

MEMORANDUM OF UNDERSTANDING FOR THE YEAR 2010-2011

BETWEEN



**GOVERNMENT OF INDIA
MINISTRY OF MINES**

AND



MINERAL EXPLORATION CORPORATION LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE)

AN ISO 9001 : 2000 CPSE

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AND
MINERAL EXPLORATION CORPORATION LIMITED
(A Government of India Enterprise)
AN ISO 9001:2000 CPSE
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PART-I

1. MISSION AND OBJECTIVES

1.1.0 MISSION / VISION

- 1.1.1 To provide high quality, cost effective and time bound geo-scientific services for exploration and exploitation of minerals.
- 1.1.2 MECL to be leader in exploration for mineral resources by 2020

1.2.0 OBJECTIVES

- 1.2.1 To plan and execute exploration programmes and prepare evaluation reports for mining projects on commercial and competitive basis.
- 1.2.2 To undertake geological, geo-chemical and geophysical surveys at optimal cost to establish exploitable reserves of various minerals.
- 1.2.3 To achieve cost effectiveness through modernisation, improved productivity, and optimum utilization of human and physical resources.
- 1.2.4 To take up projects for exploration, developmental mining and related activities in association with other companies.
- 1.2.5 To expand further diversification activities in CBM exploration / production well drilling, geo-technical investigation, production mining and implementation of Lump Sum Turn Key (LSTK) project.
- 1.2.6 To develop, implement eco-friendly policies & projects, and improve quality of the environment.

1.3.0 COMMITMENTS / ASSISTANCE FROM GOVERNMENT

- 1.3.1 Allocation of adequate fund for promotional schemes during 2010-11
- 1.3.2 Approval for drill core library.

PART – II

2.1.0 PERFORMANCE EVALUATION PARAMETERS AND TARGETS

Evaluation Criteria	Unit	Wt.	Excellent	Very Good	Good	Average	Poor
			(+5%/Actual)	(Base)	(-5%)	(-10%)	(-15%)
			1	2	3	4	5
1. Static/Financial Parameters							
a) Financial indicators - Profit related ratio							
i) Gross Margin /Gross sale	Percentage	10	23.19	21.18	18.22	14.91	11.25
ii) Operating turnover/Employee	Rs. Lacs / Empl.	12	7.13	6.79	6.45	6.11	5.77
b) Financial indicators - Size related							
i) Gross Margin	Rs. Lacs	8	3458	3008	2457	1906	1358
ii) Gross Sales	Rs. Lacs	4	14910	14200	13490	12780	12070
c) Financial Returns - Productivity related							
i) PBDIT / Total employee	Rs. Lacs	7	1.73	1.50	1.23	0.95	0.68
ii) Added Value / Sales	Percentage	9	13.38	11.08	7.86	4.26	0.27
		<u>50</u>					
2. Dynamic Parameters							
i) Business Plan							
a. Conventional-Core activity	Rs. Lacs	4	14260	13581	12902	12223	11544
b. Order book as on 31-3-2011	Rs. Lacs	4	15750	15000	14250	13500	12750
ii) Modernization & Expansion	Rs. Lacs	2	800	760	720	680	640
iii) Customer Satisfaction	Percentage	1	100	95	90	86	81
iv) HRD (Skill Up-gradation)	Nos.	2	263	250	238	225	213
v) Research & Development	Rs. Lacs	2	11	10.0	9.5	9.0	8.5
vi) Sustainability –							
a) Drilling activity HSD consumption	Litre / Metre	1	4.75	5	5.25	5.5	5.75
b) Non drilling activity-field vehicle LMV	Litre / Month	1	143	150	158	165	180
HMV	Litre / Month		333	350	368	385	403
vii) Innovation – Marketing / Sale of reports	Nos.	2	3	2	1	-	-
viii) Globalisation – JV for bidding	Nos.	1	2	1	-	-	-
		<u>20</u>					
3. SECTOR / ENTERPRISE SPECIFIC PARAMETERS							
I) Exploratory Drilling							
a) Departmental	Metres	6	257250	245000	232750	220500	208250
b) Outsourcing	Metres	2	31500	30000	28500	27000	25500
II) Exploratory/ Developmental Mining	Metres	4	7875	7500	7125	6750	6375
III) Number of Geological Reports	Nos.	4	31	30	28	27	25
IV) Safety at Drill Site	No. of reportable accidents	2	0	1	2	3	4
v) Productivity of drilling machines	Metres per drill per month	3	294	280	266	252	238
vi) Expenditure per metre	Rs.	3.5	3249	3343	3475	3622	3787
vii) Reduction in WIP as compared to 31.03.2010 *	Percentage	0.5	3	2	1	-	-
4. Corporate Social Responsibility							
	Rs. Lacs.	5	5.25	5	4.75	4.50	4.25
		<u>30</u>					
Summary of Key Performance Indicators							
Gross Sales	Rs. Lacs		14910	14200	13490	12780	12070
Operating turn over	Rs. Lacs		14260	13581	12902	12223	11544
Gross Profit	Rs. Lacs		3006	2556	2005	1454	906
Net Profit	Rs. Lacs		1984	1687	1324	960	598
Capital Employed	Rs. Lacs		14635	14337	13974	13610	13248
Added Value	Rs. Lacs		1994	1574	1060	545	33
Total employees	Nos.		2000	2000	2000	2000	2000

