

**MEMORANDUM OF UNDERSTANDING
2017-18**

BETWEEN

NUMALIGARH REFINERY LIMITED

AND

BHARAT PETROLEUM CORPORATION LIMITED



NUMALIGARH REFINERY LIMITED

MEMORANDUM OF UNDERSTANDING 2017-18

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Brief about the CPSE

1.	Name of the CPSE	Numaligarh Refinery Limited (NRL)		
2.	Status (Please tick) as per DPE guidelines	Sick / Incipient Sick / Weak / None ^v		
3.	Reasons of sickness, if applicable	Not applicable		
4.	Whether registered with BIFR, If yes, details	Not applicable		
5.	Schedule of the CPSE: (Please tick)	A / B ^v / C / D / None		
6.	Purpose for which CPSE has been set up and the main business now	NRL was incorporated to set up and operate a petroleum refinery in Numaligarh, Assam as per provisions of the Assam Accord signed between Govt. of India and All Assam Students Union in 1985. The main business of NRL is refining of crude oil and production of petroleum products.		
7.	Number of subsidiary companies along with amount invested and share in its profit during the last five years	NIL.		
	Year *	Name of Subsidiary	Amount Invested (Rs.)	Share in its profit (Rs)
	2011-12	Not applicable		
	2012-13			
	2013-14			
	2014-15			
	2015-16			
8.	Number and name of Joint Venture companies along with amount invested and share in its profit during the five years	Number of JV: Two		
	Year	Name of Joint Venture 1	Amount Invested (Rs. Cr)	Share in its profit (Rs. Cr)
	Prior to 2011-12	BCPL	55.35	-
	2011-12	BCPL	48.75	-
	2012-13	BCPL	22.80	-
	2013-14	BCPL	-	-
	2014-15	BCPL	-	-
	2015-16	BCPL	-	-
	Total	BCPL	126.90	-
	Year	Name of Joint Venture 2	Amount Invested (Rs. Cr)	Share in its profit (Rs. Cr)
	Prior to 2011-12	DNPL	35.08	-
	2011-12	DNPL	-	-
	2012-13	DNPL	8.41	0.49
	2013-14	DNPL	-	0.30
	2014-15	DNPL	-	0.48
	2015-16	DNPL	-	0.74
	Total	DNPL	43.49	2.01
	BCPL – Brahmaputra Cracker and Polymer Limited. NRL's share in the JV is 10.81%. DNPL – DNP Limited. NRL's share in the JV is 26%. The JV is a strategic special purpose vehicle which was formed to construct and operate a dedicated NG pipeline for transporting natural gas to NRL's refinery.			
9.	Details of revival plan approved earlier	Not applicable		

Mandatory Parameters											
PART A											
Sl.No.	Financial Performance Criteria	Unit	Marks	2016-17 (Estimate)	Best in 5 Years	MoU Target for the Year 2017-18					Improvement (%) *
						Excellent	V.G.	Good	Fair	Poor	
1	Turnover - Revenue from Operations (Net) [Note 1]	Rs. Crore	10	10187	13428	12000	11500	11000	10500	10000	12.89%
2	Operating Profit / Revenue from operations (net) [Note 2]	%	20	23.90	17.33	20	19	18	17	16	-20.52%
3	Return on Investment: PAT / Average Net Worth	%	20	35.54	32.06	32.50	30.50	28.50	26.50	24.50	-14.17%
	Sub Total		50								

* % improvement is worked out on VG target vis-à-vis 2016-17 estimate.

