No.M-03/0003/2020-DPE (MoU)
Government of India
Ministry of Finance
Department of Public Enterprises
MoU Division
***

Public Enterprises Bhavan
Block No. 14, CGO Complex
Lodhi Road, New Delhi-110003
Dated 10th March, 2022

OFFICE MEMORANDUM

Subject: Consolidated MoU Guidelines for the year 2021-22 and onwards – reg.

Attention is invited to MoU guidelines for the year 2021-22 & onwards and this Department OM of even number dated 16.02.2021. Based on the directions of the High Powered Committee; subsequent deliberations in the Inter-Ministerial Committee, the aforesaid guidelines have been further consolidated. The updated guidelines are enclosed herewith in supersession of all previous guidelines/ communication on the subject.

2. This issues with the approval of Secretary (PE).

Encl.: As above.

10/3/22
(Amit Rastogi)
Director (MoU)
Tel: 011-24360736

To:

1. Secretaries to the Government of India (as per list).
2. Chief Executives of CPSEs (as per list).

Copy to:

1. Staff officer to Cabinet Secretary, Cabinet Secretariat.
2. CEO, NITI Aayog, Yojna Bhawan, Sansad Marg, New Delhi-1.
3. Chairperson, PESB, Public Enterprises Bhawan, Block No. 14, CGO Complex, Lodhi Road, New Delhi-3.
4. Finance Secretary, Department of Expenditure, North block, New Delhi.
5. Secretary, Ministry of Statistics & Programme Implementation, Sardar Patel Bhawan, Sansad Marg, New Delhi.
6. Chief Economic Adviser, Department of Economic Affairs, North Block, New Delhi.
7. Member-Secretary, Tariff Commission, 7th Floor (A Wing), Lok Nayak Bhawan, Khan Market, New Delhi.

Government of India
Ministry of Finance
Department of Public Enterprises
***

Subject: <u>Consolidated MoU Guidelines for the year 2021-22 and onwards</u>

1. **<u>Introduction</u>:** One of the key ownership functions of the Government being the majority shareholders of Central Public Sector Enterprises (CPSEs) is to undertake regular performance evaluation of CPSEs to assess their efficacy towards fulfilment of core objectives for which these have been constituted. The performance evaluation system, instead of merely evaluating the "efforts" of a CPSE or its management in a given business environment, need to be actually reflecting the economic performance in terms of CPSE's profitability/ return on the invested capital, competitiveness/ usefulness in the given commercial space. The grading/ outcome of the performance evaluation process under the revised MoU system would be reflection of CPSE's performance as per its audited Books of Accounts, both for listed and non-listed companies. This is significant in view of the linkage in Performance Related Pay (PRP) with the performance evaluation through MoU framework.

2. **<u>Scope</u>:** All CPSEs (Holding as well as Subsidiaries) are required to sign MoUs. The Holding Companies will sign MoUs with their Administrative Ministries/ Departments, while the Subsidiary Companies will sign MoUs with their respective Holding Companies.

3. **<u>MoU Framework</u>:**

3.1 **MoU Parameters:** The parameters included in the revised MoU process are market oriented reflecting the shareholders' interest in terms of growth in revenue, return on net worth, asset turnover ratio and market capitalisation for listed CPSEs. Adequate weightage has been given to productivity linked parameters pertaining to CPSE's core operations. The parameters are further indexed to past performance of the CPSE; vision of the Administrative Ministry; sectoral benchmarking and peer comparison (if any). All the parameters are quantifiable and verifiable from the documents in public domain. Besides certain government's priorities/ programmes such as procurement from GeM, MSE sector, etc. are also included for compliance by CPSEs, the non-compliance of which would result in deduction of full marks i.e., there would not be any partial deduction. The list of parameters is enclosed at Annexure I and the explanatory notes on the parameters is enclosed at Annexure II. Weightages of marks in case of National Oil Companies (NOCs), i.e., ONGC Ltd. and Oil India Ltd. would be aligned as per the Cabinet Decision intimated by MoPNG vide letter No. O-12015(11)/1/2019-ONG-II dated 01.03.2019.

3.2 **Digital dashboard:** A digital dashboard with a centralized portal developed by DPE will be used for entering, signing, monitoring and evaluating MoU agreements. The CPSEs and Administrative Ministries would be onboarded with appropriate user roles.

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3.3 Institutional Mechanism

3.3.1 High Powered Committee (HPC): The High Powered Committee (HPC) is the Apex body under MoU system for laying policy guidelines, recommended by IMC. HPC shall comprise of the Cabinet Secretary as Chairman with following members:

i. CEO (NITI Aayog)
ii. Finance Secretary
iii. Secretary (Expenditure)
iv. Secretary (Statistics & Programme Implementation)
v. Chairman (Public Enterprises Selection Board)
vi. Chief Economic Advisor (Department of Economic Affairs)
vii. Chairman (Tariff Commission)
viii. Secretary (Public Enterprises)

In particular the HPC will approve the common template (MoU parameters) (Annexure-I).

3.3.2 Inter Ministerial Committee (IMC) shall comprise of Secretary (DPE) as Chairman, Chief Economic Advisor (Department of Economic Affairs), Representative of Ministry of Finance, MoSPI, NITI Aayog and Secretary of Administrative Ministry as special invitee & any other expert co-opted on need basis. The IMC will finalise the sectoral template/ CPSE wise MoU parameters. The purpose of sectoral templates is to select & identify the parameters & weightages (from Annexure I) relevant to the core business activities in that sector and or CPSE. IMC will also set the requisite levels of performance against each of the parameters, so decided, as benchmarked targets.

