

MEMORANDUM OF UNDERSTANDING (MOU)

BETWEEN

THE GOVERNMENT OF INDIA

REPRESENTED BY

MINISTRY OF HEAVY INDUSTRIES

&

PUBLIC ENTERPRISES

DEPARTMENT OF HEAVY INDUSTRY

&

TYRE CORPORATION OF INDIA LIMITED

FOR THE YEAR 2011-2012

CMD

MOU 2011-12
Approved By DPE/TF
Signed *(Signature)*
21/03/11

MOU 2011-2012 BETWEEN TCIL AND DHI (HI&PE), GOI

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MOU between TCIL and Ministry of H. I. & P. E. GOI for 2011-2012

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PART - I

| MISSION, VISION & OBJECTIVES OF THE PSE | |
|---|--|
| 1.1 MISSION & VISION | To turnaround the company from a loss making to profit making company by implementing revival scheme sanctioned by BIFR for Disinvestment through Outright sale. |
| 1.2 OBJECTIVES | <ul style="list-style-type: none">- To make efforts to improve production through better capacity utilization, proper maintenance and upgradation of equipments.- To enhance procurement of orders.- To make efforts to reduce Cost.- To improve labour productivity. |

PART - II

| DELEGATION OF POWERS |
|---|
| ❖ As per Guidelines issued by Department of Public Enterprises (DPE). |

PART - III

MoU Assessment Format for 'Sick and Loss making CPSEs'

| Evaluation Criteria | | | MoU Target | | | | |
|--|-----------------|----------------------|---------------|------------|----------|----------|----------|
| | | | Excellent (1) | V.Good (2) | Good (3) | Fair (4) | Poor (5) |
| 1. Static / Financial Parameters (40%) | Unit | Weight (in %) | | | | | |
| 1.1 Gross Sales | ₹ Cr. | 10 | 45.88 | 43.80 | 41.71 | 39.62 | 37.54 |
| 1.2 Gross Margin | ₹ Cr. | 10 | (1.31) | (1.39) | (1.46) | (1.53) | (1.61) |
| 1.3 Gross Profit | ₹ Cr. | 5 | (6.54) | (6.91) | (7.27) | (7.63) | (8.00) |
| 1.4 Net Profit | ₹ Cr. | 5 | (6.61) | (6.97) | (7.34) | (7.71) | (8.07) |
| 1.5 Cash Generation from Operations | ₹ Cr. | 5 | (10.04) | (10.60) | (11.16) | (11.72) | (12.28) |
| 1.6 Working Capital / Turnover | Ratio | 5 | 0.28 | 0.29 | 0.30 | 0.32 | 0.33 |
| Sub-total 1 (1.1+1.2+1.3+1.4+1.5+1.6) | | 40 | | | | | |
| 1. Dynamic Parameters* (25%) | | | | | | | |
| 2.1 Physical Targets | MT | 5 | 18060 | 17239 | 16418 | 15597 | 14776 |
| 2.2 Order Booking | No. of Tyres | 5 | 396000 | 378000 | 360000 | 342000 | 324000 |
| 2.3 Quality (Rejection of Finished Goods by Customers) | % of Production | 5 | 0.90 | 0.95 | 1% | 1.05 | 1.10 |
| 2.4 Customer Satisfaction (Loss of Raw Materials as % of Finished Goods) | % | 5 | 1.75 | 1.85 | 1.95 | 2.00 | 2.10 |
| 2.5 Project Implementation (major maintenance / repair required during holding on operations) | | | | | | | |
| (a) Braker Mill Roll (Spare) for Callender Machine | Date | 2 | 31.10.11 | 31.12.11 | 31.03.12 | --- | --- |
| (b) 16" Building Drum (2 Nos.) | Date | 2 | 31.12.11 | 31.01.12 | 29.02.12 | --- | --- |
| (c) Complete replacement of Bag Filter of Boiler (Pollution control) | Date | 1 | 31.12.11 | 31.01.12 | 31.03.12 | --- | --- |
| Sub-total 2 (2.1+2.2+2.3+2.4+2.5) | | 25 | | | | | |