Note 1: At the time of evaluation, Revenue from Operation (net) target will be revised for variation in crude price and dollar rate as per following formula:

Revised Target for Revenue from Operations (RO)	Target of RO (1+ Exchange Variation X 1.147% + Crude price variation X 1.2634%)
Exchange variation	Variation from Rs. 68 per dollar
Crude Price variation	Variation from crude price of \$55 /bbl

Note 2: Operating Profit is Profit before tax excluding other income, extraordinary and exceptional items



(P. Padmanabhan)
Managing Director
Numaligarh Refinery Limited



(D. Rajkumar)
Chairman & Managing Director
Bharat Petroleum Corporation Limited

Other Parameters											
PART B											
Sl.No.	Performance Criteria	Unit	Marks	2016-17 (Estimate)	Best in 5 Years	MoU Target for the Year 2017-18					Improvement (%) *
						Excellent	V.G.	Good	Fair	Poor	
4	Capacity Utilisation: Crude Throughput	TMT	10	2670	2825	2670	2500	2400	2300	2200	-6.4%
5	Production Efficiency Parameter: Reduction in Specific Energy Consumption (MBN) over previous year	%	10	73.0 **	70.43 **	2.0	1.8	1.6	1.4	1.2	1.8%
6	CAPEX	Rs. Crore	5	450	456	375	350	325	300	275	-22.2%
7	Percentage value of CAPEX contracts / projects running / completed during the year without time / cost over run to total value of CAPEX contracts running / completed during the year <i>[Details of CAPEX projects for monitoring are enclosed at Annexure -B]</i>	%	5	100	100	100	90	80	70	60	-
8	Trade receivables (Net) as number of days of Revenue from Operations (Gross)	Days	3	30.16	10.29	25	27	29	31	33	10.48%
9	Reduction in claims against Company not acknowledged as debt - Others	%	3		-	10	9	8	7	6	
	Sub Total		36								

* % improvement is worked out on VG target vis-à-vis 2016-17 estimate.

** Absolute figure



(P. Padmanabhan)
Managing Director
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(D. Rajkumar)
Chairman & Managing Director
Bharat Petroleum Corporation Limited

10. HRM Parameters
PART C

Sl.No.	Performance Criteria	Unit	Marks	MoU Target for the Year 2017-18				
				Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%
10 (a)	Online submission of ACR / APAR in respect of all executives (E0 and above) along with compliance of prescribed timelines w.r.t. writing of ACR / APAR	% of number of executives	1	100	95	90	85	80
10 (b)	Online Quarterly Vigilance clearance updation for Senior Executives (E5 & Above)	% of number of executives	1	100	95	90	85	80
10 (c)	Preparation of Succession Plan and its approval by Board of Directors	Date	1	30.9.17	15.10.17	31.10.17	15.11.17	30.11.17
10 (d)	Holding of DPC without delay for Executives (E0 and above level)	%	1	100	95	90	85	80
10 (e)	Talent Management and Career Progression by imparting at least one week training in Centre of Excellence e.g. IITs, IIMs, NITs, ICAI etc.	% of number of executives	1	10	9	8	7	6
	Sub Total		5					

Note:

E0 may be treated as Non-Unionised Supervisors

E5 may be treated equal to Assistant General Manager or equivalent



(P. Padmanabhan)
Managing Director
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(D. Rajkumar)
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Bharat Petroleum Corporation Limited

11. Sector Specific Result Oriented Measurable Parameter

PART D

Sl.No.	Performance Criteria	Unit	Marks	2016-17 (Estimate)	Best in 5 Years	MoU Target for the Year 2017-18					Improvement (%) *
						Excellent	V.G.	Good	Fair	Poor	
11 (a)	Improvement in Distillate Yield over previous year	%	6	86.35 **	87.3 **	1.1	0.9	0.7	0.5	0.2	0.9%
11 (b)	LPG Bottling	TMT	3	30	22	31	30	29	28	27	0.0%
	Sub Total		9								

* % improvement is worked out on VG target vis-à-vis 2016-17 estimate.

** Absolute figure as per New Method of CHT

Note: It was agreed that the targets recommended by the IMC are based on estimates submitted by the CPSE for the year 2016-17. In case of better performance of the CPSE as per final results as compared to estimates , the difference shall be added to the targets for the year 2017-18.


