

MEMORANDUM
OF
UNDERSTANDING
BETWEEN
MINISTRY OF RAILWAYS
AND
IRCON INTERNATIONAL LIMITED
FOR THE YEAR
2014 - 15



MEMORANDUM OF UNDERSTANDING
BETWEEN
MINISTRY OF RAILWAYS AND IRCON
(2014-15)

Part I

1.1 VISION

To be recognised nationally and internationally as a specialised construction organisation comparable with the best in the field covering the entire spectrum of construction activities and services in the infrastructure sector.

MISSION

- i) To effectively position the Company so as to meet the construction needs of infrastructure development of the changing economic scene in India and abroad.
- ii) To earn global recognition by providing high quality products and services in time and in conformity with the best engineering practices.

1.2 OBJECTIVES

- i) To enhance the size and value of business activities of the Company so as to achieve a turnover of ₹ 5500 crores by the year 2016-17.
- ii) To achieve reasonable returns on the capital employed.





1.3 GOVERNMENT OBLIGATIONS/ASSISTANCE

- i) The Ministry of Railways will continue to make available man-power on deputation to meet the Company's requirements as per exemption from rule of immediate absorption vide Railway Board's letters No. 2008/PL/44/4 dated 5th August 2011, 2008/PL/45/4 dated 9th November 2011 and 2008/PL/44/4 dated 4th September 2013.
- ii) Ministry of Railways will sanction the estimates, and provide necessary funds required for execution of its projects included in this MoU.
- iii) The Ministry of Railways will extend all enhanced delegation of powers to the Company and its CMD as are automatically applicable to MoU signing companies.
- iv) The Ministry of Railways will appoint Independent Directors in time in due compliance of Corporate Governance requirements under guidelines issued by DPE, and relevant provisions of the Companies Act, so that at no point of time the requisite posts of Independent Directors remain vacant and the Company is enabled to conduct its business smoothly.
- v) Facilitate visits of CMD to overseas countries for securing business and monitoring of project execution as per requirement.



Part-II

2. PERFORMANCE CRITERIA FOR 2014-15

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MoU Target for the year 2014-15	MoU Target					Documentary evidence and source/ origin of documents
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)	
(1)	STATIC / FINANCIAL PARAMETERS									
	Mandatory parameters (Sr. no. (i) - (iii))									
(i)	Growth / Size / Activity (Two)									
a)	Sales Turnover, excluding interest and other income	(Rs. Crores)	15	4,400	4,700.00	4,550.00	4,400.00	4,150.00	3,900.00	Audited Accounts
b)	Gross Operating Margin Rate	% age	15	10.00%	11.00%	10.50%	10.00%	9.50%	9.00%	Audited Accounts
(ii)	Profitability									
a)	PAT / Net Worth	% age	5	12.98%	14.49%	13.72%	12.98%	11.87%	10.81%	Audited Accounts
b)	EBIT / Average Capital Employed	% age	5	23.41%	26.27%	24.82%	23.41%	21.34%	19.36%	Audited Accounts
(iii)	Costs and Output Efficiency									
a)	PAT per Employee	(Rs. Lakhs)	5	25.50	28.84	27.13	25.50	23.11	20.86	Audited Accounts
(iv)	Efficiency of Asset Use									
a)	Average Collection Period of Trade Receivables (Debtors Turnover Ratio)	No. of days	5	95.00	90.00	92.00	95.00	98.00	101.00	Audited Accounts
(2)	DYNAMIC / NON-FINANCIAL PARAMETERS#									
(i)	CSR and Sustainability									
a)	Implementing the CSR and Sustainability projects (Details of Projects as per Annexure A)	No. of Projects	3	1	3	2	1	-	-	Certificate from concerned Director
(ii)	Human Resource Management		6	(As per Annexure-B)					Certificate with details signed by Functional Head	
(iii)	Initiatives for Growth									
a)	Additional business during the year	Rs. Crores	12	4600	5,000	4800	4600	3,895	3,700	Certificate with details from GM/BD
b)	Securing project/ business in a country other than existing countries of operation.	No. of Projects	3	1	2	1	-	-	-	Copy of Letter of Award
(iv)	Project Management & Implementation\$									
a.	Projects -- Completion		4	(As per Annexure-C1)					Client / Third Party Certificate	
b.	Projects -- Milestones		6	(As per Annexure-C2)						
(v)	Productivity and Internal Processes									
a.	Availability of Locomotives to the client in Malaysia as per agreement	% of target availability	4	90	100	95	90	85	80	Certificate from concerned Director
b.	Increasing the efficiency and productivity by multi-skilling and upgradation of skill of Non-executive employee (Group D employees)	Number	4	60	70	65	60	55	50	Certificate signed by Functional Head
(vi)	Technology, Quality, Innovative practices									
a)	Development of GIS based OHE Design	Time	3	31.03.15	31.01.15	28.02.15	31.03.15	-	-	Certificate from concerned Director
(3)	SECTOR SPECIFIC PARAMETER / ENTERPRISE SPECIFIC PARAMETERS									
a)	Capital Expenditure / Investment*	Rs. Crores	5	100	200	150	100	80	60	Certificate from Finance with details of Investment
	TOTAL		100							

