MEMORANDUM OF UNDERSTANDING

BETWEEN

INDIAN RAILWAY CATERING AND TOURISM CORPORATION LIMITED

AND

MINISTRY OF RAILWAYS

YEAR 2011-12

MOU 2011-12
Approved By DPE/TF
19/12/11
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MEMORANDUM OF UNDERSTANDING
FOR THE YEAR 2011-2012

PART I:

As part of Indian Railways' wider organizational reform and to strengthen its marketing and service capabilities in the areas of rail catering, tourism, hospitality and passenger amenities a corporate entity, Indian Railways Catering And Tourism Corporation Limited (IRCTC) was incorporated on 27th September 1999 under the Companies Act 1956 as a Government company. The company obtained the Certificate for commencement of Business on 2nd December 1999. The full-fledged functioning of the Corporation started on 1st August 2001.

1. VISION AND OBJECTIVES

1.1 VISION

"To be the leading provider of high quality travel, tourism and hospitality related services, for a range of customer segments, with consistently high level of customer satisfaction."

1.2 OBJECTIVES

(i) To provide high quality catering services directly as well as through network of professionally competitive licensees and franchisees.

(ii) To be a significant player in the hospitality business.

(iii) To produce bulk food manufacturing facilities like food factories etc.

(iv) To provide high quality package drinking water (Railneer).

(v) To promote tourism across the country especially for all segments of Rail Passengers.

(vi) To provide single window solution to its customers including train travel, road travel, air travel, hospitality, hotel accommodation and catering etc.

(vii) To develop budget hotels to promote tourism.

(viii) To maintain leading position in internet ticketing, e-commerce and technology for customers interface for railway passengers/ customers.

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(ix). To be a technology driven customer oriented company through constant innovation and human resource development.

(x). To promote private sector participation and expertise to improve quality of products and services.

(xi). To imbibe strong customer friendly, professional and ethical work culture.

(xii). To adopt strong Corporate Governance practices and best and transparent industry practices.

(xiii). To work towards creation of additional infrastructure on Railway or non-railway premises in their mandated line of business with a view to improve the Gross Block.

1.3 COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

Subject to Government guidelines issued from time to time the Government undertakes to:

(i) Assist for prompt release of IRCTC dues in respect of catering and other services provided by IRCTC to various Zonal Railways.

(ii) Provide support in distribution of Railneer on Railway managed static and mobile units.

(iii) Review the financial modalities in reference to issue of duty passes to Inspecting officers of IRCTC.

(iv) Extend support to IRCTC in running and management of the luxury tourist trains including Maharajas' Express, Buddhist Trains, Bharat Tirth, Bharat Darshan etc. and ensuring punctual running of the same.

(v) Nominate IRCTC as the sole agency for all train / coach charter bookings.

(vi) Nominate IRCTC as the single window travel services provider for IR and its associated units / undertakings.

(vii) Ensure timely allotment of quota in trains for Value Added Tour (VAT) Packages based on request from IRCTC.

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(viii) Render assistance to IRCTC in the sphere of e-ticketing and similar value added services.

(ix) Ensure timely clearance of e-ticketing/ i-ticketing refund cases.

2. PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION

The Commitments of the PSE are furnished as per the Sheet enclosed.

PART II

EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL POWERS

IRCTC will have the powers given under various orders of the Department of Public Enterprises to MoU signing companies from time to time.

PART III

ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU.

While the Company would review the performance periodically, the Ministry of Railways shall review the performance on quarterly basis. The evaluation of performance would, however, be done at the close of the financial year jointly by the Company and the Ministry before submitting final evaluation to the DPE based on composite score of five point scale.

