

# **Memorandum of Understanding**

Between

**Instrumentation Limited**

And

**Deptt. of Heavy Industry**

Ministry of HI & PE

Government of India

**2011-2012**

**INSTRUMENTATION LIMITED**

**MEMORANDUM OF UNDERSTANDING 2011-12**

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## PART – I

### 1) VISION /MISSION

To become a leading Engineering Organization focused on *customer satisfaction* in the field of Control Instrumentation; Automation for Core Sectors, Knowledge based systems and Electrical Transmission & Distribution.

### 2) OBJECTIVES

- i) Implementation of BIFR approved Modified Revival Scheme (MRS) with a view to achieve sustainable operation of the Company.
- ii) To achieve sustained growth and increase in market share through diversification in new related areas.
- iii) Up gradation of the technology and manufacturing facilities as per approved MRS for better capacity utilization.
- iv) To raise the export turnover to Rs. 20 crore plus by 2013-2014.
- v) To improve profitability of the Company, by undertaking cost reduction measures and achieve targets as envisaged in the MRS.

## **PART – II**

### **EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS**

The company proposes to exercise Autonomy and Delegation of Financial powers as applicable to MOU signing companies.

## **PART – III**

### **PERFORMANCE EVALUATION PARAMETERS AND TARGETS**

The various performance evaluation parameters of the company and its targets which are planned to be achieved are enclosed in **Statement-1**.

The qualitative parameters are projected on a five point scale from Excellent to Poor.

## **PART – IV**

### **COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT**

- i. The Administrative Ministry will continue to assist the company in implementation of Revival Plan.
- ii. The Administrative Ministry will assist in getting orders from Central and State Government Agencies.

**PART – V**

**ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU**

The Company shall internalize the MOU targets and review performance once in three months. The actual performance against the MOU targets will be monitored by the Board of Directors on quarterly basis. IL will submit reports on various performance criteria set out in the MOU to the Department of Heavy Industry on half yearly basis. The financial evaluation of the MOU will be done by DPE at the end of the financial year.

  
(RAMANAND)  
CHAIRMAN-CUM-MANAGING DIRECTOR  
INSTRUMENTATION LIMITED

  
(B. S. MEENA)  
SECRETARY  
DEPTT. OF HEAVY INDUSTRY  
MINISTRY OF HI & PE  
GOVERNMENT OF INDIA

Date: 24-03-2011

**INSTRUMENTATION LIMITED**  
**PROPOSED CRITERION OF PERFORMANCE EVALUATION FOR 2011-12**  
**Statement - 1**

SI.No.	Particulars	Unit	Weightage (in %)	2010-11 MOU	2011-12 BE MOU	CRITERION VALUE					
						Excellent (1)	Very good (2)	Good (3)	Fair (4)	Poor (5)	
I	<b>STATIC FINANCIAL PARAMETERS (40%)</b>										
	1.1. Gross Sales	Rs Crore	10	367	398	460	418	398	378	359	
	1.2. Gross Margin (Profit before Interest, Depreciation, Tax, Amortisation, DRE, Extra ordinary Items)	Rs Crore	10	22.54	30.70	35.47	32.25	30.70	29.17	27.71	
	1.3. Gross Profit	Rs Crore	5	19.04	28.95	33.44	30.40	28.95	27.50	26.13	
	1.4. Net Profit (Profit after Tax before Extra ordinary Item)	Rs Crore	5	9.75	10.78	12.45	11.32	10.78	10.24	9.73	
	1.5 Cash Generation from Operations	Rs Crore	5	NA	5.25	6.06	5.51	5.25	4.99	4.74	
	1.6 Working Capital/Turnover	Ratio	5	NA	0.48	0.56	0.51	0.48	0.46	0.44	

(5)

**INSTRUMENTATION LIMITED**  
**PROPOSED CRITERION OF PERFORMANCE EVALUATION FOR 2011-12**

Statement -2

Sl.No.	Particulars	Unit	Weightage	2010-11 MOU	2011-12 BE MOU	CRITERION VALUE						
						Excellent (1)	Very good (2)	Good (3)	Fair (4)	Poor (5)		
2	<b>DYNAMIC PARAMETERS (25%)</b>											
2.1	Physical Targets	Quantity (Nos.)										
	1.1 C & I Systems	1		985	1064	1229	1117	1064	1011	960		
	1.2. Process Control Valves	2		4265	4606	5320	4837	4606	4376	4157		
	1.3. Railway Signalling Systems	2		26330	28436	32844	29858	28436	27015	25664		
2.2	Order Booking											
	2.21 Domestic	Rs Crore	4	480	500	551	525	500	475	451		
	2.22 Export (excluding deemed export)	Rs Crore	1	4.50	5.00	5.80	5.25	5.00	4.75	4.51		
2.3	Quality :											
	a) Liquidated damages	%age of gross sales	2.5	NA	0.90	0.80	0.85	0.90	0.95	1.00		
	b) Warranty Expenditure	%age of gross sales	2.5	0.3	0.30	0.20	0.25	0.30	0.35	0.40		
2.4	Project Implementation											
	a) Speciality valve project Phase -I (Rs.15 cr.)	Completion date	2	By 15 Feb11	By 30 Sept 11	By 31 Jul 11	By 31 Aug11	By 30 Sept 11	By 30 Nov11	By 31 Dec11		
	b) Large size Butterfly Valves ( Rs 2.38 cr)	Completion date	1	NA	By 30 Sept 11	By 31 Jul 11	By 31 Aug11	By 30 Sept 11	By 30 Nov11	By 31 Dec11		
	c) SMPS for Telecom & Railways ( Rs. 2.25 cr)	Completion date	1	NA	By 30 Jun 11	By 15 May 11	By 31 May11	By 30 Jun 11	By 31 Jul 11	By 30 Sept 11		
	d) Practice Centre for ERP & IT solutions (Rs 2.25 cr)	Completion date	1	By 31 July 10	By 30 Jun 11	By 15 May 11	By 31 May11	By 30 Jun 11	By 31 Jul 11	By 30 Sept 11		
2.5	Customer Satisfaction Index survey to be done by Marketing Division based on questionnaire.	10 point scale	5	NA	7	9	8	7	6	5		

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Statement -2

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<b>3</b>	<b>Sector/Enterprise specific Parameters (35%)</b>											
3.1	Implementation of BIFR Sanctioned Scheme											
	a) Sale of Assets as per BIFR Sanctioned Scheme	Date	7.5	NA	Feb '2012	Dec '2011	Jan '2012	Feb '2012	Mar '2012	Apr '2012		
	b) Reduction in Manpower through VRS	Nos.	7.5	120	150	165	158	150	143	135		
3.2	Reduction in receivables											
	a) Debtors of more than 180 days as a % of total Debtors	% of total Debtors	1.25	NA	40%	30%	35%	40%	45%	50%		
	b) Total Sundry Debtors as number of days of Sales	No. of days	1.25	NA	190	180	185	190	200	210		
3.3	Reduction in obsolete Inventory	% of Obsolete Inventory	2.5	NA	15.00	20.00	18.00	15.00	12.00	10.00		
3.4	Upgradation of Technology (Finalisation of Technology Tie-ups with the Parties)	Nos.	5	5	4	6	5	4	3	2		
3.5	Human Resource Management HRD (Employees Training & motivation)	Mandays compliance	5	210	300	350	325	300	285	271		
3.6	Corporate Governance (Compliance of all DPE guidelines)		5	NA	-	All DPE guidelines	Those DPE guidelines, implementation of which is under control of CPSE management	-	-	-		

