

Memorandum of Understanding

between

Odisha Forest Development Corporation Limited

and

**Forest & Environment Department
Government of Odisha**

For the Year 2014-15

**MEMORANDUM OF UNDERSTANDING
BETWEEN
ODISHA FOREST DEVELOPMENT CORPORATION LIMITED
AND
FOREST & ENVIRONMENT DEPARTMENT
GOVERNMENT OF ODISHA
FOR THE YEAR 2014-15**

PART-I

Mission / Vision & Objectives of the OFDC

Mandate

Odisha Forest Development Corporation was created with the main Objectives of exploiting the State's vast forest resources scientifically without sacrificing the apparent forest values, ensuring a fair wages to forest labour forces and to promote feasible forest based industries in the State.

Vision Statement

To help and support conservation of the State's vast forest resources without sacrificing the present forest resource base, to promote forest based industries in the State, to generate livelihood support for the rural folk with a view to ameliorating the condition of the tribals and the poorer sections of the population.

Mission Statement

- To exploit the forest resources in a sustainable and scientific manner
- To promote forest-based industries in the State and to meet the demand of firewood and timber to the public at large
- To generate employment and provide livelihood to the poor for ameliorating the condition of the Tribal and people of poor section of the society

Goals & Objectives

-Developmental Objectives

- To undertake sustainable and scientific exploitation of forest resources of the State in order to meet the demand of timber, small timber, firewood and other forest products in the State and Country

-Commercial Objectives

- To encourage and promote industries based on forest produce

- To market various forest products; both raw and finished goods inside and outside the State of Odisha
- To plant, grow, cultivate, propagate, produce and raise plantations of all varieties of forest species, trees, grasses, bamboo, canes, medicinal plants and crops and exploit natural products of every kind – commercial, agricultural and horticultural – on a sustainable basis
- To buy, sell, export, import, process, manufacture, distribute or otherwise deal in all kinds of forest plants, trees and other crops besides taking up breeding, apiculture, sericulture, and producing and dealing in related products
- To carry on business of planters, cultivators, sellers and dealers in timber, plywood, pulpwood, matchwood and others softwood, fire wood, charcoal, barks, bamboos, kendu leaves, sal seed and such other forest products of all descriptions
- To manufacture, dispose of, sell and deal in products of forest plantations and crops of every description
- To provide maximum tax and non-tax revenue to the State Exchequer in a transparent manner
- To ensure fair and legal wages to the forest labour force

Present Programmes

- Trading in timber/firewood/poles extracted from forests
- Trading processed and phal Kendu Leaves
- Trading in Bamboo as per Government orders for the year 2013-14 in areas having no forest rights or where right holder entrust the work.
- Regulate the distribution of firewood, long bamboo and other small timbers to local people at concessional rates
- Operate Saw Mills to meet people's need for sawn timber
- Develop and Manage Cashew Plantations and trading in cashewnut
- Develop and manage Rubber Plantations and trading in latex
- Collection, processing and sale of some items of Non-timber Forest Produce(NTFP)
- Undertake Plantation for Central/ State Government Agencies/PSUs
- Raising seedlings under plantation projects
- Raising nurseries for sale of different types of seedlings
- Promote eco-tourism

PART-II

AUTONOMY AND STREAMLINING OF FUNCTIONING

OFDC will submit such proposals for autonomy and streamlining of functioning as considered necessary by it for proper functioning and the same shall be considered by the Govt. on their merits.

PART-III

PERFORMANCE CRITERIA AND TARGETS AND EVALUATION

Part-III A

PERFORMANCE CRITERIA AND TARGETS FOR 2014-2015

A. Timber Working

During 2013-14, so far the production of round timber and firewood is 25038 cum. and 22144 MT as against target of 26400 cum. of timber and 14000 MT of round firewood respectively. On the sale of timber products, a revenue of ₹57.04 crore has so far been generated, of which ₹14.80 cr. and ₹1.80cr has been paid to Govt. towards Royalty and Forest Development Tax respectively. Keeping in view the performance in 2013-14 as well the coupe allotment already made to the OFDC by the Forest Department targets for 2014-15 have been derived as indicated in Annexure -1A.

B. Kendu Leaf Trade

During 2013-14 FY(upto January 2014), ₹3.58 lakh quintals of processed leaves and 0.89 lakh quintals of phal leaves were produced and sold against which ₹334.72 crore have been realised so far. OFDC released ₹271.81 crore towards Working Funds Advance to the K.L. Wing of the Forest Department. An amount of ₹60.94 crore towards Royalty and ₹38.00 crore towards F.D.T. have so far been paid to Govt. in 2013-14 and the OFDC is likely to earn ₹ 30.01 crore towards Commission on the trade.

Keeping in view the performance in 2013-14 and pending approval of the KLCC for the 2014 Crop, the physical targets set for 2014-15 and financial projections are made as indicated in the statement at Annexure – IA.

