

No. M-03/0002/2025-DPE(PD)
भारत सरकार / Government of India
वित्त मंत्रालय / Ministry of Finance
लोक उद्यम विभाग / Department Public Enterprises

नई दिल्ली/ New Delhi

6 मई/ May, 2026

OFFICE MEMORANDUM

Subject: MoU Guidelines for CPSEs' Performance Evaluation for the year 2026-27 onwards – reg.

The undersigned is directed to state that that the MoU guidelines have been reviewed and, pursuant to the directions of the Inter-Ministerial Committee and the High-Powered Committee, the revised **MoU guidelines applicable for CPSEs' performance evaluation for the year 2026–27** onwards are enclosed herewith.

2. Administrative Ministries are requested to direct their respective CPSEs to strictly adhere to the said guidelines.
3. This issues with approval of Secretary, Department of Public Enterprises.

- Sd -

(मुनी राम मीना / Muni Ram Meena)

निदेशक / Director

To
Secretaries to the Government of India

Copy to:
CMDs/MDs/Chief Executives of CPSEs

Further copy to (for kind information):

- i. **Secretary, D/o Expenditure**
- ii. **Secretary, D/o Investment and Public Asset Management**
- iii. **Secretary, M/o Statistics and Programme Implementation**
- iv. **Chief Economic Advisor, D/o Economic Affairs**
- v. **Joint Secretary, D/o Public Enterprises**

(मुनी राम मीना / Muni Ram Meena)

निदेशक / Director

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MoU Guidelines for the CPSEs' Performance Evaluation for the year 2026-27 onwards

1. Introduction:

A key ownership function of the Government, as the majority shareholder of Central Public Sector Enterprises (CPSEs), is to undertake regular performance evaluation of CPSEs to assess their effectiveness in fulfilling the core objectives for which they have been established. The performance evaluation system should move beyond merely assessing the efforts of a CPSE or its management within a given business environment and should instead reflect the enterprise's actual economic performance in terms of profitability, return on invested capital, competitiveness, and overall relevance within its commercial domain. Under the MoU (Memorandum of Understanding) framework, the performance rating and evaluation outcomes shall reflect the actual performance of CPSEs based on their audited accounts and annual reports, applicable to both listed and unlisted companies. This assumes particular significance in light of the linkage of performance evaluation under the MoU framework with Performance Related Pay (PRP) and the annual appraisal of senior executives.

2. Scope:

All CPSEs, including standalone, holding, and subsidiary companies, shall mandatorily sign MoUs on an annual basis. The MoU framework shall be implemented in the following manner:

- i. The MoU shall be signed by holding and standalone companies with their respective administrative Ministry/Department, while subsidiary companies shall sign the MoU with their respective holding company.
- ii. DPE shall finalize the MoUs of holding and standalone CPSEs. In the case of subsidiary CPSEs, the respective holding CPSE shall set and evaluate MoU targets in accordance maintaining the spirit of these guidelines. However, subsidiary CPSEs having Maharatna or Navratna status shall have their MoUs finalized directly by the DPE.
- iii. The MoU of a CPSE shall be finalized on a consolidated basis, taking into account the performance of all its subsidiaries and joint ventures.

3. MoU Framework:

It encompasses a comprehensive set of parameters designed to provide a true and balanced reflection of a CPSE's performance. The framework captures both financial and non-financial dimensions, including operational efficiency, project implementation, capacity utilisation, sustainability initiatives, stakeholder obligations,

and strategic objectives. By integrating measurable performance indicators, it facilitates objective assessment, promotes accountability, and aligns the CPSE's functioning with national priorities and organizational goals.

