



MEMORANDUM OF UNDERSTANDING

BETWEEN

**NATIONAL ALUMINIUM COMPANY LIMITED
NALCO BHAWAN, P-1, NAYAPALLI
BHUBANESWAR**

AND

**MINISTRY OF MINES
GOVT. OF INDIA
SHASTRI BHAWAN, NEW DELHI**

FOR THE YEAR 2015-16

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PART - I

1.1 VISION

TO BE A REPUTED GLOBAL COMPANY IN THE METALS AND ENERGY SECTORS.

1.2 MISSION

- To achieve sustainable growth in business through diversification, innovation and global competitive edge.
- To continuously develop human resources, create safe working conditions, improve productivity and quality, and reduce cost and waste.
- To satisfy the customers and shareholders, employees, and all other stakeholders.
- To be a good corporate citizen, protecting and enhancing the environment as well as discharging social responsibility in order to ensure sustainable growth.
- To intensify R&D for Technology development.

1.3 OBJECTIVES

- To achieve annual turnover of over Rs. 25,000 Crore by 2020.
- To achieve annual production of 1.7 million ton Aluminum and 4 million ton Alumina by 2020.
- To transform from being only an “aluminum producer” to become a metal producer and energy provider.
- To venture into new fields of activity beyond Aluminum by setting up at least 2 nos. diversified projects by 2016.
- To target at least one 1000 MW IPP by 2016.
- To maximize value and long term return to shareholders through a strategy of new investments, cost competitive mines and business driven by the quality of products and services.
- To develop long-term relations with domestic and foreign clients and Joint Venture partners.
- To develop a powerful scientific and technical base. Apart from investments in volume growth, the company shall substantially finance R&D and modernization of facilities, laboratories, achieving improvements in the quality of products and satisfying customer demands.
- To adopt main strategic priorities aimed at end user orientation.

NB: Corporate plan is under revision. Social Vision will be included in new corporate plan.

PART - II

MOU Assessment format

Evaluation Criteria	Unit	Wtg	MOU Target					Documentary evidence and source/origin of documents	
			Excel. (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)		
1. STATIC / FINANCIAL PARAMETERS									
(i) Growth / Size / Activity									
a)	Sales Turnover	Rs Cr	12	8488	8202	7915	7631	7349	Annual Report 2015-16
b)	Gross Operating Margin	Rs. Cr	12	1900	1800	1700	1600	1500	
(ii) Profitability									
a)	PAT/Net Worth	%	8	8.55	8.10	7.67	7.26	6.62	
(iii) Cost and Output Efficiency									
a)	EBIT/ Average Capital Employed	%	10	14.75	13.95	13.19	12.46	11.35	
(iv) Efficiency of Asset Use									
a)	Average no of days of inventory	No. Of days	8	79	82	84	87	89	
Sub-total 1 (i+ii+iii+ iv)			50						
2. DYNAMIC/ NON-FINANCIAL PARAMETERS									
(i) Research & Development									
a.	Industrial scale investigation for the fabrication of wear resistant tile using Nalco coal ash with IIT, Kharagpur- Submission of final report.	Date	1	31 st Dec'15	15 th Jan'16	31 st Jan'16	15 th Feb'16	29 th Feb'16	Certification by RSAC
b.	Completion of study for reduction of reactive silica in Nalco bauxite through beneficiation methods	Date	1	15 th Mar'16	31 st Mar'16	-	-	-	Certification by RSAC
c.	Laboratory scale trial for Synthetic Flocculent followed by plant scale trial to optimize production with an objective to replace Wheat Bran	Date	1	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16	Certification by RSAC

