



MEMORANDUM OF UNDERSTANDING

FOR THE YEAR 2019 - 2020

BETWEEN

HEAVY ENGINEERING CORPORATION LIMITED

AND

GOVERNMENT OF INDIA

DEPARTMENT OF HEAVY INDUSTRY

Heavy Engineering Corporation Ltd. (HECL), Ranchi

MOU FOR FY: 2019-2020

SL NO.	CONTENTS	PAGE NO.
Part A	PERFORMANCE EVALUATION PARAMETERS AND TARGETS	2 - 3
Part B	TREND ANALYSIS	4 - 8

PART A

PERFORMANCE PARAMTERS

Performance Parameter	Unit	Marks	Current year Estimates ¹	Best in 5 Years	MoU Target 2019-20					Improvement (%) ²
					Excellent 100%	Very Good 80%	Good 60%	Fair 40%	Poor 20%	
i. Turnover										
Revenue from Operation	Rs Cr	10	400.00	403.44	625	600	550	500	450	50
ii. Operating profit/(Loss)										
Reduction in operating Loss/ Deficit(s) over previous year.	%	20	Rs. -150.00 Cr	Rs. -112.90 Cr	100	70	60	50	40	70
			Operating Loss (Absolute Value)							
iii. Return on Investment										
Reduction in Total Expenses (TE) as a percentage of Total Income (TI) as compared to previous year.	%	20	175.00% (TE/TI)	119.31% (TE/TI)	60	40	30	20	10	40
iv. Capacity utilization :										
Average Capacity utilization of Heavy Machine Building Plant (HMBP), Foundry Forge Plant (FFP) and Heavy Machine Tools Plant(HMTP)	%	5	26.17	29.55	40	35	30	25	20	33.74
v. Production Efficiency Parameter										
Reduction in Power Consumption per Ton of Liquid Metal Production over previous year	%	3	860.78 KWH	810.73 KWH	6	4	3.5	3	2.5	4
			Absolute value							
vi. Completion of milestone of clients order/agreements without time overrun										
Completion of milestone of clients' order/agreements which are scheduled for delivery/milestones to be achieved, in 2019-20 without time overrun (%)	%	10			100	90	80	70	60	
vii. R&D, Innovation, Technology up-gradation parameter										
Design and development of Coke charging car with screw feeder and its first billing	Date	4			30/11/2019	31/12/2019	31/01/2020	29/02/2020	31/03/2020	
viii. Order booking during the year										
New confirmed orders received during the year	Rs Cr	5	200	335.77	650	550	450	350	250	175
ix. Inventory of Finished Goods and Work in Progress										

¹ Current year estimates for si (i), (ii) and (iii) is as per MOM of IMC. Others are based on performance till Sept-2018

² For VG target for MoU over current year estimates

Performance Parameter	Unit	Marks	Current year Estimates ¹	Best in 5 Years	MoU Target 2019-20					Improvement (%) ²
					Excellent 100%	Very Good 80%	Good 60%	Fair 40%	Poor 20%	
Inventory of finished goods and work in progress to Revenue from operations (Net)	Days	4	79.69	50.21	45	50	55	60	65	37.26
x. Trade Receivables (Net)										
Trade Receivables (Net) as number of days of Revenue from Operations (Gross)	Days	4	252.10	286	220	240	260	280	300	12.73
xi. Claims against the Company not acknowledged as Debt										
Reduction in claims against the Company not acknowledged as debt on overall basis	%	5		Rs.181.59 Cr (as on 31.3.18)	25	20	15	10	5	
xii. Human Resource Management										
Achievement of HR parameters of continuous nature (as per Annexure B)	Nos.	7			8	7	6	5	4	
Preparation of Career Paths for all levels and its approval from the Board	Date	3			31.12.2019	31.01.2020	29.02.2020	15.03.2020	31.03.2020	

1. It was agreed that the targets finalized by the IMC are based on Provisional/Estimated figures submitted by the CPSE for 2018-19. In case of better performance, the difference between actual achievement for the year 2018-19 and estimates submitted by the CPSE, shall be added to the targets of 2019-20. In case figures for the year 2018-19 are updated / reviewed in audited accounts, comparison of actual results shall be made based on updated/reviewed figures.
2. In working out achievement for the year 2019-20, quantified qualifications of CAG / Statutory Auditors would be adjusted in case of overstatement of Revenue / Profit / Surplus or understatement of Loss/ Deficit in addition to the negative marks prescribed in MoU guidelines.
3. It was agreed that the targets decided in MoU are unconditional and no offset will be allowed. Further evaluation would be subject to compliance of additional eligibility criteria as contained in MoU guidelines.



