# 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 2019-20

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## MOU Assessment Format 2019-20

## PART- A

### Mandatory parameters

| Sl. No. | Financial Performance Criteria | Unit | Marks | 2018-19 (Estimated) | Best in 5 Years | MOU target for the year | | | | | % improvement |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Excellent 100% | V.G. 80% | Good 60% | Fair 40% | Poor 20% | |
| i. | **Turnover** Revenue from Operations (Net) | Rs. Crore | 10 | 11,509 | 9,489.35 | 12,500 * | 11,500 | 10,000 | 9,500 | 9,000 | -0.08 |
| ii. | **Operating Profit** | | | | | | | | | | |
| | Operating profit as percentage of Revenue from Operations (Net) | % | 20 | 21.00 | 17.75 | 21.50 * | 21.00 | 15.00 | 12.00 | 7.00 | 0.00 |
| iii. | **Return on investment:** | | | | | | | | | | |
| | PAT as percentage of Average Net Worth | % | 20 | 17.20 | 13.04 | 17.30 * | 16.00 | 12.00 | 10.00 | 7.00 | -6.98 |

* LME – 2,450 USD/MT, Exchange rate - Rs 69.0 / USD

## PART-B

### Other Parameters

| Sl. No. | Performance Criteria | Unit | Marks | 2018-19 (Estimated) | Best in 5 Years | MOU target for the year | | | | | % improvement |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Excellent | V.G. | Good | Fair | Poor | |
| | | | | | | 100% | 80% | 60% | 40% | 20% | |
| 1 | **Capacity Utilisation** | | | | | | | | | | |
| (a) | **Alumina Refinery :** Production of Alumina Hydrate | Lakh MT | 7 | 21.50 | 21.06 | 21.60 | 21.50 | 21.00 | 20.50 | 20.00 | 0.00 |
| (b) | **Aluminium Smelter:** Production of Aluminium | Lakh MT | 3 | 4.39 | 4.26 | 4.40 | 4.39 | 4.00 | 3.75 | 3.50 | 0.00 |
| 2 | **Production Efficiency parameter** | | | | | | | | | | |
| (a) | Reduction in Fuel oil in Calciner, Refinery litre per MT over previous year | % | 5 | 77.8 L/MT | 77.76 L/MT | 0.26 | 0.20 | 0.16 | 0.10 | 0.05 | - |
| (b) | Reduction in Net Carbon Consumption, Smelter kg per MT over previous year | % | 5 | 425 Kg/MT | 426 Kg/MT | 0.26 | 0.20 | 0.16 | 0.10 | 0.05 | - |
| 3 | **R&D, Innovation, Technology Up-gradation parameter** | | | | | | | | | | |
| | Commercial production and billing of cookware sheets | Date | 3 | - | - | 15.02.20 | 28.02.20 | 10.03.20 | 20.03.20 | 31.03.20 | - |
| 4 | **CAPEX** | Rs. Crore | 8 | - | - | 1,041 | 900 | 800 | 700 | 600 | - |
| 5 | Percentage of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year | % | 4 | - | - | 100 | 95 | 90 | 85 | 80 | - |
| 6 | Reduction in claims against the Company not acknowledged as debt (overall) | % | 5 | - | - | 15 | 12 | 10 | 8 | 4 | - |
| 7 | **HRM Related Parameters** | | | | | | | | | | |
| (a) | Achievement of HR parameter of continuous nature as per the list given below | No. of parameters | 4 | - | - | 8 | 7 | 6 | 5 | 4 | - |

| Sl. No. | Performance Criteria | Unit | Marks | 2018-19 (Estimated) | Best in 5 Years | MOU target for the year | | | | | % improvement |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Excellent | V.G. | Good | Fair | Poor | |
| | | | | | | 100% | 80% | 60% | 40% | 20% | |
| (b) | No. of initiatives for work life balance as well as Leadership development for Women employees | No. of initiatives | 3 | - | - | 15 | 14 | 13 | 12 | 11 | - |
| (c) | Capability development programs for executives to build their technical & managerial competencies for higher positions with special focus on Web learning programs | No. of programs | 3 | - | - | 15 | 14 | 13 | 12 | 11 | - |

