



MEMORANDUM OF UNDERSTANDING

2017-18

**GOVERNMENT OF INDIA
(MINISTRY OF PETROLEUM & NATURAL GAS)**

AND

HINDUSTAN PETROLEUM CORPORATION LTD.

P R E A M B L E

This Memorandum of Understanding entered into between the Ministry of Petroleum & Natural Gas and Hindustan Petroleum Corporation Limited for the year 2017-18 contains the following:

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MoU 2017-18 Parameter & Targets

Mandatory parameters PART-A

S. No	Evaluation Criteria	Unit	Marks	MOU Targets				
				Excellent	V. Good	Good	Fair	Poor
				100	80	60	40	20
1	<u>Turnover</u>							
	Revenue from Operations – Net (excluding sales to other OMCs)	Rs. crore	10	185100	180000	175000	170000	165000
2	<u>Operating Profit/Loss</u>							
	Operating Profit as a percentage of Revenue from operation (Net)	%	20	3.20	3.00	2.75	2.50	2.25
3	<u>Return on Investment</u>							
	PAT / Average Net Worth	%	20	22.5	22	21	20	19
	Total (A)		50					

MoU 2017-18 Parameter & Targets

Other parameters PART-B

S. No	Performance Criteria	Unit	Marks	MOU Targets				
				Excellent	V. Good	Good	Fair	Poor
				100	80	60	40	20
1	<u>Capacity Utilization</u>							
	Crude Thruput – HPCL Refineries	MMT	8	18.0	17.8	17.5	17.0	16.5
2	<u>Production Efficiency</u>							
	Reduction in Specific Energy Consumption – Combined MBN for HPCL Refineries (% Reduction over previous year)	%	8	2.0	1.8	1.6	1.4	1.2
3	<u>R&D, Innovation, Technology upgradation parameter</u>							
	% of NANO ROs having sale more than 100 KLPM	%	3	85	80	75	70	65
4	CAPEX	Rs. Crore	9	6313	6000	5800	5600	5400
5	Percentage of value of CAPEX contracts/projects running / completed during the year without time/cost overrun to total value of CAPEX contracts running/ completed during the year (Details of CAPEX projects for monitoring is enclosed as Annexure-I)	%	5	100	95	90	85	80

MoU 2017-18 Parameter & Targets

Other parameters PART-B

S. No	Performance Criteria	Unit	Marks	MOU Targets				
				Excellent	V. Good	Good	Fair	Poor
				100	80	60	40	20
6	Reduction in claims against the Company not acknowledged as debt – CPSEs and Others	%	3	5	4	3	2	1
7	<u>HRM Related Parameters</u>							
i	On-line submission of ACR/APAR in respect of all executives (E0 and above) along with compliance of prescribed timelines w.r.t. writing of ACR/APAR (% of number of executives)	%	1	100	95	90	85	80
ii	Online Quarterly vigilance clearance updation for Senior Executives (AGM and above) (% of number of senior executives)	%	1	100	95	90	85	80
iii	Preparation of Succession plan and its approval by Board of Directors	Date	1	30-09-2017	10-10-2017	20-10-2017	31-10-2017	10-11-2017
iv	Talent management and career progression by imparting at least one week training in Centre of Excellence e.g. IITs, IIMs, NITs, ICAI etc. (% of executives)	%	1	5	4.5	4	3.5	3
v	Board decision on recommendation of HR taskforce constituted by MoPNG	Date	1	31-10-2017	30-11-2017	31-12-2017	31-01-2018	28-02-2018

MoU 2017-18 Parameter & Targets

Other parameters PART-B


S. No	Performance Criteria	Unit	Marks	MOU Targets				
				Excellent	V. Good	Good	Fair	Poor
				100	80	60	40	20
8	<u>Sector Specific parameters</u>							
i	Commissioning of LPG Distributorship	No.	3	400	300	250	200	150
ii	% of No. of Retail Outlets with availability of atleast 3 operational digital payment mode (e.g. UPI, USSD, Aadhar Pay, Debit Card etc.)	%	3	95	90	85	80	75
iii	Construction of clean Toilets in Retail Outlets on SH/NH with separate facilities for men/women (No. of ROs)	No.	3	1600	1400	1200	1000	800
	Total (B)		50					

