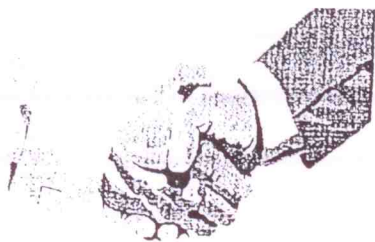


BHARAT BHARI UDYOG NIGAM LTD
26, RAJA SANTOSH ROAD,
ALIPORE, KOLKATA - 700 027.



MEMORANDUM OF UNDERSTANDING
2011-2012

between
BHARAT BHARI UDYOG NIGAM LIMITED
and
DEPARTMENT OF HEAVY INDUSTRY

March 2011

VISION/MISSION AND OBJECTIVE

VISION:

- ✓ BBUNL Group of companies would be a leader in the field of infrastructure development & all types of Steel bridges.

MISSION:

1. To take advantage of rapid growing market to enhance the turnover five times in next five years.
2. To emerge as a leading infrastructure company specially in the field of manufacturing of Railway Steel Bridges, Civil Structures, infrastructure development etc.
3. To firm up core sector performance and diversify into non-core sector activities as per Road Map envisaged in the Corporate plan.

OBJECTIVES

1. To achieve minimum 20% growth in turnover in 2011-12.
2. To implement the Short term and long-term strategies as suggested by the consultants in the Corporate Plan.
3. Update the bridge erection with new technology.
4. To focus on up-gradation of manufacturing facilities and to update design, manufacturing and production facilities as per current requirement.
5. Continuity of growth in Net Profit and Net Worth.

Part II

EXERCISE OF ENHANCED AUTONOMY
AND
DELEGATION OF FINANCIAL POWERS

As applicable to MoU signing Schedule - 'A' Company.

Sl No	CRITERION	Unit	Weight (in %)	Implementing Agency	TARGET : 2011 - 2012				
					Excellent [†]	Very Good	Good	Fair	Poor
1. Static / Financial Parameters					(+6%)	(Base Target)	(-5%)	(-5%)	(-5%)
a)	Financial Indicators - profit related ratios								
i)	Gross Margin / gross block	%	1	BBUNL	26.5	25.0	23.8	22.6	21.4
			1	BBJ	44	41	39	36	34
ii)	Net profit / net worth	%	5	BBUNL	7.19	6.78	6.44	6.12	5.81
			5	BBJ	10.7	10.1	9.6	9.1	8.6
iii)	Gross profit / capital employed	%	5	BBUNL	10.18	9.60	9.12	8.67	8.23
			5	BBJ	10.8	10.2	9.6	9.2	8.7
b)	Financial Indicators - size related								
i)	Gross Margin	Rs Cr.	4	BBUNL	0.22	0.20	0.18	0.16	0.14
			4	BBJ	7.9	7.5	7.1	6.8	6.4
ii)	Gross Sales	Rs Cr.	2	BBUNL	21.3	20.1	19.1	18.1	17.2
			2	BBJ	178	168	160	152	144
c)	Financial Indicators - productivity related								
i)	PBDIT / No of employees	Rs Lakhs	3.5	BBUNL	0.81	0.74	0.67	0.59	0.52
			3.5	BBJ	8.06	7.65	7.24	6.94	6.53
ii)	Added value / sales	%	4.5	BBUNL	0.121	0.114	0.109	0.103	0.098
			4.5	BBJ	0.91	0.86	0.82	0.78	0.74
Sub Total - 1 (a to c)			25	BBUNL					
			25	BBJ					
			50	Total					
2. Dynamic Parameters									
d)	Quality								
i)	Warranty expenditure as % of Gross Sales	%	2	BBUNL	0.25	0.30	0.35	0.40	0.45
			2	BBJ	0.25	0.30	0.35	0.40	0.45
f)	HRD (Employee training and motivation)								
i)	Training to employees as a %age to total employee strength	%	3	BBUNL	20	12	10	5	3
			2	BBJ	30	20	10	5	3
g)	R&D (for sustained & continuous growth)								
i)	Venturing into one new line of business by BBUNL	Time scale	2	BBUNL	15.01.12	31.01.12	29.02.12	15.03.12	31.03.12
ii)	Development of two (2) new technology for Bridge erection	--do--	2	BBJ	31.12.11	31.01.12	29.02.12	15.03.12	31.03.12
h)	Project implementation (modernisation and expansion)								
i)	Study on diversification beyond its core strength	--do--	1	BBJ	31.12.11	31.01.12	29.02.12	15.03.12	31.03.12
ii)	Full Utilisation of balance of CAPEX fund (BBJ)	--do--	1		31.08.11	30.09.11	31.10.11	30.11.11	31.12.11
i)	Capital Expenditure /Greenfield investment / Joint ventures								
ii)	Commencement of Cantilever Launching of Munger Road cum Rail bridge	--do--	1	BBJ	31.08.11	30.09.11	31.10.11	30.11.11	31.12.11
k)	Corporate Social Responsibilities (CSR)	Rs Lac	2	BBUNL	1.25	1.00	0.75	0.50	0.25
			2	BBJ	2.00	1.50	1.00	0.75	0.50
l)	Sustainable development Reduction of Energy Cost per Re. of total production value over last year	%	2	BBJ	7	6	5	4	3
m)	Corporate Governance								
i)	Compliance of statutory audit observations	Time scale	2	BBUNL	31.12.11	31.01.12	29.02.12	31.03.12	beyond Mar'12
			2	BBJ	31.12.11	31.01.12	29.02.12	31.03.12	beyond Mar'12
ii)	Submission of PE Survey Report to DPE	Time scale	1	BBUNL	15.09.11	30.09.12	15.10.11	30.10.11	15.11.11
			1	BBJ	15.09.11	30.09.12	15.10.11	30.10.11	15.11.11
Sub Total - 2 (a to m)			12	BBUNL					
			16	BBJ					
3) Sector - specific parameters									
i)	LD on account of delayed supply as %age of Gross Sales	%	3	BBUNL	Nil	0.2	0.3	0.4	0.5
			2	BBJ	Nil	0.2	0.3	0.4	0.5
ii)	Order Booking (Gross)	Rs Cr.	4	BBUNL	60	50	40	30	25
			2	BBJ	91	75	70	65	60
iii)	Increase in Manpower Productivity (Added Value per employee) over previous year	%	3	BBUNL	7	6	5	4	3
			2	BBJ	7	6	5	4	3
Sub Total - 3 (i to iii)			10	BBUNL					
			6	BBJ					
4) Enterprise - specific parameters									
i)	-- Reduction of Accidents over prev. year by	%	1	BBJ	5	4.5	4	3.5	3
ii)	% Reduction of Inventory as on 31.03.2012 vis-à-vis 31.03.2011 (in terms of days of sales)	%	1	BBJ	7	6	5	4	3
iii)	% Reduction in Sundry Debtors as on 31.03.2012 vis-à-vis 31.03.2011 (in terms of days of sales)	%	1	BBJ	20	15	10	5	3
iv)	Completion of Merger process	Time scale	3	BBUNL	31.12.11	31.01.12	29.02.12	31.03.12	beyond Mar'12
Sub Total - 4 (i to iv)			3	BBUNL					
			3	BBJ					
Grand Total (1 + 2 + 3 + 4)			50	BBUNL					
			50	BBJ					
			100	Total					

