

MEMORANDUM OF UNDERSTANDING

BETWEEN

HINDUSTAN COPPER LIMITED

AND

MINISTRY OF MINES

FOR

2008-2009

**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

Overall sustainable development and utilization of available mineral resources for the national benefit and to be an efficient and viable corporate entity.

2. OBJECTIVES

- i) To develop available mine deposits, maximise utilization of existing mines and acquire new mines
- ii) To ensure efficient and safe operations of mines and plants.
- iii) To improve the product mix including downstream products for value addition.
- iv) To widen the customer base by maximising sale and sales realisation.
- v) Systematic development of human resources in order to achieve competent, capable and motivated work force.
- vi) To enhance customer satisfaction by providing quality products and services.
- vii) To ensure continued protection and preservation of the natural environment.
- viii) Reopening of closed mines.
- ix) Opening of new mines.

Part II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

No additional powers have been vested with HCL beyond what is already stipulated in the Articles of Association of the Company.

PART-III

PERFORMANCE EVALUATION PARAMETERS AND TARGETS

The physical and financial performance of HCL for 5 years is indicated in Appendix- I. The performance indicators for 2008-2009 targets, and relative weights for each of the indicators for evaluation of the Company's performance during 2008-2009 are indicated below:

Sl. No.	Performance	Unit	B.E. 2008-2009	B.E. 2007-2008	Weight	Performance Rating MOU 2008-09				
						Excellent 1	Very Good 2	Good 3	Average 4	Poor 5
I.	Static Financial Parameters (50%) *									
(a)	Financial performance indicators									
i.	Gross Margin/ Gross Block	%	35.35%	30.27%	02	37.28%	35.35%	33.67%	32.06%	30.54%
ii.	Net Profit/ Net Worth	%	17.98%	22.81%	10	18.92%	17.98%	17.17%	16.38%	15.62%
iii.	Gross Profit/ Capital Employed	%	30.98%	34.20%	10	32.43%	30.98%	29.67%	28.41%	27.18%
(b)	Financial indicators – Size									
i.	Gross Margin	Rs. crore	275.00	232.72	08	290.00	275.00	261.89	249.42	237.54
ii.	Gross Sales	Rs. crore	1491.00	1316.99	04	1580.00	1491.00	1408.51	1329.77	1254.02
(c)	Financial returns – Labour Productivity and Total Factor Productivity									
i.	PBDIT/Total Employment	Rs. Lac/ employee	5.02	4.22	07	5.30	5.02	4.78	4.55	4.33
ii.	Added Value/ Gross Sales	%	38.78%	37.05%	09	39.12%	38.78%	38.62%	38.40%	38.27%

* Assumptions for MOU 2008-09:-

On the basis of LME Price of US \$ 6250 per tonne and exchange rate of 1 US\$ = Rs 39.50. Further, calculations are based on 5% customs duty on different finished copper products.

II. Dynamic Parameters (30%)										
Sl. No.	Performance	Unit	B.E. 2007-2008	B.E 2008-2009	Wei-ght	Performance Rating				
						Exce-llent	Very Good	Good	Aver-Age	Poor
i.	Quality									
	a) Net revert generation at KCC Smelter as % of new anode production	%			01	1.50	2	4	6	8
	b) Net revert generation at ICC Smelter as % of new anode production	%			01	0.48	0.5	0.53	0.55	0.58
	c) Acceptance % of CCR of TCP	%			01	94	90	86	82	78
ii.	Customers Satisfaction (To achieve complaint free quality standard)	%			01	100	95	90	85	80
iii.	a) HRD(Employee training & motivation)	Man-days			01	5500	5225	4964	4716	4480
	b) Proper Mannning of Mine Planning and Exploration Cell	Month			01	Aug'08	Sep'08	Oct'08	Nov'08	Dec'08
iv.	Injury Severity Rate (no. of man days lost/ million men hours worked)	No.			03	100	150	200	250	300
v.	Inventory holding of stores & spares	Mon-th's consumption	6	6	03	5	6	7	8	9
vi.	LME Registration :	Month								
a)	Completion of preliminary testing of HCL Cathodes	Month			01	April 08	May 08	June 08	July 08	Aug 08
b)	Start final testing of Cathodes	Month			01	July 08	Aug 08	Sept 08	Oct 08	Nov 08
c)	Completion of final testing and LME approval	Month			01	Feb 09	March 09			
vii.	Project Implementation :	Month			15					
a)	Commencement of Mine Construction activity at Banwas	Month			02	Nov 08	Dec 08	Jan 09	Feb 09	March 09
b)	Start Production from -60 metre level at KCC Mine	Month			04	Feb 09	March 09	-	-	-
c)	To start 7 days working at Khetri & Kolihan Mines	Month			02	July 08	Aug 08	Sept 08	Oct 08	Nov 08
d)	Completion of pre-project activities of TTD at KCC	Month			01	May 08	June 08	July 08	Aug 08	Sept 08
e)	Completion of ERP Implementation project	Month			01	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
f)	Completion of Water Resource Management Study at KCC	Month			01	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08
g)	Fuel Gas storage facility at T C P	Month			01	June'08	July 08	Aug 08	Sept 08	Oct 08
h)	Obtain Reconnaissance Permit (RP) in Haryana & Madhya Pradesh	Month			02	Jan'09	Feb'09	Mar'09	-	-
i)	Expenditure towards adoption of villages under Corporate Social Responsibility (CSR)	Rs Lakh			01	100 lakh by Feb'09	80 lakh by Mar'09	-	-	-

