MEMORANDUM OF UNDERSTANDING
2016-17

BETWEEN

NUMALIGARH REFINERY LIMITED

AND

BHARAT PETROLEUM CORPORATION LIMITED

NUMALIGARH REFINERY LIMITED

MEMORANDUM OF UNDERSTANDING 2016-17

CONTENTS

PART-A

PERFORMANCE EVALUATION CRITERION / TARGETS

2.1 Numaligarh Refinery Limited undertakes to achieve performance targets for the year 2016-17 as follows:

S.N	Criterion	Unit	Weightage Mark	MOU 2016-17 Targets				
				1	2	3	4	5
				Excellent	Very Good	Good	Fair	Poor
i	**Capacity Utilisation:**							
1	Crude throughput as percentage of installed capacity [Note 1]	%	7	89.00	86.67	83.33	80.00	76.67
2	LPG Bottling plant	TMT	3	23	22	21	20	19
ii	**Efficiency Parameters (Physical Operation)**							
	A. Production Efficiency							
3	Improvement in Distillate Yield [by keeping crude mix (API) constant] over previous year [Note 2]	%	5	0.6	0.4	0.2	0.1	0.0
4	Reduction in Energy Intensity Index (EII) over previous year	%	5	0.5	0.3	0.2	0.1	0.0
	B. Technology up-gradation							
5	Completion of uprating of Gas Turbine 2	Date	5	31.01.2017	15.02.2017	28.02.2017	15.03.2017	31.03.2017
iii	**Leveraging Net Worth**							
6	CAPEX	Rs. Crore	15	500	400	300	200	100
iv	**Monitoring Parameter**							
7	Percentages 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: Achievement of 12 milestones for Diesel Hydrotreater (DHDT) project [Note 3]	%	5	100	90	80	70	60

MoU 2016-17
Approved by IMC
Signed 05/07/16

PERFORMANCE EVALUATION CRITERION / TARGETS

2.1 Numaligarh Refinery Limited undertakes to achieve performance targets for the year 2016-17 as follows:

S.N	Criterion	Unit	Weightage Mark	MOU 2016-17 Targets				
				1	2	3	4	5
				Excellent	Very Good	Good	Fair	Poor
v	**Turnover for Operations**							
8	Revenue from operations (net of excise duty)	Rs. in thousand crore	10	9.19	8.95	8.57	8.21	7.84
vi	**Operating Profit / Surplus:**							
9	Profit before tax (excluding Other Income, Extraordinary and Exceptional Items) as % of Revenue from Operations (net of excise duty)	%	10	13.50	11.23	11.00	10.50	10.00
vii	**Early signs of weakness:**							
10	Reduction in overall claims against the Company not acknowledged as debt, over the previous year.	Rs. Crore	5	10.60	9.54	8.59	7.73	6.95
viii	**Marketing Efficiency Ratios**							
11	Number of days of inventory of finished goods to Sale of Products	No. of Days	5	36	39	42	44	45
12	Trade receivables as percentage of Revenue from Operations (Gross)	%	5	6.50	7.00	7.25	7.50	7.75
ix	**Return on Investment**							
13	Dividend / PAT	%	5	35	33	30	29	28
14	PAT/ Net Worth	%	10	23	21	20	19	18
15	Dividend / Net Worth	%	5	8.05	6.93	6.00	5.51	5.04
			100					

Footnote:

1. Targets finalised are based on provisional / actual submitted for 2015-16. In case of better performance of the CPSE during 2015-16 as compared to provisional/actual figures informed to the IMC, the difference shall be added to the targets of 2016-17.

2. MoU targets are unconditional and no offset will be allowed in any condition except adjustment as per para 6 (v) of the minutes of the IMC meeting. Further, evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 and 14.3 of MoU guidelines 2016-17.

3. Wherever figures are not verifiable from the Annual Report, verification of the same would be done on the basis of certification / resolution by Board of Directors.

07.07.16
(P. Padmanabhan)
Managing Director
Numaligarh Refinery Limited

MoU 2016-17
Approved by IMC
Signed 05/07/16

7/7/16
(S. Varadarajan)
Chairman & Managing Director
Bharat Petroleum Corporation Limited

NOTES TO MOU 2016-17 TARGETS

Note 1: Capacity utilisation is on installed capacity of 3,000 TMT per annum.