Part IV

COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

- ✓ To assist in the interface with Ministry of Railways, Ministry of Corporate Affairs and Ministry of External Affairs for enhanced business activity.
- ✓ To assist for expeditious sanction and necessary fund support for strategic alliances / technology transfer / CAPEX.
- ✓ To expedite merger of BBUNL and BBJ construction Co. Ltd.

PART V

Frequency of monitoring of Performance

Monitoring of performance will be as per schedule given below:

- ✓ Monthly review of the subsidiary company by holding company
- ✓ Quarterly review by respective Boards of Directors of the group companies
- ✓ Half yearly review (by DHI)
- ✓ Yearly review (by DPE).



(S. Baul)
Chairman & Managing Director
Bharat Bhari Udyog Nigam Ltd.,
Kolkata.

Date : 24.3.2011



(B. S. Meena)
Secretary (HI)
Ministry of HI & PE,
Government of India,
New Delhi.

BBUNL (As stand alone company)

Annexure IX

Sl No	Particulars	Rs Crore										% Growth w.r.t	
		2006-07 Actual	2007-08 MoU Tar Actual		2008-09 MoU Tar Actual		2009-10 MoU(Good) Act		2010-11 MoU (V.Good) Proj. / RE		2011-12 MoU(V.Good)		09-10/Act
1	Production (Gross value)	3.54	15.00	8.64	17.50	5.00	10.00	3.45	20.00	16.36	19.84	475.1%	-0.8%
	-- do -- (Billable value)	3.54	15.00	6.52	17.50	3.46	10.00	2.77	20.00	16.28	19.84	616.2%	-0.8%
2	Gross Sales (incl service charge)	3.11	16.48	10.91	18.73	5.07	11.50	3.97	21.79	17.25	20.11	406.5%	-7.7%
3	Gross Margin	0.44	0.27	0.41	0.31	0.24	0.82	0.57	0.64	0.03	0.20	-64.9%	-68.8%
4	Profit before Tax	0.38	0.24	0.31	0.28	0.22	0.75	0.54	0.58	0.01	0.17		
5	Gross Block	0.72	0.73	0.74	0.74	0.75	0.79	0.77	0.90	0.79	0.80		
6	Less Depreciation	0.63	0.63	0.66	0.66	0.66	0.70	0.69	0.72	0.72	0.74		
7	Net Block	0.09	0.10	0.08	0.08	0.09	0.09	0.08	0.18	0.07	0.06		
7.1	Capital WIP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
8	Share Capital of CPSE	0.89	0.89	0.89	0.85	0.94	0.94	0.94	1.09	0.94	0.94		
9	Reserve & surplus of CPSE	0.18	0.18	0.31	0.31	0.38	0.73	0.73	0.84	0.74	0.83		
10	Less Deferred rev exp / pre-acquisition	0.04	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
11	Less Profit & Loss A/c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
12	Net Worth of CPSE (8 + 9 - 10 - 11)	1.03	1.03	1.20	1.16	1.32	1.67	1.67	1.93	1.68	1.77		
13	Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	Sundry Debtors	1.55	0.00	0.98	0.00	1.34	0.00	1.74	1.00	2.00	2.00		
14	Sundry Debtors / Sales (2) - in no of days	182	0	33	0	96	0	160	17	42	36		
15	Inventory	3.04						0.27					
	Inventory / Sales (2) - in no of days	357	0	0	0	0	0	25	0	0	0		
16	Total Current Assets	6.01	6.01	5.96	5.96	7.05	8.12	12.73	7.28	10.71	10.71		
17	Total Current liabilities & provisions	3.30	3.30	4.15	4.19	5.82	4.68	11.14	5.35	9.10	9.00		