Notes:

1. CPSE should update land holdings on Government Land Information System (GLIS).
2. The Targets are based on estimates submitted by the CPSE for 2016-17. In case of better performance of the CPSE as per final results as compared to estimates, the difference shall be added to the targets for the year 2017-18.
3. Targets set in the MoU are unconditional and no offset will be allowed except adjustment in reference to para 6 (i) of minutes of IMC meeting. Further, evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 of MoU guidelines 2017-18.
4. At the time of MoU Evaluation, figures and information in the MoU achievement which are not verifiable from audited accounts/ annual report would be relied on the basis of certification by way of resolution of the Board given separately for each parameter.

This Memorandum of Understanding for the year 2017-18 is hereby agreed and signed, this ^{4th} day of July, 2017.


M K Surana
Chairman & Managing Director
Hindustan Petroleum Corporation Ltd.


K.D. Tripathi
Secretary to the Government of India
Ministry of Petroleum & Natural Gas

Explanatory Notes

Sr.No. 1 of Mandatory Parameters (Part A) : Turnover – Revenue from Operations (Net) excluding sales to other OMCs - Price Variation Formula

Revised target for Revenue from Operations (RO)	Target of RO (1 + Exchange variation X 1.147% + Crude Price variation X 1.2634%)
Exchange Variation	Variation from Rs.68 per dollar
Crude Price Variation	Variation from crude price of \$55/bbl

Sr.No. 4 of Other Parameters (Part B) : CAPEX

CAPEX target of Rs.6313 crore is excluding investment in JV and subsidiary for Rs.797 crore. If the investment in JV and subsidiary is lower than Rs.797 crore, the difference shall be added to the CAPEX target.

Sr.No. 5 of Other Parameters (Part B) : Project Monitoring Parameter

Percentage of value of CAPEX projects running / completed during the year without time / cost overrun to total value of CAPEX projects running / completed during the year.

The details of CAPEX projects for monitoring is given in Annexure-I.

Annexure-I

Details of CAPEX Projects for Monitoring

Sl. No	Name of Project	Approved/ Estimated cost (Rs.Cr.)	Planned for 2017-18 (Rs.Cr.)	Details of Milestone in (2017-18)	Date of Milestones
1	Vizag Refinery Modernization Project (VRMP)	20928.0	714.0	1. Purchase Order for HGU 2. Purchase Order for FCHCU 3. Purchase Order for ISOM	1. 28th Feb 2018 2. 31st Mar 2018 3. 31st Mar 2018
2	Mumbai Refinery Expansion Project (MREP)	4199.0	653.0	1. Purchase Order for APS column 2. Purchase Order for HGU	1. 31st Dec 2017 2. 31st Jan 2018
3	Mundra Delhi P/L Exp. & Palanpur Vadodara P/L extension Project	1879.0	430.0	1. Completion of 235.7 Km line pipe procurement for PVPL Extension 2. Placement of PO for Mainline pumps for MDPL Cap. Expansion and PVPL Extn.	1. 31st Jan 2018 2. 31st Aug 2017
4	VVSPL Capacity Exp., OTT/SS Jetty sub-sea P/L, Land acquisition for proposed Dharmapuri terminal & pre-project activities of VR Expansion Evacuation Project	492.0	119.0	1. Procurement of line pipes for Sub Sea Pipeline at VPT 2. Placement of PO for Mainline pumps for VVSPL capacity expansion	1. 31st Dec 2017 2. 30th Sep 2017
5	Uran Chakan LPG pipeline	361.7	100.0	Completion	31st Mar 2018
6	Corp. R&D Center Phase II Infra augmentation	265.5	74.0	1. Award of Contract for secondary treated water 2. Award of Contract for 66 KVA power supply	1. 28th Feb 2018 2. 31st Mar 2018
7	Propylene recovery Unit	243.0	25.0	Site clearance	31st Aug 2017
8	RBPL Capacity Exp. Project	230.0	55.0	Placement of PO for Mainline pumps	30th Nov 2017
9	Panagarh LPG Plant	190.5	58.6	Completion of Plant	31st Mar 2018
10	Sugauli LPG Plant	136.4	8.0	Land acquisition	31st Dec 2017
	Total	28925.1	2236.6		