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(ii) Initiatives for Growth									
a. Physical targets									
i.	Production of Alumina	Lakh MT	3	21.80	21.50	21.00	20.30	19.70	Annual Report 2015-16
ii.	Production of Aluminium	Lakh MT	2	3.80	3.59	3.41	3.35	3.11	
b. New Projects									
i.	Techno Economic Feasibility Report (TEFR) for establishing Solar Power Project of about 15 MW	Date	1	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Certificate by Consultant
ii.	Finalisation of Tender for 100MW (apprx) Wind Power Project	Date	1	May'15	Jun'15	Jul'15	Aug'15	Sep'15	Certificate by Consultant
iii.	Appointment of agency for EIA/EMP study of 5 th Stream Refinery	Date	2	June'15	July'15	Aug'15	Sep'15	Oct'15	
c. Import substitution/exports/ globalisation of operations									
i	Export of Alumina of 1.35 million ton	%	3	90	85	80	75	70	Annual Report
ii	Report on selection of Country for overseas Smelter by Consultant	Date	1	Sep'15	Oct'15	Nov'15	Dec'15	Jan'16	Certificate by Consultant
d. Risk Identification & Mitigation									
	Implementation of Statutory Compliance Management System	Date	1	31 st Dec'15	31 st Jan'16	29 th Feb'16	15 th Mar'16	31 st Mar'16	
(iii) Project Management & Implementation									
a. Capacity Addition									
i	Erection of 220 KV Sub-station at Refinery- for Laxmipur-Damanjodi 220Kv transmission line	Date	3	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Certificate by agency/consultant
ii	Investment decision for conversion of Conventional Mud Settling & Washing to HRD-DCW in streams # 1, 2 & 3 at Alumina Refinery, Damanjodi	Date	3	Dec'15	Jan'16	Feb'16	15 th Mar'16	31 st Mar'16	
iii.	Conducting PG Test of SMCP & FLDC system in Mines	Date	2	Sep'15	Oct'15	Nov'15	Dec'15	Jan'16	

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b.	CAPEX (targets in financial terms)								
	Capital expenditure	Rs. crore	2	950	900	850	800	750	Annual Report/ Ministry communication
(v)	Productivity and Internal Processes								
a.	Customer Focus - Customer Satisfaction Index and Complaints per unit of sales.								
i.	Customer Satisfaction Index target 0.7	%	3	90	85	80	75	70	Report verified by external agency
ii.	Customer complaints per unit of sales	% of turnover	2	0.5	0.7	0.8	0.9	1.0	Report verified by external agency
b.	Benchmarking								
i.	Smelter: <i>Current Efficiency</i>	%	1	93.5	93.3	93.1	92.9	92.7	Report verified by external agency
ii.	Smelter: <i>DC Power consumption (excluding start-up & wedge drop)</i>	KWH/ MT	2	13500	13550	13580	13610	13640	
iii.	Refinery: <i>Extraction Efficiency</i>	%	1	97	96.7	96.4	96.1	95.8	
iv.	Refinery: <i>Electric Energy Consumption</i>	KWH/ MT	1	330	340	350	360	370	
(vi)	Technology, Quality, Innovative Practices								
a.	Quality Management								
	Completion of Re-certification Audit of Al. Refinery EMS	Date	1	Dec'15	Jan'16	Feb'16	15 th Mar'16	31 st Mar'16	
	Completion of Re-certification Audit of Al. Refinery QMS	Date	1	15 th Jan'16	31 st Jan'16	15 th Feb'16	29 th Feb'16	15 th Mar'16	
b.	Intellectual property- patents								
	Filing of one Patent Application	Date	1	31 st Jan'16	15 th Feb'16	29 th Feb'16	15 th Mar'16	31 st Mar'16	Certification by RSAC
c.	Cyber Security								
	Appointment of Consultant for ISO 27001 certification for IT Infrastructure	Date	2	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Report verified by external agency

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(vii)	Human Resource Management								
a.	Training for Employees	Nos.	3	1800	1700	1600	1500	1400	Report verified by external agency
b.	Training on <i>Certification in Project Management</i>	Nos.	2	5	4	3	2	1	
3.	Sector Specific Parameter/ Enterprise Specific Parameter								
a.	Smelter: Net Carbon consumption	Kg/ MT	2	433	436	438	439	440	
b.	Alumina Refinery: Lime Consumption	Kg/MT	1	30	32	34	35	36	
Grand Total			100						

FOOT-NOTE:

1. Financial efficiency related criteria are worked out considering the following:

Sale prices:	(Per MT)
Alumina Export	: US \$ 340
Metal Export	: US \$ 2,225
Domestic Metal Sale	: Rs. 1,42,650
Exchange rate of US\$: Rs. 62.00

For LME price and exchange rate variation beyond $\pm 5\%$ of the target, then actual performance of sales turnover and other related financial parameters will be adjusted while computing the achievement at the time of evaluation.