(Rakesh Tandon)
MANAGING DIRECTOR
INDIAN RAILWAYS CATERING AND TOURISM CORPORATION LIMITED

Kumar
(V.K.Gupta)
SECRETARY
MINISTRY OF RAILWAYS
GOVERNMENT OF INDIA

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DM/CS/IRCTC

INDIAN RAILWAY CATERING AND TOURISM CORPORATION LTD
PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION FOR 2011-12

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MOU Target Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
1	**I. Static Financial Parameters(50%)**							
(a)	**Financial Indicators**							
	Profit Related Ratios							
	(I) Gross Margin/Gross Block	(%)	2	30.48	29.03	27.50	26.00	24.00
	(ii) Net Profit/ Net Worth	(%)	10	12.26	11.68	11.00	10.00	9.00
	(iii) Gross Profit/Capital Employed	(%)	10	20.88	19.88	18.50	17.50	16.50
(b)	**Financial Indicators -Size related**							
	(I) Gross Margin	Rs. In Crore	8	66.15	63.00	60.00	55.00	50.00
	(ii) Gross Sales (Rs. Crore)	Rs. In Crore	4	510.00	485.00	450.00	415.00	380.00
(c)	**Financial Returns- Productivity relatd**							
	Productivity related							
	(i) PBDIT/Total Employment	Rs. In lakh per person	7	3.00	2.86	2.70	2.50	2.30
	(ii) Added Value/ Gross Sales	(%)	9	9.23	8.79	8.30	7.80	7.30
	Sub-total 1(a+b+c)		**50**					
2	**Dynamic Parameters(30%)**							
(d)	**Hazard Analysis and Critical Control Points system (HACCP) for Food Plazas / FFUs/Food Court Food Plazas/FFUs/Food Court**	Nos.	2	10	8	6	4	2
(e)	**Customer Satisfaction (Customer orientation)**							
	Customer Satisfaction Surveys by extrnal Agency in:							
	(i) Increase in Customer Satisfaction level over previous year in all Dept. Rajdhani Trains of IRCTC	(%)	1	5%	**4%**	3%	2%	1%
	(ii) Conduct of base line survey for Duronto Trains of IRCTC	date	1	30.06.11	**31.07.11**	31.08.11	30.09.11	31.10.11
	(iii) Improvement over base line survey in Duronto.	(%)	1	2%	**1%**	0%	-1%	-2%
	(iv) Achieving Customer Satisfaction level in 70 % food plaza	(%)	1	85%	**80%**	75%	70%	60%
	(v) Achieving Customer satisfaction level in e-ticketing.	(%)	1	85%	**80%**	75%	70%	65%
	(vi)'Customer Satisfaction feedback rating of 3.5 on 5 point scale	Number of packages	1	22	**20**	18	15	10
	(vii) Link, Service provider payment to Quality of Service for tourism packages	Number of packages	1	4	3	2	1	0

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Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MOU Target Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
(f)	**HRD (Employee Training and Motivation)**							
	(i) Representation of a member from Minority Community on Selection Committee / Board	Nos. of Meeting	1	100%	**80%**	70%	60%	50%
	(ii) Review of Performance Management System	Date	2	30.11.11	**31.12.11**	31.01.12	29.02.12	31.03.12
	(iii) Employees Training	Mandays	1	3200	**3000**	2800	2500	2000
	(iv) Conducting Employee Satisfaction Survey	Date	1	31.12.11	**31.01.12**	29.02.12	15.03.12	31.03.12
(g)	**R&D for sustained & Continuous innovation**							
	(i) Pilot Project for paperless e-ticketing(ticket on mobile phone).	Date	2	31.12.11	**31.01.12**	29.02.12	15.03.12	31.03.12
	(ii) DPR of Distilled Water from waste water of Rail Neer Plant	Date	2	31.12.11	**31.01.12**	29.02.12	15.03.12	31.03.12
(h)	**Project Implementation(Modernization and Expansion)**							
	(i) Commencement of Fast Food Factory to provide catering in NCR	Date	1	31-05-11	30-06-11	31-07-11	31-08-11	30-09-11
	(ii) DPR for Setting up of food factory in south zone	Date	1	31-12-11	31-01-12	28-02-12	15-03-12	31-03-12
	(iii) Setting of a Training Institute at Lucknow	Date	1	RFP Stage by 31.03.12	DPR by 31.01.12	DPR by 28-02-12	DPR by 15-03-12	DPR by 31-03-12
	(iv) Study for setting up of new Rail Neer Plant	Date	1	31-12-11	31-01-12	28-02-12	15-03-12	31-03-12
	(v) Finalisation of tender for Civil and Electrical Works of Railneer Plant at Ambernath	Date	1	31-05-11	30-06-11	31-07-11	31-08-11	30-09-11
	(vi) To finalise the business model for Deluxe Tourist Train	Date	1	31-12-11	31-01-12	28-02-12	15-03-12	31-03-12
(i)	**Capital Expenditure/Greenfield investments/Joint Ventures**							
	(i) DPR for setting up of Joint Venture for Food drink	Date	1	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12
(j)	**Extent of Globalization (internationalization, joint venturers, exports, strategic, market presence in emerging economics, internationalization along value chain)**							
(k)	**Coprporate Social Responsibility (CSR)**							
	(i) Preparation of long term Corporate Social Responsibility plan	Date	2	30.11.11	**31.12.11**	31.01.12	29.02.12	31.03.12
	(ii) Activity under public health	Date	1	31.12.11	**31.01.12**	15.02.12	29.02.12	15.03.12
	(iii) Activity under Sanitation	Date	1	31.01.12	**15.02.12**	29.02.12	15.03.12	31.03.12
	(iv) Total Expenditure on CSR	% of last year net profit	1	3	**2.5**	2	1.5	1

