



MEMORANDUM OF UNDERSTANDING

FOR THE YEAR

2011-12

BETWEEN

BHARAT PUMPS & COMPRESSORS LIMITED

NAINI- ALLAHABAD

AND

DEPARTMENT OF HEAVY INDUSTRIES

NEW DELHI

PART I**VISION**

To emerge as a leading player in the field of equipment manufacturing for fluid handling, Gas compression, Gas storage and related services and Project Management.

MISSION

To provide quality product and services to core sector industries with special thrust on Oil and Natural Gas and related process Industries, Nuclear and Thermal Power Plants, Fertilizer, Public Transport Services and other emerging sectors complying with environment and safety norms.

OBJECTIVES

To increase Gross sales of the company to the level of at least 300 crores during 2011-12.

PART - II**EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS**

BPCL will be empowered with all such delegated powers as are given to MoU signing PSUs from time to time.

PART III

MOU ASSESSMENT FORMAT

2011-12

Evaluation Criteria			MoU Target				
	Unit	Weight (In %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1.Static/Financial Parameters							
a) Financial indicators- profit related ratios							
i) Gross Margin / Gross Block	Ratio	2	0.499	0.479	0.461	0.443	0.423
ii) Net Profit / Net Worth	Ratio	10	0.122	0.118	0.113	0.108	0.104
iii) Gross Profit / Capital Employed	Ratio	10	0.282	0.270	0.260	0.250	0.238
b) Financial indicators- size related							
i) Gross Margin	Rs Crs.	8	53.00	50.00	47.00	44.00	41.00
ii) Gross sales	Rs.Crs.	4	325.00	312.00	300.00	288.00	275.00
c) Financial returns- Productivity related							
i) PBDIT / Total Employment	Rs. lacs	7	5.263	4.965	4.667	4.369	4.071
ii) Added Value / Sales	Ratio	9	0.112	0.107	0.103	0.099	0.094
Sub- total (a+b+c)		50					
2. Dynamic Parameters							
d) Quality							
i) Internal Rejection	%	2	2.20	2.30	2.40	2.50	2.60
ii) External Rejection	%	2	0.70	0.75	0.80	0.85	0.90
e) Customer satisfaction							
Customer satisfaction survey by independent party							
i) For main orders	Index	3	0.70	0.60	0.50	0.45	0.40
ii) For Spares	Index	2	0.70	0.60	0.50	0.45	0.40

Evaluation Criteria			MoU Target				
	Unit	Weight (In %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
f) HRD(employee training and motivation)							
i) Shop floor level training Programme(% of total employees)	%	2	15%	12%	10%	8%	6%
ii) Multiskill training mandays							
-For Executives (% of executives)	%	1	15%	12%	10%	8%	6%
-For others (% of non executives)	%	1	15%	12%	10%	8%	6%
iii) Representation of minorities in Selection committees	%	1	100%	90%	80%	70%	60%
g) Research and Development and Technology Upgradation							
i) Expenditure on R&D	Rs. Lacs	2	30.00	25.00	20.00	15.00	10.00
Design development of following items							
i) Mud pump fluid end	Time	1	Dec'2011	Jan'2012	Feb'2012	Mar'2012	Beyond Mar'2012
ii) Mud pump crank shaft	Time	1	Dec'2011	Jan'2012	Feb'2012	Mar'2012	Beyond Mar'2012
iii) Connecting rod	Time	1	Dec'2011	Jan'2012	Feb'2012	Mar'2012	Beyond Mar'2012
h) Project Implementation							
Commissioning of New Machine							
Vertical Boring Machine CNC	Time	1	Aug'2011	Sep'2011	Oct'2011	Nov'2011	Dec'2011
Refurbishing of machine							
1 Horizontal. Borer	Time	1	Oct'2011	Nov'2011	Dec'2011	Jan'2012	Feb'2012
2 Vertical turning lathe	Time	1	July'2011	Aug'2011	Sep'2011	Oct'2011	Nov'2011
3 Heat treatment Furnace	Time	1	Dec'2011	Jan'2012	Feb'2012	Mar'2012	April'2012
I) Capital Expenditure	Rs. Crs	2	19	18	17	16	15