The Company shall follow Corporate Governance Guidelines and other Guidelines / Regulation, and also submit details / reports thereof, as required under para 3.21 and 3.22 of DPE O.M. dated 11th November 2013 containing MoU Guidelines 2014-15.

\$ The periodical reports relating to projects, shall be submitted to the Administrative Ministry, as may be required.

* Equity / Shareholders loan to subsidiaries / JV companies, Purchase of Plant & Machinery / other Fixed Assets, Purchase of Real Estate / Land / Expenditure on Real Estate Development, Buying stake in other companies.


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Part III

3. MODALITY FOR MONITORING THE MOU

The performance of the Company will be reviewed against the targets given in this MOU once in six months by the Ministry of Railways and internal monitoring by the Company on a quarterly basis.


(Mohan Tiwari) 25/3/14
Chairman & Managing Director
Ircn International Limited
New Delhi.


(P.C. Gajbhiye) 25/3/14.
Secretary, Railway Board
Ministry of Railways
New Delhi.

Annexure- A

MOU 2014-15 - Details CSR & Sustainable Development Projects

Sl. No.	Name of Project	% age weight-age	Starting Date	Estimated Cost (Rs.in Lacs)	Target (Rs.in Lacs)	Name of Agency for Baseline/ Need assessment	Name of Implementing Agency	Name of Agency for monitoring of the project	Involvement of the CPSE	Date of completion*	Name of Agency for evaluation (External)	Report of the evaluation	Social Impact evaluation report
	a	b	c	c1	d	e	f	g	h	i	j	k	
1	Community Centre at Raebareli	1	15.04.2013	75	5	By State Govt	State Govt	IRCON	Monitoring & Supervision	31.12.2014	To be nominated	To be submitted at the time of review	
2	Drinking Water treatment facilities for removal of arsenic in West Bengal	1	Yet to start	40	20	Municipal Corporation, Behrampur	Municipal Corporation, Behrampur	IRCON	Monitoring & Supervision	31.12.2014	To be nominated	To be submitted at the time of review	
3	Conservation of Energy by replacing CFL Lights with LED Lights	1	Yet to start	80	40	IRCON	IRCON	IRCON	Monitoring & Supervision	28.02.2015	To be nominated	To be submitted at the time of review	
TOTAL				195	65								

* MoU Targets:

