

MEMORANDUM OF UNDERSTANDING

BETWEEN

HINDUSTAN COPPER LIMITED

AND

MINISTRY OF MINES

FOR

2009-2010

**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

Pursuant to the award of 'Miniratna, Category 1' status of HCL, the Board of HCL has been provided with enhanced power as per the scheme applicable to 'Miniratna, Category 1' PSU.

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 2009-2010 targets, and relative weights for each of the indicators for evaluation of the Company's performance during 2009-2010 are indicated below:

Sl. No.	Performance	Unit	B.E. 2009-2010	B.E. 2008-2009	Weight	Performance Rating MOU 2009-10				
						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	%	5.21%	35.35%	02	7.47%	5.21%	3.01%	0.84%	-1.05%
ii.	Net Profit/ Net Worth	%	1.20%	17.98%	10	2.88%	1.20%	-0.76%	-3.43%	-5.85%
iii.	Gross Profit/ Capital Employed	%	4.91%	30.98%	10	9.50%	4.91%	0.15%	-4.98%	-9.86%
(b)	Financial indicators – Size									
i.	Gross Margin	Rs. crore	38.97	275.00	08	55.88	38.97	22.51	6.24	(7.84)
ii.	Gross Sales	Rs. crore	1245.27	1491.00	04	1308.49	1245.27	1182.80	1122.59	1067.23
(c)	Financial returns – Labour Productivity and Total Factor Productivity									
i.	PBDIT/Total Employment	Rs. Lac/ employ ee	0.68	5.02	07	0.99	0.68	0.38	0.08	(0.17)
ii.	Added Value/ Gross Sales	%	30.24%	38.78%	09	30.59%	30.24%	29.87%	29.42%	29.10%

* Assumptions for MOU 2009-10-

On the basis of LME Price of US \$ 3800 per tonne and exchange rate of 1 US\$ = Rs48. Further, calculations are based on 5% customs duty on different finished copper products.

II. Dynamic Parameters (30%)										
Sl. No.	Performance	Unit	B.E. 2008-2009	B.E. 2009-2010	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
i.	Quality a) Net revert generation at ICC Smelter as % of new anode production b) Acceptance % of CCR of TCP	%	0.50	0.50	02	0.45	0.50	0.53	0.55	0.58
		%	90	97	01	98	97	95	93	90
ii.	Customers Satisfaction (To achieve complaint free quality standard)	%	95	97	01	100	99	94	91	88
iii.	HRD(Employee training & motivation)	Man-days	5225	5225	01	5500	5225	4964	4716	4480
iv.	Injury Severity Rate (no. of man days lost/ million men hours worked)	No.	150	150	03	100	150	200	250	300
v.	Inventory holding of stores & spares	Month's consumption	6	5	04	4	5	7	8	9
vi.	Project Implementation :	Month								
a)	Completion of 2 nd ore pass at Khetri mine	Month	-	Jan. 10	01	Dec. 09	Jan.10	Feb.10	Mar.10	
b)	32 KM U/G mine development work in Khetri and Kolihan mines at KCC- Commencement of work by contractual agency.	Month	-	May 09	04	April 09	May 09	June09	July09	Aug09
c)	MCP open pit redesign- 320 LBCM(Lakh Bank Cubic Metre) excavation contract at MCP- Commencement of work by contractual agency	Month	-	Sept. 09	03	Aug.09	Sept. 09	Oct. 09	Nov.09	Dec09
d)	Awarding of contract for restarting of operation at Kendadih mine.	Month	-	Nov. 09	03	Oct.09	Nov.09	Dec.09	Jan.10	Feb.10
e)	Commissioning of ceramic vacuum filter at concentrator	Month	-	Oct. 09	02	Sep.09	Oct.09	Nov.09	Dec.09	Jan.10
f)	Commissioning of 19 mm dia rod plant at TCP	Month	-	Mar. 10	02	Feb.10	March 10	-	-	-
g)	Amount spent on Corporate Social Responsibility(CSR)	Rs lakh		Rs 40 lakh by Jan 10	02	Rs 50 lakh by Dec 09	Rs 40 lakh by Jan 10	Rs 35lakh by Feb 10	Rs 30lakh by Mar10	-
h)	Installation of one lakh Ton Pilot Plant for bio-heap leaching at MCP.	Month	-	Dec 09	01	Sept 09	Dec 09	Jan 10	Feb 10	Mar 10

Sl. No.	Performance	Unit	B.E. 2008-2009	B.E 2009-2010	Weight	Performance Rating				
						Excellent	Very Good	Good	Average	Poor
III	Sector Specific (10%)									
	Production Performance									
a)	Excavation at MCP	LM ³	35.00	78.00	03	82.0	78.0	74.0	70.0	66.0
b)	Ore Production	Lakh T	34.50	36.00	03	38.00	36.00	34.00	32.50	31.00
c)	Metal in concentrate	T	34400	35,000	03	36750	35000	33250	31500	30,000
d)	Cathode Copper	T	45000	18500	01	19500	18500	17600	16700	15900
IV	Enterprise – specific & Efficiency parameters (10%)									
a)	Power Consumption– Ore to concentrate at MCP	KWH/T	19.50	19.00	01	17.5	19.0	20.5	21.5	22.5
b)	Power consumption at Khetri mine	KWH/T	-	24	01	22	24	25	26	27
c)	Power consumption at Kolihan mine	KWH/T	-	18.50	01	17.00	18.50	20	21	22
d)	Recovery of concentrator at KCC	%	-	91.5	01	92.00	91.50	90.50	90.0	89.50
e)	Recovery of concentrator at MCP	%	-	93.5	01	94.00	93.50	92.50	92.00	91.50
f)	Fuel Consumption – Per Ton of New Anode at ICC Smelter	Lit.	440	440	01	395	440	460	480	500
g)	Power consumption per tonne of cathode at ICC refinery	KWH/T	-	320	01	300	320	330	340	350
h)	Yield at ICC Smelter – New Anode Prodn. per ton of fresh conc. Consumption	%	93	93	01	95	93	92.5	92	91.5
i)	Power consumption per tonne of new anode at ICC Smelter	Kwh	1100	1100	01	1045	1100	1150	1200	1250
j)	Anode Scrap Generation at ICC Refinery – as % of cathode copper production	%	22	21	01	19.50	21	23	24	25

