Fair & Poor)

Sl. No.	Evaluation Criteria	Unit	Wt. (In %)	MOU Target:					Documentary evidence and source/origin of documents
				Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)	
1	Static/Financial Parameters								
	(i) Sales Turnover	₹ Cr	8.0	2922.00	2783.00	2650.00	2518.00	2392.00	ANNUAL REPORT (AR)
	(ii) Gross Operating Margin *	₹ Cr	8.0	410.00	390.00	371.00	352.00	334.00	
	(iii) Net Profit (PAT)	₹ Cr	5.0	118.26	94.13	82.36	57.65	34.49	
	(iv) Net Worth	₹ Cr	5.0	(77.69)	(101.82)	(113.59)	(138.30)	(161.46)	
	(v) Cash Generation from Operations	₹ Cr	5.0	(21.56)	(24.97)	(28.47)	(31.95)	(35.55)	
	(vi) Working Capital Turnover Ratio	Ratio	3.0	3.89	3.83	3.71	3.65	3.59	
	(vii) Average No. of Days of Inventory	Days	3.0	40	45	48	51	54	
	(viii) Average Collection Period	Days	3.0	18	18	18	18	18	
	Sub-total- 1 (i to viii)		40.0						
2	Dynamic Parameters								
	(i) Physical Targets								Certification from Statutory Auditors
	a) Ammonia Production	Lac MT	5.0	3.02	2.88	2.85	2.71	2.58	
	b) Urea Production	Lac MT	10.0	5.10	4.87	4.80	4.56	4.33	
	c) NPK Complex	Lac MT	10.0	0.50	0.48	0.45	0.42	0.39	
	d) NPK Customised Fertilizers	Lac MT	10.0	0.17	0.16	0.15	0.14	0.13	
	e) Biofertilizer	MT	8.0	551	525	500	475	451	
	(ii) Project proposal								Copy of Board Note and Board Minutes thereof
	Exploring most viable sourcing of the feedstock for N2 Component (imported Ammonia) for NPK at doorstep and presenting a detailed proposal in this regard to the Board	Date	12.0	30-04-2014	31-05-2014	30-06-2014	31-07-2014	31-08-2014	
	(iii) R&D								Certification from Statutory Auditors
	Energy consumption per MT of Urea	Gcal	5.0	7.46	7.48	7.50	7.52	7.54	
	Sub-total- 2 (i to iii)		60.0						
	Total (1+2)		100.0						

* Item-wise working of Gross Operating Margin given in Attachment

MoU 2014-15
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1.2 PERFORMANCE EVALUATION CRITERIA AND TARGETS : MoU 2014-15 contd..

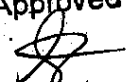
Note:

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(B)/2005-GM, Dated 14-May-2010

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 a 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.

- Procurement from MSME: CPSEs will have to 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.
- CPSE has to give a Certificate regarding implementation of Guidelines issued by DPE as per OM No.DPE/14(38)/10-Fin Dated 28th June 2011. 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.
- Non-compliance of any directives government including submission of data for Public Enterprises (PE) survey, MOSPI data updation on their website etc. and non compliance of requirements of regulators in serious cases may be penalized up to 1 mark depending on the degree and seriousness of non-compliance.

MoU 2014-15
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Rs. in Cr.

TREND OF CPSE'S PERFORMANCE ON FINANCIAL PARAMETERES FOR LAST FIVE YEARS

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Benchmarking Details available
	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	Projected for 31.03.2014	MOU	
Capacity Utilisation (%)												
Urea	82.20	89.60	91.60	98.40	94.50	100.00	96.60	89.50	96.60	100.00	98.60	
NPK	0.00	0.00	0.00	0.00	39.30	4.30	48.00	11.90	36.00	7.80	5.35	
Production (Lakh MT)	4.00	4.36	4.46	4.79	7.90	5.23	8.74	5.36	7.72	5.52	5.25	
Production (Rs. Cr.)	816.30	1169.71	1273.26	1404.53	2054.36	1897.05	3004.90	2190.98	2722.57	2286.80	2147.92	
Profit & Loss Statement Items												
Sales Turnover (excluding excise duty, custom duty, VAT or any other duty, tax, etc.)	793.76	1302.84	1273.14	1622.83	2281.42	2207.77	3170.00	2346.29	3016.24	2622.01	2649.93	
Interest and other income	3.75	6.18	6.25	10.94	3.75	10.97	3.75	8.82	3.75	10.75	3.75	
Gross Operating Margin Rate(%)	(2.84)	10.22	(0.01)	13.45	9.95	14.07	5.21	6.62	9.74	12.78	14.00	
Gross Operating Margin	(22.54)	133.13	(0.12)	218.30	227.06	310.72	165.10	155.31	293.67	335.21	371.00	
EBITDA(earnings Before Interest, Taxes, Deprecoation and Amortization)	(32.50)	144.87	(11.35)	141.43	189.68	211.02	254.00	139.78	213.75	228.33	217.35	
Depreciation	46.90	40.98	47.89	41.21	46.90	40.34	47.85	41.73	45.87	41.73	44.44	
Misc. expenses written off	2.36	1.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
EBIT(earnings Before Interest and Taxes)	(81.76)	102.68	(59.24)	100.22	142.78	170.68	206.15	98.05	167.88	186.60	172.91	
Interest Expenses	97.26	88.45	113.61	55.05	94.83	60.00	101.07	73.61	87.11	76.32	90.55	
Prior period Expenses	0.00	0.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Extrs Ordinary Expenses	0.00	6.80	0.00	(124.69)	0.00	(1.31)	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	(179.02)	6.88	(172.85)	169.86	47.95	111.99	105.08	24.44	80.77	110.28	82.36	
Tax	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Profit After Tax	(179.14)	6.88	(172.85)	169.86	47.95	111.99	105.08	24.44	80.77	110.28	82.36	
Dividend Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Profit transferred to Statutory reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Any Other Item	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Profit transferred to Balance Sheet	(179.14)	6.88	(172.85)	169.86	47.95	111.99	105.08	24.44	80.77	110.28	82.36	
Balance Sheet Items												
Gross Block	995.78	885.34	982.94	895.45	1128.85	893.39	1202.64	939.74	1032.19	972.69	1063.19	
Less : Depreciation	604.92	596.37	647.69	636.08	688.26	667.44	730.81	706.94	756.81	748.67	793.11	
Net block	390.86	288.97	335.25	259.37	440.59	225.95	471.83	232.80	275.38	224.02	270.08	

