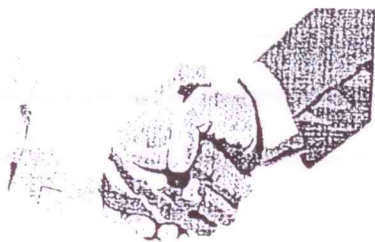


BHARAT BHARI UDYOG NIGAM LTD
26, RAJA SANTOSH ROAD,
ALIPORE, KOLKATA - 700 027.



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										
a)	Financial Indicators - profit related ratios				(+6%)	(Base Target)	(-5%)	(-5%)	(-5%)	
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 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						