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PERFORMANCE AGREEMENT

BETWEEN

**MINISTER FOR HEAVY INDUSTRIES &
PUBLIC ENTERPRISES**

AND

**SECRETARY
DEPARTMENT OF HEAVY INDUSTRY
MINISTRY OF HEAVY INDUSTRIES &
PUBLIC ENTERPRISES**

FOR THE PERIOD

APRIL 1, 2009 TO MARCH 31, 2010

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PERFORMANCE AGREEMENT

(April 1, 2009 to March 31, 2010)

A Performance Agreement is an integrated and consistent set of actions (policies, programmes and projects) designed to achieve specific objectives by attaining certain targets over a specific period of time and within the available human, material and financial resources.

This Performance Agreement (hereinafter referred to as the "Agreement") is entered into between the Government of India (hereinafter referred to as "Minister") represented by the Minister, Heavy Industries & Public Enterprises (together with its assignees and successors) of the one part, and the Secretary, Department of Heavy Industry (hereinafter referred to as "Secretary") of the other part.

WHEREAS,

The Government recognises that Ministries/Departments/Public Authorities hold a vital key to improving performance and sustaining the faith of our citizens in the Government;

Priorities of the Government¹ over the next five years inter-alia include (a) stepping up growth in manufacturing (b) Governance reforms (c) creation and modernisation of infrastructure and capacity addition in key sectors and (d) energy security.

The Government¹ is committed to initiating steps to establish mechanisms for performance monitoring and performance valuation in the Government on a regular basis.

The Government¹ is committed to develop a road map for listing and people ownership of Public Sector Undertakings while ensuring that Government equity does not fall below 51%.

The Government¹ is committed to take coordinated action to see that at least 13000 MW of power generating capacity is added every year.

The purpose of this Performance Agreement is to establish clarity and consensus about priorities for the Department of Heavy Industry.

This Agreement represents a basis for continuous improvement as the Government reinvents ways and means to meet the needs and expectations of its citizens.

NOW THEREFORE, the parties hereto agree as follows:

¹ Extracts from Address by the Hon'ble President of India, Shrimati Pratibha Devisingh Patil, to Parliament on 4th June 2009.

Part I

VISION

“The Vision of the Department of Heavy Industry is to have a modern, healthy and robust domestic heavy engineering industry viz. Machine Tool Industry, Heavy Electrical Industry, Industrial Machinery, Auto Industry and all sub sectors of Capital Goods Industry.

The Department of Heavy Industry visualises all PSEs under its administrative control to register sound growth.

The Department of Heavy Industry intends to transform BHEL, the only Navaratna CPSE under its administrative control, into a world class engineering enterprise.

The Department of Heavy Industry also seeks to position India prominently on the global automotive map and to drive India into the future of global automotive excellence”.

MISSION

“The Department of Heavy Industry seeks to achieve its vision by providing necessary support to all sub sectors of Capital Goods Industry and the Auto Sector.

The Department of Heavy Industry also strives to bolster profit making PSEs as well as restructure and revive sick and loss making PSEs under its administrative control.

The Department of Heavy Industry seeks to achieve its vision of global automotive excellence through creation of state-of-the-art Research and Testing infrastructure through the National Automotive Testing and R&D Infrastructure Project (NATRIP)”.

MAIN OBJECTIVES

Objective No. 1

Supporting profit making PSEs to attain higher turnover and profits.

Objective No. 2

Restructuring of sick PSEs to reduce the number of sick and loss making PSEs as also their aggregate losses.

Objective No. 3

Setting up of seven state-of-the-art automotive testing and R&D centres across the country.

Objective No. 4

Supporting BHEL to achieve the following:

Growth

To ensure a steady growth and reach a turnover of Rs 45,000 crore by 2011-12 and Rs 91,000 crore by 2016-17 by enhancing the competitive edge of BHEL in existing businesses, new related and semi-related areas and international operations.

Market Share

To maintain a market share in Power Sector business of around 55-60% in XI Plan Period.

Order book

To attempt an average order inflow of Rs 38,000 crore per annum during the XI Plan Period.

