

MEMORANDUM OF UNDERSTANDING

BETWEEN

HINDUSTAN COPPER LIMITED

AND

MINISTRY OF MINES

FOR

2005-2006

**MEMORANDUM OF UNDERSTANDING (MOU)
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The MOU has been structured in the following parts :

Part I : MISSION AND OBJECTIVES

Part II : EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

Part III : PERFORMANCE EVALUATION PARAMETERS AND TARGETS

Part IV : COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

Part V : ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

PART – I

MISSION & OBJECTIVES

1. MISSION

To do optimal utilization of natural resources for national benefit and to be an efficient and viable economic entity.

2. OBJECTIVES

- i) To develop the existing mines, acquire new mines if possible and increase mining production upto the existing optimum level of 3.3 million tonnes.
- ii) To ensure efficient operations of different plants and to improve productivity together with safety.
- iii) To increase sale and sales realisation.
- iv) To improve in the quality of manpower and to organise the employees into a motivated workforce.
- v) To enhance customer satisfaction through continuous endeavour to provide quality goods and services.
- vi) To ensure continued protection to environment and safe working conditions.

Part II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

No additional powers have been vested to HCL beyond that already stipulated in the Articles of Association of the Company.

PART-III

(A). PERFORMANCE EVALUATION PARAMETERS AND TARGETS

The physical and financial performance of HCL for 5 years is indicated in ANNEXURE- I. The performance indicators for 2005-2006 targets, and relative weights for each of the indicators for evaluation of the Company's performance during 2005-2006 are indicated below :

Sl. No.	Performance	Unit	B.E. 2004-2005	B.E 2005-2006 (Revised)	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
I.	Static Financial Parameters(50%) *									
(a)	Financial performance indicators									
i.	Gross Margin/ Gross Block	%	(5.80)	9.43	02	11.22	9.43	8.06	6.69	5.33
ii.	Net Profit/ Net Worth	%	(110.56)	3.05	10	8.29	3.05	(1.38)	(6.22)	(11.56)
iii.	Gross Profit/ Capital Employed	%	(44.05)	17.07	10	21.16	17.07	13.65	9.94	5.89
(b)	Financial indicators – Size									
i.	Gross Margin	Rs. crore	(42.61)	69.05	08	82.16	69.05	59.03	49.03	39.02
ii.	Gross Sales	Rs. crore	551.40	774.77	04	808.94	774.77	749.06	723.36	697.65
(c)	Financial returns – Labour Productivity and Total Factor productivity									
i.	PBDIT/Total Employment	Rs. Lac/ employee	(0.81)	1.11	07	1.35	1.11	0.93	0.75	0.57
ii.	Added Value/ Gross Sales	%	23.57	33.25	09	33.98	33.25	32.70	32.11	31.47

* Assumption for MOU 2005-06 :-

On the basis of Import Price of US\$ 2800 per tonne and exchange rate of 1 US\$ = Rs 44 and premium on Cathode and Wire Rod at the rate of US\$ 140 & 240 per tonne respectively. Further, calculations are based on 10% customs duty on different finished copper products.

BE 2005-06(Revised) is based on the same assumption as considered for MOU 2005-06

II. Dynamic Parameters (30%)										
Sl. No.	Performance	Unit	B.E. 2004-2005	B.E 2005-2006	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
i.	Quality									
	a) Net revert generation at KCC Smelter as % of new anode production	%			02	0	2	4	6	8
	b) Net revert generation at ICC Smelter as % of new anode production	%			02	0	2	4	6	8
	c) Acceptance % of CCR of TCP	%			01	95	85	80	75	70
ii.	Customers Satisfaction (To achieve complaint free quality standard)	%			03	100	95	90	85	80
iii.	HRD(Employee training & motivation)	No.			03	1140	1040	990	940	890
iv.	Injury Severity Rate (no. of mandays lost/ million men hours worked)	No.			03	630	680	700	730	780
v	Maintenance cost to net block of Plant and Machinery	%			04	2.0	2.5	3.0	3.5	4.5
vi	Inventory holding of stores & spares	Month's consumption			05	5	6	8	9	10
vi.	Average interest cost	%			04	10.50	10.75	11.00	12.00	13.00
vii	Precious metal (Gold & Silver) realisation	Rs in crore			03	33	30	28	26	24