* Audited

MONITORING OF MOU SYSTEM

- i) Submission of Draft MoU for 2010-2011 after due Discussion with administrative Department/ Ministry with targeted date of 18th December 2009.
- ii) Signing of MoU for 2010-2011: Targeted date : 15th March 2010.
- iii) Submission of Performance Evaluation Report (composite score) for the year 2009-10 based on Audited data : Target Date 31st August' 2010.

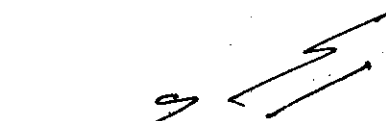
PART-III

3.1.0 ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

- 3.1.1 MECL undertakes to submit the quarterly reports on the various performance areas within 30 days of the end of each quarter.
- 3.1.2 The progress of MoU will be reviewed by the Company every month by a committee of functional Directors/Board of Directors.



[DR. A.K. LOMAS]
CHAIRMAN-CUM-MANAGING DIRECTOR
Mineral Exploration Corporation Ltd.



[Ms. SANTHA SHEELA NAIR]
SECRETARY TO GOVT. OF INDIA
Ministry of Mines

Place : New Delhi
Date : 12.03.2010

ANNEXURE-I

SELF DECLARATION / CERTIFICATION BY CPSE

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 2010-11. 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.


AUTHORISED SIGNATORY

MOU TARGET FOR THE YEAR 2010-11

Parameters	Unit	Target
1. Financial Parameters		
i) Gross Margin /Gross sale	Percentage	21.18
ii) Operating turnover/Employee	Rs. Lacs / Empl.	6.79
iii) Gross Margin	Rs. Lacs	3008
iv) Gross Sales	Rs. Lacs	14200
v) PBDIT / Total employee	Rs. Lacs	1.50
vi) Added Value / Sales	Percentage	11.08
2. Dynamic Parameters		
i) Business Plan		
a. Conventional-Core activity	Rs. Lacs	13581
b. Order book as on 31-3-2011	Rs. Lacs	15000
ii) Modernization & Expansion	Rs. Lacs	760
iii) Customer Satisfaction	Percentage	95
iv) HRD (Skill Up-gradation)	Nos.	250
v) Research & Development	Rs. Lacs	10.00
vi) Sustainability –		
a) Drilling activity HSD consumption	Litre / Metre	5
b) Non drilling activity-field vehicle		
LMV	Litre / Month	150
HMV	Litre / Month	350
vii) Innovation – Marketing / Sale of reports	Nos.	2
viii) Globalisation – JV for bidding	Nos.	1
3. Sector / Enterprise Specific Parameters		
i) Exploratory Drilling		
a) Departmental	Metres	245000
b) Outsourcing	Metres	30000
ii) Exploratory/ Developmental Mining	Metres	7500
iii) Number of Geological Reports	Nos.	30
iv) Safety at Drill Site	No. of reportable accidents	1
v) Productivity of drilling machines	Metres per drill per month	280
vi) Expenditure per metre	Rs.	3343.00
vii) Reduction in WIP	Percentage	2
as compared to 31.03.2010 *		
4. Corporate Social Responsibility		
	Rs. Lacs.	5.00