3.4 The benchmarked target would be for "Excellent" level. In order to enable the IMC to determine the benchmarks for various param76eters, the CPSE will upload on the dashboard by 31st March of the base year i.e., the year previous to that of MoU target year, the estimated figures of certain financial and physical attributes. Once the actual results of the base year are available, the figures of financial and physical attributes referred to above, will be updated by the CPSE on the dashboard by 31st October of the MoU target year. On uploading of the actuals on the dashboard, the legacy data will stand updated automatically and accordingly, the benchmarked targets will stand revised. Similarly, by 31st March of the base year, the Administrative Ministry/ Department will upload on the dashboard, the details of sectoral vision plan for 3 years with annual milestones so that the same can be taken into consideration at the time of benchmarking by IMC.

3.5 **MoU Evaluation:** Once the CPSEs enters data from their audited balance sheet and P&L Statement on the dashboard, the score would be automatically calculated against the benchmarked targets. **There would be no adjustment in MoU agreement due to changes in exchange rate, prices of raw material or finished goods or due to offset for any other reason as these are deemed to be normal business activity and audited statement of accounts declared shall prevail.** The CPSEs will be allotted marks proportionately for achievement from 50% to 100% of target figure for each parameter (except for the parameter on 90% CAPEX achievement by 3rd Quarter). Similarly, in respect of loss making CPSEs where the target on reduction of losses/ expenses is stipulated, the principle of allotment of proportionate marks will not be applicable. There will be no marks awarded for the parameters

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having achievement below 50% of target (except for the parameter on Market Capitalisation). Score on all parameters would be added to arrive at aggregate Score.

3.6 **MoU Rating:** The MoU rating of CPSEs will be assigned as per the following Table:

MoU Score	MoU Rating
Top 25 and Score $\geq$ 90	Excellent
Score $\geq$ 70	Very Good
Score $\geq$ 50	Good
Score $\geq$ 33	Fair
Score < 33	Poor

4. <u>Exemption from MoU</u>:

4.1 Following CPSEs are exempted from MoU system:

i. CPSEs under liquidation and or closure (duly approved by competent authority). Administrative Ministry would provide the list of such CPSEs by 31st of March of the Base year.

ii. CPSEs which are not in operation or having no employees or on any other ground on the recommendation of Administrative Ministry with approval of DPE. Administrative Ministry would provide the list of such CPSEs by 31st of March of the Base year.

iii. Process of Exemption shall ordinarily be completed by 31st of May of the year for which the MoU is to be signed.

4.2 **CPSEs not signing of MoU:** The CPSEs which have not been given exemption and do not sign MoU by the respective due dates (as notified by DPE) shall be rated as 'poor'.

4.3 **Applicability of PRP:** The MoU rating will form the basis of PRP with all the key result area identified in the MoU. No PRP will be eligible for the CPSEs that do not enter into MoU. (OM No 2(70)/08 DPE(WC) dated 26.11.2008 and OM No W-02/0028/2017-DPE (WC) dated 03.08.2017)

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Annexure-I

MoU Parameters

SN	Parameter	Formula	Marks	Source/ Verification
A.	**Top-line, Bottom-line and Returns Perspective:**			
1.	Revenue from Operations (Rs. in Cr.)	Revenue from Operations	5	Profit & Loss Statement
2.	Asset turnover ratio (%)	$\frac{Total\ Income}{Total\ Assets} \times 100$	5	P&L Statement & Balance Sheet
3.	EBITDA as a percentage of Revenue	$\frac{EBITDA}{Total\ Income} \times 100$ EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization excluding exceptional or extra-ordinary items	10	P&L Statement
4.	Return on Net Worth (%)	$\frac{PAT}{Average\ Net\ Worth} \times 100$ Net worth: As per The Companies Act	10	P&L Statement & Balance Sheet
5.	Return on Capital Employed (%)	$\frac{EBIT}{Total\ Capital\ Employed} \times 100$ Total Capital Employed: Net worth + Non-Current Borrowings	5	P&L Statement & Balance Sheet
6.	Market capitalization/ Share Price improvement over sectoral index on annual basis, including dividend payout (for listed CPSEs) (%) Or Earning Per Share (for unlisted CPSEs)		15	BSE / NSE Data Or P&L Statement & Balance sheet
B.	**Physical Goals; Trade Receivables, CAPEX and R&D**			
7.	Physical Output:			
	Production/ Generation/ Transmission etc.		20	Annual Report of CPSE
	Value of Production/ Services/ Total Income			
8.	Trade Receivables as number of days of Revenue from Operations	$\frac{Trade\ Receivables}{Revenue\ from\ Operations} \times 365$	5	Balance Sheet & P&L Statement
9.	i. CAPEX (Rs in Cr.)	*Target is based on Budget document of Union Govt.* Addition to Property Plant and Equipment, capital work-in-progress, capital advances	10	Balance Sheet
	ii. CAPEX achievement till end of 3rd quarter (31st December) (Rs in Cr.)	Achieving 90 % of target	3	Confirmation by the Administrative Ministry
10.	Expenditure on R&D / Innovations, Initiatives as percentage of PBT (%)	2%	2	Annual Report of CPSE
C.	**Export/ Import**			
11.	Exports as a percentage of Revenue from Operations	$\frac{Value\ of\ Exports}{Revenue\ from\ operations} \times 100$ Should show improvement over previous year.	5	P&L Statement & Balance Sheet
12.	Imports as a percentage of Revenue from operations	$\frac{Imports\ consumed\ during\ the\ year}{Revenue\ from\ operations} \times 100$ Should show reduction from previous year.	5	Annual Report of CPSE
	Any other parameter – For loss making CPSEs: reduction in losses/ expenses, etc.,			Profit & Loss Statement/ Annual Report of CPSE