(P. Padmanabhan)
Managing Director
Numaligarh Refinery Limited


(D. Rajkumar)
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Annexure- B**Details of CAPEX Projects for Monitoring**

(Rs. Crore)

Sl. No	Name of Project	Approved Cost / Estimated cost	Expenditure Planned During 2017-18	Details of Milestone in (2017-18)	Date of Milestones
1	DHDT project	1031.37	250	DHDT project completion	31.01.2018
2	LPG Mounded Bullet	122.10	35	Erection of pumps in pump house	31.03.2018
				Completion of Offsite Piping Erection	31.03.2018
				Placement of bullets on the pile cap	31.03.2018
3	Corporate Office Building at Guwahati (Ph-II)	60.10	7	45% overall progress of the entire project (Phase I + II)	31.03.2018
4	Corporate Office Building at Guwahati (Phase I)	54.90	7		
5	Construction of 54 C/D-Type Quarters at Township	33.92	0.50	Completion of RCC structure for C-type 12 units	31.03.2018
6	Modernization capacity augmentation of LPG Bottling Plant	12.00	1	Erection of E-carousel	31.08.2017
				Erection of balance equipment with piping	30.09.2017
7	CDU/VDU Preheat train temperature improvement	11.70	0.40	Erection of helix exchangers	30.06.2017
8	Recycling plant for storm water, CRWS, treated effluent	11.00	0.20	Completion of all civil works	31.07.2017
				Completion of all mechanical works	31.07.2017
9	One MWp Solar Power at refinery	9.91	0.60	Electrical commissioning	31.03.2018
10	Isolation of drinking water facility at RWTP	5.23	1.20	Completion of the reservoir	31.03.2018

PART A
TREND Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year (2016-17)	
									Actual Upto Dec'16	Estimated
1	Revenue from Operations - Gross	Rs. Crore		14,075.58	8,757.01	9,876.76	10,827.05	11,925.44	9,800.08	12,727.34
	Revenue from Operations - Net		Actual	13,428.00	8,185.93	9,255.09	9,862.42	10,031.44	7,826.19	10,186.92
			MoU	9142.07	12708.38	8005.20	8674.71	11043.04		
2	a. Profit before Tax	Rs. Crore		287.46	262.86	562.65	1,134.25	1,885.70	2,295.29	2,630.63
	b. Other Incomes			34.69	83.34	48.72	73.78	144.90	327.42	327.42
	c. Extraordinary & Exceptional Items			18.14	18.51	(0.15)	(1.12)	1.86	-	-
	d. Prior Period Items			-	-	-	-	-	-	-
	e. Operating Profit / Loss (a-b+/-c+/-d)		Actual	234.63	161.01	514.08	1,061.59	1,738.94	1,967.87	2,435.08
			MoU	238.63	(143.32)	188.17	286.85	687.03		
3	a. PAT	Rs. Crore		183.70	144.26	371.09	718.31	1,224.45	1,502.69	1,712.18
	b. Net Worth at year end			2,699.26	2,757.46	2,990.84	3,354.99	4,271.31	5,155.06	5,364.85
	c. Average Net Worth			2650.16	2,728.36	2,874.15	3,172.92	3,813.15	4,713.19	4,818.08
	d. PAT / Net Worth	%	Actual	6.81	5.23	12.41	21.41	28.67	29.15	31.91
			MoU	5.89	(4.18)	5.40	6.19	12.80		
	e. Paid-up Share Capital	Rs. Crore		735.63	735.63	735.63	735.63	735.63	735.63	735.63
	f. Govt share			Nil	Nil	Nil	Nil	Nil	Nil	Nil
	g. Reserves and surplus			1,963.62	2,021.82	2,255.20	2,619.35	3,535.67	4,419.43	4,629.21
4	Total Expenses	Rs. Crore		14,113.53	7,996.11	9,373.76	9,917.51	9,784.79	8,152.66	10,634.76
5	Total Incomes	Rs. Crore		13,462.69	8,269.27	9,303.81	9,936.20	10,176.34	8,153.61	10,382.47
6	Total Expenses / Total Incomes	%		104.83	96.70	100.75	99.81	96.15	99.99	102.43
7	Details of Other Income									
	a. Interest	Rs. Crore		12.45	6	31	59.34	106.25	124.18	124.18
	b. Dividend	Rs. Crore				0.49	0.31	0.48	0.74	0.74
	c. Other Income	Rs. Crore		22.24	77.53	17.16	14.13	38.17	202.50	202.50
	d. Total	Rs. Crore		34.69	83.34	48.72	73.78	144.90	327.42	327.42
8	a. Cash and Bank Balance and equivalent	Rs. Crore		0.12	2.63	965.15	1,053.74	1,736.94	1,229.40	2,236.56
	b. Investment in mutual funds	Rs. Crore		63.84	25.06	53.05	236.80	146.39	714.52	146.39
	c. Investment in shares other than subsidiary/JVs	Rs. Crore								
	d. Total (a+b+c)	Rs. Crore		63.96	27.69	1,018.20	1,290.54	1,883.33	1,943.93	2,382.95
	e. Cash credit / Over-draft loan/ Short-term loan	Rs. Crore		218.68	352.49	259.30	165.61	0.44	2.19	50.00
	f. Balance in current account	Rs. Crore								
9	Dividend paid/ declared for the year, excluding dividend tax	Rs. Crore		73.56	73.56	117.70	294.25	514.94	735.63	735.63