Sl. No.	Name of Project	Performance Rating				
		Excellent	Very Good	Good	Fair	Poor
1	Community Centre at Raebareli	31.12.2014	31.01.2015	28.02.2015	31.03.2015	-
2	Drinking Water treatment facilities for removal of arsenic in West Bengal	31.12.2014	31.01.2015	28.02.2015	31.03.2015	-
3	Conservation of Energy by replacing CFL Lights with LED Lights	28.02.2015	15.03.2015	31.03.2015	-	-

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MOU 2014-15 Performance Evaluation -- Human Resource Management

S.No	Performance Indicator	Unit	Weight-age	MOU target for the year 2014-15	PERFORMANCE RATING				
					Excellent	Very Good	Good	Average	Poor
1	Training Days	Man days	2	1000	1200	1100	1000	900	800
2	Carrying out competency mapping of middle management - (All domestic Executives)	% of Executives	1	80	90	85	80	75	70
3	Web based Grievance Redressal Mechanism	Time	1	31.03.15	31.01.15	28.02.15	31.03.15	-	-
4	Review/Revisit/Re-engineer HR policy for meeting changing business priorities (Two HR policies will be reviewed/ revised)	No of schemes	1	2	2	1	-	-	-
5	Preparing Succession Plan for E-7, E-8, & E-9 Executives	Time	1	31.03.15	31.01.15	28.02.15	31.03.15	-	-
GRAND TOTAL			6						

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MoU 2014-15 -- Performance Evaluation -- Project Management & Implementation

S. No	Name of the project	Date of Completion (approved/ likely to be approved)	Value (Rs. in Crores)	Milestone	Target for Achievement of Milestone	Unit	PERFORMANCE RATING*				
							Excellent	Very Good	Good	Fair	Poor
1	ROB at Rajasthan [Client -- Govt. of Rajasthan]	31.03.2015	186.74	Completion of ROBs	31.03.2015	No of RoBs	6	5	4	3	-
2	Construction of ROB in Bihar	31.03.2015	168	Completion of ROBs	31.03.2015	No of RoBs	6	5	4	3	2
3	Signaling and telecommunication system for Railway lines from Anuradhapura to Jafna and from Medawachchiya to Talaimannar Pler in Northern province of Sri Lanka	31.03.2015	392	Completion of Project	31.03.2015	%age completion	100%	90%	80%	70%	60%
4	Construction of Railway line from Pallai - Jafna in Northern Province of Sri Lanka. (Client - Sri Lanka Railways)	13.06.2014	764	Completion of work	13.06.2014	%age completion	100%	90%	80%	70%	60%

* Client / Third Party Certificate shall form documentary evidence for evaluation purposes.

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MoU 2014-15 -- Performance Evaluation -- Project Management & Implementation

S. No	Name of the project	Date of Completion (approved/ likely to be approved)	Value (Rs. in Crores)	Milestone	Target for Achievement of Milestone	Unit	PERFORMANCE RATING*				
							Excellent	Very Good	Good	Fair	Poor
1	Rail Coach Factory Rae-Bareilly (Client - Ministry of Railways)	30.09.2015	2000	Completion of Factory infrastructure including M&P except three robotic lines / system (Shell line, wheel line, and robotic coach Ballasting)	31.03.2015	%age completion	100%	90%	80%	70%	-
2	Rail-cum-road bridge (38 spans) over River Ganga at Patna, Bihar (Client -- EC Railway)	31.03.2015	1191	Completion of all spans	31.03.2015	No. of Spans (Cumulative)	38	36	34	32	-
3	Dharam-Qazigund Rail Link Project in J&K (Client-Ministry of Railways)	31.12.2017	3882	Tunneling	31.03.2015	Km	9	8	7	6	5
4	Construction / upgradation of Rural roads and bridges in 5 districts (Garhwa, Gumla, Ranchi, Lohardaga and Simdega) of Jharkhand	31.10.2015	471.18	Cumulative Kilometer	31.03.2015	Km	250	220	200	180	160
5	Execution of receiving cum traction and auxiliary main sub-station under CE-6, Lot-1 of DMRC for Delhi MRTS project, Phase-III	22.11.2015	234.9	Commissioning of Faridabad RSS	31.03.2015	Date	28.02.15	15.03.15	31.03.15	-	-
6	Realisation of double line between Oued Sly and Yelle (93 Kms) of Algiers-Oran Line, Algeria (Client - Ministry of Transport Algeria)	31.12.2015	1104	Construction of Track Work by 31.03.2015	50	Km	50	45	40	35	-

* Client / Third Party Certificate shall form documentary evidence for evaluation purposes.

