

MEMORANDUM OF UNDERSTANDING

BETWEEN

**THE NATIONAL SMALL INDUSTRIES
CORPORATION LIMITED**

AND

**MINISTRY OF MICRO, SMALL AND MEDIUM
ENTERPRISES**

GOVERNMENT OF INDIA

FOR THE YEAR 2013-14

MOU OF NSIC FOR 2013-2014

1. MISSION / VISION AND OBJECTIVES OF NSIC LTD.

1.1 VISION

To be a premier organisation fostering the growth of Micro, Small and Medium Enterprises (MSMEs) sector.

1.2 MISSION

To promote and support Micro, Small and Medium Enterprises (MSMEs) sector by providing integrated support services under Marketing, Technology, Finance and other services.

1.3. OBJECTIVES

- 1.3.1 To promote establishment and sustenance of new & existing Micro, Small and Medium Enterprises.
- 1.3.2 To provide opportunities and support for marketing products and services of Micro, Small and Medium Enterprises encompassing Vendor Development, Infrastructure Facilities, Capacity Building and Export of Products & Projects.
- 1.3.3 To facilitate identification, acquisition and upgradation of technologies of the Micro, Small and Medium Enterprises.
- 1.3.4 To provide training (Technical and Professional) for skill upgradation and enterprise building in Micro, Small and Medium Enterprises.
- 1.3.5 To provide common facilities for Micro, Small and Medium Enterprises at various Technical Services Centres.
- 1.3.6 To facilitate credit support to Micro, Small and Medium Enterprises for Capital Equipments, Raw Materials and Marketing.
- 1.3.7 To facilitate international partnerships and alliances between the Indian and foreign Micro, Small and Medium Enterprises for Business Development, Technology Exchange and Joint Ventures.

2. EXCERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

As applicable to MoU signing companies.

Part-3

S.No.	Evaluation Criteria	Unit	Weight (in%)	B.E. 2013-14	MOU Target					Criteria for verification of financial and Non-Financial parameters/target
					Excellent	Very Good	Good	Fair	Poor	
	PERFORMANCE EVALUATION PARAMETERS :									
I	<u>STATIC /FINANCIAL PARAMETERS</u>									
1)	<u>Financial indicators- profit related ratios</u>									
i)	Gross Margin / Gross Sales	%	10.00	17.74	18.60	18.18	17.74	17.25	16.73	Based on the audited Balance Sheet.
ii)	Operating Turnover / Employees	Rs.Lac	12.00	130.54	140.39	135.47	130.54	125.62	120.69	Based on the audited Balance Sheet.
2)	<u>Financial Indicators - Size related</u>									
i)	Gross Margin	Rs.crore	8.00	235	265	250	235	220	205	Based on the audited Balance Sheet.
ii)	Gross Sales	Rs.crore	4.00	1325	1425	1375	1325	1275	1225	Based on the audited Balance Sheet.
3)	<u>Financial Returns - Productivity related</u>									
i)	PBDIT/Total employment	Rs.Lac	7.00	23.15	26.11	24.63	23.15	21.67	20.20	Based on the audited Balance Sheet.
ii)	Added Value / Sales	%	9.00	1.13	1.25	1.19	1.13	1.07	1.01	Based on the audited Balance Sheet.
	Sub-Total		50.00							

S.No.	Evaluation Criteria	Unit	Weight (in%)	B.E. 2013-14	MOU Target					Criteria for verification of financial and Non-Financial parameters/target
					Excellent	Very Good	Good	Fair	Poor	
II	<u>DYNAMIC PARAMETERS</u>									
4)	Human Resource Management (as per annexure -A attached)		5.00							As per annexure -A
5)	Research & Development i) Study to assess Impact of Chinese imports on MSMEs in Bicycle parts Industry & Toy Industry and to suggest remedial measures for corrective action	Period	1.00	Feb,14	Dec,13	Jan,14	Feb,14	Mar,14	-	Copy of the Study Report
	ii) Technology Gap assessment in Packaging techniques in MSME sector and to suggest remedial measures for corrective action	Period	1.00	Feb,14	Dec,13	Jan,14	Feb,14	Mar,14	-	Certificate of compliance from Head of Technology Division.
	iii) Upgradation of testing facilities in line with NABL requirement at NTSC Okhla-	Period	0.50	Feb,14	Dec,13	Jan,14	Feb,14	Mar,14	-	Certificate of compliance from Head of Technology Division.
	iv) Expenditure on R&D	% of PAT	2.50	0.40	0.50	0.45	0.40	0.35	0.30	Based on the Annual Report.
6)	Corporate Social Responsibility & Sustainability. (as per annexure -B attached)		8.00							As per annexure -B
III	<u>SECTOR / ENTERPRISE SPECIFIC PARAMETERS</u>									
7)	Credit support / facilitation to MSMEs	Rs. crore	5.00	4250	4750	4500	4250	4000	3750	Based on the Annual Report.
8)	Raw Material Distribution	Rs. crore	5.00	13000	15000	14000	13000	12000	11000	Based on the Annual Report.
9)	Customer Satisfaction - Single Point Registration Scheme (through outside agency based on the feedback of 200 clients on the scale of 10)	%	2.00	8.00	9.00	8.50	8.00	7.50	7.00	A copy of the Report will be submitted at the time of the evaluation of MoU.