Exports

To enhance export turnover of 2006-07 by 6 times by the end of XI Plan Period.

Manpower

To attain a manpower level of 50,100 by 2011-12.

Objective No. 5

Appropriately and adequately projecting the concerns of the Auto, Capital Goods Sectors.

FUNCTIONS

1. To constitute and hold regular meetings of the
 - (a) Development Council for Heavy Electrical & Allied Industries
 - (b) Development Council for Textile Machinery Industry
 - (c) Development Council for Machine Tools
 - (d) Development Council for Automobile & Allied Industries
2. To interact and maintain constant dialogue with Industry Associations of the 19 sub-sectors of the Capital Goods Sector (Boilers, Cement Machinery, Dairy Machinery, Electrical Furnace, Freight Containers, Material Handling Equipment, Metallurgical Machinery, Mining Machinery, Oil Field Equipment, Printing Machinery, Pulp & paper machinery, Rubber machinery, Switchgear & Control Gear, Shunting Locomotives, Sugar machinery, Turbines & Generator Sets, Transformers & Textile machinery) as well as Industry Associations such as CII, FICCI . To organise international/national/sector specific seminars and exhibitions in the context of the Capital Goods Sector, Automotive Sector, PSEs.
3. To encourage initiatives for growth of the Industry and assist the Industry through inter-alia policy initiatives', suitable interventions for restructuring of tariffs, promotion of technological collaboration and upgradation and research and development activities.
4. To project the concerns of the Capital Goods sub-sectors to the Ministry of Finance, Ministry of Commerce and other Ministries/Departments of Government of India.
5. To protect and project the interests of heavy engineering industry, capital goods and automobile sectors in bilateral/multilateral/plurilateral agreements signed by the Government.
6. To provide inputs to other Departments/Ministries for formulation of policies impacting on heavy engineering, power, auto and other sectors relating to this Department.
7. To submit recommendations in regard to FDI, Foreign Technical Collaborations (FTC) proposals considered by the FIPB/SIA.
8. To implement the NATRIP Programme across the country thereby
 - (a) Creating core global competencies.
 - (b) Enhancing competitive skills for product development leading to deepening of manufacturing.
 - (c) Synergising India unique capabilities in Information Technology with the automotive sector.

- (d) Facilitating seamless integration of Indian automotive industry with the world to put India strongly on the global automotive map.
9. To implement the Automotive Mission Plan which lays down the collective vision of the Industry and the Government for the automotive industry in 2016.
 10. To administer the Fluid Control Research Institute (FCRI) which caters to the need of the flow industry for calibration.
 11. To administer the Automotive Research Association of India (ARAI) as a Cooperative Research Organisation offering comprehensive R&D services in the fields of engine development of alternative fuels, NVH Noise, vibration & harshness, computer aided engineering, structural dynamics, automotive electronics and materials.
 12. To administer the Forging Industry Research Institute as an R&D centre and testing facility with a view to carrying out industrial research, design and development, work as per the needs of the industries and to transfer developed technology to industries, to increase the Centre-Industry-Interaction and strengthen the Consultancy and Industrial Services, to incorporate the concept of value-based R&D/Testing in all sphere of forging industry and subsequently, to offer skill up-gradation and latest forging technology, management, training facilities.
 13. To administer BHEL, Navratna PSE with a view to achieving consistently high growth in turnover, profits, net worth, order book position, exports, manpower.
 14. To represent the Government in the Boards of the PSEs by nominating Government nominees.
 15. To constitute and appoint Directors (Functional as well as Part-time non-official) on the Boards of PSEs with the approval of Competent Authority.
 16. To conduct periodic performance/MoU review/project review meetings of various PSEs.
 17. To support and strengthen and assist profit making PSUs with a view to attaining consistently high growth in turnover and profits.
 18. To increase the aggregate profit of profit making PSEs and reduce the aggregate losses of loss making PSEs.
 19. To encourage and undertake restructuring of PSEs under its administrative control with a view to ensuring their revival in the shortest possible time.