3.1. MoU Parameters:

The parameters incorporated in the MoU process are market-oriented and reflect shareholders' interests in terms of revenue growth, return on capital employed, asset turnover ratio, and market capitalization in the case of listed CPSEs. Adequate weightage is assigned to productivity-linked parameters relating to the core operations of the CPSE. These parameters are indexed to past performance, future projections of the CPSE, the vision of the administrative Ministry/Department, sectoral benchmarks, peer performance (where applicable), and other relevant factors. Most of the parameters included in the MoU framework are quantifiable and verifiable through documents available in the public domain. In addition, certain Government priorities and programmes—such as *Corporate Social Responsibility, procurement from Micro and Small Enterprises (MSEs), and timely payment to MSEs etc.*—are incorporated as mandatory compliance parameters. Non-compliance with these parameters shall result in deduction of full marks, with no provision for partial scoring. The MoU templates are enclosed at *Annexure-I(a), I(b), I(c) & I(d)*, while explanatory notes on the parameters are provided at *Annexure-II*.

3.2. MoU Dashboard:

The web portal (MoU Dashboard) hosted by the DPE shall be utilized for the collection of estimates, projections, and other relevant data. Further, e-signing, monitoring, and evaluation of MoU documents shall be carried out online through the portal. CPSEs and administrative Ministries/ Departments need to be onboarded with appropriate user roles, and both CPSEs and administrative Ministries/Departments shall ensure that details of their respective nodal officers are regularly updated on the portal.

3.3. Institutional Mechanism: The MoU framework operates through a two-tier institutional mechanism to ensure policy oversight, standardization of parameters, and effective implementation.

3.3.1. High-Powered Committee (HPC): The High-Powered Committee (HPC) serves as the apex body under the MoU framework and is competent for laying down policy guidelines and approving common templates and MoU parameters recommended by the Inter-Ministerial Committee. The HPC comprises the following:

- i. Cabinet Secretary – Chairman
- ii. Chief Executive Officer, NITI Aayog
- iii. Finance Secretary
- iv. Secretary (Expenditure)
- v. Secretary, Ministry of Statistics and Programme Implementation
- vi. Chairperson, Public Enterprises Selection Board
- vii. Chief Economic Advisor, Department of Economic Affairs
- viii. Secretary (Public Enterprises) – Member Secretary

The decisions of the HPC shall be final and binding on all matters relating to the MoU framework.

3.3.2. Inter-Ministerial Committee (IMC): The IMC is responsible for finalizing MoU parameters, their weightages [from the templates outlined in Annexure–I(a), I(b), I(c) and I(d)], and performance targets, taking into account the core business activities of the sector and the concerned CPSE. The IMC comprises the following:

- i. Secretary (Public Enterprises) – Chairman
- ii. Secretary, Department of Expenditure, or senior representative
- iii. Secretary, Department of Investment and Public Asset Management, or senior representative
- iv. Chief Economic Advisor, Department of Economic Affairs, or senior representative
- v. Secretary, Ministry of Statistics and Programme Implementation, or senior representative
- vi. Joint Secretary, Department of Public Enterprises – Member Secretary

Special Invitees:

- vii. Secretary of the concerned Administrative Ministry/Department, or a representative not below the rank of Joint Secretary
- viii. CMD/CEO/Chief Executive of the concerned CPSE
- ix. Any other expert co-opted, as required, by the Secretary (Public Enterprises).

4. MoU Finalization and Evaluation Process: The MoU targets are determined at the beginning of the financial year, after which the MoU is formally signed between the CPSE and the Administrative Ministry/Department representing the Government. The performance of the CPSE against the stipulated parameters is assessed at the end of the financial year on the basis of actual achievements, duly supported by audited accounts.

4.1. Finalization of the MoU:

4.1.1. Process: The IMC shall set ambitious and aspirational targets aimed at promoting excellence and driving improved performance. To enable the IMC to establish appropriate benchmarks for various parameters, the CPSE shall submit estimates/projections relating to specified financial and physical attributes by 31st December of the financial year preceding the MoU year (hereinafter referred to as the “base year”). Targets shall be determined on the basis of the CPSE’s historical performance, business profile, sectoral context, peer performance and the Government’s expectations regarding growth and performance rating.