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For Finance & social sector Finance CPSEs: Loan disbursement/ Overdue Loans/ NPA/ cost of raising funds/ Geographical coverage/ last mile disbursement, etc. If parameter(s) is not applicable, the weightage may be allocated to other parameter(s).		
Note: In working out achievements for the year, quantified qualifications of CAG/ Statutory Auditors would be adjusted in case of overstatement of Revenue/ Profit/ Surplus or understatement of Loss/ Deficit.		

D.	**Aggregate score would be subject to compliances failing which full marks, as indicated below, would be deducted and there will be no partial deduction:**		
SN	**Compliance Parameters**	**Marks**	**Source/ Verification**
1.	Procurement from GeM portal in percentage as prescribed by the IMC: $\frac{\text{25\% of Procurement of goods and services through GeM portal during the year as per GeM}}{\text{Total procurement of goods and services during the previous year as per Sambandh portal}} \times 100$	-2	Administrative Ministry on the basis of GeM portal and Sambandh portal
2.	DPE guidelines on select matters Pay Revision guidelines and review of profitability of CPSEs for pay revision Expenditure Management Economy Measures and Rationalisation of Expenditure Guidelines on Accessible India Campaign (Sugamya Bharat Abhiyan) Guidelines on implementation of the Apprenticeship Act, 1961 Guidelines issued from time to time on CSR expenditure by CPSEs.	-2	Administrative Ministry on the basis of CAG Reports etc.
3.	Compliance of provisions in the Companies Act, 2013 (or SEBI (LODR) regulations in case of listed entities) on Corporate Governance such as: Composition of Board of Directors Board Committees (Audit Committee etc.) Holding Board Meetings Related Party Transaction Disclosures and Transparency	-3	Administrative Ministry on the basis of CAG/ Statutory/ Secretarial Auditor Report(s)
4.	Target as given by DIPAM/ NITI Aayog: Dividend Payout Assets Monetization Milestones Specific disinvestment Milestones	-2	Administrative Ministry on the basis confirmation from DIPAM/ NITI Aayog
5.	Procurement and timely payment to Micro Small and Medium Enterprises $\frac{\text{25\% of Procurement of goods or services through MSEs (including 4\% from SC/ST MSEs and 3\% from Women MSEs) during the year as per Samband Portal}}{\text{Total procurement of goods and services during the year as per Samband Portal}}$	-2	Administrative Ministry on the basis of Sambandh portal
6.	Steps and initiative taken for Health & Safety improvement of Human Resources in CPSEs (Target to be prescribed by the Administrative Ministry)	-1	Confirmation by the administrative Ministry

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Annexure II

Standard Operating Procedure/ Explanatory Note On MoU Parameters

A. The parameters in MoU Guidelines are explained as under: -

1. **Revenue from Operations:**

As per schedule III of the Companies Act, 2013, in respect of a company other than finance company revenue from operations consist of: (a) Sale of products; (b) Sale of services; (c) Other operating revenues. In respect of a finance company, revenue from operations shall include revenue from (a) Interest income; and (b) Other income from financial services.

This would be taken as given in audited Statement of Profit & Loss of the CPSE.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2020			
		For the year ended (Rs. Crore)	
Particulars	Note No.	31 March 2020	31 March 2019
Income			
Revenue from operations (Gross)		97,000	90,000
Other income		3,000	2,000
Total income		**1,00,000**	**92,000**

This figure shall directly be picked from P&L Statement i.e., in this case, Revenue from Operations for the year 2019-20 would be Rs.97,000 crore and 2018-19 Rs.90,000 crore.

2. **Asset turnover ratio:**

This will be worked out by dividing total income (as given in Statement of Profit & Loss) with Total Assets (as given in Balance Sheet) and multiplying with 100.

Total Income: Revenue from operations and other incomes.
Total Assets: This would be total of Non- Current Assets, Current Assets, etc. i.e., under the head Total Assets as given in Balance Sheet.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2020			
		For the year ended (Rs. Crore)	
Particulars	Note No.	31 March 2020	31 March 2019
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		**1,00,000**	**92,000**

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BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
ASSETS			
Non-current assets			
Property, plant and equipment		1,56,000	1,25,000
Capital work-in-progress		73,000	91,000
Intangible assets		5,000	7,000
Intangible assets under development		2,000	4,000
Financial assets			
Investments in subsidiary and joint venture companies		26,000	13,000
Other investments		1,000	1,000
Loans		1,000	1,000
Other financial assets		1,000	1,000
Other non-current assets		11,000	13,000
Total non-current assets		**2,76,000**	**2,56,000**
Current assets			
Inventories		11,000	8,000
Financial assets			
Trade receivables		16,000	8,000
Cash and cash equivalents		2,000	2,000
Bank balances other than cash and cash equivalents		2,000	3,000
Loans		3,000	3,000
Other financial assets		12,000	8,000
Other current assets		8,000	15,000
Total current assets		**54,000**	**47,000**
Regulatory deferral account debit balances		9,000	4,000
TOTAL ASSETS		**3,39,000**	**3,07,000**

In this case, Assets turnover ratio for FY 2019-20 & 2018-19 would be 29.50% (1,00,000/3,39,000) & 29.97% (92,000/3,07,000) respectively.

