



MEMORANDUM OF UNDERSTANDING

between

NMDC LIMITED

and

**MINISTRY OF STEEL,
GOVERNMENT OF INDIA**

for

2017-18

NMDC LIMITED
HYDERABAD : (TELANGANA)
JULY, 2017

BACKGROUND AND OBJECTIVES

1. Background:

NMDC was established on 15th November 1958 as Public Sector Undertaking to explore, develop and exploit mineral resources other than fuel oil and atomic minerals. It is engaged in mining of iron ore and Diamonds. NMDC is India's single largest iron ore producer, presently producing about 34 million tonnes of iron ore from 3 fully mechanized mines in Chhattisgarh and Karnataka States.

In acknowledgment of its substantial contribution to the domestic mineral sector during the last five decades it has been accorded the status of a Schedule-A public sector Company. In recognition of the Company's consistent performance, the Company was also categorized as Navratna Public Sector Enterprise in 2008.

NMDC, a PSU under Ministry of Steel, primarily engaged in the business of exploring minerals and development of mines to produce raw materials for the steel industry is now integrating forward into value-added products like steel and pellets.

2. Objectives

A) Macro Objectives

- To expand the operations in the areas of Mining and Mineral Processing to meet the growing demands from domestic and international Markets.
- Achieve international standards in per capita productivity, value addition and cost effectiveness.
- Setting up of Steel Plant at Nagarnar.

B) Micro Objectives

- Achieve growth by:
 - (i) Expansion of existing mines
 - (ii) Operating new mines fully owned by NMDC or in Joint Venture.
- Give thrust to exploration and exploitation of coal, gold and other minerals.
- To maintain environment protection.
- To conserve mineral resources through scientific mining.
- To maintain high level of customer satisfaction.
- To improve the quality of life of people in general and socio economic environment in and around the mines in particular.

NMDC LIMITED

MOU Parameters and Targets 2017-18

| Sl.No. | Performance Criteria | Unit | Marks | 2016-17 | Best in | MOU Target | | | | | Improvement % |
|--------|---|-------------|-------|-----------|--------------|--------------|----------|----------|----------|----------|---------------|
| | | | | Estimated | last 5 years | Excell. 100% | VG 80% | Good 60% | Fair 40% | Poor 20% | |
| | MANDATORY PARAMETERS: | | | | | | | | | | |
| 1 | Turnover | | | | | | | | | | |
| | Revenue From Operations (Net of Excise Duty & Forest Development fee) | RS. CR | 10 | 8,718 | 12,356 | 8,720 | 8,550 | 8,050 | 7,630 | 7,220 | -1.93 |
| 2 | Operating Profit | | | | | | | | | | |
| | Operating Profit as a % of Revenue from Operations (Net) | % | 20 | 37.80 | 77.20 | 38.00 | 35.00 | 33.75 | 33.00 | 32.00 | -7.41 |
| 3 | Return on Investment | | | | | | | | | | |
| | PAT/ Average Net Worth | % | 20 | 9.8 | 33.3 | 9.8 | 8.5 | 8.0 | 7.5 | 7.0 | -13.27 |
| | OTHER PARAMETERS | | | | | | | | | | |
| 4 | Production of iron ore | LT | 10 | 340 | 304.41 | 352 | 340 | 320 | 310 | 300 | - |
| 5 | CAPEX | Rs.cr. | 10 | 3196 | 2887 | 3380 | 3225 | 3100 | 3000 | 2900 | 0.91 |
| 6 | Percentage 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 (Annexure-A) | % | 5 | - | - | 100 | 90 | 80 | 70 | 60 | - |
| 7 | Inventory of finished goods and work in progress to Revenue from operations (Net) | No. of Days | 5 | 17 | 12 | 15 | 17 | 20 | 22 | 24 | - |
| 8 | Trade receivables (Net) (Excluding Monitoring Committee) as no. of days of revenue from Operations (Gross) | No. of Days | 5 | 23 | 23.87 | 22 | 23 | 26 | 27 | 28 | - |
| 9 | Timely Completion of milestones for the Subsidiaries (Annexure-B) | Nos. | 5 | - | - | 5 | 4 | 3 | 2 | 1 | - |
| 10 | HRM related parameters | | | | | | | | | | |
| 10.1 | Online submission of ACR/APAR in respect of all executives (E0 and above) along with compliance of prescribed timelines w.r.t. writing of ACR/APAR (% of number of executives) | % | 2 | - | - | 100 | 95 | 90 | 85 | 80 | - |
| 10.2 | Online Quarterly vigilance clearance updation for Senior Executives (E5 and above) (% of number of senior executives) | % | 2 | - | - | 100 | 95 | 90 | 85 | 80 | - |
| 10.3 | Preparation of Succession Plan and its approval by Board of Directors | Date | 2 | - | - | 30.09.17 | 15.10.17 | 31.10.17 | 15.11.17 | 30.11.17 | - |
| 10.4 | Holding of DPC without delay for executives (E0 and above level) | % | 2 | - | - | 100 | 95 | 90 | 85 | 80 | - |

