

MEMORANDUM OF UNDERSTANDING

BETWEEN

MINISTRY OF AGRICULTURE

AND

NATIONAL SEEDS CORPORATION LTD.

FOR THE YEAR 2013-14



National Seed Corporation Limited

(A Govt. of India Undertaking)

Beej Bhawan, Pusa Complex,

New Delhi-110012

**MEMORANDUM OF UNDERSTANDING (MOU)
FOR THE YEAR 2013-14
BETWEEN
NATIONAL SEEDS CORPORATION LTD.
AND
GOVERNMENT OF INDIA**

PART-I: MISSION/VISION & OBJECTIVES OF THE PSE:

MISSION:


To lead the Indian Seed Industry by producing and marketing quality seeds of a wide range of crop varieties and hybrids, and adding value through other agro related inputs and services to the satisfaction of farmers.

VISION:

To contribute to the prosperity of farmers through supply of quality seeds and other agro inputs/services and to enhance agricultural productivity.

OBJECTIVES:

- (a) To ensure growth in the activities of the Corporation.
- (b) To undertake production and supply of quality seeds for enhancing agricultural productivity in the country.
- (c) To diversify the product-mix with more focus on oilseeds, pulses and hybrid seeds.
- (d) To introduce new crop varieties.
- (e) To strengthen and modernize infrastructural facilities.
- (f) To enhance seed production, processing and marketing by expanding Growers net-work and through Public-Private-Partnership.
- (g) To explore new distribution channels & strengthen the existing distribution network.
- (h) To provide training/extension and other seed related services to the farmers.
- (i) To expand activities in North Eastern States.

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PART-II: EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS.

Financial powers have been delegated at various levels for enhanced autonomy and quick decision making.

PART-III: PERFORMANCE EVALUATION PARAMETERS AND TARGETS

Performance Evaluation Parameters and Targets are given in **Annexure-I**

PART-IV: COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

COMMITMENTS OF NSC:

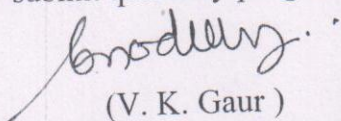
1. NSC undertakes to achieve during 2013-2014 the targets set out in **Annexure-I.**

COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

1. To release the advance subsidy/ subsidy to NSC within 30 days of submission of bills/ claims by NSC
2. To provide requisite funds for proposed modernization processing plants/construction of warehouses.
3. To assist NSC realize its outstanding dues from State Governments.


PART-V: ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU.

NSC undertakes to review the quarterly progress of achievements of each of the MOU criteria for taking corrective measures. In addition, the Board of Directors will also monitor the progress of achievements in its quarterly meetings. NSC undertakes to submit quarterly progress to the Ministry of Agriculture.



(V. K. Gaur)

Chairman cum Managing Director
National Seeds Corporation Ltd.



(Ashish Bahuguna)

Secretary (Agriculture & Co-operation)
Department of Agriculture & Cooperation
Ministry of Agriculture
Government of India

Place: New Delhi

Dated: 22.3.2013

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NATIONAL SEEDS CORPORATION LIMITED

NSC's OBLIGATION UNDER MOU 2013-2014

Annexure-I

In fulfillment of the objectives set out, NSC undertakes to achieve the various performance targets for 2013-2014 as detailed below :