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| 1. Sector / Enterprise Specific Parametrs (35%) | | | | | | | |
|--|----------------------|-----|---|----------|----------|-------|-------|
| 3.1 Preparation / Implementation (as the case may be) of the Business / Revival plan (Disinvestment of the Company) | Date | 5 | 31.01.12 | 29.02.12 | 31.03.12 | --- | --- |
| 3.2 Technology Upgradation | | | | | | | |
| (a) Energy Cost (Electricity Per MT of Finished Goods) | KWH / MT | 2.5 | 990 | 1045 | 1100 | 1155 | 1210 |
| (b) Energy Cost (Coal per MT of Finished Product) | MT / MT | 2.5 | 1.215 | 1.283 | 1.350 | 1.418 | 1.485 |
| 3.3 Generation of funds from non- performing assets | ₹ Cr. | 5 | 0.55 | 0.53 | 0.50 | 0.48 | 0.45 |
| 3.4 Human Resource Development (On the Job Training) | Nos. of Employees | 5 | 55 | 53 | 50 | 48 | 45 |
| 3.5 Reduction in receivables (Sundry Debtors) | No. of days of sales | 5 | 27 | 29 | 30 | 32 | 33 |
| 3.6 Inventory Control | No. of days / Sales | 5 | 13 | 14 | 15 | 16 | 17 |
| 3.7 Corporate Governance | | 5 | Compliance of those DPE guidelines, implementation of which is under the control of CPSE. | | | | |
| Sub-total 3 (3.1+3.2+3.3+3.4+3.5+3.6+3.7) | | 35 | | | | | |
| Total | | 100 | | | | | |

Note: Major items of dynamic parameters (2.1, 2.2) and Enterprise specific parameters (3.2,3.3,3.5,3.6) can be verified from Annual Report for other items based on reports will be generated from time to time.

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PART - IV

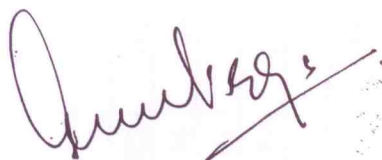
ASSISTANCE FROM THE GOVERNMENT OF INDIA

- ❖ To assist in Expediting disinvestment of the Company through Outright Sale.

PART - V

FREQUENCY OF MONITORING & INFORMATION FLOW

- ❖ Monitoring of the performance will be done on quarterly basis by the Board of Directors, Half Yearly Basis by the Administrative Ministry and yearly basis by DPE.



(Brig. (Retd.) S. K. Mutreja)
Chairman-cum-Managing Director
Tyre Corporation of India Limited



(B. S. Meena)
Secretary to the Govt. of India
Department of Heavy Industry
Ministry of Heavy Industries &
Public Enterprises

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

| Particulars | 2006-07 | | 2007-08 | | 2008-09 | | 2009-10 | | 2010-11 | | 2011-12 | |
|--|---------|----------|----------|----------|----------|----------|---------|----------|---------|--------|---------------------------|-----------|
| | MoU | Actual | MoU | Actual | MoU | Actual | MoU | Actual | MoU | Actual | Projected as on 31.3.2011 | Projected |
| Production (MT) | | 15,622 | 16,032 | 17,754 | 17,980 | 9,584 | 17,980 | 2,092 | 14,400 | 15,316 | 15,316 | 16,418 |
| Gross Sales | | 36.44 | 38.50 | 39.70 | 41.15 | 25.96 | 41.15 | 5.28 | 35.78 | 38.31 | 38.31 | 41.71 |
| Gross Margin | | 8.51 | 8.00 | 6.89 | 9.00 | (1.38) | 9.00 | (8.60) | 1.24 | (2.10) | (2.10) | (1.46) |
| Profit before Tax | | (47.93) | (50.64) | (49.22) | (50.14) | 541.15 | 3.36 | (14.67) | (4.67) | (7.98) | (7.98) | (7.34) |
| Gross Block | | 118.04 | 119.89 | 118.86 | 119.89 | 119.18 | 119.89 | 119.45 | 120.60 | 119.73 | 119.73 | 120.73 |
| Less dep | | 78.54 | 88.09 | 84.32 | 84.09 | 90.14 | 84.09 | 95.97 | 101.86 | 101.85 | 101.85 | 107.73 |
| Net Block | | 39.50 | 31.80 | 34.54 | 35.80 | 29.04 | 35.80 | 23.48 | 18.74 | 17.88 | 17.88 | 13.00 |
| Share capital of CPSE | | 93.45 | 94.08 | 93.45 | 93.45 | 93.45 | 94.08 | 93.45 | 29.63 | 29.63 | 29.63 | 29.63 |
| Reserves & Surplus of CPSE | | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 | 25.05 |
| Less deferred revenue exp. / pre acquisition | | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 | 0.41 |
| Less Profit & Loss A/c. (Dr.) | | 757.05 | 809.34 | 806.21 | 809.34 | 265.06 | 809.34 | 279.73 | 16.97 | 21.03 | 21.03 | 28.37 |
| Net Worth of CPSE | | (638.96) | (715.89) | (688.12) | (734.74) | (146.97) | 69.07 | (155.31) | 38.53 | 33.24 | 33.24 | 25.90 |
| Investment | | 0.05 | | 0.05 | | 0.05 | | 0.05 | | 0.05 | 0.05 | 0.05 |