**HR parameters of continuous nature for Sl No. 7 (a):**

| Sl. No. | Parameter |
|---|---|
| i. | Online submission ACR/APAR in respect of all executives (E0 & above) along with compliance of prescribed timeline w.r.t. writing of ACR/APAR. |
| ii. | Online Quarterly vigilance clearance updation for Senior Executives (AGM and above). |
| iii. | Regular updation of succession plan and its approval by Board of Directors. |
| iv. | Talent Management & career progression by imparting at least one week training of at least 7.50% Executives in Centre of Excellence (within India) e.g. IITs, IIMs, NITs, ICAI etc. |
| v. | Regular updation of Online Human Resource Management System (HRMS) |
| vi. | Decision of the Board on the implementation of Sabbatical policy |
| vii. | Implementation of the recommendation of HR audit |
| viii. | Review & implementation of employee performance on the lines of FR(56)j and submit a compliance report to Board of Directors at the end of the year |

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

Date : 23/08/2019
Place: New Delhi

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

**Annex I**

## PART-A
## TREND ANALYSIS

| Sl. No. | Financial Performance criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16* | 2016-17 | 2017-18 | Current Year Actual upto Sep'18 | Current Year Actual |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Revenue from Operations (Gross) | Rs. crore | | 7,156.32 | 7,891.53 | 7,269.23 | 8,050.02 | 10,423.80 | 6,641.77 | 12,728.19 |
| | Revenue from Operations (Net) | | Actual | 6,780.85 | 7,382.81 | 6,816.02 | 7,555.51 | 9,489.34 | 6,014.24 | 11,499.32 |
| | | | MOU | - | 6,780 | 8,202 | 6,862 | 7,900 | - | 9,100 |
| 2. | a. Profit Before Tax | Rs. crore | | 917.81 | 2,113.42 | 1,188.65 | 964.72 | 2,038.83 | 1,866.56 | 2,739.92 |
| | b. Other Income | | | 557.71 | 672.64 | 605.13 | 408.27 | 299.65 | 152.38 | 325.87 |
| | c. Extraordinary & Exceptional Items e.g. Income / (Expenditure) | | | -49.37 | 148.42 | 53.45 | -40.15 | 824.08 | 91.01 | - |
| | d. Prior period Items e.g. Income/ (Expenditure) | | | 12.07 | -17.92 | - | - | - | - | - |
| | e. Operating Profit/Loss(a-b+/-c+/-d) | | Actual | 397.40 | 1,310.28 | 530.07 | 596.60 | 915.10 | 1,623.17 | 2,414.04 |
| | | | MOU | - | - | - | - | - | - | - |
| 3. | a. PAT | Rs. crore | | 642.35 | 1,321.85 | 787.11 | 668.53 | 1342.41 | 1197.06 | 1,732.40 |
| | b. Net Worth at year end | | | 12,122.45 | 12,797.30 | 13,167.90 | 10,169.86 | 10,418.85 | 11,382.89 | 10,398.70 |
| | c. Average Net Worth | | | 12,027.45 | 12,459.88 | 12,982.60 | 11,668.88 | 10,294.36 | 10,900.87 | 10,408.78 |
| | d. PAT/ Average Net Worth | % | Actual | 5.34 | 10.61 | 6.06 | 5.73 | 13.04 | - | 16.64 |
| | | | MOU | | | | - | 2.50 | - | 4.0 |
| | e. Paid-up Share Capital | Rs. crore | | 1,288.62 | 1,288.62 | 1,288.62 | 966.46 | 966.46 | 966.46 | 932.81 |
| | f. GoI Share | | | 1,044.56 | 1,042.88 | 1,042.88 | 720.74 | 581.86 | 546.91 | 485.04 |
| | g. Reserves & Surplus | | | 10,833.83 | 11,508.68 | 11,906.13 | 9,239.33 | 9,452.39 | 10,416.43 | 9,465.89 |
| 4. | Total Expenses | Rs. crore | | 6,371.38 | 6,090.45 | 6,285.95 | 6,958.91 | 8,574.24 | 4,391.08 | 9,085.27 |
| 5. | Total Incomes | | | 7,338.56 | 8,055.45 | 7,421.15 | 7,963.78 | 9,788.99 | 6166.62 | 11,825.19 |
| 6. | Total Expenses/ Total Incomes | % | | 86.82 | 75.61 | 84.70 | 87.38 | 87.59 | 71.20 | 76.83 |