Rs.in Cr.

TREND OF CPSE'S PERFORMANCE ON FINANCIAL PARAMETERES FOR LAST FIVE YEARS

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	Latest Benchmarking Details available
	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	Projected for 31.03.2014	MOU	
Share capital of CPSE	162.14	162.14	162.14	162.14	162.14	162.14	162.14	162.14	162.14	162.14	162.14	
Reserves & Surplus of CPSE	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39	
Less deferred reve. Exp/ pre-acquisition loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Less Profit & Loss A/c	999.11	787.05	999.07	617.19	705.36	505.20	444.92	480.76	353.05	370.48	288.12	
Net worth of CPSE	(824.58)	(612.52)	(824.54)	(442.66)	(530.83)	(330.67)	(270.39)	(306.23)	(178.52)	(195.95)	(113.59)	
Investments	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	
Total Current assets	174.07	369.07	216.71	376.92	325.77	550.05	396.92	665.16	731.92	818.10	1013.40	
Total current liabilities & Provision	418.01	363.90	309.39	354.02	268.63	360.26	247.54	347.34	241.62	268.36	298.36	
Net current assets	(243.94)	5.17	(92.68)	22.90	57.14	189.79	149.38	317.82	490.30	549.74	715.04	
Capital employed (Net block + net current assets)	146.92	294.14	242.57	282.27	497.73	415.74	621.21	550.62	765.68	773.76	985.12	
Total long term debt (loan funds)	762.56	606.80	882.28	475.47	813.38	554.24	696.15	554.24	641.86	554.24	658.24	
Total assets	564.93	658.04	551.96	636.29	766.36	776.00	868.75	897.96	1007.30	1042.12	1283.48	
No. of Employees of CPSE	829	802	786	765	745	733	705	775	747	735	707	
Ratios												
PAT/Net Worth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
EBITDA/Net Block	(0.08)	0.50	(0.03)	0.55	0.43	0.93	0.54	0.60	0.78	1.02	0.80	
EBIT/Average Capital Employed	(0.31)	0.27	(0.22)	0.23	0.29	0.35	0.26	0.14	0.17	0.20	0.14	
PAT per Employee (□ lakhs)	(21.61)	0.86	(21.99)	22.20	6.44	15.28	14.90	3.15	10.81	15.00	11.65	
Current Ratio	0.42	1.01	0.70	1.06	1.21	1.53	1.60	1.92	3.03	3.05	3.40	
Debt Service Coverage Ratio	(1.45)	1.86	(0.84)	2.65	2.62	3.73	3.43	1.75	2.86	3.17	2.88	
Operating Cash Flow												
Average No. Days of Inventory	70	45	49	47	34	49	25	51	41	52	48	
Inventory Turnover Ratio	5.23	8.17	7.47	7.73	10.83	7.51	14.44	7.18	8.86	6.99	7.53	
Average Collection Period of Trade Receivables	72	50	71	24	21	9	14	17	26	44	18	
Debtors Turnover Ratio	0.016:1	0.007:1	0.025:1	0.003:1	0.009:1	0.0003:1	0.007:1	0.009:1	0.005:1	0.005:1	0.005:1	
Loans sanctioned	96.99	96.99	74.50	74.50	88.95	88.95	87.62	87.62	17.00	17.00	104.00	
Disbursements	96.99	96.99	74.50	74.50	88.95	88.95	87.62	0.00	17.00	0.00	104.00	
NPA/Loan Assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Average Cost of funds	8.80	9.99	10.18	7.00	8.34	8.88	10.05	10.08	9.69	10.61	9.77	
Additional for 'Sick and Loss making CPSEs'												
Cash Generation from Operations	36.74	70.54	87.87	215.01	63.17	85.80	(106.16)	2.63	(9.96)	(76.11)	(28.47)	
Working Capital Turnover Ratio	(3.25)	252.00	(13.74)	70.87	39.93	11.63	21.22	7.38	6.15	4.77	3.71	