Evaluation Criteria			MoU Target					
	Unit	Weight (In %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	
j) Extent of Globalization								
i)	Procurement of new export order	Rs. Crs	2	12	11	10	9	8
ii)	Export of one new product /Entering into a new market	Time	1	Dec'2011	Jan'2012	Feb'2012	Mar'2012	Beyond Mar'2012
k) Corporate Social Responsibility (CSR)								
i)	Preparation of scheme for CSR	Time	1	Aug'2011	Sep'2011	Oct'2011	Nov'2011	Dec'2011
ii)	Expenditure on CSR	Lacs	2	17.00	16.00	15.00	14.00	13.00
iii)	Skill development/ Vocational training	Nos	1	100	90	80	70	60
iv)	Health camps	Nos	1	6	5	4	3	2
l) Sustainable Development								
i)	Reduction in consumption of ground water from present level of 450 KL/Day	%	1	3%	2.5%	2.0%	1.5%	1.0%
ii)	Study of supply chain management	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
iii)	Vendor development Programme	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
iv)	Implementation of Energy audit	Time	2	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
m) Corporate Governance								
i)	Code of conduct/ Ethics for senior management	Time.	1	30Nov'11	31Dec'11	31Jan'12	29Feb'12	31Mar'12
ii)	Training of Directors	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
iii)	Compliance with statutory audit observations	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
iv)	Submission of PSE Survey to DPE	Time	1	15Sep'11	30 Sep'11	15Oct' 11	31Oct'11	Beyond 31Oct'11
v)	Compliance with Internal audit observations upto 30.09 11	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
Sub Total (d+e+f+g+h+i+j+k+l+m)			43					

Evaluation Criteria				MoU Target				
	Unit	Weight (In %)	Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)	
3. Sector specific Parameters								
i)	Sundry Debtors as No of Days of turnover	Days	2	85	88	90	92	94
ii)	Inventory as no. of days of production	Days	2	70	74	78	82	86
4. Enterprise Specific Parameters								
i)	Growth in Spares business	%	2	12.00	11.00	10.00	9.00	8.00
ii)	Approval for marketing one new product	Time	1	31Dec'11	31Jan'12	29Feb'12	31Mar'12	Beyond 31Mar'12
Total(1+2+3+4)			100					

Absolute values: -

(Rs. Crores)	2011-12 (Target)
Gross Margin	47.00
Net Profit	17.67
Net Worth	156.67
Capital Employed	161.74
Added Value	30.83
Gross Block	101.86
PBDIT	47.00
Gross Profit	42.10
Total Employee Cost	62.75

PART – IV

COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

DHI to assist the company in resolving inter PSU issues wherever possible such as

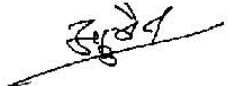
- Liquidation of LD
- Securing orders from CPSUs including ONGC as per revival plan approved by Government of India.

PART - V

4.0 ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

Periodical review of progress on performance of BPCL with reference to MoU will be carried out as under:

- | | | |
|-------------|---|---|
| Monthly | - | by the Management |
| Quarterly | - | by the Board of Directors of the Company. |
| Half yearly | - | by the Administrative Ministry |
| Year end | - | by the Department of Public Enterprises. |


CHAIRMAN AND MANAGING DIRECTOR
BHARAT PUMPS & COMPRESSORS LIMITED
NAINI, ALLAHABAD


SECRETARY
DEPARTMENT OF HEAVY INDUSTRY
NEW DELHI

SELF DECLARATION/ CERTIFICATION BY BPCL

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MOU Guidelines by adopting the norms and definitions laid down in MOU Guidelines for the Year 2011-12. In case any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MOU Guidelines. BPCL has no right of claim in this regard.