S.No.	Evaluation Criteria	Unit	Weight (in%)	B.E. 2013-14	MOU Target					Criteria for verification of financial and Non-Financial parameters/target
					Excellent	Very Good	Good	Fair	Poor	
10)	Facilitating MSMEs to participate in Exhibitions									
	- In Domestic Exhibitions	Nos.	2.00	800	1000	900	800	700	600	NSIC has a monthly MIS system wherein achievement under all category are compiled at Head Office. A statement duly certified by the Head of Business Development Division at Head office shall be submitted.
	- In International Exhibitions	Nos.	2.00	130	150	140	130	120	100	
11)	Exhibition (organized / participated) for Marketing of products of MSMEs									
	- In North Eastern Region	Nos.	1.00	4	6	5	4	3	2	NSIC has a monthly MIS system wherein achievement under all category are compiled at Head Office. A statement duly certified by the Head of Business Development Division at Head office shall be submitted.
	- In Other areas	Nos.	1.00	100	120	110	100	90	80	
12)	Assistance to the candidates / entrepreneurs in:									
	- Women category	Nos.	2.00	9500	10500	10000	9500	9000	8500	NSIC has a monthly MIS system wherein achievement under all category are compiled at Head Office. A statement duly certified by the Head of Business Development Division at Head office shall be submitted.
	- Scheduled Castes category	Nos.	2.00	5000	5500	5250	5000	4750	4500	
	- Scheduled Tribes category (In tribal areas)	Nos.	2.00	3250	4000	3750	3250	2750	2500	
	- Other Backward Class category	Nos.	2.00	6000	6500	6250	6000	5750	5500	
	- Minority Communities	Nos.	2.00	3750	4500	4250	3750	3250	3000	
13)	Membership under NSIC's e-marketing Portal	Nos.	2.00	4000	5000	4500	4000	3500	3000	Certificate from Head of the TISDC Division ,Head Office
14)	For Disposal of old stuck dues of NSIC, offers from ARCs to be obtained and placed before the Board for implementation	Period	1.00	Jan'14	Jan'14	Feb'14	Mar'14	-	-	Copy of the Agenda Note
15)	Study and report on optaining innovative loans for NSIC for credit facilitation	Period	1.00	Jan'14	Jan'14	Feb'14	Mar'14	-	-	Finding of the study by NSIC
	Sub-Total		50.00							
	TOTAL		100.00							

4. ASSISTANCE FROM THE GOVERNMENT OF INDIA

NSIC would continue to implement approved 'Plan-Schemes' of the Ministry of MSME.


5. ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

The achievement of the company against the targets will be evaluated as under:

- a) Monthly review by Management.
- b) Quarterly review by Board.
- c) Half yearly review by Administrative Ministry and
- d) Annual review by the Deptt. Of Public Enterprises.

Signed at New Delhi on 19th March, 2013.


(H.P. Kumar)
Chairman cum Managing Director,
National Small Industries
Corporation Limited,
NSIC Bhawan,
Okhla Industrial Estate,
New Delhi - 110 020.


(Madhav Lal)
Secretary,
Government of India,
Ministry of Micro, Small and Medium
Enterprises,
Udyog Bhawan,
New Delhi- 110 011.

National Small Industries Corporation Ltd.