Note 2: Distillate Yield (D.Y.) is calculated as per following formula by CHT:

D.Y. = (Distillates + Wax - MS Blend components) / (Total Input - MS Blend comp.) x 100 %]

Note 3: The 12 DHDT milestones are as follows:

1. Completion of Hazop Study,
2. 3D Model Review (60%)
3. Issue of MR for DCS
4. Issue Enquiry for Intermediate Piping MTO
5. Release of Final Piping MTO
6. Place order for Incinerator package (SRU)
7. Place order for HT switchboard
8. Place order for DCS
9. Receipt at site - vessels,
10. Issue NIT - Electrical / Instrumentation Works
11. Award of Contract - Electrical Works
12. Award of Contract - Instrumentation Works

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FORM - I, PART B

TREND ANALYSIS

Sl. No.	Evaluation Criteria	Unit	FINANCIAL YEAR						
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected (MOU VG)	2016-17 Projected (MOU Excellent)
i.	**Capacity Utilisation (Based on Part A)**								
i(a)	Crude throughput as percentage of installed capacity	%	94.17	82.60	87.10	92.56	84.00	86.67	89.00
	Crude throughput	TMT	2825	2478	2613	2777	2520	2600	2670
i (b)	Packed LPG Bottling	TMT	11.83	13.79	16.45	19.55	22.28	22	23
ii.	**Efficiency Parameters (Physical operations) - Based on Part A**								
	A. Production Efficiency								
ii(a)	Distillate Yield	%	91.52	91.11	92.16	90.69	90.4	90.8	91.0
ii(b)	Energy Intensity Index (EII)	Number	-	-	100.2	97.2	96.6	96.3	96.1
	B. Technology Upgradation								
ii(e)	Uprating of Gas Turbine 2	Completion Date	-	-	-	-	-	15.02.2017	31.01.2017
iii.	CAPEX	Rs. crore	178.93	242.95	456.44	245.27	239.31	400.00	500.00
iv	Share capital of CPSE	Rs. crore	735.63	735.63	735.63	735.63	735.63	735.63	735.63
v	Reserves & surplus of CPSE	Rs. crore	1,963.61	2,021.81	2,255.19	2,619.34	3,221.91	3,646.99	3718.35
vi	Net worth of CPSE	Rs. crore	2,699.25	2,757.45	2,990.83	3,354.98	3,957.55	4,382.63	4,453.99
vii	Borrowings(Shown in Non-current liability)	Rs. crore	64.71	40.48	509.00	503.03	497.50	497.50	497.50
viii	Borrowings/Net Worth(in %)	%	2.40	1.47	17.02	14.99	12.57	11.35	11.17
x	Revenue from Operation(Gross)	Rs. crore	14,075.58	8,757.01	9,876.76	10,827.05	11,925.44	10,415.93	10,694.13
xi	Revenue from Operation(Net of Excise duty)	Rs. crore	13,428.00	8,185.93	9,255.09	9,862.42	10,031.44	8,947.65	9,187.47
xii	Profit Before tax	Rs. crore	287.46	262.86	562.65	1,134.25	1,882.86	1,101.82	1340.31
xiii	Other Income - Interest	Rs. crore	12.45	5.81	31.07	59.34	107.43	77.60	80.00
	- Dividend				0.49	0.31	0.48	0.47	0.48
	- Others		22.24	77.53	17.16	14.13	34.59	18.93	19.52
	- Total		34.69	83.34	48.72	73.78	142.50	97.00	100.00
xiv	Extraordinary Items/Prior period items (net)	Rs. crore	18.14	18.51	(0.15)	(1.12)	1.86	-	-
xv	Exception Items	Rs. crore	-	-	-	-	-	-	-
xvi	Profit before tax(excluding other Income,Extraordinary and Exceptional items)	Rs. crore	234.63	161.01	514.08	1,061.59	1,738.50	1,004.82	1,240.31
	Tax	Rs. crore	103.76	118.60	191.56	415.94	660.52	396.66	482.51
xvii	Profit after tax	Rs. crore	183.70	144.26	371.09	718.31	1,222.34	705.16	857.80
xviii	Revenue from operation(Net)/Total Expenses(excluding extra ordinary/exceptional items,if shown separately and tax(Income tax) expenses	Rs. crore	99.72	110.25	105.75	110.16	127.12	112.65	115.61