| Sl. No. | Financial Performance criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16* | 2016-17 | 2017-18 | Current Year | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Actual upto Sep'18 | Actual |
| 7. | Details of other Incomes | | | | | | | | | |
| | a. Interest | **Rs. crore** | | 356.62 | 455.95 | 435.73 | 265.65 | 171.73 | 107.02 | 224.20 |
| | b. Dividend | | | 112.48 | 119.39 | 79.68 | 86.59 | 50.52 | 13.39 | 28.45 |
| | c. Other Incomes | | | 88.61 | 97.30 | 89.72 | 56.03 | 77.40 | 31.97 | 73.22 |
| | d. Total | | | 557.71 | 672.64 | 605.13 | 408.27 | 299.65 | 152.38 | 325.87 |
| 8. | a. Cash and Bank Balance and equivalent | **Rs. crore** | | 3,947.20 | 4,624.30 | 5,074.85 | 2,262.40 | 2586.88 | 3,787.10 | 2,972.65 |
| | b. Investment in Mutual Funds | | | 1,244.00 | 950.00 | 1,009.28 | 1,221.13 | 592.96 | 150.07 | 80.81 |
| | c. Investment in Shares other than subsidiaries/ JVs | | | 0.03 | 0.03 | 1.08 | 0.03 | 0.03 | 0.03 | 0.03 |
| | d. Total (a+b+c) | | | 5,191.23 | 5,574.33 | 6,085.21 | 3,483.56 | 3,179.87 | 3937.2 | 2,873.49 |
| | e. Cash credit/ over-draft loan/Short-term loan | | | - | - | - | - | - | - | - |
| | f. Balance in Current Account | | | 101.09 | 3.68 | 28.30 | 24.83 | 25.35 | 24.02 | 171.60 |
| 9. | Dividend Paid/ declared for the year, excluding dividend tax | **Rs. crore** | | 386.59 | 451.02 | 515.45 | 541.22 | 1,101.77 | - | 1,072.73 |

Note: Trend is given for actual figures for preceding 5 years (audited) and estimates of current year i.e. previous year to the year in respect of which targets are being negotiated.

* As per IND-AS

**Annex I**

**PART-B**
**TREND ANALYSIS**

| Sl. No. | Financial Performance Criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Current Year | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Actual upto Sep'18 | Estimated |
| 1 | Installed capacity in respect of each product | | | | | | | | | |
| | Bauxite | Lakh MT | | 63.00 | 68.25 | 68.25 | 68.25 | 68.25# | 68.25# | 68.25# |
| | Alumina Hydrate | Lakh MT | | 21.00 | 22.75 | 22.75 | 21.00* | 21.00* | 21.00* | 21.00* |
| | Aluminium | Lakh MT | | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 | 4.60 |
| | Wind Power | MW | | 98.0## | 98.0 | 98.0 | 198.4$ | 198.4$ | 198.4 | 198.4 |
| 2 | Capacity Utilisation in respect of each product | | | | | | | | | |
| | Bauxite | % | Actual | 99.88 | 84.09 | 92.89 | 100 | 100# | 95.91# | 100# |
| | | | MoU | 102.38 | - | - | - | - | - | - |
| | Alumina Hydrate | % | Actual | 91.67 | 81.36 | 85.85 | 100** | 100.29** | 101.24** | 102.50** |
| | | | MoU | 102.38 | - | 94.51 | 100** | 97.62** | - | 97.62** |
| | Aluminium | % | Actual | 68.80 | 71.10 | 80.91 | 84.22 | 92.50 | 95.86 | 95.70 |
| | | | MoU | 88.04 | - | 78.04 | 79.56 | 82.6 | - | 82.61 |
| | Wind Power | % | Actual | 15.25 | 21.08 | 18.11 | 19.09 | 17.51 | 30.36 | 20.88 |
| | | | MoU | - | - | - | - | - | - | - |
| 3 | Contribution of each product in sale | | | | | | | | | |
| | Bauxite | % | | - | - | - | - | - | - | - |
| | Alumina Hydrate | % | | 38.46 | 35.24 | 34.38 | 34.53 | 34.08 | 39.97 | 38.95 |
| | Aluminium | % | | 60.77 | 63.89 | 64.79 | 64.44 | 64.97 | 58.36 | 59.93 |
| | Thermal power (Inadvertent Power sale) | % | | 0.07 | 0.07 | 0.08 | 0.06 | 0.04 | 0.02 | 0.01 |
| | Wind Power | % | | 0.70 | 0.80 | 0.75 | 0.97 | 0.91 | 1.65 | 1.11 |
| 4 | New orders received during the year | Rs. crore | Actual | Not Applicable | | | | | | - |
| | | | MoU | | | | | | | - |
| 5 | Exports as a percentage of revenue from operation (Net) | % | Actual | 54.85 | 44.80 | 47.64 | 47.98 | 42.95 | 42.34 | 41.68 |
| | | | MoU | - | - | - | - | - | - | - |