3. **<u>EBITDA as a percentage of Income:</u>**

This will be worked out by dividing EBITDA (as given in Statement of Profit & Loss) with Total Income (as given in Statement of Profit & Loss) and multiplying with 100.

EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization excluding exceptional or extra-ordinary or Prior period items.

Total Income: Revenue from operations and other incomes.

Note: In case of CPSEs operating in finance sector, this parameter would be 'EBTDA (Earnings before Tax, Depreciation & Amortization excluding exceptional or extra-ordinary items) as a percentage of Income'.

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Illustration:

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		**1,00,000**	**92,000**
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		**86,000**	**79,000**
Profit before tax and regulatory deferral account balances		**14,000**	**13,000**
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	-6,000
Total tax expense		**9,000**	**-2,000**
Profit before regulatory deferral account balances		**5,000**	**15,000**
Net movement in regulatory deferral account balances (net of tax)		5,000	-4,000
Profit for the year		**10,000**	**11,000**

Calculation of EBITDA:

SN	Particulars	For the year ended (Rs. Crore)	
		31 March 2020	**31 March 2019**
a	Profit before tax or Earning before tax	**14,000**	**13,000**
b	Interest/ Finance Cost	7,000	5,000
c	**EBIT (Earnings Before Interest Tax) (a+b)**	**21,000**	**18,000**
d	Depreciation & Amortization	9,000	7,000
e	Exceptional Item - Income/ (Expenses)	0	0
f	EBITDA (Earnings Before Interest Tax Depreciation, Amortization & Exceptional item) (c+d-e)	30,000	25,000

In this case, EBITDA as a percentage of Income for FY 2019-20 & 2018-19 would be 30% (30,000/1,00,000) & 27.17% (25,000/92,000) respectively.

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Illustration: (in case of Finance CPSE)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Income			
Revenue from operations		40,000	32,000
Other income		1000	1000
Total income		**41,000**	**33,000**
Expenses			
Finance Costs		25,000	20,000
Net Translation/Transaction Exchange Loss/(Gain)		1000	2000
Fees and Commission Expense		100	200
Net Loss/(Gain) on Fair Value changes		-700	-100
Impairment on Financial Instruments		1000	-700
Employee Benefit Expenses		200	200
Depreciation and Amortisation		1000	1000
Corporate Social Responsibility Expenses		200	200
Other Expenses		100	100
Total expenses		**27,900**	**22,900**
Profit/(Loss) Before Exceptional Items and Tax		**13,100**	**10,100**
Exceptional Items		0	0
Profit/(Loss) After Exceptional Items and before Tax		**13,100**	**10,100**
Tax expense			
Current year		2000	3000
Earlier years		0	0
Deferred tax		1000	2000
Total tax expense		**3000**	**5000**
Profit/(Loss) for the Year from Continuing Operations.		**10,100**	**5,100**

Calculation of EBTDA:

SN	**Particulars**	**For the year ended (Rs. Crore)**	
		31 March 2020	**31 March 2019**
a	Profit before tax or Earning before tax	**13,100**	**10,100**
b	Depreciation & Amortization	1000	1000
c	Exceptional Item - Income/ (Expenses)	0	0
d	EBTDA (Earnings Before Tax Depreciation, Amortization & Exceptional item) **(a+b-c)**	**14,100**	**11,100**

In this case, EBTDA as a percentage of Income for FY 2019-20 & 2018-19 would be 34.39% (14,100/41,000) & 33.64% (11,100/33,000) respectively.

4. **Return on Net Worth or PAT/ Average Net Worth:**

This is worked out by dividing Profit after Tax (PAT) with Avg. Net Worth and multiplying with 100.

PAT: As given in audited Statement of Profit & Loss including Non-controlling Interest in case of consolidated accounts.

Net-worth: It would have the same meaning as defined in Section 2(57) of the Companies Act, 2013, i.e., aggregate value of the paid-up share capital and all reserves created out of profits

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and securities premium account, after deducting the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the Audited Balance Sheet (including of non-controlling/ minority shareholders interest), but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Average Net-worth: will be worked out by adding opening and closing balance of net-worth and dividing it by 2 (including the impact of Issue of Fresh equity and Buyback of shares if any).

