

**GOVERNMENT OF INDIA
MINISTRY OF MINES**

**LOK SABHA
STARRED QUESTION NO.373
TO BE ANSWERED ON 11/08/2016**

PRODUCTION OF ALUMINIUM

***373 SHRI VINAYAK BHAURAO RAUT AND DR. SHRIKANT EKNATH SHINDE:**

Will the Minister of **MINES** be pleased to state:

- (a) whether the Government has signed an agreement with the National Aluminium Company Limited (NALCO) regarding financial and non-financial targets for the Financial Year 2016-17;
- (b) if so, the details and the salient features thereof;
- (c) whether the agreement has also set higher targets for production of both alumina and aluminium as compared to the previous fiscal, and if so, the details thereof;
- (d) the quantum of alumina and aluminium produced by NALCO during 2015-16 and the target for the production during the year 2016-17; and
- (e) the steps taken/to be taken to achieve the targets within stipulated time ?

ANSWER

**THE MINISTER OF STATE (I/C) POWER, COAL, NEW AND RENEWABLE ENERGY
AND MINES (SHRI PIYUSH GOYAL)**

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to part (a),(b), (c),(d) and (e) of the Lok Sabha Starred Question No.373 asked by Shri Vinayak Bhaurao Raut and Dr. Shrikant Eknath Shinde for answer on 11th August, 2016.

- (a) Yes, Madam. Secretary, Ministry of Mines, Government of India has signed a Memorandum of Understanding (MoU) with National Aluminium Company Limited (NALCO) on 18th July, 2016 setting up physical and financial targets for the financial year, 2016-17 to be achieved by the Company.
- (b) The details of MoU target for NALCO for 2016-17 are given in the attached assessment format 2016-17 at Annexure. The salient features of MoU, 2016-17 are as follows:
- (i) MoU is a mutually negotiated agreement between the management of the company and Govt. of India wherein the CPSE has undertaken to achieve the targets set for the year. MoU provides an assessment format in a five point scale ranging from 'Poor' to 'Excellent'. It covers the broad areas of activities of NALCO, namely, production capacity utilization in alumina refinery and aluminium smelter, production efficiency parameters, technology up-gradation, research & development, capital expenditure (CAPEX) and its monitoring parameter, financial indicators such as turnover and operational profit, etc.
- (ii) An annual 'excellent' production target of 21.30 lakh tonnes of alumina and 3.85 lakh tonnes of aluminium by NALCO has been set which are higher than the previous year's achievements.
- (iii) The 'excellent' target for turnover from operations (net of excise) has been set at Rs. 7100 crore.
- (iv) The production efficiency targets have also been set to improve over the previous years' achievements.
- (v) The 'excellent' CAPEX target has been set at Rs. 870 crore.
- (c) & (d): The 'excellent' targets set for alumina & aluminium production in the financial year 2016-17 are 9.06% & 3.49% higher respectively compared to the actual achievement

in previous year, 2015-16. Production of alumina and aluminium in 2015-16 and targets for 2016-17 are as under:-

	Unit	Production in the year 2015-16	'Excellent' target for the year 2016-17	'Very Good' target for the year 2016-17
Alumina	in lakh MT	19.53	21.3	21.0
Aluminium	in lakh MT	3.72	3.85	3.66

- (e) Achievement of physical targets in respect of production and sales parameters are being monitored regularly by the functional Directors and CMD of the Company. The performance of NALCO, including the status of major projects, CAPEX achievements are also being monitored by Ministry of Mines and the Board of Directors of the company.

MOU Assessment Framework for 2016-17

Sl. No.	Evaluation Criteria	Unit	Wtg	MOU Target				
				Excel.	V. Good	Good	Fair	Poor
i.	Capacity Utilisation: Production							
a)	Alumina Refinery : Production of Alumina Hydrate	Lakh MT	5	21.30	21.00	20.40	19.80	19.50
b)	Aluminium Smelter : Production of Aluminium	Lakh MT	5	3.85	3.66	3.48	3.31	3.15
ii.	Efficiency Parameters (Physical operations)							
A.	Production efficiency:							
	Smelter: Percentage reduction in DC Power Consumption over previous year	%	3	0.03	0.025	0.020	0.015	0.010
	Alumina Refinery: Improvement in Electrical Energy consumption over previous year	%	4	0.77	0.62	0.46	0.31	0.16
	Alumina Refinery: Improvement in Coal consumption over previous year	%	3	0.75	0.60	0.45	0.30	0.15
B..	Technology up-gradation:							
	Smelter: Completion of de-fluoridisation plant based on nano-technology&trial run	Date	5	01-12-16	15-12-16	31-12-16	15-01-17	31-01-17
C.	Research & Development:							
	Smelter: Commercialisation of high speed extrusion alloy billets	Date	5	15.02.17	28.02.17	15.03.17	22.03.17	31.03.17

Sl. No.	Evaluation Criteria	Unit	Wtg	MOU Target				
				Excel.	V. Good	Good	Fair	Poor
iii.	Leveraging Net Worth:							
	CAPEX	Rs. Crore	15	870	783	705	634	571
iv.	Monitoring Parameter:							
	Percentages 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	%	5	100	90	80	70	60
v.	Turnover for Operations:							
	Revenue from Operations (net of excise duty)	Rs. Crore	5	7,100	6,862	6,598	6,327	6,142
vi.	Operating Profit/ Surplus:							
	Profit Before Tax (excluding other income, extraordinary and exceptional items) as percentage of Revenue from Operations	%	10	2.90	2.75	2.60	2.40	2.00
vii.	Early signs of weakness:							
	Reduction in Claims against the Company not acknowledged as debt, over the previous year (CPSE & Others)	%	5	25	20	18	16	15
viii.	Marketing efficiency parameter:							


Sl. No.	Evaluation Criteria	Unit	Wtg	MOU Target				
				Excel.	V. Good	Good	Fair	Poor
A.	Number of days of inventory of finished goods and work-in-progress to sale of products	No. of Days	5	24.5	25.0	26.0	27.0	28.0
B.	Marketing efficiency ratios:							
	Trade Receivables as percentage of Revenue from Operations (Gross)	%	5	3.00	3.20	3.50	4.00	4.50
ix.	Return on Investment:							
1.	Dividend /PAT	%	5	81.65	74.55	67.17	64.92	61.16
2.	PAT / Net Worth or Shareholders Fund	%	10	3.82	3.44	3.11	2.77	2.61
3.	Dividend/ Net Worth	%	5	2.96	2.57	2.09	1.80	1.61
	Grand Total		100					

1. It was decided that where achievement is not verifiable from annual report of the CPSE, the same would be accepted on the basis of certification by way of resolution from Board of Directors.

2. It was agreed that the targets recommended by the IMC are based on Provisional submitted by the company for FY 2015-16. In case of better performance of the CPSE during the year 2015-16 as compared to Provisional given to the Committee, the difference shall be added to the targets of 2016-17.

3. It was agreed that targets decided in MoU are unconditional and no offset will be allowed in any condition except as mentioned in para 6(v) of IMC minutes. Further evaluation would be subject to compliance of additional eligibility criteria as contained in para 14.2 and 14.3 of MoU guidelines 2016-17.


CHAIRMAN-CUM-MANAGING DIRECTOR
National Aluminium Company Limited
Nalco Bhavan, Bhubaneswar


SECRETARY
Ministry of Mines,
Govt. of India, Shastri Bhawan,
New Delhi.

Date : 18 /07 /2016
Place : New Delhi.