| Sl. No. | Financial Performance Criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Current Year Actual upto Sep'18 | Current Year Estimated |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Reason for not considering in MOU: Depending on the market realization the quantity for domestic sale or export is varied. | | | | | | |
| 6 | Development or revenue from new products or product with new features | | Actual | Not Applicable | | | | | | - |
| | | | MoU | | | | | | | - |
| 7 | Production efficiency parameters | | | | | | | | | |
| | Fuel oil in calciner, Refinery | L/MT | Actual | 77.76 | 78.90 | 78.10 | 78.83 | 77.93 | 76.50 | 77.88 |
| | | | MoU | - | - | - | - | - | - | - |
| | Net Carbon Consumption, Smelter | Kg/MT | Actual | 431 | 431 | 426 | 432 | 430 | 423.9 | 424 |
| | | | MoU | 440 | - | 436 | - | - | - | 425.7 |
| 8 | Completion of milestone of clients order/ agreement without time overrun | % | Actual | Not Applicable | | | | | | - |
| | | | MoU | | | | | | | - |
| 9 | R&D, Innovation, Technology Up-gradation parameter | | Actual | No trend | | | | | | |
| | | | MoU | | | | | | | |
| 10 | Market Share (Primary Aluminium) | % | Actual | 17.6 | 21.1 | 17.7 | 18.4 | 21.1 | 24.8 | 24.3 |
| | | | MoU | | | | | | | |
| | | | | Reason for not considering in MOU: Market strategy depends on the relative realization from export/ domestic sale. | | | | | | |
| 11 | CAPEX | Rs. Crore | Actual | 523.41 | 282.30 | 452.26 | 876.09 | 1080.26 | 467.07 | 977.59 |
| | | | MoU | 1,560 | 1,010 | 900 | 783$$ | 980$$ | - | 942$$ |
| 12 | CAPEX Contract/ projects running/ completed without time/ cost overrun to total value of CAPEX | % | Actual | No Trend. | | | | | | - |
| | | | MoU | | | | | | | |
| 13 | Inventory of finished goods and work in progress | Rs. crore | | 450.03 | 447.13 | 456.11 | 552.71 | 505.3 | 597.14 | 510.36 |
| 14 | Inventory of finished goods and work in progress to Revenue from Operations (Net) | Days | Actual | 24.22 | 22.11 | 24.42 | 26.70 | 19.44 | - | 16.20 |
| | | | MoU | | - | - | - | 26 | - | 26 |