4.1.2. Benchmarking: The following benchmarks may be considered for the target setting:

- i. Base year performance and/or MoU targets, with appropriate growth projections;
- ii. Historical trends, including the average performance of the preceding five years;

- iii. Peer performance and industry growth trends over the last five years;
- iv. Vision, priorities, and strategic objectives of the Administrative Ministry.

4.1.3. **Timelines:**

- i. The IMC shall finalize MoU targets at the beginning of the financial year based on projections and estimates submitted by the CPSE.
- ii. The MoU finalized by DPE, following due process of the IMC meeting, shall be final and binding. Upon issuance for this purpose, the CMD/MD/Chief Executive of the concerned CPSE and the Secretary of the respective Administrative Ministry/Department shall e-sign the MoU through the MoU Dashboard within 15 days.
- iii. Delay in MoU-signing shall attract penalties. For every week of delay, or part thereof, 2.5 marks shall be deducted from the score. A delay exceeding four weeks beyond the prescribed timeline shall result in the CPSE being rated as Poor, irrespective of its actual performance. However, the Secretary (Public Enterprises) may waive such delay in exceptional cases supported by sufficiently justified reasons.
- iv. In cases where MoU targets are initially finalized on the basis of projections/ estimates, the DPE may revise such targets upon availability of audited data, in accordance with the principles of target setting, where the deviation between projected and audited figures exceeds 1%. However, such revision shall not result in any downward adjustment of targets.

4.2. **MoU Performance Evaluation:**

4.2.1. **Process:** Actual figures/ achievements relating to relevant financial and physical parameters for the MoU year shall be captured on the MoU Dashboard upon availability of such data on the PE Survey Portal. Thereafter, the self-evaluation module shall be activated to facilitate submission of self-evaluation by the CPSE, including necessary adjustments, comments, and supporting attachments. The concerned administrative Ministry/Department shall verify the self-evaluation submitted by the CPSE and forward the same through the dashboard. Subsequently, the DPE shall verify the facts and figures based on annual reports, audited financial statements, audit reports, and any other relevant records or documents required for validation. The final score and rating, upon approval of the competent authority, shall be notified through the MoU Dashboard.

4.2.2. **Scoring:**

- i. There shall be no adjustment to the MoU assessment on account of variations in exchange rates, fluctuations in raw material or finished goods prices, or any other offsetting factor, as these are considered part of normal business operations. The audited statement of accounts shall prevail for evaluation purposes.
- ii. Parameters shall generally be assessed on the principle of proportionate marking for achievement ranging from 50% to 100% of the target value for

each parameter, except in cases relating to reduction of losses/expenses for loss-making or negative net worth CPSEs. Achievements below 50% of the target shall ordinarily receive a score of zero, except where otherwise specifically provided, including for the Total Return to Shareholders parameter.

- iii. Scores obtained under individual parameters shall be aggregated to determine the total score. The aggregated score shall then be subjected to compliance validation. Non-conformity with compliance parameters shall result in deduction of the full assigned weightage from the aggregate score. Scores for individual parameters shall be calculated up to two decimal places, and the aggregate score shall not be rounded off for determining the MoU rating.

4.2.3. **Rating:** CPSEs shall be assigned ratings corresponding to their MoU scores as follows:

MoU Score	MoU Rating
Score \geq 90	Excellent
90 > Score \geq 70	Very Good
70 > Score \geq 50	Good
50 > Score \geq 33	Fair
Score < 33	Poor

4.2.4. **Timelines:**

- i. Based on the actual figures submitted by the CPSE, the assessment process shall broadly follow the indicative timelines below for the year subsequent to the MoU year:

Event	Timeline
Readiness of evaluation module by DPE	15 th October (to be notified)
Commencement of self-evaluation	31 st October
Release of score/ rating by DPE	31 st December

- ii. Failure to submit self-evaluation, along with all requisite information and supporting documents duly verified by the administrative Ministry/Department, within the prescribed timeline shall attract penal action. A deduction of 2.5 marks shall apply for each week of delay, or part thereof. Where a CPSE submits self-evaluation with a delay exceeding four weeks, it shall be liable to be rated one level below its actual performance rating, irrespective of the score achieved.
- iii. If a CPSE fails to submit self-evaluation by 30th December of the year following the MoU year, it shall be rated as “Poor,” regardless of actual performance or reasons for delay. However, the Secretary (Public Enterprises) may condone delays in exceptional cases supported by sufficiently justified reasons.