Illustration:

Extract from STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Profit before tax and regulatory deferral account balances		**14,000**	**13,000**
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	-6,000
Total tax expense		**9,000**	**-2,000**
Profit before regulatory deferral account balances		**5,000**	**15,000**
Net movement in regulatory deferral account balances (net of tax)		5,000	-4,000
Profit for the year		**10,000**	**11,000**

BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
EQUITY AND LIABILITIES			
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total equity/ Net Worth		**1,14,000**	**1,07,000**

Calculation of Average Net Worth:

SN	Particulars	Rs. In Cr. 2019-20	2018-19	2017-18
a	Paid-up Share Capital	10,000	10,000	9,000
b	Reserve & Surplus (Rs. in Cr.)	1,04,000	97,000	94,000
c	**Net Worth (a+b)**	**1,14,000**	**1,07,000**	**1,03,000**
d	Reserve not created out of Profit (e.g., Revaluation reserve, OCI etc.) (Rs. in Cr.)	800	500	300
e	Net Worth as per Companies Act 2013 **(c-d)**	1,13,200	1,06,500	1,02,700
F	**Average Net Worth (Rs. in Cr.) ((Opening + Closing Net worth)/2)**	**1,09,850**	**1,04,600**	--

In this case, Return on Net Worth or PAT / Average Net Worth for FY 2019-20 & 2018-19 would be 9.10% (10,000/1,09,850) & 10.52% (11,000/1,04,600) respectively.

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5. **Return on Capital Employed:**

This will be worked out by dividing EBIT (as given in Statement of Profit & Loss) with Capital Employed (as given in Balance Sheet) and multiplying with 100.

EBIT: Earning before Interest and Taxes as given in Statement of Profit & Loss.

Capital Employed: Net worth as given in Balance Sheet + Non-Current Borrowings as given in Balance Sheet.

Illustration:

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		**1,00,000**	**92,000**
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		**86,000**	**79,000**
Profit before tax and regulatory deferral account balances		**14,000**	**13,000**
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	-6,000
Total tax expense		**9,000**	**-2,000**
Profit before regulatory deferral account balances		**5,000**	**15,000**
Net movement in regulatory deferral account balances (net of tax)		5,000	-4,000
Profit for the year		**10,000**	**11,000**

Calculation of EBIT:

SN	Particulars	For the year ended (Rs. Crore)	
		31 March 2020	31 March 2019
a	Profit before tax or Earning before tax	14,000	13,000
b	Interest/ Finance Cost	7,000	5,000
c	**EBIT (Earnings Before Interest Tax) (a+b)**	**21,000**	**18,000**

BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
EQUITY AND LIABILITIES			

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BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total equity		**1,14,000**	**1,07,000**
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings		**1,47,000**	**1,21,000**
Trade payables			
Total outstanding dues of micro and small enterprises		500	5,000
Total outstanding dues of creditors other than micro and small enterprises		500	1,000
Other financial liabilities		500	1,000
Provisions		500	3,000
Deferred tax liabilities (net)		8,000	4,000
Total non-current liabilities		**1,57,000**	**1,35,000**
Current liabilities			
Financial liabilities			
Borrowings		14,000	15,000
Trade payables			
Total outstanding dues of micro and small enterprises		6,000	4,000
Total outstanding dues of creditors other than micro and small enterprises		9,000	7,000
Other financial liabilities		24,000	25,000
Other current liabilities		6,000	5,000
Provisions		6,000	7,000
Total current liabilities		**65,000**	**63,000**
Deferred revenue		3,000	2,000
TOTAL EQUITY AND LIABILITIES		**3,39,000**	**3,07,000**

Calculation of Capital Employed:

SN	Particulars	Rs. In Cr.	
		2019-20	**2018-19**
a	Paid-up Share Capital	10,000	10,000
b	Reserve & Surplus (Rs. in Cr.)	1,04,000	97,000
c	Net Worth/ Total Equity **(a+b)**	**1,14,000**	**1,07,000**
d	Long term Borrowings or Non Current Borrowings (Rs. in Cr)	1,47,000	1,21,000
e	Total Capital Employed (Rs. in Cr.) **(c+d)**	**2,61,000**	**2,28,000**

In this case, Return on Capital Employed for FY 2019-20 & 2018-19 would be 8.05% (21,000/2,61,000) & 7.90% (18,000/2,28,000) respectively.

6. **Market capitalization/ Share Price improvement over sectoral index on an annual average basis (for listed CPSEs):**

Daily improvement/ decline in market capitalisation (based on closing share price) of a listed CPSE will be compared with improvement/ decline in the concerned BSE Sectoral Index. In case a CPSE do not belong to a sectoral Index, the same will be decided by IMC.

If improvement in market capitalisation of CPSE (over previous day) is 5% and improvement in BSE Sectoral Index (over previous day) is 4%. The CPSE's improvement will be 1% (5-4) over the Index for that day and vice versa.

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If improvement in market capitalisation of CPSE (over previous day) is -4% and improvement in BSE Sectoral Index (over previous day) is -3%. The CPSE's improvement will be -1% [(-)4-(-3)] over the Index for that day and vice versa.

Daily improvement/ decline will be added for all the trading days in the financial year to arrive at annual achievement by CPSE for this parameter. In addition, dividend distributed by the CPSEs would also be included to derive the market capitalization achievement while evaluating the performance against the respective indices.

7. **Earnings Per Share (for Unlisted CPSEs):**
In case of unlisted CPSEs, parameter on basic Earnings Per Share (EPS) in Rs. is to be given. PAT as per the audited accounts will be divided by number of outstanding shares to arrive at achievement of this parameter (including the impact of Issue of Fresh equity if any).

Illustration:

Extract from STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Profit before tax and regulatory deferral account balances		**14,000**	**13,000**
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	-6,000
Total tax expense		**9,000**	**-2,000**
Profit before regulatory deferral account balances		**5,000**	**15,000**
Net movement in regulatory deferral account balances (net of tax)		5,000	-4,000
Profit for the year		**10,000**	**11,000**

In this case, if number of outstanding shares is 1000 crore, EPS for FY 2019-20 & 2018-19 would be Rs.10 (10,000/1000) & Rs.11 (11,000/1000) respectively.