C. Bamboo Working

During 2013-14, the production of Bamboo is around 7000 SU of Industrial Bamboo. During 2013-14, so far OFDC earned a gross revenue of ₹ 2.57 crore on the Bamboo trade against arrear stock. A sum of ₹3.00 cr. and ₹0.22 cr. have been paid to Government towards Royalty and F.D.T. respectively. Keeping in view the performance during this financial year, targets for 2014-15 have been fixed as indicated in Annexure-1A.

D. Other Business Activities

Besides the above major business activities of the Corporation, certain others activities, namely, Plantation and miscellaneous works for different Agencies; sale of Cashew lots, Rubber and Minor Forest Produce (M.F.P.) items and working of Saw Mill Units also help the corporation generate revenue. The projected earnings from these activities which have been estimated on the basis of the performance during FY 2014-15 are detailed in Annexure-IB.

Part-III-B

PERFORMANCE CRITERIA FOR EVALUATION

The mainstay of the business of the OFDC is to trade Timber and Timber products made available by the Forest Department on the basis of the approved Working Plans for different Divisions; to undertake plantation activities and to sell plantation products like Rubber, Cashewnut and Seedlings. After nationalisation of Kendu leaf and Bamboo, OFDC is also carrying out these business as a sole selling Agent of the Government and gets revenue by way of Agents Commission at the rate determined by the Committee constituted by the Government. The Commission so earned form part of the Corporation's revenue and contributes substantially for its sustainability and has been added to the turnover of the main business. The criteria selected for evaluation of performance of the corporation is placed under three major categories i.e, Static Parameters, Dynamic Parameters and General Measures. Sales of the mainstay business products including commission on the Turnover achieved for Kendu Leaf and bamboo sales are taken for determining the profitability of the Organisation. Besides, turnover of the important business activities, turnover in the Kendu Leaf and Bamboo trade while acting as an Agent of the Government has been taken as a performance indicator for evaluation of the Performance of the Corporation. Gross Margin, Return on Capital Employed, Contribution to Exchequer in the form of Royalty, Taxes, Duties etc are also taken for evaluation of financial performance of the Corporation and placed in the Evaluation Sheet under 'Static Parameters' carrying 50% of total weightage on the 100 - point scale. Other parameters with total weightage of 30% like Employees Training, Corporate Social Responsibility (CSR) Budget utilisation and Diversification in Business have been taken as 'Dynamic Parameters' in the Evaluation Sheet. 'General Parameters' such as submission of Annual Report to Administrative Department, Timely Submission of

MoU, Introduction of IT in the Business Process and compliance of the guidelines contained in the Corporate Governance Manual with a total weightage of 20 have been taken for compliance.

The Evaluation Sheet with the performance Criteria and targets and evaluation of the actual performance with reference to the assigned targets is placed at Annexure-II.

Assuming the current level of working, performance targets for evaluation are computed with the minimum production of 30,000 cum of Timber, 23,570 MT of Firewood, 30,000 MT of Bamboos and marketing of a minimum of 4,40,000 quintals of Kendu Leaf. Targets are derived from the projections made on the basis of Audited/Provisional Accounts of the Company for the year 2012-13 and 2013-14 and planning data has been compiled on the basis of the Working Plan of the Corporation. Further, since the business of the Corporation entirely depends upon timely receipt of approval of the Working Plan and decision of the Kendu leaf Co-ordination Committee and Bamboo Empowered Committee, delay in receipt of approval before the working period will affect the financial position of the Corporation and targets for evaluation prescribed in the MoU.

Definitions of Financial Terms used in the Target and Evaluation sheet:

Net Turnover: Represents the turnover excluding excise duty, sales tax, commission paid and discounts given but includes Commission on the sale value of Kendu leaf & Bamboo but excludes any accretion or depletion in the value of stock.

Gross Margin: Represents excess of income over expenditure before providing for depreciation, interest on loans, taxes (including deferred taxes), extraordinary items, prior period adjustments but before providing for appropriations to reserves.

Earning Per Share:- Means net profit after tax divided by Number of Equity Shares of the Company.

Net Turnover per Employee: Means net turnover divided by number of employees on the payroll of the organization.

Contribution to Exchequer- Means payment made to the State Government in the form of taxes, duties, cess, royalty, Silviculture Expenses, Bonus to Kendu Lead Pluckers, Contribution to VSS and dividend etc.

PART-IV

Commitments / Assistance from the State Government

In fulfilment of the obligations under the MoU, the Government will assist the OFDC in the following manner:

- Forest & Environment Department will assist in the process of approving Action Taken Report(ATR) for the year 2012-13 facilitating working of timber coupes during 2014-15 ensuring production of at least 30,000 cum of Timber; 23570 MT of Firewood and for obtaining approval of working plans.
- Government will consider lease of 10,000 hectares of forest land during 2013-14 for Plantation of Commercial and Economic Species and Bamboo Plantation as well as transfer of 10,000 hectares of forest land/bamboo forest land on long term lease basis to the OFDC for preparing Management Plan and implementing it as per rules. The OFDC will be responsible for identification of suitable land in consultation with PCCF.
- F&E Dept. will assist the Corporation in obtaining permissive possession of land (both Revenue and Forest) in favour of the OFDC in areas where plantation has been undertaken by the Corporation out of its own funds in keeping with the decision of Government.
- Facilitate to grant of Sawing Licence in favour of OFDC to establish and operate Saw Mill Units in the State for meeting the needs of the public for sawn timber.