PART B
TREND Analysis

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year (2016-17)	
									Actual Upto Dec'16	Estimated
1	Installed Capacity in terms of Crude Throughput	TMT		3000	3000	3000	3000	3000	3000	3000
2	Capacity Utilisation in terms of Crude Throughput	TMT	Actual	2825	2478	2613	2777	2520	1961	2670
			MoU	2660	2710	2600	2700	2850	2027	2670
3	Specific Energy Consumption (Mbtu/bbl/NRGF)	MBN	Actual	79.7	73.2	73.6	71.4	70.43	73.4	73.0
			MoU	89	88	83	80	Not a Target	Not a Target	Not a Target
4	Specific Water Consumption (m3 / NRGF / Crude processed in TMT)	m3/NRGF/TMT	Actual	287	343	313	279	293	297	294
			MoU	Not a Target						
5	LPG Bottling	TMT	Actual	12	14	16	20	22	25	30
			MoU	Not a Target					17	23
6	CAPEX	Rs. Crore	Actual	179	243	456	245	239	287	450
			MoU	Not a Target				230	375	500
7	CAPEX contracts / projects running /completed without time /cost overrun to total value of CAPEX	%	Actual						-	100%
			MoU						-	Not a Target
8	Inventory of finished goods and work in progress	Rs. Crore		1573.09	1012.47	1025.85	1237.54	869.44	1175.69	1280.32
9	Inventory of finished goods and work in progress to RO (Net)	%	Actual	11.71	12.37	11.08	12.55	8.67	15.02%	12.57
			MoU	15.19	9.63	16.19	13.17	9.30		
10	Trade receivables (Net)	Rs. Crore	Actual	800.42	706.70	278.36	1,236.88	819.31	1,177.77	1,051.68
			MoU	694.70	679.82	577.52	762.25	977.62		
11	Trade receivables as percentage of Revenue from Operation(Gross)	Days	Actual	20.76	29.46	10.29	41.70	25.08	33.05	30.16
			MOU	25.73	18.80	24.62	30.00	29.72		

MoU 2017-18
Notes on Additional Eligibility Criteria

Targets decided in MoU are unconditional and no offset will be allowed. Further evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 of MoU guidelines 2017-18