8. **Physical Output (Production/ Generation/ Transmission/ Value of Production/ Total Income, etc.):**
The CPSEs in Petroleum, Power, Mines, Steel, etc. are expected to give information about its installed capacity, capacity utilisation and production as per annual report. The parameter can be given in absolute quantities or % utilization of Capacity or in Rs. Cr.

9. **Trade Receivables as number of days of Revenue from Operations:**
This will be worked out by dividing Trade Receivables (as given in Balance Sheet) with Revenue from Operations (as given in Statement of Profit & Loss) and multiplying with 365.

Trade Receivables: As given under Current assets & non-current assets (excluding unbilled Receivables and Receivables not due, if any) without any adjustment of advance shown in advances.

Revenue from Operations: As given in Incomes of Statement of Profit & Loss without any adjustment.

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Illustration:

BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
ASSETS			
Non-current assets			
Property, plant and equipment		1,56,000	1,25,000
Capital work-in-progress		73,000	91,000
Intangible assets		5,000	7,000
Intangible assets under development		2,000	4,000
Financial assets			
Investments in subsidiary and joint venture companies		26,000	13,000
Other investments		1,000	1,000
Loans		1,000	1,000
Other financial assets		1,000	1,000
Other non-current assets		11,000	13,000
Total non-current assets		**2,76,000**	**2,56,000**
Current assets			
Inventories		11,000	8,000
Financial assets			
Trade receivables		**16,000**	**8,000**
Cash and cash equivalents		2,000	2,000
Bank balances other than cash and cash equivalents		2,000	3,000
Loans		3,000	3,000
Other financial assets		12,000	8,000
Other current assets		8,000	15,000
Total current assets		**54,000**	**47,000**
Regulatory deferral account debit balances		9,000	4,000
TOTAL ASSETS		**3,39,000**	**3,07,000**

Calculation of Trade Receivables as of days of revenue from operations (No. of Days):

SN	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
a.	Trade Receivables- Non-current	0	0
b.	Trade Receivables- Current	16,000	8,000
c.	Unbilled Receivables [as per notes to accounts]	500	100
d.	Receivables not due [as per notes to accounts]	2,000	1,000
e.	Total (a+b-c-d)	13,500	6,900
f.	Revenue from operations	97,000	90,000
g.	**Trade Receivables as of days of revenue from operations (No. of Days)**	**51**	**28**

In this case, Trade Receivables as number of days of revenue from operations (No. of Days) would be 51 days (13,500*365/97,000) & 28 days (6,900*365/90,000) respectively.

10. CAPEX:

10.1 Capital Expenditure (CAPEX) will be parameter for the CPSEs, where the same is given under the head Capital Outlay of statement no 26 (**Investment in Public Enterprises** under Expenditure Profile) of Budget document of Union Government. CAPEX parameter will also be given to the CPSEs where the same is given by the Administrative Ministries.

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10.2 CAPEX means any expenditure incurred towards acquisition/ addition of any asset which, on completion, would form part of fixed assets and shown in Annual accounts of the CPSE under the Property, Plant and Equipment, Capital work in progress, Intangible assets etc. CAPEX may be for expansion, modernization or diversification. This has to be considered as per audited Balance Sheet i.e., on accrual basis and not on cash basis and would be calculated as under:

S.No.	Particulars	Amount
a	Addition to Property, Plant and Equipment, Intangible assets etc.	
b	Changes in Capital work-in-progress (+/-)	
c	Changes in Capital Advance, if shown separately (+/-)	
	Total	

10.3 CAPEX incurred by subsidiaries and JVs shown in Consolidated Annual accounts of the Parent Company will be treated as CAPEX.

10.4 CAPEX by JVs (as capitalized in the JVs' accounts) and disclosed in Notes to the accounts by the CPSEs can also be treated as CAPEX proportionately to the shareholding of the CPSE.

10.5 CAPEX incurred in PPP mode and shown in Annual accounts of CPSEs as CAPEX will also be treated as CAPEX.

10.6 Investment made by the CPSEs in subsidiaries and JVs will be treated as per audited Annual accounts i.e., if capitalized then it will be treated as CAPEX otherwise it will not be CAPEX.

Illustration:

Note to accounts- Non-Current Assets: Property, Plant & Equipment
As at 31 March 2020 **(Rs. in Cr.)**

Particulars	Gross block				Depreciation and amortization				Net block
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	Upto 1 April 2019	For the year	Deductions/ adjustments	Upto 31 March 2020	As at 31 March 2020
Freehold land	40,000	14,000	5,000	49,000	0	0	0	0	49,000
Lease-hold land	25,000	8,750	3,200	30,550	7,500	2,500	1,000	9,000	21,550
Building	30,000	10,500	3,800	36,700	6,500	3,000	2,000	7,500	29,200
Plant & machinery	25,000	8,750	3,200	30,550	16,500	4,000	2,000	18,500	12,050
Computer-hardware	35,000	12,250	4,500	42,750	13,500	12,000	10,500	15,000	27,750
Vehicles	20,000	7,000	2,550	24,450	6,000	4,000	2,000	8,000	16,450
Total	**1,75,000**	**61,250**	**22,250**	**2,14,000**	**50,000**	**25,500**	**17,500**	**58,000**	**1,56,000**

Note to accounts- Non-Current Assets: Capital Work-in-progress (CWIP)
As at 31st March 2020 **(Rs. in Cr.)**

Particulars	As at 1st April 2019	Additions	Deductions/ adjustments	Capitalized	As at 31st March 2020
Building	45,000	4,500	3,000	10,500	36,000
Plant & machinery	46,000	1,000	2,250	5,750	37,000
Total	**91,000**	**5,500**	**5,250**	**16,250**	**73,000**

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Note to accounts- Non-Current Assets: Intangible Assets
As at 31st March 2020

(Rs. in Cr.)