4.2.5. **Competent authority:** Evaluation of MoUs shall be processed with the approval of the Secretary, Department of Public Enterprises. In cases where the concerned

Administrative Ministry/Department disputes the MoU evaluation of its CPSE, the matter shall be referred to the HPC. The decision of the HPC shall be final and binding in all matters relating to the MoU framework.

5. Exemption/Exclusion from the MoU-signing

5.1. Basis: Administrative Ministries shall furnish inputs regarding their respective CPSEs (holding and standalone entities, excluding subsidiaries), along with specific justifications, for consideration of signing or exemption from signing the MoU. Such recommendations shall be submitted to DPE by 31st December of the base year. CPSEs seeking exemption or intending to sign an MoU shall route their request through the concerned Administrative Ministry, accompanied by explicit comments and justification from the Ministry. In the absence of recommendations received within the stipulated timeline, DPE shall not be responsible for any consequential implications arising therefrom. The process of granting exemption shall ordinarily be completed by 31st March of the base year. A CPSE may be considered for exemption from signing the MoU under the following circumstances:

- i. Where the CPSE is under liquidation and/or closure, duly approved by the competent authority;
- ii. Where the CPSE is non-operational, has no employees, or on any other justified grounds recommended by the Administrative Ministry;
- iii. Where the CPSE has sub-optimal operations and the IMC considers exemption appropriate;
- iv. In the case of subsidiary companies, the holding CPSE may take an appropriate decision regarding exemption from signing the MoU, as deemed fit.

5.2. CPSEs Not Signing the MoU: Any CPSE that is not exempted from signing the MoU and fails to execute the MoU within the prescribed timeline, as notified by DPE, shall be assigned a rating of 'Poor'.

5.3. Applicability of Performance Related Pay (PRP): The MoU rating, based on performance against identified core indicators, serves as the basis for determining eligibility for PRP. CPSEs, including subsidiary companies, are required to sign the MoU to qualify for PRP in accordance with DPE pay revision guidelines. Failure to sign the MoU, including in cases of exempted CPSEs, shall render such entities ineligible for payment of PRP. Accordingly, execution of the MoU is a mandatory prerequisite for the disbursement of PRP. [Reference: DPE OM No. 2(70)/08-DPE(WC) dated 26.11.2008 and OM No. W-02/0028/2017-DPE(WC) dated 03.08.2017]

Annexure – I(a)**Base template for MoU 2026-27 onwards****Part-I: Main Parameters**

S.N.	Parameter	Weightage
1a.	Revenue from Operations	5
1b.	Physical Parameters: Production, Generation, Transmission, Value of Production & Services, Productivity related Parameters etc.	25 [@] / 27
2.	Exports/ Income from Overseas	4
3.	Reduction in Imports Consumption (% of Revenue from Operations) over the previous year, Or Increase in Indigenous Content (%) over the previous year	4
4a.	Expenditure on R&D (% of previous 3 years' average PBT)	2
4b.	Patent or Industrial Design or IC Layout-Design Admitted	2
5.	Block for Admin Ministry Priorities	5
6a.	Capital Expenditure	5 [@] / 10
6b.	Project Execution	7 [@]
7.	EBITDA (% of Total Income)	8
8.	Return on Capital Employed, or Return on Net Worth (for profit-making CPSE), Or Total Expenses to Total Income (for loss-making CPSE)	10
9.	Asset Turnover Ratio	4
10.	Operating Cash Flow (% of Revenue from Operations)	4
11.	Total Return to Shareholders (for listed CPSE), Or Earnings per Share (for unlisted CPSE)	10
12.	Dividend Payout	5
Total		100

@ For CPSEs with projects, 25 marks are assigned to physical parameters, with 5 marks for CAPEX and 7 marks for project execution; for CPSEs without projects, 27 marks are assigned to physical parameters, with 10 marks for CAPEX.