Authorised Signatory

PERFORMANCE ON FINANCIAL PARAMETERS FOR LAST FIVE YEARS

Rs. In crores

PARTICULARS	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	ACTUAL	MoU	PROJECTED AS ON 31.3.2011	PROJECTED
PRODUCTION		149.83		191.77	231.00	239.99	285.00	281.94	295.00	250.00	300.00
GROSS SALES		143.72		194.60	231.00	236.36	285.00	271.12	295.00	250.00	300.00
GROSS MARGIN		31.67		43.28	52.17	59.69	73.70	49.94	58.90	37.45	47.00
PROFIT BEFORE TAX		19.14		30.50	34.96	26.88	42.62	31.09	28.92	20.85	26.78
GROSS BLOCK		33.04		33.52	62.03	38.01	83.52	51.38	98.01	72.86	101.86
LESS DEPRECIATION		26.65		26.67		27.59	32.57	30.38	34.10	34.38	39.88
NET BLOCK		6.39		6.85		10.42	50.95	21.00	63.91	38.49	61.98
SHARE CAPITAL OF CPSE		53.53		53.53	53.53	53.53	53.53	53.53	53.53	53.53	53.53
RESERVE AND SURPLUS OF CPSE		29.97		35.18	44.39	53.74	86.91	78.30	87.41	89.72	110.23
LESS DEF.REV EXP/PRE ACQ.LOSS		1.28		1.43		1.42	0.42	1.19	0	0	0
LESS PROFIT AND LOSS A/C		25.27		0		0	0	7.09	0	7.09	7.09
NETWORTH OF CPSE		56.95		87.28	99.17	105.85	140.02	124.05	140.94	136.16	156.67
INVESTMENT		0		0	0	0	0	0	0	0	0
SUNDRY DEBTORS/SALES		54.08		64.51		81.58	78.00	82.81	80.00	74.20	74.00
INVENTORY		41.26		35.30		65.11	58.50	67.13	70.00	61.50	64.10
TOTAL CURRENT ASSETS		132.23		305.81	140.00	345.95	274.70	299.42	276.41	212.00*	234.57*
TOTAL CURRENT LIABILITIES AND PROVISIONS		56.72		71.46	32.17	139.51	105.77	120.91	140.00	123.95	134.81
NET CURRENT ASSETS		75.51		234.35	107.83	206.44	168.93	178.51	136.41	88.05	99.76
CAPITAL EMPLOYED(NET BLOCK+NET CURRENT ASSETS)		81.90		241.20	125.00	216.86	219.88	199.51	200.32	126.54	161.74
TOTAL DEBT(LOAN FUND)		25.58		154.34		116.91	80.26	78.94	59.38	45.11	14.81
TOTAL ASSETS		165.82		314.51		363.70	326.05	330.99	340.32	312.31	303.57
NO OF EMPLOYEE OF CPSE		1214		1119		1062	998	1077	1079	1072	1007
DIVIDEND PAID		0		0	0	0	0	0.63	0	0.63	0

ADD VALUE (GROSS MARGIN LESS CAPITAL RECOVERY FACTOR 10% OF CAPITAL EMPLOYED)		23.48		19.16	91.39	38.00	51.71	29.99	38.87	24.80	30.83
ADD VALUE (GROSS MARGIN LESS CAPITAL RECOVERY FACTOR 10% OF CAPITAL EMPLOYED)		23.48		19.16	91.39	38.00	51.71	29.99	38.87	24.80	30.83
RATIO											
DEBT/EQYITY		0.48:1		2.88:1		2.18:1	1.50:1	1.47:1	1.11:1	0.84:1	0.28:1
RETURN ON NETWORTH%AGE											
PBDIT/TOTAL EMPLOYMENT		117.86%		146.51%		133.42%	185.41%	115.31%	106.89%	63.85%	74.90%
GROSS PROFIT/CAPITAL EMPLOYED		34.21%		16.68%		26.53%	31.24%	23.70%	26.98%	25.96%	26.03
NET PROFIT/NET WORTH		33.56%		34.90%		17.53%	20.09%	20.68%	11.86%	10.10%	11.28
WORKING OF GROSS MARGIN											
NET PROFIT		19.11		30.46		18.56	28.13	25.65	16.71	13.75	17.67
TAX		0.03		0.04		8.32	14.49	5.44	12.21	7.10	9.10
NET PROFIT BEFORE TAX		19.14		30.50		26.88	42.62	31.09	28.92	20.85	26.77
ADD PRIOR PERIOD		-1.74		1.47		-1.30	0	-0.71	0	0	0
ADD EXTRA ORDINARY ITEMS		7.91		3.64		23.28	18.08	10.16	16.63	7.00	8.93
PROFIT BEFORE PRIOR PERIOD		25.31		35.61		48.86	60.70	40.54	45.55	27.85	35.70
ADD INTEREST		2.71		4.62		8.68	8.00	6.74	8.50	5.00	6.40
GROSS PROFIT		28.02		40.23		57.54	68.70	47.28	54.05	32.85	42.10
ADD DEPRECIATION		1.26		1.41		1.70	4.00	2.16	4.25	3.41	4.90
MISC EXPENDITURE WRITTEN OFF		2.39		1.64		0.45	1.00	0.50	0.60	1.19	0.00
GROSS MARGIN BEFORE INTEREST, DEP & MISC EXP WRITTEN OFF		31.67		43.28		59.69	73.70	49.94	58.90	37.45	47.00

Note- * ONGC loan outstanding (Secured Loans) at the year end for which fund is available and temporarily parked with banks has been set off from cash bank balance (current assets).