PART-V

Action Plan for Implementation & Monitoring of the MoU

The performance of the Odisha Forest Development Corporation will be reviewed on an annual basis by the Department of Public Enterprises for evaluation in accordance with the prescribed procedure and format.

Sd/-
Managing Director
Odisha Forest Development Corporation
Bhubaneswar

Sd/-
Principal Secretary
Forest & Environment Department
Government of Odisha

**Performance Targets – Physical and Financial
for Major Business Activities of the Corporation
for the FY 2014-15**

A. *Timber Working*

	Physical	Financial (in lakhs of ₹)
Round Timber (in Cum)	27000	4886.00
Sawn Timber (in Cum)	600	160.00
Round Firewood (in MT)	19000	570.00
Poles & Ballies (in pcs)	10000	16.00
Sawn Firewood (in MT)	50	2.50
Total Projected Revenue		5634.50

B. *Kendu Leaf Trade*

1. Marketing of KL (in lakhs quintal)	Physical	Financial (in lakhs of ₹)
Processed & Grower Leaves	3.60	35060.00
Phal Leaves*	0.42	2940.00
Total	4.02	38000.00

(* The production of 0.28 lakh quintal of Nabarangpur Division & 0.15 lakhs qntl in Malkanagiri District of Jeypore Division are not included)

2. Working Funds to be paid to KL Wing		32200.00
3. Royalty Payable to Govt		1409.00
4. FDT Payable to Govt		745.00
5. Earning of OFDC towards Commission		3571.00

C. *Bamboo Working*

	Physical	Financial (in lakhs of ₹)
1. Production Target (in SU*)	25000	--
2. Sales	20000	690.00

(* 1 Sale Unit(SU)=2400 Running Metre of Salia Bamboo)

**Performance Targets – Physical and Financial
for Other Business Activities of the Corporation
for the FY 2014-15**

	Projected Revenue (in lakhs of ₹)
A. Deposit Plantation	
Plantation work for State/Central Govt Agencies (Establishment Cost & Supervision Charges)	150.00
B. Sale of Cashew Lots	
Sale of Cashew Lots	200.00
C. Rubber	
Sale of Latex	35.00
D. M.F.P Items	
Sale of Honey, Squash, Pickles	30.00
E. Saw Mill Working	
Revenue from Sawing Activities	155.00
F. Deposit Works	
Revenue from Deposit Works	100.00

2012-13 Audited	Sr. No	Evaluation Criteria	Unit	Weight (in %)	Targets (2014-15)					2013-14 provisional	2015-16 Plan
					Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)		
	A	STATIC PARAMETERS									
10769	A.1	Revenue From Operations	Rs. In Lakh	10	10700	10200	9500	8700	8300	9815	11500
42894	A.2	Turnover -Agency Business (Kendu Leaf)	Rs. In Lakh	10	39000	38000	37000	36000	35000	39000	40000
845	A.3	Gross Margin/Gross Profit	Rs. In Lakh	5	648	435	398	350	300	980	1000
676	A.4	Net Profit	Rs. In Lakh	5	400	350	300	275	250	655	750
155	A.5	Earning Per Share	%	5	80	70	60	55	50	131	150
4.29	A.6	Net turnover per employee (Main Business)	Rs. In Lakh	5	4.3	4.1	3.75	3.6	3.45	4.2	4.8
3121.16	A.7	Contribution to exchequer (Main Business)	Rs. In Lakh	5	2000	1800	1600	1400	1200	1660	1800
23043.27	A.8	Contribution to Exchequer (for KL)	Rs. In Lakh	5	2300	2000	1800	1600	1500	9894	3300
			Sub Total of "A"	50							

B DYNAMIC PARAMETERS											
B.1	Employee training	Training mandays	15	200	150	120	100	50			
B.2	CSR Budget Utilisation	%	5	100	90	80	70	60			
B.3	Diversification in Business -Introducing Ecotourism Process	Month	5	Sept-13	Mar-14	Sept-14	Mar-15	Sept-15			
B.4	Setting up of a Business Centre at Bhubaneswar	Month	5	Dec-14	June-15	Dec-15	June-16	Dec-17			
Sub Total of "B"			30								
C GENERAL PARAMETERS(20)											
C.1	Submission of Annual Report to Admin Deptt.(FY2013-14)	Time	5	Oct-14	Jan-15	April-15	July-15	Oct-15			
C.2	Timely Submission of MoU (2014-15)	Month	5	April-14	May-14	June-14	July-14	Aug-14			
C.3	Implementation computerisation in Business process (Budgeting & Inventory Management System)	%	5	90	80	70	60	50			
C.4	Compliance with Corporate Governance Manual	%	5	90	80	70	60	50			
Sub Total of "C"			20								