20. To provide financial support to PSEs for meeting their VRS/VSS, investment needs and implementation of restructuring plans of sick/loss making PSEs as sanctioned by the Government/BIFR.
21. To revive sick/loss making PSEs with the support of other PSEs under the administrative control of this Department.
22. To merge sick and loss making PSEs with other PSEs within this Department/other Departments with a view to ensuring their revival in the shortest possible time.
23. To locate joint venture partners for sick and loss making PSEs.
24. To close down sick PSEs which have no possibilities for revival.
25. To provide budgetary support for payment of salary, wages and statutory dues to sick PSEs.
26. To evaluate, develop and sign MoUs with PSEs with a view to giving them greater autonomy and making them accountable for achievement of their objectives.
27. To formulate and review the Demand for Grant of the Department, respond to audit observations/VIP references, monitor cases under litigation, vigilance administration of Department & PSEs, administrative tasks .
28. Technical Services Wing (B) provides technical advice to DGFT in respect of proposals received for import of raw material component. Under Duty Exemption Scheme, Export Promotion Capital Goods (EPCG), Import of Restricted Items and Duty Entitlement Passbook Scheme (DEPB).

Part II

PERFORMANCE OBLIGATIONS AND COMMITMENTS OF SECRETARY DHI

Secretary, Department of Heavy Industry undertakes to do the following:

1. Take up with Ministry of Finance ahead of budget discussions as well as from time to time during the course of the year, the concerns of the various industry associations.
2. Organise national level and sector-specific seminars/workshops on topical issues.
3. Organise the Fourth Environmentally Friendly Vehicle Conference in New Delhi on 23-24th November 2009.
4. Constitute and hold meetings of the four Development Councils.
5. Sign MOUs with all operating PSEs under the administrative control of DHI.
6. Ensure progress and implementation of projects under the NATRIP programme with minimum of 100% BE plan outlay being spent during the year.
7. Take a decision on the BRPSE recommendations in respect of each of the PSEs on which recommendation is available as on 1.4.2009.
8. Constantly review and monitor performance of BHEL with a view to ensuring that BHEL meets the CoD targets specified by CEA for synchronisation and trial operation during the year 2009-10.
9. Bring to conclusion the disinvestment programmes in respect of AYCL's equity in PYL and DPSC.
10. Sign an Annual Performance Agreement with the Minister for Heavy Industries and Public Enterprises.
11. Timely processing of appointment cases of Functional Directors and Part-time non-official Directors.
12. Regular MoU performance reviews of PSEs.

PERFORMANCE OBLIGATIONS OF THE DEPARTMENT OF HEAVY INDUSTRY FOR THE YEAR 2009 - 2010

Objective		Description	Weight	Success Indicator		Target				
				Description	Relative Weight	Excellent	Very Good	Good	Fair	Poor
Objective 1	Supporting profit making PSEs to attain higher turnover and profits.	(A)% increase in aggregate turnover	25%	5%	100%	90%	80%	70%	60%	
					> 15%	10-15%	5-10%	0-5%	<0%	
					> 2.5%	2-2.5%	<1.5-2%	1-1.5%	<1	
					> 16	> 14	> 13	> 12	>11	
Objective 2	Restructuring PSEs to reduce sick and loss making PSEs as also their aggregate losses.	(D) Aggregate score from Table 1D reflecting action taken to support profit making PSEs	25%	10%	> 90%	80 - 90%	70 - 80%	60 - 70%	50 - 60%	
					30 - 40%	25 - 30%	20 - 25%	15 - 20%	10 - 15%	
		(B)Aggregate score from Table 2B reflecting action taken to support loss making PSEs		15%	> 90%	80 - 90%	70 - 80%	60 - 70%	50 - 60%	