FORM - I, PART B
TREND ANALYSIS

Sl. No.	Evaluation Criteria	Unit	FINANCIAL YEAR						
			2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Projected (MOU VG)	2016-17 Projected (MOU Excellent)
xix	Closing Inventory of finished goods	Rs. crore	1,486.67	930.91	960.25	1,190.50	807.85	956.05	906.16
xx	Closing Inventory of Work-in-progress	Rs. crore	86.42	81.56	65.60	47.04	59.77	-	-
xxi	Sale of products(Net of Excise duy)	Rs. crore	13,428.00	8,185.93	9,255.09	9,862.42	10,031.44	8,947.65	9187.47
xxii	Number of days of Inventory of finished goods and work-in-progress to sale of products	No. of days	42.76	45.14	40.46	45.80	31.57	39.00	36.00
xxiii	Trade receivable of over 6 months		15.55	15.63	13.35	0.85	0.85	1.00	1.00
xxiv	Trade receivables(Total)	Rs. crore	800.42	706.70	278.36	1,236.88	819.31	729.12	695.12
xxv	Trade receivables as percentage of Revenue from Operation(Gross)	Rs. crore	5.69%	8.07%	2.82%	11.42%	6.87%	7.00%	6.50%
xxvi	Cash and Bank balance	Rs. crore	0.12	2.63	965.15	1,053.74	1,736.94	1,856.94	1,896.94
xxvii	PAT/Net Worth	%	6.8%	5.2%	12.4%	21.4%	30.9%	21.00%	23.00%
xviii	Dividend/PAT	%	40.0%	51.0%	31.7%	41.0%	42.1%	33.0%	35.0%
xxix	Dividend/Net Worth	%	2.7%	2.7%	3.9%	8.8%	13.0%	6.93%	8.05%
xxx	Claim against the Company not acknowledge as debt								
	By Central Government Department	Rs. crore	236.01	266.15	274.48	271.31	239.08	232.14	231.08
	By State Departments	Rs. crore	23.25	228.82	162.81	145.12	38.21	36.21	36.21
	By CPSEs	Rs. crore	-	-	-	-	-	-	-
	By Others	Rs. crore	134.68	149.08	111.17	106.29	112.09	111.49	111.49
	Total	Rs. crore	393.94	644.05	548.46	522.72	389.38	379.84	378.78
xxxii	Resources raised								
xxiii	Surplus Redeployed								
xxiv.	Major Expenses								

Annexure A on CAPEX target of Rs. 500 crores

The break-up of Rs. 500 crores along with applicable milestones is as follows:

Sl.	Project Description	BE 16-17 (Rs. crore)	Mile-stone for 2016-17		Remark
			Target	Completion	
1	DHDT project	288	70% project progress	Mar'17	Scheduled completion of the project Jan'2018.
2	Bio-refinery	10	-	-	Being implemented through a JV company. Finalisation of JV agreement is progress. Detailed schedule to be known after finalisation of JV.
3	Refinery expansion	5	-	-	Project proposal put up to the administrative ministry for approval. Implementation schedule will be finalized after approval.
4	Crude pipeline	1	-	-	Part of refinery expansion project.
5	Indo-Bangla pipeline	1	-	-	Discussion with Bangladesh authorities are in progress. Implementation schedule will be finalized after final agreement with Bangladesh authorities.
6	Non-Plan schemes	195	Expenditure of Rs. 195 crores	March'17	Pertains to 266 additional facility schemes in the refinery. This also includes expenditure of Rs.30 lakhs on Roof Top solar power plant.
	Total	**500**	-	-	