S.No	Performance Indicator	UOMs	Weight age (%)	Excellent	Very Good (BT)	Good	Fair	Poor	Documentary evidence and source/origin of documents
COMMON PARAMETERS									
I	<u>Static Financial Parameters (50%)</u>								
(a)	Financial performance indicators								
(i)	Gross Margin/Gross Block	%	2	88.71	80.65	72.58	68.95	65.52	Audited Accounts
(ii)	Net Profit/Net Worth	%	10	12.58	11.55	10.22	9.76	9.30	"
(iii)	Gross Profit/Capital Employed	%	10	17.58	16.45	14.96	14.41	13.86	"
(b)	Financial indicators - Size								
(i)	Gross Margin	Rs. in Crores	8	55.00	50.00	45.00	42.75	40.62	"
(ii)	Gross Sale of Seed	Rs. in Crores	4	616.00	560.00	532.00	505.40	480.13	"
(c)	Financial returns- Labour productivity and total factor productivity								
(i)	PBDIT/Total Employment	Rs. in lakhs	7	7.01	6.37	5.73	5.45	5.17	"
(ii)	Added Value/Gross Sale of Seed	%	9	4.13	3.83	3.18	3.00	2.81	"
			50						
		Sub total							
II	<u>DYNAMIC PARAMETERS.</u>								
(i)	<u>HUMAN RESOURCE MANAGEMENT (5%)</u>								
	(i) No. of employees to be trained	Mandays	2	250	220	190	160	130	List of the employees trained
	(ii) MDP programme for executive	Mandays	2	125	100	75	50	25	List of executives trained
	(iii) Formation of Risk Management Policy during the year & formal Risk Management training to Sr. Management Personnel	No. of Employees	1	12	10	8	6	4	List of senior Management personnel trained
(ii)	<u>R&D ACTIVITIES-(5%)</u>								
	(a) Total R&D expenditure (as % of PAT of 2011-12)	%	2.5	2.00	1.75	1.50	1.25	1.00	Audited Accounts
	(b) <u>PROJECT CHOSEN BY CPSE</u>								
	(i) Study on the efficacy of newer seed treatment chemical on viability and vigour.	Date	1	31.01.2014	15.02.2014	28.02.2014	15.03.2014	31.03.2014	Certificate of study

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S.No	Performance Indicator	UOMs	Weightage (%)	Excellent	Very Good (BF)	Good	Fair	Poor	Documentary evidence and source/origin of documents
	(ii) Identification of superior hybrids of Maize, Bajra and Paddy through field demonstration.	Date	1	31.01.2014	15.02.2014	28.02.2014	15.03.2014	31.03.2014	Self-certification
	(iii) Equipping the QCL with advanced equipments for seed health test.	Date	0.5	31.01.2014	15.02.2014	28.02.2014	15.03.2014	31.03.2014	Certificate of QC Division
(iii)	CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT								
	(i) Total expenses as approved by Board level Committee (PAT of 2011-12 was Rs. 30.96 Cr.)	Rs. in Cr.	2	1.10	1.00	0.90	0.80	0.70	Audited Annual report
	(ii) Tree Planting	No. of Trees	3	70000	50000	30000	10000	-	Self-certification
	(iii) Construction of Toilet in school for girls, health and hygienic camp for women or any other activities/programme which is sustainable and visible for women or girls as per local requirement. To be taken up in 4 new villages in the 4 already identified districts. @	No. of Villages	3	5	4	3	2	1	Self-certification
(iv)	Quality								
	(i) Strengthening quality control system- Proficiency test of 2 samples under ISTA accreditation of QCL -Lab, New Delhi	Date	1	31.1.14	15.02.14	28.02.14	15.03.14	31.03.14	Test reports received.
	(ii) Condemnation of seeds - %age of turnover on value basis	%	1	0.15	0.20	0.25	0.30	0.35	Copy of consolidate proposal received from ROs.
(v)	Customer Satisfaction :								
	(a) Training to Growers, progressive farmers/Cooperatives / Farmers Association etc.	Nos.	1	2000	1800	1600	1400	1200	Confirmation reports received from ROs.
	(b) Farmers grievances/complaints redressal	%	1	90	80	70	60	50	Copy of complaints redressal register.
(vi)	Project Implementation								
	(i) Setting-up of modern automatic seed processing plants in Chittorgarh & Kota (These locations may be changed due to valid reasons to be recorded)	Nos.	5	3	2	1	-	-	Completion Report
	(ii) Creation of storage capacity	In quintals	2	30000	25000	20000	15000	10000	Completion Report
(vii)	Capital Expenditure (CAPEX)								
	(i) Construction of Warehouse	Rs. in lakhs	2	275	261	248	236	224	Audited Accounts
	(ii) Purchase of Equipment & Machinery	Rs. in lakhs	1	110	105	99	94	90	Audited Accounts
(viii)	Adoption of Innovative Practices:								
1)	Introduction of new varieties	Numbers	2	25	22	20	18	15	A certificate to this effect including name of the new varieties
	Sub total		34						MOU 2013-14 Approved by DPE/TF