PERFORMANCE OBLIGATIONS OF THE DEPARTMENT OF HEAVY INDUSTRY FOR THE YEAR 2009 - 2010

Objective	Description	Weight	Success Indicator		Target				
			Description	Relative Weight	Excellent	Very Good	Good	Fair	Poor
Objective 3	Setting up of seven state-of-the-art automotive testing and R&D centres across the country.	20%	(A) Spending for the BE plan allocation project	10%	BE plus 20% sought by DHI through supplementary Grant*	BE plus 10% sought by DHI through Supplementary Grant*	BE	BE minus 10%	BE minus 20%
Objective 4	Supporting BHEL to achieve growth, market share, order book, exports, manpower	20%	(B) Aggregate score Table 3B reflecting corresponding physical progress of project	10%	> 90%	80 - 90%	70 - 80%	60 - 70%	50 - 60%
Objective 5	Appropriately and adequately projecting the concerns of the Auto, Capital Goods Sectors.	10%	(A) Feedback received from Industry Associations (B) Aggregate score Table 5B reflecting the action taken to address the concerns of these Sectors.	2% 8%	Excellent > 90%	Very Good 80 - 90%	Good 70 - 80%	Fair 60 - 70%	Poor 50 - 60%
TOTAL		100%							

* Subject to approval of supplementary grant by MoF.

Action required to achieve :

Objective No. 1D : Supporting profit making PSEs to attain higher turnover and profits.

Action	Description	Weight	Success Indicator		Target				
			Description	Relative Weight	Excellent	Very Good	Good	Fair	Poor
Action 1	Structured review of PSU performance at the level of SHI/JS	40%	Frequency of quarterly review	40%	Review held in all cases	Review held in 90% of cases	Review held in 80% of cases	Review held in 70% of cases	Review held in 60% of cases
Action 2	Participation of Government nominees in Board Meetings	30%	Frequency of participation	30%	> 90% participation	> 85% participation	> 80% participation	> 78% participation	> 75% participation
Action 3	Support provided by BHEL to HEC, ILK & AYCL	30%	Extent of support provided	30%	> 50 crore	40 - 50 crore	30 - 40 crore	20 - 30 crore	10 - 20 crore
Total		100%							

Action required to achieve :

Objective No. 2B : Restructuring PSEs to reduce loss making PSEs as also their aggregate losses.

Action	Description	Weight	Success Indicator		Target				
			Description	Relative Weight	Excellent	Very Good	Good	Fair	Poor
Action 1	Restructuring of PSEs undertaken. (BSCL, BCL, HSL + SSL, TCIL & HMT (Bearings)).	20%	Number	20%	4	3	2	1	0
Action 2	No. of PSEs in which Restructuring initiated by reference to BRPSE (SIL & HPF)	20%	Number	20%	> 2	2	> 1	1	0
Action 3	VRS/VSS & statutory dues provided (BE provision is Rs 250 crore)	15%	Amount in Crore	15%	> 225	> 210	> 200	> 190	> 180
Action 4	Amount provided for revival of PSEs (BE provision is Rs 150 crore)	15%	Amount in Crore	15%	> 140	> 130	> 120	> 110	> 100
Action 5	Assistance provided under AMR (BE provision is Rs 15 crore)	10%	Amount in Crore	10%	15	14	13	12	11
Action 6	Phasing of expenditure	10%	%expenditure in Q4	10%	31%	32%	33%	> 33%	> 40%
Action 7	Utilisation of Funds for VRS/VSS and statutory dues by PSUs	10%	Level of utilisation	10%	100%	90-100%	80-90%	70-80%	60-70%
Total		100%							

Action required to achieve :
Objective No. 3 B : Setting up of seven state-of-the-art automotive testing and R&D centres across the country – Physical Progress of the Project.

Action	Description	Weight	Success Indicator		Target				
			Description	Relative Weight	Excellent Score = 25	Very Good Score = 20	Good Score = 15	Fair Score = 10	Poor Score = 5
Action 1	Commissioning and handing over of EMC lab at VRDE Ahmednagar.	20%	Completion date	20%	20 th August	31 st Aug.	15 th Sept.	30 th Sept.	15 th Oct.
Action 2	Manesar 1 – Completion of Buildings for Power train Lab & Client Workshop.	20%	Completion date	20%	31 st Dec	15 th Jan	30 th Jan	15 th Feb	28 th Feb
Action 3	Chennai- Admin./Reception Bldg, General Storage, Client Workshop, Maintenance Workshop, Control Tower	20%	Completion date	20%	31 st Jan	15 th Feb	28 th Feb	15 th Mar	31 st Mar
Action 4	Commissioning of Silchar Dholchura Campus for Hill Driving Training Institute & Holding of 1 st Defensive Driving Training Course.	15%	Completion date	15%	30 th Sept.	31 st Oct.	15 th Nov	30 th Nov	15 th Dec
Action 5	Completion of Silchar Jaffirbund – I&M Bldg	15%	Completion date	15%	31 st Oct.	15 th Nov	30 th Nov	15 th Dec	31 st Dec
Action 6	Certification of work including quality	10%	Report	10%	Grading Excellent	Grading VG	Grading G	Grading F	Grading P
Total		100							