Part IV: COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

1. Reserving the areas (not notified yet by the State Govt. in Madhya Pradesh, Rajasthan & Haryana) for HCL for ML/PL/RP for which applications have been submitted to MOM, New Delhi.
2. To facilitate by requesting the concerned State Govt. for grant of PL/ML & RP for the areas notified by them and for which applications have already been submitted by HCL to the respective State Governments.
3. To facilitate getting the mining lease for Kendadih Mine and to execute the mining lease deed already granted by State Govt. for Rakha Mine, lying with the Govt. of Jharkhand.

(These two mining leases will enable HCL to possess the area of Chapri & Sideshwar required for the new Chapri-Sideshwar Mine).
4. To decide on Company's proposal for long-term leasing of 1072 vacant quarters at its Khetri unit in a time bound manner.
5. To take up at appropriate high levels with Government of Jharkhand so that the State administration assists HCL's Ghatsila unit for disconnecting power connection to about 800 unauthorised occupants in Company's township.

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 2009-10:

- (i) Timely submission of Draft MOU for 2010-2011 after due discussion with Administrative Ministry/ Department with the target date of 31st December, 2009.
- (ii) Timely signing of MOU for the year 2009-2010 with the target date of 31st March, 2009.
- (iii) Timely submission of Performance Evaluation Report (composite score) for the year 2008-09 on the basis of Audited data along with the Audited Accounts, Balance Sheet and Profit and Loss Account for the year 2008-09 with target date of 31st August, 2009.

- (iv) The data for compilation of Public Enterprise Survey 2008-09 including flash results for the six months ending 30th September, 2009 should be submitted timely within the target date of 15th October, 2009.
- (v) Posting of the audited accounts for the year 2008-09 in the website of PSE & submission of annual report of 2008-09 by 31st August 2009 to enable the timely preparation of PE survey 2008-09.

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

(Santha Sheela Nair)
Secretary
MINISTRY OF MINES

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

Particulars	2008-09 Estimated	2007-08	2006-07	2005-06	2004-05
Metal In Concentrate (Tonnes)	27414	31378	30231	22984	28926
Refined Copper (Cathodes)(Tonnes)	29970	44734	39785	36087	24186
Gross Margin (Rs. in Crores)	(40.87)	392.90	459.94	161.87	127.79
Net Profit/(Loss) (PAT) (Rs. in Crores)	(72.94)	246.46	313.94	105.88	55.98
LME Average (US\$)	5831	7584	6970	4097	3000
Customs Duty (%)	5%	5%	7.5%/5%	10%/7.5%	20/15/10%
US \$ to Rupee exchange rate	46.16	40.54	45.50	44.48	45.12

Appendix II

CAPACITIES AND 2009-10 BE TARGETS

Parameter	Capacity	2009-10 MOU (Very Good)	
MCP Excavation (M ³)	Not Applicable	78.0	Lakh/annum

Mines

Ore Production (MT)

Khetri Mine	4.0 Lakh/annum	6.00	Lakh/annum
Kolihan Mine	6.0 Lakh/annum	6.70	Lakh/annum
MCP	20.0 Lakh/annum	19.10	Lakh/annum
Surda Mine	4.0 Lakh/annum	4.20	Lakh/annum
Total:	34.0 Lakh/annum	36.00	Lakh/annum

Concentrator

Ore Milling (MT)

Khetri	18.15 Lakh/annum	12.70	Lakh/annum
MCP	20.00 Lakh/annum	19.10	Lakh/annum
Surda	4.00 Lakh/annum	4.20	Lakh/annum
Total:	42.15 Lakh/annum	36.00	Lakh/annum

Metal in Concentrate (MT)

Khetri	Not Applicable	11500 /annum
MCP	Not Applicable	19500 /annum
Surda	Not Applicable	4000/annum
Total:	Not Applicable	35000 /annum

Smelter & Refinery

Cathode (MT)

KCC	31,000/annum	NIL*
ICC	18,500/annum	18500 / annum
Total:	49,500/annum	18500 / annum

Wire Rod (MT)

TCP	60,000/annum	57,000 / annum
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* Due to the recent economic meltdown, there has been a drastic fall in LME Copper price which is presently in the range of US \$ 3000/MT. Running both the smelters of HCL at KCC and ICC at this LME Copper price and present treatment and refining charges (TCRC) would not be viable with importation of concentrate. HCL has made the business model of operating ICC smelter at full capacity and temporary shutdown of KCC smelter and sale of surplus concentrate after meeting the requirements of ICC. Hence, Cathode production target has been kept at 18500 MT.