Trend Analysis

PART A

Sl. No	Performance Criteria	Unit	2012-13	2013-14	2014-15	2015-16	2016-17
1	Revenue from Operations excluding sale to other OMCs (Net of Excise duty)	Rs. crore	169090	183656	173804	149970	155448
	Revenue from Operations (Net of Excise duty)		206731	223271	206626	179571	187024
2	a. Profit before Tax	Rs. crore	1475	2616	4154	5738	9021
	b. Other Income		1102	974	1168	1138	1515
	c. Extraordinary & Exceptional items		-	-	-	-	-
	d. Prior Period Items		(113)	58	(4)	6	-
	e. Operating Profit/ Loss (a-b+/-c+/-d)		259	1699	2981	4606	7506
	f. Operating profit / Revenue from Opns(Net)		%	0.13	0.76	1.44	2.56
3	a. PAT	Rs. crore	905	1734	2733	3863	6209
	b. Net Worth at year end		13609	14623	15876	18377	20315
	c. Average Net Worth		13317	14116	15250	17126	19346
	d. PAT / Avg. Net Worth	%	6.79	12.28	17.92	22.55	32.09
	e. Paid-up Share Capital	Rs. crore	338.63	338.63	338.63	338.63	1015.88
	f. GoI share		173.08	173.08	173.08	173.08	519.23
	g. Reserves and surplus		13387	14673	15683	18017	19331
4	Details of other incomes						
	a. Interest	Rs. crore	748.89	690.12	740.79	656.27	721.00
	b. Dividend		112.19	74.02	55.09	87.45	80.36
	c. Other incomes		241.28	210.31	372.53	394.33	713.36
	d. Total		1,102.36	974.45	1,168.41	1,138.05	1514.72

Trend Analysis

PART A

Sl. No	Performance Criteria	Unit	2012-13	2013-14	2014-15	2015-16	2016-17
5	a. Cash and Bank Balance and Equivalent	Rs. crore	147.13	34.71	17.07	19.69	33.67
	b. Investment in mutual funds		-	-	-	-	-
	c. Investment in shares other than subsidiary/JVs		561.77	561.77	561.77	565.66	594.88
	d. Total (a+b+c)		708.90	596.48	578.84	585.35	628.59
	e. Cash Credit/ Overdraft loan/ Short-Term loan		23,511.09	16,375.17	2,199.81	3,888.54	10892.41
	f. Balance in Current account		128.68	14.93	0.28	0.26	1.14
6	Dividend paid/ declared for the year, excluding Dividend Tax	Rs. crore	287.83	524.87	829.64	1,168.26	3047.64

Trend Analysis

PART B

Sl. No	Performance Criteria	Unit	2012-13	2013-14	2014-15	2015-16	2016-17
1	Installed Capacity - Refinery Crude Thruput	MMT	14.8	14.8	14.8	14.8	15.8
2	Capacity Utilization - Refinery Crude Thruput	MMT	15.78	15.51	16.18	17.23	17.81
3	Contribution of each product in sales – Market Sales Quantity	MMT	30.32	30.96	31.95	34.21	35.23
4	Production Efficiency - Specific Energy Consumption	MBN	N.A.	N.A.	88.7	86.4	83.3
5	R&D, Innovation, Technology up-gradation % of NANO ROs selling more than 100 KLPM	%	27.2	27.5	29.3	29.4	41
6	CAPEX	Rs. crore	5090	5155	4806	5341	5701
7	Claims against the Company not acknowledged raised by:						
	Central Govt. Depts.		497.43	541.97	400.99	336.61	305.39
	State Govt. Depts./Local Authority		4508.07	4674.51	2726.96	2162.61	2148.04
	CPSEs	Rs. crore	112.99	118.75	118.28	128.50	68.53
	Others		632.85	1014.66	994.58	935.86	880.98
	Total		5751.34	6349.89	4240.82	3563.58	3402.94
8	Sector Specific Parameters						
	Commissioning of LPG Distributorship	No.	297	314	525	329	254
	Construction of clean Toilets in Retail Outlets in Retail Outlets on SH/NH with separate facilities for men/women	No.	-	-	-	-	421