DETAILS OF COMPUTATION OF FINANCIAL PARAMETERS FOR MOU-2010-11

S.No.	Item	Unit	2010-11	Excellent (+5%BE)	Very Good (BE)	Good (95%BE)	Average (90%BE)	Poor (85%BE)
1	Exploratory & Other Drilling(m)	Metres	275000	288750	275000	261250	247500	233750
	i) Departmental	Metres	245000	257250	245000	232750	220500	208250
	ii) Outsourcing	Metres	30000	31500	30000	28500	27000	25500
	Productivity drilling	Mts/Rig/month	280	294	280	266	252	238
2	Developmental Mining(m)	Metres	7500	7875	7500	7125	6750	6375
3	Drilling Income	Rs. Lakhs	11041	11593	11041	10489	9937	9385
4	Dev. Mining Income	Rs. Lakhs	1247	1309	1247	1185	1122	1060
5	Other operating income	Rs. Lakhs	1293	1357	1293	1228	1163	1099
	Total Operating income		13581	14260	13581	12902	12223	11544
6	Miscellaneous income	Rs. Lakhs	619	650	619	588	557	526
	Total Income	Rs. Lakhs	14200	14910	14200	13490	12780	12070
7	Summary of Revenue Exp.							
	a. Personnel	Rs. Lakhs	7999	8099	7999	7999	7999	7999
	b. Operational	Rs. Lakhs	2449	2571	2449	2327	2204	2082
	c. Establishment	Rs. Lakhs	744	781	744	707	670	632
	Total Rev. expenses		11192	11452	11192	11032	10874	10712
8	Gross Margin	Rs. Lakhs	3008	3458	3008	2457	1906	1358
9	Depreciation & DRE	Rs. Lakhs	452	452	452	452	452	452
10	Gross Profit/Loss	Rs. Lakhs	2556	3006	2556	2005	1454	906
11	Income Tax	Rs. Lakhs	869	1022	869	682	494	308
12	Net Profit / (Loss)	Rs. Lakhs	1687	1984	1687	1324	960	598
13	Working Capital	Rs. Lakhs	11166	11463	11166	10803	10439	10077
14	Capital employed	Rs. Lakhs	14337	14635	14337	13974	13610	13248
15	10% of Capital Employed	Rs. Lakhs	1434	1463	1434	1397	1361	1325
16	Gross Profit as % of Capital employed	%	17.82	20.54	17.82	14.35	10.68	6.84
17	Net worth	Rs. Lakhs	14207	14504	14207	13844	13480	13118
18	Net profit as % of net worth	%	11.87	13.68	11.87	9.56	7.12	4.56
19	Gross Block	Rs. Lakhs	8881	8881	8881	8881	8881	8881
20	Added Value	Rs. Lakhs	1574	1994	1574	1060	545	33
21	Gross Margin as % of gross block	%	33.86%	38.93%	33.86%	27.67%	21.46%	15.29%
22	Gross Margin(PBDIT)/Manpower	Rs. Lakhs	1.50	1.73	1.50	1.23	0.95	0.68
23	Added Value as % of gross rev.	%	11.08%	13.38%	11.08%	7.86%	4.26%	0.27%
24	Gross Margin /Gross Revenue %	%	21.18%	23.19%	21.18%	18.22%	14.91%	11.25%
25	Operating Turnover / No. of Empl.	Rs. Lakhs	6.79	7.13	6.79	6.45	6.11	5.77
26	Turnover as of Working Capital	Ratio	1.27	1.30	1.27	1.25	1.22	1.20
27	Cost per meter	Rupees	3343	3254	3343	3475	3622	3787