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PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST FIVE YEARS

(₹ Crores)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15
	MOU Target	Actual	MOU Target	Actual	MOU Target	Actual	MOU Target	Actual	MOU Target	Anticipated RE	MOU Target
Capacity Utilisation (for each plant separately)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Production (in Qty.)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Production (in Rs. Cr.)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Profit & Loss Statement Items											
Sales Turnover , excluding interest and other income (Operating Turnover)	2,215.00	3,152.88	2,750.00	3,175.33	3,153.00	3,595.32	3,750.00	4,220.56	4,100.00	4,400.00	4,400.00
Interest and Other Income	85.00	64.03	50.46	78.82	65.00	186.60	152.67	260.66	177.00	239.62	240.00
Gross Operating Margin Rate (%)	6.60%	8.15%	8.65%	12.16%	7.20%	13.34%	11.30%	20.21%	12.58%	20.35%	10.00%
Gross Operating Margin	146.25	256.90	238.00	386.00	227.07	479.74	423.59	852.79	515.59	895.46	440.00
EBITDA (Earnings Before Interest, taxes, Depreciation and amortization)	210.00	302.41	232.00	440.31	310.00	670.47	512.35	1,062.72	680.00	1,092.08	653.00
Depreciation	54.75	41.27	43.00	36.91	42.50	56.84	37.25	42.96	40.00	42.00	35.00
EBIT (Earnings before Interest and Taxes)	155.25	261.14	189.00	403.40	267.50	613.63	475.10	1,019.76	640.00	1,050.08	618.00
Interest Expenses	-	-	-	-	-	-	-	0.08	-	-	-
Prior Period Expenses	-	(2.87)	-	2.15	-	11.49	-	4.95	-	-	-
Extra Ordinary Items	-	-	-	-	-	-	-	-	-	-	-
Any other expenses	-	-	-	-	-	-	-	-	-	-	-
Profit Before Tax	155.25	264.01	189.00	401.25	267.50	602.14	475.10	1,014.73	640.00	1,050.08	618.00
Tax	49.68	81.83	58.52	160.74	82.93	132.22	154.14	284.74	160.00	356.92	210.06

