

Memorandum of Understanding (MoU)

MoU is a negotiated agreement and a contract between the Administrative Ministry / Holding CPSE i.e. majority shareholder and the Management of the Central Public Sector Enterprise (CPSE) on selected parameters having targets decided normally before the start of the financial year and results evaluated after the end of the year to measure the performance. The purpose of the MoU is to measure the performance of the management of the CPSEs on key selected parameters against the targets agreed upon so as to improve the critical performance indicators of the organization. All CPSEs signs MoU with their Administrative Ministry or Holding CPSE unless a special exemption is allowed for that CPSE. In the present MoU system, 50% weightage is given to financial parameters and the remaining 50% is on non-financial parameters ranging from plant capacity utilization, production efficiency, marketing efficiency, capital expenditure, R&D, Human Resource Development etc. Targets set in MoU are in general growth-oriented and aspirational and usually set at a higher level than past achievement. MoU performance is rated in five scales of Excellent, Very good, Good, Fair and Poor and; these ratings are linked to the incentives of the management staff of the CPSEs.

Achievement in terms of Annual Performance MOU during the last 5 years

Year	Composite Score	Rating
2014-15	1.110	Excellent
2015-16	93.02	Excellent
2016-17	91.67	Excellent
2017-18	94.12	Excellent
2018-19	96.21	Excellent
2019-20	Under Evaluation	Under Evaluation