S.No	Performance Indicator	UOMs	Weights (%)	Excellent	Very Good (BT)	Good	Fair	Poor	Documentary evidence and source/origin of documents
III.	SECTOR/Enterprises-SPECIFIC PARAMETERS								
	(i) Total Production of Certified Seeds (own production, no back to back)	In lakh quintals	5	13.65	13.00	12.35	11.73	11.15	Production records
	(ii) Production/ procurement of certified seeds for cereals with no back to back or outsourcing of seed procurement	In lakh quintals	2	6.00	5.70	5.42	5.14	4.89	Production records
	(iii) Production of Vegetable seeds (excluding potato) Note: Special efforts will be made to focus on hybrid seed production & increase this sector from year to year	in Qtls	2	3675	3500	3325	3159	3001	Production records
	(iv) Production of fodder seeds	Qtls.	1	37000	35000	33000	31000	29000	Production records
	(v) Product mix (Production) Cereal : Non Cereal	Ratio	2	44:56	44:56	44:56	44:56	44:56	Production records
	(vi) Production of Hybrid seeds	Qtls.	2	35000	30000	25000	20000	15000	Production records
	(vii) Marketing in Remote Areas #	% of Turnover on quantity basis	2	9.00	7.00	6.00	5.71	5.44	Confirmation reports received from Ros.
	Sub total		16						
	Total		100						
	@Four villages adopted Kharakeri(Hissar-Haryana), Tikar(Gorakhpur-UP), Badli(Jalgaon-Maharashtra), Dumra(Patna_Bihar). CSR and sustainability will be scaled up every year in these Districts.								
	# Includes Eastren India, N.Eastern States, J&K, & Uttarakhhand.								
	Note : It has been assured by CPSE that steps would be taken to ensure that there would not be any major material qualification in the audit report for the F.Y. 2013-14								

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1. 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 a 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).

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NATIONAL SEEDS CORPORATION LIMITED
NEW DELHI-12

(Rs. in crores)

S.No.	Particulars	TREND OF CPSE'S PERFORMANCE OF FINANCIAL PARAMETERS FOR LAST 5 YEARS										2013-14 MOU Targets (V.Good)		
		2008-09		2009-10		2010-11		2011-12		2012-13			2013-14	
		MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	Revised estimate for 2012- 13	2013-14 MOU Targets (V.Good)
1	Production	102.60	181.43	152.66	314.14	335.30	444.41	410.70	460.44	444.75	440.00	440.00	440.00	347.87
2	Gross Sales	175.50	301.70	251.45	485.60	493.00	660.42	645.00	666.09	670.00	660.00	660.00	660.00	560.00
3	Gross Margin	22.03	42.89	38.85	84.80	56.52	64.46	81.00	62.49	60.30	53.00	53.00	53.00	50.00
4	Profit before tax	20.93	40.96	36.83	79.84	50.30	52.51	71.55	49.67	45.84	42.10	42.10	42.10	39.02
5	Gross Block	28.24	28.24	30.39	32.50	41.65	36.81	70.00	45.69	49.00	55.00	55.00	55.00	62.00
6	Less dep	18.39	17.62	20.23	18.57	20.21	20.00	21.82	22.05	23.65	24.85	24.85	24.85	27.85
7	Net block	9.85	10.62	10.16	13.93	21.44	16.81	48.18	23.64	25.35	30.15	30.15	30.15	34.15
8	share capital of CPSE	20.62	20.62	20.62	20.62	20.62	20.62	20.62	20.62	20.62	20.62	20.62	20.62	22.68
9	Reserves & surplus of CPSE	23.08	66.15	84.65	96.91	103.40	131.64	196.54	157.80	187.69	180.93	180.93	180.93	201.53
10	Capital Grant Reserve				26.04	18.93	27.14	26.04	32.37	34.28	34.48	34.48	34.48	35.48
11	Less deferred reve exp / pre-acquisition loss	0.00	0.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Less Profit & Loss A/c													
13	Net worth of CPSE	43.70	86.21	105.27	143.57	142.95	179.40	243.20	178.42	208.31	201.55	201.55	201.55	224.21
14	Investment	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87	8.87
15	Sundry debtors/Net sales %	17.00	11.00	17.00	17.00	16.00	0.00	12.65	0.00	0.00	0.00	0.00	0.00	0.00
16	Inventory	15.50	29.95	36.76	50.55	82.09	63.08	72.10	78.82	68.60	73.90	73.90	73.90	75.90
17	Total Current assets	93.90	217.80	149.60	361.17	379.28	392.60	416.84	411.30	416.21	440.32	440.32	440.32	465.37
18	Total current liabilities & provision	68.70	149.81	54.02	151.94	265.07	216.43	126.50	213.18	165.00	208.26	208.26	208.26	213.75
19	Net current assets	25.20	67.99	95.58	209.23	114.21	176.18	289.54	198.12	251.21	232.06	232.06	232.06	251.62
20	Capital employed (Net block + net current assets)	35.05	78.61	105.74	223.16	135.65	192.99	337.72	221.76	276.56	262.21	262.21	262.21	285.77
21	Total debt (loan funds)	0.00	0.00	0.00	93.64	0.00	29.68	110.00	27.67	50.00	40.00	40.00	40.00	40.00