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Product-wise sales

ANNEXURE B

Products	*Sales Qty (MT)*					*Price (Rs./MT)*	*Sales Value (Rs. in Lakhs)*				
Crude throughput as % of installed capacity (%)	*89.00*	*86.67*	*83.33*	*80.00*	*76.67*		*89.00*	*86.67*	*83.33*	*80.00*	*76.67*
Crude throughput (MMT)	*2.670*	*2.600*	*2.500*	*2.400*	*2.300*		*2.67*	*2.60*	*2.50*	*2.40*	*2.30*
Sales of own Products (A)											
LPG	52,825	51,347	49,372	47,397	45,422	22,319	11,789.78	11,459.87	11,019.11	10,578.35	10,137.58
MS-III - NRMT	87,015	85,500	82,983	85,500	78,717	34,469	29,993.25	29,470.91	28,603.20	29,470.91	27,132.90
MS III - Ex-SMT	126,500	122,794	114,896	105,973	96,417	34,469	43,603.17	42,325.60	39,603.34	36,527.65	33,233.87
MS-IV - NRMT	-	-	-	-	-	35,004	-	-	-	-	-
MS-IV - SMT	115,822	114,677	112,077	105,119	102,206	35,004	40,542.51	40,141.84	39,231.58	36,796.03	35,776.34
SKO - NRMT	76,968	78,068	82,000	80,200	96,664	29,951	23,052.65	23,382.12	24,559.69	24,020.67	28,951.80
SKO - Ex-SMT	84,032	79,532	71,916	71,000	60,336	29,951	25,168.39	23,820.60	21,539.53	21,265.18	18,071.21
HSD-III - NRMT	352,517	376,532	385,818	392,000	389,119	27,784	97,941.73	104,614.06	107,193.96	108,911.62	108,111.17
HSD III - Ex-SMT	794,154	742,368	683,847	626,000	587,681	27,784	220,644.29	206,256.39	189,997.24	173,925.19	163,278.82
HSD IV- NRMT											
HSD IV- Ex-SMT	641,143	619,946	594,045	570,200	544,200	28,137	180,395.54	174,431.24	167,143.55	160,434.53	153,119.03
ATF	86,500	80,822	78,541	74,950	64,000	29,508	25,524.45	23,849.13	23,175.88	22,116.28	18,885.15
Naphtha - FGN	-	-	-	-	-	-	-	-	-	-	-
Naphtha- PGN - (BCPL)	125,866	124,100	117,300	114,800	111,100	21,661	27,263.84	26,881.24	25,408.29	24,866.77	24,065.31
Wax	35,000	34,000	32,000	30,000	27,988	62,469	21,864.10	21,239.41	19,990.04	18,740.66	17,483.74
RPC	10,300	10,200	11,000	11,800	11,290	10,165	1,047.00	1,036.83	1,118.15	1,199.47	1,147.63
CPC	60,887	60,887	58,435	55,962	53,689	19,232	11,709.96	11,709.96	11,238.42	10,762.73	10,325.50
Sulphur	3,608	3,608	3,469	3,330	3,192	6,120	220.81	220.81	212.31	203.82	195.33
NTG01											
Total (A)	**2,653,138**	**2,584,381**	**2,477,698**	**2,374,231**	**2,272,020**		**760,761.45**	**740,840.00**	**710,034.29**	**679,819.87**	**649,915.36**
	-	-	-	-	-						
SSC (B)							*7,209.79*	*7,013.68*	*6,742.51*	*6,464.72*	*6,244.45*
Total Sales Value(A+B)	2,653,138	2,584,381	2,477,698	2,374,231	2,272,020		767,971.24	747,853.68	716,776.80	686,284.59	656,159.81