Additional eligibility criteria as per para 14.2 of the guideline:

Score and rating as per para 14.1 would be subject to fulfilling additional eligibility criteria as mentioned below:

- a. Additional eligibility criteria (1): CPSEs have to essentially comply with the following conditions, failing which its MoU rating would be downgraded to next lower rating except CPSEs getting poor rating, e.g. CPSEs with 'Excellent' rating would be treated as 'Very Good' and aggregate score shall be read as 90.00 and CPSEs with 'Very Good rating' would be treated as 'Good' and aggregate score shall be read as 80.00 and so on.
 - i. Compliance provisions of the Companies Act 2013 or the relevant Act under which they have been regulated (To the extent compliances are within the ambit of CPSEs)
 - ii. In case of listed CPSEs, compliance of provisions of Listing Agreement (To the extent compliances are within the ambit of CPSEs)
 - iii. Compliance of DPE guidelines having financial implications
 - iv. No adverse observations by CAG on Annual Accounts pointing out misappropriation of funds of any amount or Over/ under statement of profit /loss (surplus/deficit)/ assets/liabilities amounting to 5% of Revenue from Operation.
 - v. Holding of AGM without seeking extension of time
 - vi. Submission of draft MoU / MoU evaluation through Administrative ministry / department of DPE by prescribed date
 - vii. Signing of MoU as prescribed without deviation from minutes of the IMC meeting
- b. Additional eligibility criteria (2): CPSEs have also to essentially comply with the following failing which its aggregate MoU marks would be reduced by 1 mark each for non-compliance of each of the conditions and rating would be revised accordingly.
 - i. Compliance of Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro and Small and Medium Enterprises
 - ii. Compliance of DPE guidelines on allocation of CSR fund by CPSEs for Swachh Bharat activities
 - iii. Compliance of DPE guidelines on Digital India
 - iv. Compliance of DPE guidelines on any policy (other than mentioned in ii and iii above), issued from time to time, and prescribed specifically in this regard.
- c. Compliance of each of additional eligibility criteria to be confirmed /certified by Board of Directors by way of resolution.

Revenue from Operations (Net), Excise Duty, Under-recoveries, Raw Material Cost for MOU 2017-18 (Excellent)

Products	Sales Qty (MT)		Sales Value (Rs. in Lakhs)
Sales of own Products in MT (A)	Excellent	Rate	Excellent
Crude throughput in MMT >	2.670	Price (Rs./MT)	2.67
LPG	48,000	27,298	13,103.00
MS-IV - NRMT	156,992	39,784	62,458.45
MS-IV - SMT	377,000	39,784	149,987.49
SKO - NRMT	23,650	36,234	8,569.35
SKO - Ex-SMT	65,000	36,234	23,551.86
HSD-IV - NRMT	488,109	34,228	167,070.44
HSD IV - Ex-SMT	1,197,000	34,228	409,710.66
ATF	102,526	35,896	36,803.29
Naphtha - FGN	-	-	-
Naphtha- PGN - (BCPL)	96,119	32,473	31,212.89
LGO/LDO	-	40,157	-
Wax	36,311	57,483	20,872.91
RPC	6,068	11,006	667.86
CPC	64,953	16,729	10,866.02
Sulphur	3,838	6,120	234.88
Total (A)	2,665,567		935,109.11

State Specific Cost (B)			9,255.81
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Total Sales Value(A+B)	2,665,567		944,364.92
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	Qty. in MT		NEA Amount in Rs. Lakh
NEA (C)	Excellent	Rate / MT	Excellent
MS-IV	533992	14392	76850
HSD-IV	1685109	10311	173757
LGO/LDO	0	10311	0
WAX	36311	0	0
ATF	102526	2355	2414
Total (C)	2,357,939		253,022

Marketing Terminal (MT) Charge (D)