SI. No.	Performance	Unit	B.E. 2004-2005	B.E. 2005-2006	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
III	Sector Specific (10%)									
(a)	Production Performance									
	Excavation at MCP	LM ³	29.5	31	02	33	31	29.5	28.0	26.5
	Ore Production	Million T	3.1	3.3	02	3.5	3.3	3.1	3.0	2.8
i)	Metal in concentrate	T	29500	31000	03	33000	31000	29500	28000	26500
ii)	Cathode Copper	T	37840	40000	03	41800	40000@	38650	37300	35950
IV	Enterprise – specific & Efficiency parameters (10%)									
a)	Power Consumption– Ore to concentrate at MCP	KWH/ T			01	17	19	20	21	22
b)	Oxygen Consumption – Per Ton of New Anode at KCC	NM ³			01	600	670	720	770	820
c)	Oxygen Consumption – Per Ton of New Anode at ICC	NM ³			01	420	470	520	570	620
d)	Fuel Consumption – Per Ton of New Anode at KCC Smelter	Lit.			01	600	650	680	710	740
e)	Fuel Consumption – Per Ton of New Anode at ICC Smelter	Lit.			01	450	500	530	560	590
f)	Yield at KCC Smelter – New Anode Prodn. per ton of fresh conc. Consumption	%			01	95	93	92	91	90
g)	Yield at ICC Smelter – New Anode Prodn. per ton of fresh conc. Consumption	%			01	95	93	92	91	90
h)	Power consumption per tonne of new anode at KCC Smelter	Kwh			01	720	780	830	880	930
i)	Power consumption per tonne of new anode at ICC Smelter	Kwh			01	1100	1200	1250	1300	1350
j)	Anode Scrap Generation At KCC and ICC Refinery – as % of cathode copper production	%			01	21	23	24	25	26

@ Based on 4 parcel (12000 MT of MIC) of imported concentrates

Part IV: COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

1. To facilitate the proposed transfer of Mosaboni and Rakha townships of HCL located in the east Singhbhum district of Jharkhand to the State Govt. of Jharkhand for which a proposal from the State Govt. has already been received.
2. To take up with the Ministry of Coal for securing linkages from Central Coalfields Ltd.(CCL) for HCL for procurement of 54000 MT coal middling/washed coal(power) for the ICC Plant at Ghatsila.
3. To approve the Financial Restructuring Package for revival of HCL which was approved by the Board of Directors of the company in its meeting held on 9.11.2004.
4. To provide additional fund of Rs.25 crore in order to enable the company to undertake extensive mine development work at KCC and MCP units in addition to Rs.40 crore plan fund for Replacement and Renewal(R & R).
5. To persuade the State Govt. of Madhya Pradesh to resolve the pending issues pertaining to :
 - i) Imposition of excess Govt. duty on power supplied to MCP.
 - ii) Exemption of MCP from payment of electricity duty on Captive Power Generation.
 - iii) Exemption of MCP from payment of export duty for movement of Concentrate out of the State.

Part V ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

HCL undertake to submit the quarterly reports on the various performance areas regularly. Board/Committee of Directors of the Company will review the progress of the MOU every month.

To ensure that MOU system is properly monitored in the DPE, the following three activities would be taken into consideration in draft MOU for the year 2005-06 :

- (i) Timely submission of Draft MOU for 2006-2007 after due discussion with Administrative Ministry/Department with the target date of 8th December,2005.
- (ii) Timely submission of Performance Evaluation Report (composite score) for the year 2004-2005 on the basis of the provisional data with the target date of April 30, 2005.
- (iii) Timely signing of MOU for the year 2005-06 with the target date of 31st March, 2005.

(M Samajpati)
Actg. Chairman-cum-MD
HINDUSTAN COPPER LIMITED

(C D Arha)
Secretary
MINISTRY OF MINES

ANNEXURE - I

**FIVE YEARS DATA FOR THE PERFORMANCE
INDICATORS INCLUDED IN MOU OF HCL**

Particulars	2004-2005 (Prov.)	2003-2004	2002- 2003	2001- 2002	2000- 2001
Metal in Concentrate (Tonnes)	28596	28306	30824	34282	34087
Refined Copper (Cathode)(Tonnes)	23857	30598	36575	40218	42245
Gross Margin (Rs.in Crore)	121.92	33.73	(62.71)	(57.61)	15.30
Net Profit/(Loss) (Rs.in Crore)	51.58	(56.16)	(147.70)	(184.04)	(105.80)
LME Average(US \$)	2920.75	2045.93	1586.12	1526.52	1805.78
Customs Duty on CCRod(including surcharge)(%)	20(upto 8 th July'04) 15(9 th July'04 onwards)	i) 25+4(upto 8 th Jan.04 ii) 20(9 th Jan'04 onwards)	25	35	38.50

Annexure – IV

CAPACITIES AND 2005 – 06 BE TARGETS

Parameter	Capacity	2005-06 BE
MCP Excavation(M3)	Not Applicable	31.0 Lakh/annum

Mines

Ore Production(MT)

Khetri Mine	4.0 Lakh/annum	4.0 Lakh/annum
Kolihan Mine	6.0 Lakh/annum	5.0 Lakh/annum
MCP	20.0 Lakh/annum	24.0 Lakh/annum
Total :	30.0 Lakh/annum	33.0 Lakh/annum

Concentrator

Ore Milling (MT)

Khetri	18.15 Lakh/annum	9.0 Lakh/annum
MCP	20.00 Lakh/annum	24.0 Lakh/annum
Total :	38.15 Lakh/annum	33.0 Lakh/annum

Metal in Concentrate (MT)

Khetri	Not Applicable	9000/annum
MCP	Not Applicable	22000/annum
Total :	Not Applicable	31000/annum

Smelter & Refinery

Cathode(MT)

KCC	31,000/annum	25000/annum
ICC	16,500/annum	15000/annum
Total :	47,500/annum	40000/annum*

Wire Rod

TCP	60,000/annum	36800/annum
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* Based on 4 parcel of imported concentrate