Particulars	Gross block				Amortization				Net block
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	Upto 1 April 2019	For the year	Deductions/ adjustments	Upto 31 March 2020	As at 31 March 2020
Software	8,000	1,000	2,500	6,500	1,000	700	200	1,500	5,000
Total	**8,000**	**1,000**	**2,500**	**6,500**	**1,000**	**700**	**200**	**1,500**	**5,000**

Note to accounts- Non-Current Assets: Intangible assets under development
As at 31st March 2020

(Rs. in Cr.)

Particulars	As at 1st April 2019	Additions	Deductions/ adjustments	Capitalized	As at 31st March 2020
Software	4,000	0	1,000	1,000	2,000
Total	**4,000**	**0**	**1,000**	**1,000**	**2,000**

Note to accounts- Non Current Assets: Investment Property
As at 31st March 2020

(Rs. in Cr.)

Particulars	Gross block				Depreciation				Net block
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	Upto 1 April 2019	For the year	Deductions/ adjustments	Upto 31 March 2020	As at 31 March 2020
Freehold land	0	0	0	0	0	0	0	0	0
Lease-hold land	0	0	0	0	0	0	0	0	0
Building and related fixtures/ assets	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note to accounts - Other non-current Assets:
As at 31st March 2020

(Rs. in Cr.)

Particulars	As at 31 March 2020	As at 31 March 2019
Capital Advances (Considered good unless otherwise stated)		
Secured	8,000	7,000
Unsecured		
Covered by Bank Guarantee	2,000	1,500
Others	4,000	4,000
Considered Doubtful		
Less: Allowance for bad & doubtful debts	1,000	1,500
Total	**13,000**	**11,000**

Calculation of CAPEX incurred during the year:

Particulars	Rs. in Cr.
Addition in Property, Plant & Equipment (including Right-to-use)	**61,250**
Change in CWIP **(Closing-Opening)**	**-18,000**
Addition in Intangible Assets	**1,000**
Change in Intangible Assets under Development **(Closing-Opening)**	**-2,000**
Addition in Investment Property	**0**
Change in Capital advances **(Closing-Opening)**	**2,000**
Total	**44,250**

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11. **Expenditure on R&D/ Innovations Initiatives as % of PBT:** The parameter will be given to profit making CPSEs having activities in R&D/ Innovations or where their Administrative Ministry decides to give this parameter.

12. **Exports & Imports related**

12.1. **Export as a percentage of Revenue from Operations/ Exports in Rs. Cr.**:

This parameter will be only for the CPSEs having export income or where their Administrative Ministry decides to give target for Exports.

This will be worked out by dividing Exports (as given in segmental Reporting/ Operating Segment of Notes on accounts) with Revenue from Operations (as given in Statement of Profit & Loss) and multiplying with 100.

12.2. **Imports as a percentage of Revenue from Operations/ reduction in Imports:**

a. This will be parameter only for the CPSEs having imports and their Administrative Ministry decides to give target for reduction for imports to make country Atma Nirbhar.
b. This parameter can be given for physical reduction or financial reduction of imports consumed. This (physical/ financial) will depend on the sector practices in which CPSE is operating but should be verifiable from audited annual report of the CPSE.

13. **For Finance CPSEs, following would be parameters instead of parameters at 8 to 12 above:**

13.1. **Loans disbursed/ total funds available (in %):** This would be worked out on the basis of total loans disbursed during the year and total funds available. Total funds available would include cash and bank balance in the beginning of the year, share capital received during the year, loans raised/ repaid during the year, any funds received from any source for this purpose, sale of assets, repayment/ pre-payment received during the year, and reducing therefrom any investment in assets. Source for Funds Available will be Fund Flow Statement.

13.2. **Overdue loans/ total loans (net) (in %):** Figures of loan due but not recovered and total loan (net) would be based on audited accounts.

13.3. **NPA/ Total loans (net) (in %):** The figures of NPA would be Net NPA taken on the basis of regulatory framework under which CPSE perform as on the last date of the year under reference. Loan assets (net) would be based on Audited balance Sheet.

13.4. **Cost of raising funds through Bonds as compared to similarly rated CPSEs/ entities (Margin over Reuters):** This would be a compulsory parameter for CPSEs raising funds from the market. Target for excellence would be for raising funds at cheaper rates as compared to similarly rated CPSEs/ entities (margin over Reuters).

14. **For Social Sector Finance CPSEs, following would be additional Parameters:**

14.1. **Loans disbursed to Micro Finance Beneficiaries as a percentage of total disbursement**: The intention of this target is to increase the percentage of loans disbursed to Micro Finance Beneficiaries as compared to bigger beneficiaries.