	Qty. in MT		NEA Amount in Rs. Lakh
Products	Excellent	Rate / MT	Excellent
LPG	35500	313	111
LPG Bottling Charge	12500	1434	179
MS-IV	533992	96	515
SKO	88650	96	85
HSD-IV	1685109	96	1624
LGO/LDO	0	96	0
ATF	102526	96	99
Total (C)	2,458,277		2,614

	Sale Qty. in MT		Net Revenue in Rs. Lakh
	Excellent	Rate / MT	Excellent
Revenue from Operation (Net) (A+B+C+D)	2665567		1,200,000

Revenue from Operations (Net), Excise Duty, Under-recoveries, Raw Material Cost for MOU 2017-18 (Excellent)

Excise Duty

ED	2.670	Rate/MT	2.67
MS-IV	533,992	14,391.60	76,849.99
HSD-IV	1,685,109	10,311.35	173,757.45
ATF	102,526	2,684.32	2,752.14
LGO/LDO	-	10,311.35	-
Naphtha(BCPL)	-	0.00	-
RPC	6,068	793.53	48.15
CPC	64,953	1,206.16	783.44
WAX	36,311	4,144.52	1,504.94
Sulphur	3,838	378.22	14.52
			255,710.63

	Sale Qty. in MT	Net Revenue in Rs. Lakh
	Excellent	Excellent
Revenue from Operation (Gross)		
[Net Revenue + Excise Duty]	2665567	1,455,711

Additional Details on CST, Freight under-recoveries, Raw Material Cost

CST cost	2.670	Rate/MT	2.67
LPG	-	552.22	-
MS-IV (Ex-SMT)	257,000	1,373.28	3,529.33
SKO	(28,350)	726.60	(205.99)
SKO (sale to BPCL)	39,000	726.60	283.37
HSD-IV - Ex NRMT	113,109	1,098.94	1,243.00
HSD IV - Ex-SMT	636,000	1,098.94	6,989.29
LGO/LDO	-	1,217.51	-
Naptha	-	-	-
WAX	36,311	1,310.61	475.90
ATF	53,019	820.64	435.09
			12,750.00

1,106,089

Freight Under recovery:

Ex Numaligarh (NRMT)	2.670	Rate/MT	2.67
MS-III	-	-	-
MS-IV	-	-	-
SKO	-	-	-
HSD-III	-	-	-
HSD-IV	-	-	-
Naphtha - FGN (Haldia)	-	-	-
Naphtha- PGN - (Haldia)	-	-	-
Naphtha- PGN - (BCPL)	96,118.56	-	-
WAX	36,311.46	-	-
Total Freight UR- NRMT			-

Ex Siliguri (SMT)	2.670	Rate/MT	2.67
MS-IV	377,000	999.69	3,768.85
SKO	65,000	899.72	584.82
HSD IV	1,197,000	999.69	11,966.34
Total Freight UR- SMT	1,639,000		16,320.01

MGQ - Pipeline Freight

16,320.01

Revenue from Operations (Net), Excise Duty, Under-recoveries, Raw Material Cost for MOU 2017-18 (Excellent)

<u>Raw Material Cost</u>	<u>2.670</u>		<u>2.67</u>
	<u>Qty</u>	<u>Price/MT</u>	<u>Rs.</u>
Basic Crude Cost	2669960	26,623.31	710,831.79
Less: crude discount	2669960	-	-
Natural Gas in HCU Feed	42000	13,884.00	5,831.28
Entry Tax	2669960	563.59	15,047.72
Sales Tax on crude	2669960	1,331.17	35,541.71
Pipeline Transportation Cost	2669960	225.19	6,012.54
Ravva Crude Transportation Cost	698400	2,710.00	18,926.64
MTBE	130000	56,757.49	73,784.74
Reformate	0	62,515.98	-
	0		865,976.42

	<u>2.670</u>	<u>Price/MT</u>	<u>2.67</u>
Natural Gas as fuel	102,000.00	13884	14,161.68