Sl. No.	Performance	Unit	B.E. 2007-2008	B.E. 2008-2009	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
III	Sector Specific (10%)									
	Production Performance									
a)	Excavation at MCP	LM ³			03	36.50	35.00	33.0	31.0	29.0
b)	Ore Production	Lakh T			02	36.50	34.5	33.0	31.0	30.0
c)	Metal in concentrate	T	31000	34400	03	36200	34400	32600	31000	29400
d)	Cathode Copper	T	40000	45000	02	47500	45000	42750	40600	38500
IV	Enterprise – specific & Efficiency parameters (10%)									
a)	Power Consumption– Ore to concentrate at MCP	KWH/T			01	17.5	19.5	20.5	21.5	22.5
b)	Oxygen Consumption – Per Ton of New Anode at KCC	NM ³			01	640	650	685	720	760
c)	Oxygen Consumption – Per Ton of New Anode at ICC	NM ³			01	385	400	420	445	465
d)	Fuel Consumption – Per Ton of New Anode at KCC Smelter	Lit.			01	630	670	705	745	780
e)	Fuel Consumption – Per Ton of New Anode at ICC Smelter	Lit.			01	395	440	460	480	500
f)	Yield at KCC Smelter – New Anode Prod. per ton of fresh conc. Consumption	%			01	95	93	92.5	92	91.5
g)	Yield at ICC Smelter – New Anode Prod. per ton of fresh conc. Consumption	%			01	95	93	92.5	92	91.5
h)	Power consumption per tonne of new anode at KCC Smelter	Kwh			01	810	900	945	990	1040
i)	Power consumption per tonne of new anode at ICC Smelter	Kwh			01	1050	1100	1150	1200	1250
j)	Anode Scrap Generation At KCC and ICC Refinery – as % of cathode copper production	%			01	20	22	23	24	25

Part IV: COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

1. To facilitate grant of mining lease of Chapri Sideshwar block for which Company has already submitted an application to the Government of Jharkhand.
2. Reserving of different mining/prospecting areas for HCL in the states of Jharkhand, Madhya Pradesh, Rajasthan and Haryana for which applications have already been submitted to Govt. of India, Ministry of Mines.
3. To approve Company's proposal for long-term leasing of 1072 vacant quarters at its Khetri unit.
4. 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 export duty for movement of concentrate out of the state.
5. For ensuring the supply of natural gas to Taloja Copper Project (TCP), the matter may be suitably taken up with the Ministry of Petroleum and Natural Gas for :
 - i) Enhancing the daily contracted quantity of gas from 8000 SM³ to 12000 SM³ to meet production targets.
 - ii) To classify HCL under "no cut" category. If, however, the same is not possible HCL may be categorised as 'Priority Sector'.

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 activities would be taken into consideration in MOU for the year 2008-09:

- (i) Timely submission of Draft MOU for 2009-2010 after due discussion with Administrative Ministry/ Department with the target date of 30th November, 2008.
- (ii) Timely signing of MOU for the year 2008-2009 with the target date of 31st March, 2008.

- (iii) Timely submission of Performance Evaluation Report (composite score) for the year 2007-08 on the basis of Audited data along with the Audited Accounts, Balance Sheet and Profit and Loss Account for the year 2007-08 with target date of 31st August, 2008.
- (iv) The data for compilation of Public Enterprise Survey 2007-08 including flash results for the six months ending 30th September, 2008 should be submitted timely within the target date of 15th October, 2008.
- (v) Posting of the audited accounts for the year 2007-08 in the website of PSE & submission of annual report of 2007-08 by 31st August 2008 to enable the timely preparation of PE survey 2007-08.

(Satish C. Gupta)
Chairman-cum- MD
HINDUSTAN COPPER LIMITED

(J.P. Singh)
Secretary
MINISTRY OF MINES

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

Particulars	2007-2008 Estimated	2006-07	2005-06	2004-05	2003-04
Metal In Concentrate (Tonnes)	32000	30231	22984	28926	28306
Refined Copper (Cathodes)(Tonnes)	43500	39785	36087	24186	30598
Gross Margin (Rs. in Crores)	383.72*	459.94	161.87	127.79	33.73
Net Profit/(Loss) (PAT) (Rs. in Crores)	244.28	313.94	105.88	55.98	(56.16)
LME Average (US\$)	7474	6970	4096.91	3000.18	2045.93
Customs Duty (%)	5%	5%	10%/7.5%	20/15/10%	25/20%
US \$ to Rupee exchange rate	40.52	45.50	44.48	45.12	46.14

* Gross margin has been affected due to stronger Rupee

Appendix II

CAPACITIES AND 2008-09 BE TARGETS

Parameter	Capacity	2008-09 MOU (Very Good)
MCP Excavation (M ³)	Not Applicable	35.0 Lakh/annum

Mines

Ore Production (MT)

Khetri Mine	4.0 Lakh/annum	5.00 Lakh/annum
Kolihan Mine	6.0 Lakh/annum	6.50 Lakh/annum
MCP	20.0 Lakh/annum	23.00 Lakh/annum
Total :	30.0 Lakh/annum	34.50 Lakh/annum

Concentrator

Ore Milling (MT)

Khetri	18.15 Lakh/annum	11.50 Lakh/annum
MCP	20.00 Lakh/annum	23.00 Lakh/annum
Total:	38.15 Lakh/annum	34.50 Lakh/annum

Metal in Concentrate (MT)

Khetri	Not Applicable	10900 /annum
MCP	Not Applicable	23500 /annum
Total:	Not Applicable	34400 /annum

Smelter & Refinery

Cathode (MT)

KCC	31,000/annum	29500 / annum
ICC	16,500/annum	15500 / annum
Total:	47,500/annum	45000 / annum

Wire Rod (MT)

TCP	60,000/annum	54,000 / annum
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