Profit After Tax	105.57	182.18	130.48	240.51	184.57	469.92	320.96	729.99	480.00	693.16	407.94
Dividend paid	29.69	36.62	29.70	49.49	29.70	94.03	64.19	148.47	96.00	138.63	81.59
Profit transferred to Statutory Reserves	-	(25.15)	-	(7.70)	-	-	-	2.90	-	-	-
Any other item - (Dividend Distribution Tax)	5.05	6.22	5.05	8.07	5.05	15.26	10.41	24.09	15.57	23.56	13.87
Profit transferred to Balance Sheet	70.83	164.49	95.73	190.65	149.82	360.63	246.36	554.53	368.43	530.96	312.49
Balance Sheet Items											
Gross Block (incl.Capital WIP)	634.36	492.94	635.38	521.50	586.08	501.63	566.18	499.12	584.12	735.44	1,064.44
Less: Depreciation	295.83	256.75	311.32	277.50	340.87	305.52	350.08	319.49	387.88	361.49	396.49
Net Block	338.53	236.19	324.06	244.00	245.21	196.11	216.10	179.63	196.24	373.95	667.95
Share Capital of CPSE	9.90	9.90	9.90	9.90	9.90	9.90	9.90	19.80	19.80	19.80	19.80
Reserves & Surplus of CPSE	1,077.93	1,189.46	1,253.90	1,372.41	1,459.10	1,733.04	1,846.93	2,280.57	2,451.36	2,811.53	3,124.02
Less: Deferred Revenue/Pre-acquisition Loss	-	-	-	-	-	-	-	-	-	-	-
Less: P&L Account A/c (Loss figure)	-	-	-	-	-	-	-	-	-	-	-
Net Worth of CPSE	1,087.83	1,199.36	1,263.80	1,382.31	1,469.00	1,742.94	1,856.83	2,300.37	2,471.16	2,831.33	3,143.82
Investments	270.74	129.94	258.54	185.37	74.30	208.30	185.37	295.29	208.93	336.90	358.91
Total Current Assets	2,026.36	3,153.68	2,959.31	4,416.63	3,476.93	4,548.45	4,869.33	5,186.49	5,014.01	5,007.10	4,839.91
Total Current Liabilities & Provisions	1,529.81	2,402.54	2,291.71	3,594.75	2,364.82	3,098.49	3,514.70	3,222.87	2,824.80	2,838.44	2,758.19
Net Current Assets	496.55	751.14	667.60	821.88	1,112.11	1,449.96	1,354.63	1,963.62	2,189.21	2,168.66	2,081.73
Capital Employed (Net worth + Long Term Loans - Capital work in progress - Investments)	867.09	1,073.16	1,055.26	1,195.17	1,444.70	1,531.99	1,721.46	2,003.40	2,312.23	2,494.44	2,784.92
Total long - term debt (Loan Funds)	50.00	5.29	50.00	-	50.00	-	50.00	-	50.00	-	-
Total Assets	2,670.63	3,607.19	3,609.44	4,977.06	3,883.82	5,528.63	5,421.53	6,340.66	6,085.21	6,438.38	6,632.18

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No. of Employees of CPSE	2,200	1,751	2,200	1,678	2,000	1,703	1,750	1,704	1,775	1,600	1,600
Ratios											
PAT / Net Worth	9.70%	15.19%	10.32%	17.40%	12.56%	26.96%	17.29%	31.73%	19.42%	24.48%	12.98%
EBITDA / Net Block	62.03%	128.04%	71.59%	180.45%	126.42%	341.88%	237.09%	591.62%	346.51%	292.04%	97.76%
EBIT / Average Capital Employed	18.16%	27.26%	17.76%	35.57%	20.27%	45.00%	29.21%	57.69%	29.66%	46.69%	23.41%
PAT per Employee (Rs. Lakhs)	4.80	10.40	5.93	14.33	9.23	27.59	18.34	42.84	27.04	43.32	25.50
Current Ratio	1.32	1.31	1.29	1.23	1.47	1.47	1.39	1.61	1.77	1.76	1.75
Debt Service Coverage Ratio	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	-	281.48		847.81		586.81		575.48			
Average No. Days of Inventory (days)		31.90		25.27		17.50	19.73	13.99	14.40	13.12	11.98
Inventory Turnover Ratio		11.44		14.44		20.85	18.50	26.08	25.35	27.82	30.46
Average Collection Period of Trade Receivables (days)		49.62		77.41		87.45	89.66	84.12	79.23	93.02	95.00
Debtors Turnover Ratio		7.36		4.71		4.17	4.07	4.34	4.61	3.92	3.84
Loans Sanctioned											
Disbursements											
NPA /Loan Assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Average cost of Funds	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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Annexure-E

Self Declaration

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2014-15. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.



(Mohan Tiwari)
Chairman & Managing Director
Ircon International Limited

Annexure-F

**Self Declaration for Compliance of Directives of
Government & Regulators**

It is hereby certified that the CPSE has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government / regulators. CPSE has no right of claim in this regard.


(Mohan Tiwari)
Chairman & Managing Director
Ircan International Limited