2. Negative Marking for Non-compliance of Corporate Governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O. M. No. 18(8)/2005-GM dated 14th May 2010. Listed CPSEs will follow both SEBI Guidelines and DPE Guidelines while non-listed CPSEs would require to mandatorily follow the DPE Guidelines on Corporate Governance. Non-compliance of Corporate Governance will lead to negative marking and MOU Score will be decreased in the following manner:

Sl.No.	Annual Score	Grading	Penalty Marks
01	85% and Above	Excellent	0
02	75%-84%	Very Good	0
03	60%-74%	Good	0.5
04	50%-59%	Fair	0.5
05	Below 50%	Poor	1.0

If a CPSE fails to submit the self-evaluation report of Corporate Governance through Administrative Ministry or directly to DPE within the timelines, CPSE would be graded as not complied and the same would be treated as poor rating.

3. Negative Marking for Non-Compliance of other Guideline/ Regulations

a) Procurement from MSME

CPSEs will have to follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O. No. 21(1)/2011-M.A. dated April 25, 2012, and non-compliance with the aforesaid order will be penalized upto 1 mark.

b) Non-Compliance of DPE Guidelines

CPSEs have to give a Certificate regarding Implementation of Guidelines issued by DPE within prescribed timelines and format specified through its administrative ministry as per details in OM No. DPE/14(38)/10-Fin dated 28th June, 2011 & 15th September, 2014. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be

penalized up to 1 mark. If there is any inconsistency between the compliance certificate submitted by CPSE and the observation of the reports of Comptroller & Auditor General (CAG) of India for the year ended March, 2014 & 2015 (if any), the CPSE will be penalized by reduction of 1 mark.

c) Non-Compliance of CSR Guidelines

- i. CPSE will have to submit a certificate regarding compliance of the Act, Rules & Guidelines issued by DPE in this regard. Non-compliance will be penalized upto 1 mark at the time of MoU Evaluation.
- ii. Non-compliance of the parameter “Construction of toilets in schools of peripheral villages of Angul & Damanjodi Sectors under Swachh Vidyalaya Abhiyan by July, 2015, will carry negative mark of 1 at the time of evaluation.

d) Other Non-Compliance

Non-compliance of any directives of Government including submission of data for Public Enterprises (PE) survey, MOSPI data updation on their website etc. and non-compliance of requirements of regulators in serious cases may be penalized upto 1 mark depending on the degree and seriousness of non-compliance. CPSE have will have to give a certificate regarding compliance of directives of Government and requirement of regulators (Annexure-VIII).

PART - III

COMMITMENTS / ASSISTANCE FROM GOVERNMENT:

Central Govt. Issues:

- a. Appointment of 6 numbers of Independent Directors in the Board of NALCO by October 2015.
- b. Coal:
 - i. Revival of 10.93 Lakh MT linkage coal of unit # 9 & unit #10 of CPP due to de-allocation of Utkal-E coal block. Supply has been stopped from 25.02.2011 as per tapering linkage policy.
 - ii. Re-allotment of Utkal-E coal block to NALCO through PSU quota as per special Coal Provisions Ordinance dtd.21st Oct'2014.
 - iii. Allocation of coal block for Sundargarh Smelter & Power project and proposed new project in Madhya Pradesh under Govt. dispensation route.
 - iv. Enhancement of coal linkage to 7.67 million metric ton through Long Term Coal Linkage Committee against existing coal linkage of 5.69 million metric ton
 - v. Coal pricing at par with IPP for the coal allotted to NALCO under core sector and increasing coal linkage to 0.813 million MT against existing coal linkage of 0.547 million MT for production of Alumina under non-core sector.
- c. **ORISSA STATE GOVT. ISSUES:**
 - i. State Govt's recommendation for mining lease of Pottangi Bauxite deposit in favour of NALCO to Ministry of Mines for prior approval by Govt. of India.

PART - IV

6.0 ACTION PLAN FOR IMPLEMENTATION & MONITORING OF MOU.

Ministry of Mines will conduct reviews every quarter and CMD & Functional Directors will have review with Plant Heads every month.



31/3/15

CHAIRMAN-CUM-MANAGING DIRECTOR
National Aluminium Company Limited
Nalco Bhavan, Bhubaneswar



SECRETARY
Ministry of Mines,
Govt. of India, Shastri Bhawan,
New Delhi.

Date : 31 /03 /2015
Place : New Delhi.