ED	*2.670*	*2.600*	*2.500*	*2.400*	*2.300*	Rate/MT	*2.67*	*2.60*	*2.50*	*2.40*	*2.30*
MS-III	213,515	208,294	197,878	191,473	175,134	11,601.17	24,770.29	24,164.50	22,956.22	22,213.09	20,317.60
MS-IV	115,822	114,677	112,077	105,119	102,206	11,601.17	13,436.71	13,303.92	13,002.24	12,195.04	11,857.09
HSD-III	1,146,670	1,118,900	1,069,665	1,018,000	976,800	6,088.60	69,816.14	68,125.32	65,127.60	61,981.93	59,473.42
HSD-IV	641,143	619,946	594,045	570,200	544,200	6,088.60	39,036.64	37,746.00	36,168.98	34,717.18	33,134.15
ATF	86,500	80,822	78,541	74,950	64,000	1,267.97	1,096.79	1,024.80	995.87	950.34	811.50
Naphtha(BCPL)	-	-	-	-	-	0.00	-	-	-	-	-
RPC	10,300	10,200	11,000	11,800	11,290	732.90	75.49	74.76	80.62	86.48	82.74
CPC	60,887	60,887	58,435	55,962	53,689	1,386.64	844.29	844.29	810.29	775.99	744.47
WAX	35,000	34,000	32,000	30,000	27,988	4,504.01	1,576.40	1,531.36	1,441.28	1,351.20	1,260.58
Sulphur	3,608	3,608	3,469	3,330	3,192	378.22	13.65	13.65	13.12	12.60	12.07
-	-	-	-	-	-		**150,666.40**	**146,828.59**	**140,596.23**	**134,283.85**	**127,693.62**

NEA	*2.670*	*2.600*	*2.500*	*2.400*	*2.300*	Rate/MT	*2.67*	*2.60*	*2.50*	*2.40*	*2.30*
MS-III	213,515	208,294	197,878	191,473	175,134	11,601.17	24,770.29	24,164.50	22,956.22	22,213.09	20,317.60
MS-IV	115,822	114,677	112,077	105,119	102,206	11,601.17	13,436.71	13,303.92	13,002.24	12,195.04	11,857.09
HSD-III	1,146,670	1,118,900	1,069,665	1,018,000	976,800	6,088.60	69,816.14	68,125.32	65,127.60	61,981.93	59,473.42
HSD-IV	641,143	619,946	594,045	570,200	544,200	6,088.60	39,036.64	37,746.00	36,168.98	34,717.18	33,134.15
WAX	35,000	34,000	32,000	30,000	27,988		-	-	-	-	-
ATF	86,500	80,822	78,541	74,950	64,000	1,171.44	1,013.29	946.79	920.06	877.99	749.72
	(0)	0	(0)	(0)	-	-	**148,073.08**	**144,286.53**	**138,175.10**	**131,985.23**	**125,531.99**

MT Charge

Products	*2.670*	*2.600*	*2.500*	*2.400*	*2.300*	Rate/MT	*2.67*	*2.60*	*2.50*	*2.40*	*2.30*
LPG	40,325	39,347	37,872	36,397	34,922	313.12	126.27	123.20	118.58	113.97	109.35
LPG Bottling Charge	12,500	12,000	11,500	11,000	10,500	1,434.00	179.25	172.08	164.91	157.74	150.57
MS-III	213,515	208,294	197,878	191,473	175,134	96.39	205.81	200.77	190.74	184.56	168.81
MS-IV	115,822	114,677	112,077	105,119	102,206	96.39	111.64	110.54	108.03	101.32	98.52
SKO	161,000	157,600	153,916	151,200	157,000	96.39	155.19	151.91	148.36	145.74	151.33
HSD-III	1,146,670	1,118,900	1,069,665	1,018,000	976,800	96.39	1,105.28	1,078.51	1,031.05	981.25	941.54
HSD-IV	641,143	619,946	594,045	570,200	544,200	96.39	618.00	597.57	572.60	549.62	524.55
ATF	86,500	80,822	78,541	74,950	64,000	96.39	83.38	77.90	75.71	72.24	61.69
	-	-	-	-	-		**2,584.80**	**2,512.48**	**2,409.97**	**2,306.44**	**2,206.36**

Sale of products (Gross)	Sales Value + NEA + Excise Duty + MT charges		1,069,295.52	1,041,481.28	997,958.11	954,860.12	911,591.77
Revenue from Operations(Net of excise duty)			918,629.12	894,652.69	857,361.88	820,576.27	783,898.15

ANNEXURE-VII

Self declaration/certification by NRL

It is hereby certified that the targets and actual achievements in respect of MoU parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2016-17. In case, any deviation is found at any point of time, DPE is free to evaluate the performance as per MoU Guidelines. NRL has no right of claim in this regard.

....
(Managing Director)