18	Net Current Assets (16 - 17)	2.71	2.71	1.81	1.77	1.23	3.44	1.59	1.93	1.61	1.71		
19	Capital Employed (7 + capital WIP + 18)	2.80	2.81	1.89	1.85	1.32	3.53	1.67	2.11	1.68	1.77		
20	Total Debt (Loan funds)	1.77	1.78	0.69	0.69		1.86	0.00	0.18	0.00	0.00		
21	Total Assets (7+7.1+10+11+13+16)	6.14	6.15	6.04	6.04	7.14	8.21	12.81	7.46	10.78	10.77		
22	Employment Cost	1.08	0.81	1.19	0.95	1.61	1.43	1.79	2.36	1.79	1.83		
22(A)	No of Employees of CPSE	29	30	32	32	35	35	32	41	27	27		
23	Dividend paid (incl Div Tax)	0.24	0.10	0.12	0.12	0.06	0.10	0.06	0.05	0.00	0.03		
24	Added value (Gross Margin less capital recovery factor 10%)	0.16	(0.01)	0.22	0.13	0.11	0.47	0.40	0.43	(0.14)	0.02		
	Ratios												
25	Debt / Equity - 20 / (8+9)	1.65	1.66	0.58	0.59	0.00	1.11	0.00	0.09	0.00	0.00		
26	Return on Net worth (% age) - 30 / 12	24.27%	19.42%	21.67%	21.55%	9.85%	29.34%	24.55%	20.21%	0.60%	6.78%		
27	PBDIT / Total Employment of CPSE (% age)	40.74%	33.33%	34.45%	32.63%	14.91%	57.34%	31.84%	27.12%	1.68%	10.93%		
27(A)	PBDIT / No of Employee [3 / 22(A)] - Rs Lakhs	1.52	0.90	1.28	0.97	0.69	2.34	1.78	1.56	0.11	0.74		
28	Gross Profit / Capital Employed (% age) - 37 / 19	13.57%	8.54%	18.52%	15.14%	16.67%	22.66%	32.34%	28.91%	0.60%	9.60%		
29	Net Profit / Networth (% age) - 30 / 12	24.27%	19.42%	21.67%	21.55%	9.85%	29.34%	24.55%	20.21%	0.60%	6.78%		
	Working of Gross Margin (PBDIT)												
30	Net Profit (As decided during MoU meeting/09-10)	0.25	0.20	0.26	0.25	0.13	0.49	0.41	0.39	0.01	0.12		
	Add Govt Interest	0.02	0.00	0.02	0.00	0.01	0.02	0.00	0.01	0.00	0.00		
	Net Profit	0.27	0.20	0.28	0.25	0.14	0.51	0.41	0.40	0.01	0.12		
31	Less Tax	0.11	0.04	0.03	0.03	0.08	0.24	0.13	0.18	0.00	0.05		
32	Net Profit before Tax	0.38	0.24	0.31	0.28	0.22	0.75	0.54	0.58	0.01	0.17		
33	Add Prior Period	0.00	0.00	0.04	0.00	0.00	0.05	0.00	0.00	0.00	0.00		
34	Add Extra Ordinary Items (incl Provision)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
35	Profit before Prior Period	0.38	0.24	0.35	0.28	0.22	0.80	0.54	0.58	0.01	0.17		
36	Add Bank & Other Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00		
37	Gross Profit	0.38	0.24	0.35	0.28	0.22	0.80	0.54	0.61	0.01	0.17		
38	Add Depreciation	0.02	0.03	0.02	0.03	0.02	0.02	0.03	0.03	0.02	0.03		
39	Add Misc. expenditure	0.04	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
40	Gross Margin before Interest, depreciation & Misc. expenditure written off	0.44	0.27	0.41	0.31	0.24	0.82	0.57	0.64	0.03	0.20		
	Additional Parameters / Ratios												
41	Gross Margin / Gross Block (% age)	61.11%	36.99%	55.41%	41.89%	32.00%	103.80%	74.03%	71.11%	3.80%	25.00%		
42	Added Value / Sales	5.14%	-0.07%	2.03%	0.67%	2.13%	4.06%	10.05%	1.97%	-0.80%	0.11%		

No MoU was signed in 2006-07