| Sl. No. | Financial Performance Criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Current Year Actual upto Sep'18 | Current Year Estimated |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 | Inventory of finished goods of more than one year | Rs. crore | Actual | Not Applicable. | | | | | | |
| 16 | Inventory of finished goods of more than one year as a percentage of Revenue from Operations (Net) | % | Actual | Not Applicable. | | | | | | |
| | | | MoU | | | | | | | |
| 17 | Trade Receivables (net) | Rs. crore | Actual | 243.57 | 120.82 | 235.21 | 184.25 | 258.13 | 436.71 | 240.52 |
| | | | MoU | | | | | | | |
| 18 | Trade Receivables (net) as number of days of Revenue from Operations (gross) | Days | Actual | 12.42 | 5.59 | 11.81 | 8.35 | 9.04 | | 6.90 |
| | | | MoU | | | | | | | |
| | | | | Reason for not considering in MOU: All the products are sold either against the advance received from the customers or against LCs. The last week sales of March for which documents are not presented to bank remains pending which are realized subsequently. | | | | | | |
| 19 | Claims against the Company not acknowledged raised by: | Rs. Crore | | | | | | | | |
| | Central Government Departments | | | 970.11 | 1,171.12 | 798.85 | 1017.71 | 927.96 | | 1219.10 |
| | State Governments/ Local Authorities | | | 992.92 | 1,111.62 | 1,179.05 | 1159.19 | 1187.13 | | 996.02 |
| | CPSEs | | | - | - | - | - | - | | 50.12 |
| | Others | | | 114.06 | 163.27 | 159.41 | 270.96 | 436.99 | | 506.34 |
| | Total | | Actual | 2,077.09 | 2,446.01 | 2,137.31 | 2447.86 | 2552.08 | | 2771.58 |
| | | | MoU | | | | | | | |
| 20 | Loan disbursed/ Total Funds Available | | Actual | Not Applicable | | | | | | |
| | | | MoU | | | | | | | |
| 21 | Overdue loans / Total Loans (Net) | | Actual | Not Applicable | | | | | | |
| | | | MoU | | | | | | | |
| 22 | NPA/ Total loans (Net) | | Actual | Not Applicable | | | | | | |
| | | | MoU | | | | | | | |

| Sl. No. | Financial Performance Criteria | Unit | Target v/s Actual | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Current Year | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Actual upto Sep'18 | Estimated |
| 23 | Cost of raising funds as compared to similarly rated CPSEs / entities | | Actual | Not Applicable | | | | | | |
| | | | MoU | | | | | | | |
| 24 | Return (share of profit / loss) on investment in Joint Ventures | % | Actual | - | - | - | - | - | - | - |
| | | | MoU | - | - | - | - | - | - | - |
| | | | | Reason for not considering in MOU: NALCO is minority shareholder in all the JV projects (NALCO's shareholding in NPCIL-NALCO Power Co. Ltd.-26%, GACL-NALCO Alkalies & Chemical Pvt. Ltd.-40%, Angul Aluminium Park Pvt. Ltd.-49%) and all these JV projects are not yet operationalized. | | | | | | |
| 25 | Any other result oriented parameters taken for target setting | | | No Trend. | | | | | | |
| | | | Actual | | | | | | | |
| | | | MoU | | | | | | | |

Note: Trend is given for actual figures for preceding 5 years (audited) and estimates of current year i.e. previous year to the year in respect of which targets are being negotiated.

** After implementation of new IBM guidelines since Oct' 2015, the Normative capacity for Alumina Refinery has become 21.00 lakh MT from name plate capacity of 22.75 lakh MT*
*** on Normative capacity of 21.00 lakh MT*
*# Considering Capacity & production for North- Central block of Panchpatmali bauxite mines. Production from new Mines i.e. Panchpatmali Bauxite Mines (South Block) started from 4th Quarter of FY 2017-18.*
*## 47.6 MW Wind Power Plant at Jaisalmer, Rajasthan fully Commissioned in January, 2014 (partly commissioned in May-June, 2013).*
*$ 50 MW Wind Power Plant at Jaisalmer, Rajasthan fully commissioned in September, 2016 (partly commissioned in July, 2016). Further, 50.4 MW Wind Power Plant at Sangli, Maharashtra commissioned in December, 2016.*
*$$Excluding payments in JVs and advances for 2016-17 & 2017-18 and excluding payments in JVs for 2018-19.*

MOU: Very Good Target has been taken in trend analysis.