

MEMORANDUM OF UNDERSTANDING

BETWEEN

HINDUSTAN COPPER LIMITED

AND

MINISTRY OF MINES

FOR

2007-2008

**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

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.

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 2007-2008 targets, and relative weights for each of the indicators for evaluation of the Company's performance during 2007-2008 are indicated below:

Sl. No.	Performance	Unit	B.E. 2006-2007	B.E. 2007-2008	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
I.	Static Financial Parameters (50%) *									
(a)	Financial performance indicators									
i.	Gross Margin/ Gross Block	%	15.02	30.27	02	35.79	30.27	25.05	19.86	14.49
ii.	Net Profit/ Net Worth	%	16.31	22.81	10	26.60	22.81	18.86	14.50	9.47
iii.	Gross Profit/ Capital Employed	%	24.60	34.20	10	38.79	34.20	29.30	23.78	17.25
(b)	Financial indicators – Size									
i.	Gross Margin	Rs. crore	112.27	232.72	08	275.17	232.72	192.57	152.69	111.41
ii.	Gross Sales	Rs. crore	870.63	1316.99	04	1383.26	1316.99	1251.14	1185.35	1119.59
(c)	Financial returns – Labour Productivity and Total Factor Productivity									
i.	PBDIT/Total Employment	Rs. Lac/ employee	1.96	4.22	07	5.0	4.22	3.49	2.75	2.0
ii.	Added Value/ Gross Sales	%	37.92	37.05	09	38.70	37.05	35.27	33.31	31.0

* Assumptions for MOU 2007-08:-

On the basis of LME Price of US \$ 5587 per tonne and exchange rate of 1 US\$ = Rs 44.50. Further, calculations are based on 5% customs duty on different finished copper products.

II. Dynamic Parameters (30%)										
Sl. No.	Performance	Unit	B.E. 2006-2007	B.E 2007-2008	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 b) Net revert generation at ICC Smelter as % of new anode production c) Acceptance % of CCR of TCP	%			01	1.50	2	4	6	8
		%			01	0	0.5	0.53	0.55	0.58
		%			01	94	90	86	82	78
ii.	Customers Satisfaction (To achieve complaint free quality standard)	%			01	100	95	90	85	80
iii.	HRD(Employee training & motivation)	Man-days			02	5500	5225	4964	4716	4480
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.	Obtain LME registration	Month			06	Jan'08	March '08			
Vii	Project Implementation :	Month			12					
(a)	Start production from the reopened Surda mine	Month			7	Feb'08	March' 08			
(b)	ERP – Software selection and appointment of System integrator	Month			2	Aug'07	Sept'07	Oct'07	Nov'07	Dec'07
(c)	Completion of Environmental Audit	Month			1	Oct 07	Dec'07	Jan'08	Feb'08	March' 08
(d)	Appointment of Consultant for the feasibility report of Thickened Tailing Disposal (TTD) system at KCC	Month			1	Aug'07	Sept'07	Oct'07	Nov'07	Dec'07
(e)	Submission and evaluation of Feasibility Study for exploiting Banwas deposit at KCC	Month			1	Dec'07	Jan'08	Feb'08	March' 08	

Sl. No.	Performance	Unit	B.E. 2006-2007	B.E. 2007-2008	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
III	Sector Specific (10%)									
	Production Performance									
a)	Excavation at MCP	LM ³			03	35.00	33.00	31.0	29.0	27.0
b)	Ore Production	Million T			02	3.37	3.20	3.04	2.88	2.74
c)	Metal in concentrate	T	32000	31000	03	32464	31000	29500	28000	26600
d)	Cathode Copper	T	42000	40000	02	42028	40000	38000	36000	34000
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	675	750	785	825	865
c)	Oxygen Consumption – Per Ton of New Anode at ICC	NM ³			01	385	425	445	465	490
d)	Fuel Consumption – Per Ton of New Anode at KCC Smelter	Lit.			01	630	700	730	760	800
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	21	23	24	25	26

Part IV: COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

1. To facilitate competent authority's approval of Company's "Restructuring proposal" submitted to the BRPSE for strengthening the Company on a long term basis.
2. To facilitate grant of mining lease of Chapri Sideshwar block for which Company has already submitted an application to the Government of Jharkhand.
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.

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 2007-08:

- (i) Timely submission of Draft MOU for 2008-2009 after due discussion with Administrative Ministry/ Department with the target date of 30th November, 2007.
- (ii) Timely submission of Performance Evaluation Report (composite score) for the year 2006-2007 on the basis of the provisional data with adjustments, if any, through administrative Ministries/Departments with proper justification by target date of 30th April, 2007.
- (iii) Timely signing of MOU for the year 2007-08 with the target date of 31st March, 2007.
- (iv) Timely submission of Performance Evaluation Report (composite score) for the year 2006-07 on the basis of Audited data with target date of 31st August 2007.

- (v) The data for compilation of Public Enterprise Survey 2006-07 including flash results for the six months ending 30th September, 2007 should be submitted timely by the PSEs with the target date of 15th October, 2007.
- (vi) Posting of the audited accounts for the year 2006-07 in the website of PSE & submission of annual report of 2006-07 by 31st August 2007 to enable the timely preparation of PE survey 2006-07

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

(J.P. Singh)
Secretary
MINISTRY OF MINES

Annexure III

CAPACITIES AND 2007-08 BE TARGETS

Parameter	Capacity	2007-08 MOU (Very Good)
MCP Excavation (M ³)	Not Applicable	33.0 Lakh/annum

Mines

Ore Production (MT)

Khetri Mine	4.0 Lakh/annum	4.80 Lakh/annum
Kolihan Mine	6.0 Lakh/annum	5.70 Lakh/annum
MCP	20.0 Lakh/annum	21.50 Lakh/annum
Total :	30.0 Lakh/annum	32.00 Lakh/annum

Concentrator

Ore Milling (MT)

Khetri	18.15 Lakh/annum	10.50 Lakh/annum
MCP	20.00 Lakh/annum	21.50 Lakh/annum
Total:	38.15 Lakh/annum	32.00 Lakh/annum

Metal in Concentrate (MT)

Khetri	Not Applicable	10,000 /annum
MCP	Not Applicable	21,000 /annum
Total:	Not Applicable	31,000 /annum

Smelter & Refinery

Cathode (MT)

KCC	31,000/annum	25,000 / annum
ICC	16,500/annum	15,000 / annum
Total:	47,500/annum	40000 / annum

Wire Rod (MT)

TCP	60,000/annum	37,800 / annum
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