Calculation for Financial Parameters of MOU 2013-14

(Rs. lakh)

	Particulars	Unit	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 MoU	2012-13 Sep-12	2012-13 Estimated	2013-14 Projection
	FINANCIAL PARAMETERS									
1	Total Income	Rs. lac	60778	69887	99200	134689	148400	64866	165200	177100
1.1	Gross Sales	Rs. lac	49481	54363	77530	103724	115000	47098	125000	132500
1.2	Less: Excise Duties & others	Rs. lac	0	0	0	0	0	0	0	0
1.3	Net Sales	Rs. lac	49481	54363	77530	103724	115000	47098	125000	132500
1.4	Other Income	Rs. lac	11297	15524	21670	30965	33400	17768	40200	44600
2	Total Expenditure	Rs. lac	57856	64659	91035	119356	131900	54579	144700	153600
2.1	Raw Materials / Purchases	Rs. lac	49090	53836	77224	103367	114400	46860	124500	131900
2.2	Other Expenditure	Rs. lac	8766	10823	13811	15989	17500	7719	20200	21700
3	Gross Margin (PBDIT)	Rs. lac	2922	5228	8165	15333	16500	10287	20500	23500
3.1	Depreciation	Rs. lac	98	100	158	181	200	88	200	200
3.2	Gross Profit (Operating Income)/PBIT	Rs. lac	2824	5128	8007	15152	16300	10199	20300	23300
4	Extra ordinary items	Rs. lac	212	212	0	0	0	0	0	0
5	Interest	Rs. lac	1920	2322	4490	9131	9800	6424	12400	14200
6	Tax	Rs. lac	90	167	539	1900	2200	1225	2600	2900
7	Net Profit	Rs. lac	602	2427	2978	4121	4300	2550	5300	6200
8	No. of employees	Nos.	838	865	895	896	1000	876	930	1015
9	Gross Margin / Gross Sales	%	5.91	9.62	10.53	14.78	14.35	21.84	16.40	17.74
10	Operating Turnover / Employees	Rs. lac	59.05	62.85	86.63	115.76	115.00	53.76	134.41	130.54
11	PBDIT / Total employees	Rs. lac	3.49	6.04	9.12	17.11	16.50	11.74	22.04	23.15
12	Capital Employed	Rs. lac	37325	58113	106518	148825	160000	168242	194000	220000
13	Return to capital employed @10%	Rs. lac	3732.50	5811.30	10651.80	14882.50	16000	8412	19400	22000
14	Added value (3-13)	Rs. lac	-810.50	-583.30	-2486.80	450.50	500.00	1874.90	1100.00	1500.00
15	Added value / sales	(%)	-1.64	-1.07	-3.21	0.43	0.43	3.98	0.88	1.13

Average number of employees during the year 2013-14 is projected as 1015.