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6

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MOU Target Excellent (1)	V. Good (2)	Good (3)	Fair (4)	Poor (5)
(l)	Sustainable Development							
	(i) Implementation of Pilot project for collection of used Railneer Bottles for recycling purposes at Chennai.	Date	3	30.09.11	31.10.11	30.11.11	31.12.11	31.01.12
	(ii) Implementation of Pilot project for collection of used Railneer Bottles for recycling purposes at Howrah.	Date	2	30.09.11	31.10.11	30.11.11	31.12.11	31.01.12
(m)	Corporate Governance							
	(i) Timely Submission for PE survey data to DPE	Date	1	15.09.11	01.10.11	15.10.11	31.10.11	After 31.10.11
	(ii) Adoption of Whistle Blower Policy	Date	2	31.12.11	31.01.12	28.02.12	15.03.12	31.03.12
	(iii) Holding of Board and Audit committee Meetings	Nos.	2	10	8	6	5	4
	Sub-total (d+e+f+g+h+i+j+k+l+m)		40					
	Sector Specific Parameters(10%)							
3	Business Initiatives (Railways)							
3.1	(i) Operation of new Train for Buddhist Circuit catering to Sri Lankan market	Date	1	15-12-11	31-12-11	15-01-12	31-01-12	28-02-12
	(ii) Tendering of new food plazas, food courts and new fast food units at Railway Stations	Number	1	32	30	25	20	15
	Business Initiatives (Non- Railways)							
3.2	(i) Setting up of new food plazas/food courts in Non-Railway premises	Number	1	11	10	8	6	4
	(ii) Corporate Travel Business in all zones	Date	2	30.09.11	31.10.11	30.11.11	31.12.11	31.01.12
	Sub-total 3 (3.1 to 3.2)		5					
	Enterprise Specific Parameters(10%)							
4	Catering Activities							
	(i) Conducting of Food Safety & Hygiene Audits in all food plazas / FFUs and achieving rating of %.	(%)	1	60%	55%	50%	45%	40%
	(ii) Conducting of Food Safety & Hygiene Audits of non-Railway outlets (ODC projects) & achieving rating of %	(%)	1	70%	60%	50%	40%	30%
	(iii) Start providing catering services in Govt./Corporate office complexes, Hospitals, colleges, etc. in Delhi, Mumbai, Kolkata, Chennai, Secunderabad and other potential cities.	Number	1	25	20	15	10	5
	(iv) Development of inbound travel business	Date	2	31.10.11	30.11.11	31.12.11	31.01.12	29.02.12
	Sub-total 4		5					
	Grand Total (1+2+3+4)		100					

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Annexure IX
(Rs.in Crore)

PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	Projected
Production											
Gross Sales	360.71	421.34	485.85	511.83	510.48	596.19	550.09	694.95	680.17	741.24	*484.5
Gross Margin	55.44	35.42	57.59	41.54	71.60	82.08	80.00	107.31	96.78	144.24	62.95
Profit before tax	51.97	30.00	52.12	33.26	63.70	71.98	65.14	94.76	78.72	129.79	40.45
Gross Block	34.51	41.61	49.63	61.38	65.13	76.36	140.78	126.84	204.47	135.18	216.84
Less dep	15.23	16.10	20.71	24.38	28.61	34.24	52.04	46.14	70.36	59.54	88.14
Net block	19.28	25.52	28.93	37.00	36.53	42.12	88.74	80.70	134.11	75.64	128.70
share capital of CPSE	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Reserves & surplus of CPSE	42.56	42.96	68.92	58.85	101.13	94.46	119.06	142.76	170.21	191.41	196.01
Less deferred revenue exp. / pre-acquisition loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less Profit & Loss A/c	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net worth of CPSE	62.56	62.96	88.92	78.85	121.13	114.46	139.06	162.76	190.21	211.41	216.01
Investment	0.00	0.00	0.00	0.00	0.00	2.50	0.00	2.50	2.50	2.50	2.50
Sundry debtors/sales(in days)	121.00	105.00	90.00	137.00	145.00	147.00	159.00	122.02	134.00	128.84	135.60
Inventory	6.00	5.97	5.00	5.73	5.20	5.19	7.50	7.79	10.00	6.21	12.00
Total Current assets	277.06	329.09	281.43	406.63	422.52	520.21	517.20	605.15	607.81	669.35	680.19
Total current liabilities & provision	230.66	291.41	253.73	363.10	352.61	458.46	467.57	534.13	554.74	549.95	605.38
Net current assets	46.40	37.67	27.70	43.53	69.91	61.75	49.63	71.02	53.08	119.40	74.81
Capital employed (Net block + net current assets)	65.68	63.19	56.63	80.53	106.43	103.87	138.37	151.72	187.19	195.05	203.51
Total debt (loan funds)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
total assets	311.57	370.70	331.07	468.01	487.65	596.57	657.98	731.99	812.28	804.53	897.03
No of employess of CPSE	7000	5246	6300	4963	5500	3780	3500	2645	3300	1934	2200
Dividend paid		4.00	6.88	4.15	8.41	9.31	7.16	12.61	6.88	12.16	0.00
Add value (gross margin less capital recovery factor 10% of capital employed)	48.87	29.10	51.93	33.49	60.96	71.70	60.96	92.13	78.06	124.74	42.60
Ratios											
Debt/equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Return on Net worth (% age)	55.74	32.13	38.69	26.31	34.72	40.63	30.92	38.74	27.32	28.75	11.68
PBDIT/ Total employment of CPSE (Rs.)	0.79	0.68	0.91	0.84	1.30	2.17	2.29	4.06	2.93	7.46	2.86

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(Rs.in Crore)

PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12
	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	MOU	ACTUAL	Projected
Gross Profit/Capital employed (% age)	79.13	47.48	92.03	41.30	59.85	69.30	47.08	62.46	42.06	66.70	19.88
Net Profit / Net Worth (% age)	55.74	32.13	38.69	26.31	34.72	40.63	30.92	38.74	27.32	28.75	11.68
Working of gross margin (Rs.)											
Net profit	34.87	20.23	34.40	20.75	42.05	46.50	43.00	63.06	51.96	60.79	25.22
Tax	17.10	9.77	17.71	12.51	21.65	27.35	22.14	31.70	26.76	69.00	15.23
Net profit before tax	51.97	30.00	52.12	33.26	63.70	73.85	65.14	94.76	78.72	129.79	40.45
add Prior period	0.00	0.00	0.00	0.00	0.00	-1.87	0.00	0.00	0.00	0.00	0.00
add extra ordinary items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit before prior period	51.97	30.00	52.12	33.26	63.70	71.98	65.14	94.76	78.72	129.79	40.45
add Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.00
Gross profit	51.97	30.00	52.12	33.26	63.70	71.98	65.14	94.76	78.72	130.09	40.45
add depreciation	3.38	5.32	5.48	8.28	7.90	10.10	14.86	12.55	18.06	14.15	22.50
Misc. expenditure written off	0.09	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross Margin before Interest, depreciation & misc. expenditure written off	55.44	35.42	57.59	41.54	71.60	82.08	80.00	107.31	96.78	144.24	62.95

* Lower Gross Sales due to transfer of mobile and static licencee caterig business to Railways. During 2009-10, sales on this account was Rs. 353.61 Crore

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