S.No.	Particulars	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14
		MOU	ACTUAL	MOU	ACTUAL	MOU	Actual	MOU	Actual	MOU	Revised estimate for 2012-13	MOU Targets (V.Good)
22	Total Assets (Gross Block)	28.24	28.24	30.39	32.50	41.65	36.81	70.00	45.69	49.00	55.00	62.00
23	No of employees of CPSE	720	703	710	759	725	816	840	805	785	785	785
24	Dividend paid	0.00	1.86	0.00	2.27	2.06	2.27	4.12	4.12	4.54	4.12	4.54
25	Addvalue (gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)	18.53	34.94	28.57	62.48	42.96	45.16	47.23	40.31	32.64	26.78	21.42
	Ratios											
26	Debt/equity	0.00	0.00	0.00	4.54	0.00	1.44	5.33	1.34	2.42	1.94	1.76
27	Return on Net worth (% age)	47.89	47.51	34.99	55.61	35.19	29.27	29.42	27.84	22.01	20.89	17.40
28	PBDIT/ Total employment of CPSE (Rs. In lakhs)	3.06	6.10	5.47	11.17	7.80	7.90	9.64	7.75	7.68	6.75	6.37
29	Gross Profit/Capital employed (% age)	59.74	53.05	35.61	37.36	40.60	32.58	23.48	26.99	21.17	19.14	16.45
30	Net Profit / Net Worth (% age)	30.46	30.79	23.32	36.35	23.22	20.84	20.34	17.35	16.86	13.86	11.55
	Working of Gross Margin											
31	Net profit	13.31	26.54	24.55	52.19	33.20	37.38	49.47	30.96	35.12	27.93	25.89
32	Tax	7.13	14.41	12.28	27.65	17.10	15.12	22.08	18.62	15.43	14.17	13.13
33	Net profit before tax	20.44	40.95	36.83	79.84	50.30	52.50	71.55	49.57	50.55	42.10	39.02
34	Less Prior period	0.00	0.09	0.00	-0.14	0.00	0.02	0.00	0.19	0.00	0.00	0.00
35	Add extra ordinary items											
36	Profit before prior period	20.44	41.04	36.83	79.70	50.30	52.52	71.55	49.77	50.55	42.10	39.02
37	Add Interest	0.50	0.66	0.82	3.68	4.77	10.36	7.75	10.09	8.00	8.10	7.98
38	Gross profit	20.94	41.70	37.65	83.38	55.07	62.88	79.30	59.86	58.55	50.20	47.00
39	Add depreciation	1.10	1.19	1.20	1.42	1.45	1.60	1.70	2.53	1.75	2.80	3.00
41	Gross Margin before Interest, depreciation & misc. expenditure written off	22.04	42.89	38.85	84.80	56.52	64.49	81.00	62.39	60.30	53.00	50.00

NATIONAL SEEDS CORPORATION LIMITED
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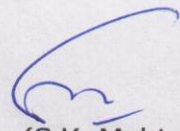
No. 3(2)/2012-13/CS/NSC

Dated: 30th November, 2012

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU guidelines by adopting the norms and definitions laid down in MoU guidelines for the year 2013-14. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU guidelines. CPSE has no right of claim in this regard.

Thanking you,



(S.K. Mehta)
Dy. General Manager (F&A)