TREND OF CPSE's PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS

Particulars	(Rs. Crore)						
	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 MOU	2012-13 Estimated	2013-14 Projection
Gross Sales	494.81	543.63	775.30	1037.24	1150.00	1250.00	1325.00
Gross Margin	29.22	52.28	81.65	153.33	165.00	205.00	235.00
Profit before Tax	6.92	25.94	35.17	60.21	65.00	79.00	91.00
Gross Block	61.83	61.39	90.28	91.99	100.00	95.00	98.00
Less Dep. & LTA	34.29	33.54	33.16	33.54	40.00	35.00	35.00
Net Block	27.54	27.85	57.12	58.45	60.00	60.00	63.00
Capital WIP	10.75	30.11	4.28	20.17	70.00	70.00	110.00
Share Capital of CPSE	232.99	232.99	232.99	387.99	462.99	462.99	532.99
Reserve & Surplus of CPSE	14.67	13.36	13.17	16.24	12.00	16.00	17.00
Less deferred revenue exps.	2.13	0.01	0.00	0.66	0.00	0.51	0.34
Less Profit & Loss A/c	143.84	125.23	102.37	74.52	44.37	33.00	-14.00
Net worth of CPSE	89.15	107.76	130.62	313.47	418.62	429.99	546.99
Investment	0.83	0.93	0.08	0.08	0.08	0.08	0.08
Sundry Debtors, Loans & adv.	451.40	688.66	1171.32	1689.48	1770.00	2129.00	2436.00
Inventory	1.07	1.17	1.01	1.00	1.00	1.00	1.00
Total Current Assets	452.47	689.83	1172.33	1690.48	1771.00	2130.00	2437.00
Total Current Liabilities & Provision	106.76	136.55	164.27	260.68	231.00	250.00	300.00
Net Current Assets	345.71	553.28	1008.06	1429.80	1540.00	1880.00	2137.00
Capital Employed (Net Block+Net Current Assets)	373.25	581.13	1065.18	1488.25	1600.00	1940.00	2200.00
Total Debt (loan Funds)	283.14	491.06	925.75	1179.45	1239.46	1564.60	1746.46
Total Liabilities	637.56	873.96	1336.18	1844.36	1945.45	2293.59	2596.45
Total Assets	637.56	873.96	1336.18	1844.36	1945.45	2293.59	2596.42
No of Employees of CPSE	838	865	895	896	1000	930	1015
Dividend Paid	1.20	4.85	5.96	8.24	10.00	10.60	12.60
Added Value	-8.11	-5.83	-24.87	4.51	5.00	11.00	15.00
Ratio							
Debt/Equity	3.18	4.56	7.09	3.76	2.96	3.64	3.19
Return on Net Worth (%age)	6.75	22.52	22.80	13.15	10.27	12.33	11.33
PBDIT/Total Employment of CPSE (Rs. Lac)	3.49	6.04	9.12	17.11	16.50	22.04	23.15
Gross Profit/Capital Employed (%age)	7.57	8.82	7.52	10.18	10.19	10.46	10.59
Net Profit/Net Worth (%age)	6.75	22.52	22.80	13.15	10.27	12.33	11.33
Working of Gross Margin							
Net Profit	6.02	24.27	29.78	41.21	43.00	53.00	62.00
Tax	0.90	1.67	5.38	19.00	22.00	26.00	29.00
Net Profit before Tax	6.92	25.94	35.16	60.21	65.00	79.00	91.00
Add Prior Period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Add Extra Ordinary Items	2.12	2.12	0.00	0.00	0.00	0.00	0.00
Profit before Prior Period	9.04	28.06	35.16	60.21	65.00	79.00	91.00
Add Interest	19.20	23.22	44.90	91.31	98.00	124.00	142.00
Gross Profit	28.24	51.28	80.06	151.52	163.00	203.00	233.00
Add Depreciation	0.98	1.00	1.59	1.81	2.00	2.00	2.00
Add Provision for doubtful debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Misc. Expenditure Written Off	0	0	0	0	0	0	0
Gross Margin before Interest, Depreciation & Misc. Expenditure	29.22	52.28	81.65	153.33	165.00	205.00	235.00
Additional for 'Trading & Consultancy Sector'							
i) Gross Margin/Gross Sales	5.91	9.62	10.53	14.78	14.35	16.40	17.74
ii) Operating Turnover/Total No. of employee of CPSE (Rs. Lac)	59.05	62.85	86.63	115.76	115.00	134.41	130.54
Gross Margin	29.22	52.28	81.65	153.33	165.00	205.00	235.00
Net profit after tax but before extra ordinary items and prior period adjustment a/c	8.14	26.39	29.78	41.21	43.00	53.00	62.00
ADDED VALUE	-8.11	-5.83	-24.87	4.51	5.00	11.00	15.00

Human Resource Management

S.No.	Evaluation Criteria	Unit	Weight (in%)	B.E. 2013-14	MOU Target					Criteria for verification of financial and Non-Financial parameters/target
					Excellent	Very Good	Good	Fair	Poor	
1	Training of Executives (Mandays)	Mandays	1.00	1300	1500	1400	1300	1200	1100	Certificate of compliance from Head of HRM Head office
2	Multi skilling- skill upgradation of Non Executives	Mandays	1.00	250	300	275	250	225	200	Certificate of compliance from Head of HRM Head office
3	Training of Senior executives on the aspects of Risk Management	Nos	1.00	80	100	90	80	70	60	Certificate of compliance from Head of HRM Head office
4	Building competencies of Executives in CSR /SD	Nos	1.00	16	20	18	16	14	12	Certificate of compliance from Head of HRM Head office
5	Implementation of Reward and Recognition scheme	Yes/No	1.00		YES	--	--	--	NO	Certificate of compliance from Head of HRM Head office
	Total		5.00							

C

Note- Specific programmes under CSR & SD will be carried out after approval by the Board in terms of DPE Guidelines

Annexure - C**Corporate Governance**

Non-compliance of Corporate Governance will be penalized by way of negative marking and the MOU Score will be increased in the following manner in accordance with DPE OM 18(8)/2005-GM, dated 22nd June 2011:-

Sl.No.	Annual Score	Grading	Penalty Marks	Difference in Score from "Excellent Grade"
01	85% and above	Excellent	0	0.00
02	75% - 84%	Very Good	0	0.00
03	60% - 74%	Good	0.5	0.02
04	50% - 59%	Fair	0.5	0.02
05	Below 50%	Poor	1.0	0.04

If the CPSE fails to submit the Self evaluation report in the format enclosed with the OM, its Grading will be treated as poor and score will be inflated accordingly.

CPSEs have to give a Certificate regarding implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. Non-Compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MOU Evaluation. (In other words, the MOU Ratings can be increased by 0.04)