| Sl.No. | Performance Criteria | Unit | Marks | 2016-17 | Best in | MOU Target | | | | | Impro- |
|--|--|------|-------|----------------|-----------------|-----------------|-----------|-------------|-------------|-------------|-------------|
| | | | | Estima- ted | last 5 years | Excell. 100% | VG 80% | Good 60% | Fair 40% | Poor 20% | vement % |
| 10.5 | Talent management and career progression by imparting at least one week training (within India) in Centre of Excellence eg. IITs, IIMs, NITs, ICAI etc (% of executives) | % | 2 | - | - | 5 | 4.5 | 4 | 3.5 | 3 | - |
| Total | | | 100 | | | | | | | | |
| <p>Note:</p> <p>The CAPEX targets are excluding investment in subsidiaries & JVs and if the investment in subsidiaries & JVs (including Rs 150 cr towards doubling of railway lines from Kirandul to Jagdalpur and Rs 140 cr towards doubling of Railway lines from Jagdalpur to Ambagaon) is lower than Rs 317 cr, the balance shall be added to the CAPEX targets.</p> | | | | | | | | | | | |


(R.Sridharan, IAS)

Chairman-cum-Managing Director
NMDC Limited
Hyderabad


(Dr. Aruna Sharma, IAS)

Secretary, GOI
Ministry of Steel
New Delhi

Date : 05.07.2017

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Capex Projects for Monitoring Parameters

| Sl. No. | Name of the Project | Approved Cost of Project (Rs.Cr.) | Approved Date of Completion of the Project | Milestone during the year | Approved date of Milestone | Capex during year (Rs.Cr) |
|---------|--|-----------------------------------|--|---|----------------------------|---------------------------|
| 1 | Integrated Steel Plant, Nagarnar | 15525 | Dec'17 | Start of Trial test of weigh Feeders in Sinter Plant | 31.08.2017 | 2800 |
| 2 | Slurry Pipeline | 2907 | Jun'20 | Readiness to award Main Pellet Plant Package of 2mtpa Pellet Plant at Nagarnar. | 31.03.2018 | 75 |
| 3 | Third Screening Plant & Augmentation of loading facility at Kirandul | 951 | Consent for establishment is awaited from State Pollution control Board (CECB). However, for estimation purpose 30.09.20 is the tentative date of completion of the Project. | Completion of Central Institute of Mining & Fuel Research (CIMFR) Report on controlled blasting techniques. | 31.12.2017 | 50 |
| 4 | Screening Plant -II at Donimalai Complex | 399.75 | Awaited EC & FC clearances. However, for estimation purpose 30.11.20 is the tentative date of completion of the Project. | Preparation and finalization of tender document for Site Development package. | 31.12.2017 | 3 |
| | Total | | | | | 2928 |

The balance capex projects are either balance of payments or other miscellaneous expenditure.

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Milestones for the Subsidiaries

| Sl. | Performance Criteria | Unit | Target Date |
|-----|---|------|-------------|
| 1 | NMDC-CMDC: Issue of NIT for MDO for Deposit-13 | Date | 31.01.18 |
| 2 | JNMDC: Renewal of PL of Sasangada iron ore mine | Date | 31.01.18 |
| 3 | JKSL: Appointment of adviser(s)/agency and compilation of land records of Chatra site. | Date | 31.01.18 |
| 4 | CMVL: Submission of detailed application for allocation of suitable iron ore deposit for ore linkage to steel SPV | Date | 31.01.18 |
| 5 | KVSL: Taking possession of land for which Govt. of Karnataka disburses compensation to land owners | Date | 01.03.18 |