Chairman-cum-Managing Director
Heavy Engineering Corporation Limited



Secretary to the Govt. of India
Department of Heavy Industry

Date:

Place:

Place:

PART B TREND ANALYSIS

Sl	Financial Performance Criteria	Unit	Tgt v/s Actual	2012-13	2013-14	2014-15	2015--16	2016-17	2017-18	Current Yr (18-19)	
										Actual upto Sep-18	Estimat ed ³
A Financial Paramters											
1	Revenue from Operations –Gross										
	Gross Turnover	Rs Cr		740.47	411.67	391.50	407.28	432.09	402.05	117.34	568.77
	Job for Own Use		Actual	9.24	8.08	8.52	5.77	8.24	4.41	3.30	6.32
	Total			749.71	419.75	400.03	413.05	440.33	406.45	120.64	575.09
	Gross Turnover		MoU	1001.00	1001.00	907.36	933.58	646.22	748.11		618.01
	Job for Own Use			5.04	5.00	5.12	5.00	5.00	5.00		6.99
	Total			1006.04	1006.00	912.48	938.58	651.22	753.11		625.00
2	Revenue from Operations – Net										
	Net Turnover	Rs Cr	Actual	682.83	384.02	361.58	374.48	390.11	399.03	117.34	568.77
	Job for Own Use			9.24	8.08	8.52	5.77	8.24	4.41	3.30	6.32
	Total			692.07	392.10	370.11	380.24	398.35	403.44	120.64	575.09
	Net Turnover		MoU	946.81	930.03	850.00	860.00	604.01	695.00		618.01
	Job for Own Use			5.04	5.00	5.12	5.00	5.00	5.00		6.99
	Total			951.85	935.03	855.12	865.00	609.01	700.00		625.00
3	Operating Profit / Loss										
	a. Profit before Tax	Rs Cr	Actual	20.38	398.33	-241.69	-144.77	-82.27	509.09	-129.42	-125.46
	b. Other Incomes			47.58	33.30	36.07	64.39	30.16	35.32	10.91	20.28
	c. Extraordinary & Exceptional items										
	c1. Extraordinary items (Earning)			0.00	550.08	0.00	36.00	0.00	621.02	0.00	0.00
	c2. Exceptional items (Earning)			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	d. Prior Period Items (Net Earning)			-0.20	-0.01	-44.03	-0.11	0.47	-14.26	0.00	-7.81
	e. Operating Profit/ Loss (a-b+/-c+/-d)			-27.40	-185.04	-233.72	-245.05	-112.90	-132.99	-140.33	-137.93
	Operating Profit as % of Revenue from Operations (Net)			-3.96	-47.19	-63.15	-64.45	-28.34	-32.96	-116.32	-23.98
	Reduction in Operating Loss over Previous Year	%		-89.77	-575.30	-26.31	-4.85	53.93	-17.80		-3.71
	a. Profit before Tax			MOU	41.88	40.71	24.62	-29.83	-93.54	-32.12	
	b. Other Incomes		12.26		14.72	15.72	21.66	17.50	20.72		0.72
	c. Extraordinary & Exceptional items										
	c1. Extraordinary items (Earning)		0.00		0.00	0.00	0.00	0.00	0.00		0.00
	c2. Exceptional items (Earning)		0.00		0.00	0.00	0.00	0.00	0.00		0.00