Action required to achieve :

Objective No. 4 B: Supporting BHEL to achieve Growth, market share, order book, exports and manpower augmentation:

Action	Description	Weight	Success Indicator		Target					
			Description	Relative Weight	Excellent	Very Good	Good	Fair	Poor	
Action 1	Follow up with MoP leading to award of super critical plants of 660 MW to BHEL.	30%	Work awarded to BHEL	30%	100%	90%	80%	70%	60%	Submission of Cabinet Note by MoP
Action 2	Structured review of power projects under implementation by BHEL for 2009 – 10	20%	No. of meetings held	20%	4	3	2	1	0	
Action 3	Thermal and hydro sets for trial operation completion during 2009- 10.	20%	Capacity completed	20%	> 6500 MW	> 6300 MW	> 6000 MW	> 5800 MW	> 5500 MW	
Action 4	Capacity augmentation plan	20%	Capacity augmented as targeted by March 2010.	20%	15000 MW	14500 MW	14000 MW	13500 MW	13000 MW	
Total										
			100%							

Action required to achieve :

Objective No. 5B: Appropriately and adequately projecting the concerns of the Auto, Capital Goods Sectors .

Action	Description	Weight	Success Indicator		Target				
			Description	Relative Wt.	Excellent	Very Good	Good	Fair	Poor
Action 1	Take up with MoF ahead of Budget	20%	Timely taking up with MoF	20%	100%	90%	80%	70%	60%
Action 2	Taking up important policy issues relating to industry sectors through IMGs and Joint Working Groups	20%	No. of times taken up	20%	30 - 45 days before budget	15 - 30 days before budget	10 - 15 days before budget	5 - 10 days before budget	Not taken up
Action 3	Take up recommendations of Development Councils with appropriate Departments / Ministries.	20%	No. of times taken up	20%	5	4	3	2	1
Action 4	Organise international/national seminar/conference on topical issue	20%	No. of seminars organised	20%	1 International, 1 national plus 2 SSS	3 of the 4 at Excellent	2 of the 4 at Excellent	1 of the 4 at Excellent	Not held
Action 5	Release of funds for R&D Projects funded through Cess Funds (DCAAI)	10%	No. of projects funded	10%	6	5	4	3	2
Action 6	Protect and project the concerns of domestic industry through effective articulation of issues at bi/multi/pluri-lateral forum such as WP 29, JWGs .	10%	No. of times taken up	10%	4	3	2	1	0
TOTAL		100%							

Part III

COMMITMENTS AND OBLIGATIONS OF THE MINISTER

While the Department of Heavy Industry will be required to achieve the Performance targets as staged in Part II, the Minister on its part is committed to:

1. Providing timely release of voted funds.
2. Decision within 15 days on requests made by the Department of Heavy industry in regard to appointment of Directors on the Board of PSEs.
3. Devolve operational autonomy by supporting the recommendations made by Secretary in consultation with Minister in regard to at least 50% of Independent Directors to be inducted on the Boards of various PSEs under the administrative control of DHI.
4. Take up issues requiring Inter-Ministerial assistance at appropriate levels of the Government.

Part IV

FREQUENCY OF MONITORING AND INFORMATION FLOW

The Department of Heavy Industry (DHI) shall submit Half-yearly and Annual Performance Reports to the Cabinet Secretary against the performance obligations mentioned in Part II of this Agreement. These reports will be due within 30 days after the close of the Half-year/Year.

SIGNED:

Shri Vilasrao Deshmukh

Date

Dr. S.N. Dash

Date