14.2. **Geographical coverage (%):** This will be worked out by dividing Number of States/ UT Served with Total Number of States/ UTs having targeted population and multiplying with 100.

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14.3. <u>Last mile Disbursement to ultimate beneficiary (%):</u>

This will be worked out by dividing Loans disbursed to ultimate beneficiaries by the intermediary with Total Funds disbursed to intermediary and multiplying with 100.

Notes:

a. All financial figures are to be taken on the basis of Audited Annual Accounts or Annual Report.
b. There would be no adjustment in targets or achievements due to changes in exchange rate, regulatory prices of raw material or finished goods or reduction in margins or due to any other reasons.
c. Target would be fixed at only one level (i.e., 100% level).
d. In working out of the achievements for the year, quantified qualification of CAG/ Statutory Auditors would be adjusted in case of overstatement of Revenue/ Profit/ Surplus or understatement of Loss/ Deficit.

B. Aggregate score would be subject to compliances [as stipulated at Annexure I, Part D] failing which full marks, as indicated below, would be deducted and there will be no partial deduction:

1. **Procurement from GeM portal in percentage as prescribed:**
It would be calculated by dividing "Procurement of goods and services through GeM portal during the year as per GeM portal" with "Total procurement of goods and services during the previous year as per Sambandh portal" and multiplying by "100".
Verification of this parameter would be by confirmation of the Administrative Ministry.

2. **Government guidelines on personnel matters:**
CPSEs have to comply with DPE guidelines on select matters as prescribed.
Confirmation and verification will be by Administrative Ministry on the basis of CAG Reports etc.

3. **Provision of the Company's Act on Corporate Governance:**
CPSEs have to comply with the provisions of the Companies Act, Listing Agreement, where ever applicable. Select parameters as at Annexure I will be taken up for marking.

Confirmation and verification will be by Administrative Ministry on the basis of CAG/ Statutory/ Secretarial Auditor Report(s)

4. **Targets as given by DIPAM/ NITI Aayog on Dividend payout, Asset Monetization and specific disinvestment Milestones (like listing/ buyback/ OFS/ meeting Minimum Public Shareholding norms/ strategic disinvestment, etc.)** Verification will be by Administrative Ministry on the basis confirmation from DIPAM/ NITI Aayog.

5. **Procurement and timely payment to Micro Small and Medium Enterprises:**
Confirmation and verification will be by Administrative Ministry on the basis of Sambandh portal.

6. **Steps and initiative taken for Health & Safety improvement of Human Resources in CPSEs (Target to be prescribed by the Administrative Ministry):**
Confirmation and verification will be by the Administrative Ministry.

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C. Format for Balance Sheet and Statement of Profit & Loss for illustration purpose.

BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	**Note No.**	**As at 31 March 2020**	**As at 31 March 2019**
EQUITY AND LIABILITIES			
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total equity		**1,14,000**	**1,07,000**
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings		**1,47,000**	**1,21,000**
Trade payables			
Total outstanding dues of micro and small enterprises		500	5,000
Total outstanding dues of creditors other than micro and small enterprises		500	1,000
Other financial liabilities		500	1,000
Provisions		500	3,000
Deferred tax liabilities (net)		8,000	4,000
Total non-current liabilities		**1,57,000**	**1,35,000**
Current liabilities			
Financial liabilities			
Borrowings		14,000	15,000
Trade payables			
Total outstanding dues of micro and small enterprises		6,000	4,000
Total outstanding dues of creditors other than micro and small enterprises		9,000	7,000
Other financial liabilities		24,000	25,000
Other current liabilities		6,000	5,000
Provisions		6,000	7,000
Total current liabilities		**65,000**	**63,000**
Deferred revenue		3,000	2,000
TOTAL EQUITY AND LIABILITIES		**3,39,000**	**3,07,000**
ASSETS			
Non-current assets			
Property, plant and equipment		1,56,000	1,25,000
Capital work-in-progress		73,000	91,000
Intangible assets		5,000	7,000
Intangible assets under development		2,000	4,000
Financial assets			
Investments in subsidiary and joint venture companies		26,000	13,000
Other investments		1,000	1,000
Loans		1,000	1,000
Other financial assets		1,000	1,000
Other non-current assets		11,000	13,000
Total non-current assets		**2,76,000**	**2,56,000**
Current assets			
Inventories		11,000	8,000
Financial assets			
Trade receivables		16,000	8,000
Cash and cash equivalents		2,000	2,000
Bank balances other than cash and cash equivalents		2,000	3,000
Loans		3,000	3,000
Other financial assets		12,000	8,000

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BALANCE SHEET AS AT 31 MARCH 2020			
			Rs. Crore
Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
Other current assets		8,000	15,000
Total current assets		**54,000**	**47,000**
Regulatory deferral account debit balances		9,000	4,000
TOTAL ASSETS		**3,39,000**	**3,07,000**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020			
			Rs. Crore
Particulars	Note No.	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		**1,00,000**	**92,000**
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		**86,000**	**79,000**
Profit before tax and regulatory deferral account balances		**14,000**	**13,000**
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	-6,000
Total tax expense		**9,000**	**-2,000**
Profit before regulatory deferral account balances		**5,000**	**15,000**
Net movement in regulatory deferral account balances (net of tax)		5,000	-4,000
Profit for the year		**10,000**	**11,000**

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