³ Based on Performance till September-2018

Sl	Financial Performance Criteria	Unit	Tgt v/s Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Current Yr (18-19)	
										Actual upto Sep-18	Estimated
	d. Prior Period Items (Net Earning)			0.00	0.00	0.00	0.00	0.00	0.00		0.00
	e. Operating Profit/Loss (a-b+/-c+/-d)			29.62	25.99	8.90	-51.49	-111.04	-52.84		-79.11
	Operating Profit as % of Revenue from Operations (Net)			3.11	2.78	1.04	-5.95	-18.23	-7.55		-12.66
	Reduction in Operating Loss over Previous Year	%		29.18	12.27	68.06	720.21	-111.79	51.54		-49.71
4	PAT / Net Worth										
	a. PAT	Rs. Cr.	Actual	20.38	299.31	-241.69	-144.77	-82.27	446.00	-129.42	125.46
			MOU	41.88	40.71	24.62	-29.83	-93.54	-32.12		-78.39
	b. Net Worth at year end	Rs Cr	Actual	-155.54	140.12	-105.90	-255.26	-336.68	109.80	-22.91	-21.41
			MOU	-138.14	-27.01	273.33	-36.23	-359.80			
	c. Average Net worth	Rs Cr	Actual	-163.65	-7.71	17.11	-180.58	-295.97	-113.44	43.45	44.20
			MOU	78.22	-82.57	123.16	118.55	-307.53			
	d. PAT/ Avg.Net Worth	%	Actual	-12.5	-3884	-1413	80.2	27.80	-393.2	-2.98	-2.84
			MoU	53.5	-49.3	20.0	-25.2	30.42			
	e. Paid-up Share Capital	Rs Cr	Actual	606.08	606.08	606.08	606.08	606.08	606.08	606.08	606.08
	f. Gol share	%	Actual	100%	100%	100%	100%	100%	100%	100%	100%
	g. Reserves and surplus										
	Capital Reserve	Rs Cr	Actual	113.60	109.42	104.73	100.04	100.88	101.37	98.09	95.62
	Revenue Reserve			0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Less Accum Loss			874.23	574.92	816.61	961.38	1043.65	597.65	727.07	723.11
	Net Reserve and Surplus			-760.63	-465.50	-711.87	-861.34	-942.76	-496.28	-628.72	-627.49
	h. Deferred Revenue Expenditure			0.98	0.45	0.11	0.00	0.00	0.00	0.00	0.00
5	Total Expenses	Rs Cr		719.47	577.14	603.83	625.29	511.24	536.43	260.97	713.01
6	Total Incomes			739.65	425.40	406.18	444.63	428.51	438.75	131.55	595.37
7	Total expenses/ Total Incomes	%		97.27	135.67	148.66	140.63	119.31	122.26	198.38	119.76
	Reduction over previous year			1.51	-39.47	-9.58	5.40	15.16	-2.48		2.05
8	Detail of other incomes										
	a. Interest			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b. Dividend			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	c. Other Incomes			47.58	33.30	36.07	64.39	30.16	35.32	12.78	20.28
	d. Total			47.58	33.30	36.07	64.39	30.16	35.32	12.78	20.28
9	a. Cash and Bank Balance and equivalent			6.30	80.84	84.40	97.77	94.59	45.11	43.11	29.50
	b. investment in mutual funds			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl	Financial Performance Criteria	Unit	Tgt v/s Actual	2012-13	2013-14	2014-15	2015--16	2016-17	2017-18	Current Yr (18-19)	
										Actual upto Sep-18	Estimated ³
	c. Investment in shares other than subsidiary/ JVs)			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	d. Total (a+b+c)			6.30	80.84	84.40	97.77	94.59	45.11	83.09	29.50
	e. Cash credit/ Overdraft loan/ Short-Term loan			45.03	140.18	138.91	209.51	138.79	187.06	179.78	154.00
	f. Balance in Current account										
10	Dividend paid/ declared for the year, excluding Dividend Tax			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B Other Parameters											
11 Capacity Utilisation											
Capacity and Production				2012-13	2013-14	2014-15	2015-16	2016-17	2017-18		
Plant	Capacity										
HMBP	17658	Ton	Actual	9195	8536	5603	6171	6718	3813	1694	8597
FFP	28956	Ton	Actual	8147	5089	4990	3559	2444	3559	1763	3841
HMTTP	1335	Ton	Actual	328.68	541.91	256.35	280.88	456.44	106.29	123.41	112
Capacity Utilisation											
HMBP		%	Actual	52.07	48.34	31.73	34.95	38.05	21.59	16.45	48.59
FFP		%	Actual	28.14	17.57	17.23	12.29	8.35	12.29	10.44	13.26
HMTTP		%	Actual	24.62	40.59	19.20	21.04	34.19	7.96	15.85	8.36
HMBP + FFP		%	Actual	37.20	29.23	22.72	20.87	19.66	15.81	12.71	26.68
HMBP		%	Tgt (Excl)					36			
FFP		%						15			
HMTTP		%						22			
12 Order Booking during the year											
New order received during the year	Rs.Cr	Actual		266.06	284.68	304.49	335.77	245.83	159.01	88.27	200.00
		Tgt		1100	1322	735	845	570	570.75	100.00	200.00
13 Capex											
Capex	Rs.Cr.	Actual			5.44	9.62	6.80	0.00	7.95		5.00
Capex		Tgt									
14 Production efficiency parameters											
Power Consumption per ton of liquid metal production											
Power Consumption	KWH	Actual		968262 ₃	696954 ₉	5781934	5014373	3713199	5608206	3411242	6855242
Liquid Metal Production	Ton	Actual		11467	8217	7110	6185	4195	6649	3964	7964
Power Consumption per Ton of Liquid Metal Production	KWH	Actual		844.39	848.19	813.21	810.73	885.15	843.47	861	860.78
Reduction over Previous year	%	Actual		-4.38	-0.45	4.12	0.30	-6.44	4.71		-2.47
		MOU		2.00	3.00	3.00	4.00	4.00	4		4.00
15 Inventory of finished goods and work in progress											

SI	Financial Performance Criteria	Unit	Tgt v/s Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Current Yr (18-19)		
										Actual upto Sep-18	Estimated	
to Revenue from Operation (Net)												
	Inventory of finished goods and work in progress	Rs. Cr	Actual	133.04	188.69	138.88	97.21	65.38	55.50	62.61	120.88	
			MOU	133.08	135.43	99.08	99.30					
	Inventory of finished goods and work in progress to Revenue from Operation (Net)	Days	Actual	70.16	175.65	136.97	93.31	61.18	50.21		79.60	
			MoU	51.03	52.87	42.29	41.90	75.00				
16	Trade receivables to Revenue from Operation (Gross)											
	Total Trade Receivables	RsCr	Actual	549.83	468.77	313.38	371.35	372.15	459.33		397.21	
			MOU	458.74	456.98	557.75	390.65					
	Revenue from Operation (Gross)	RsCr	Actual	749.71	419.75	400.03	413.05	440.33	406.45		575.09	
			MOU	1006.04	1006.00	912.48	938.58					
	Trade receivables (Net) as number of days of RO (gross)	Days	Actual	267.69	407.63	285.94	328.16	308.48	412.49		252.10	
			MoU	166.4	165.8	223.1	151.9	116.80 (VG)				
17	Claims against the Company not acknowledged raised by:											
	(a) Central Government Departments											
	i. EPF Damages	RsCr		95.02	95.02	95.02	95.02	95.02	95.02			
	(b) State Governments/ Local Authorities											
	ii. Water dues (DW&SD GoJ)			21.99	12.98	10.94	10.94	10.94	10.94			
	iii. Commercial Taxes, GoJ	RsCr	Actual	35.86	4.51	3.28	12.02	14.72	14.72			
	iv. DPS (Jharkhand Urja Vikash Nigam Ltd.)			116.42	116.42	116.42	116.42	116.42	0.00			
	(c) Others											
	v. Legal Cases	RsCr	Actual	11.46	16.21	17.13	17.13	32.57	32.43			
	vi. Service Tax			0.00	0.00	0.00	14.34	16.55	16.55			
	vii. Excise Duty			0.00	0.00	0.00	0.00	11.80	11.85			
	Total Claims			280.75	245.14	242.79	265.87	298.02	181.51			
	Reduction in overall Claims	%		-6.18	12.68	0.96	-9.51	-12.09	39.09			
			MOU					10% in claims of other than central and state Govt				

Annexure-B

Si. No.	HR parameters:
i.	Continuation of online submission of ACR/APAR in respect of all executives (EO and above) along with compliance of prescribed timelines w.r.t writing of ACR/APAR
ii.	Continuation of online Quarterly vigilance clearance updation for Senior executives(E-5 and above)
iii.	Regular updation of succession plan and its approval by Board of Directors
iv.	Continuation of holding of DPC without delay for executive (EO and above level)
v.	Continuation of talent management and career progression by imparting at least one week training of at least 10% executives in Centre of Excellence within India e.g. IITs,IIMs,NITs,ICAI etc.
vi.	Regular updation of online Human Resource Management System (HRMS) Implementation (consisting of online employee data administration, employee self service, exit procedure, talent management, etc.) and its integration with finance
vii.	Implementation of recommendation of HR audit.
viii.	Review and Implementation of employee performance on the lines of FR (56)j and submitting a compliance report to Board of Directors at the end of the year