Part-II: Compliance Parameters

S.N.	Parameter / Compliance of	Score
1.	DPE guidelines on CSR expenditure	-1.0
2.	Provisions in the Companies Act, 2013 [or SEBI (LODR) regulations in case of listed entities] on Corporate Governance: a. Composition of Board of Directors b. Board Committees c. Holding Board and Committees' Meetings d. Related Party Transactions e. Disclosures and Transparency	-3.0 (0.60 for each)
3.	Onboarding of CPSE on all operational TReDS platforms	-1.0
4.	Timely payments to MSE vendors as prescribed in MSMED Act	-3.0 (graded)
5.	Procurement of goods and services (as percentage of total procurement), from- a. MSEs overall – 25% b. SC/ST owned MSEs – 4% c. Women owned MSEs – 3%	-2.0 (0.66 for each)
6.	Succession Planning and Leadership Development Plan	-1.0
7.	Surplus Non-Core Assets (Land & Building) Monetization Plan	-1.0
8.	Adoption of emerging technologies Plan	-1.0

Special notes:

- (i) Main parameters at Sl. Nos. 7, 8, 9, 10, 11, and 12 are applicable to all CPSEs. The remaining parameters shall be applied based on the CPSE's business model and sectoral priorities. If a parameter is deemed not applicable to a particular CPSE, the associated weightage will be redistributed to other relevant parameters.
- (ii) Absolute EBITDA targets will be assigned to exceptional CPSEs with profit margin control by government regulations.
- (iii) When calculating annual achievements, any quantified qualifications from the Comptroller and Auditor General (CAG) or Statutory Auditors would be adjusted accordingly in the Revenue, Profit, Surplus, etc.
- (iv) The aggregate score will be contingent upon fulfilling the compliance parameters. Failure to comply will result in the deduction of full marks, as indicated, without any partial or proportional deduction.
- (v) There would be no adjustment in targets or achievements due to changes in exchange rate, regulatory prices of raw material or finished goods or reduction in margins or due to any other reasons.
- (vi) Verification sources for CPSEs' achievements include: Balance Sheet, Profit & Loss

Statement, Cash Flow Statement, Annual Report, Board Resolution, Inputs from administrative ministry, nodal department, or government-authorized agencies etc.

- (vii) All representations from CPSEs to DPE, if any, must be routed through their respective Administrative Ministries, accompanied by the Ministry's explicit comments, unless otherwise requested.
- (viii) The weightage of marks applicable to National Oil Companies (NOCs), namely ONGC and OIL, shall be aligned in accordance with the Cabinet decision communicated by the MoPNG vide Letter No. O-12015(11)/1/2019-ONG-II dated 01.03.2019.

Annexure – I(b)

Template for Non-Banking Financial Companies

Part-I: Main Parameters

S.N.	Parameter	Weightage
1.	Revenue from Operations	15
2.	Loan Disbursed to Total Fund Available	10
3.	Overdue Loans to Total Loans	10
4.	NPA to Total Loans	10
5.	Cost of raising funds through bonds as compared to similarly rated CPSEs	8
6.	Block for Admin Ministry Priorities	5
7.	EBTDA (% of Total Income)	8
8.	Return on Net Worth	10
9.	Return on Capital Employed	5
10.	Asset Turnover Ratio	4
11.	Total Return to Shareholders (for listed CPSE), Or Earnings per Share (for unlisted CPSE)	10
12.	Dividend Payout	5
Total		100

Part-II: Compliance parameters and other conditions (including special notes) are same as Part-II at Annexure-I(a).

Annexure – I(c)**Template for Section 8 Social Finance CPSEs****Part-I: Main Parameters**

S.N.	Parameter	Weightage
1.	Revenue from Operations	5
2.	Number of Beneficiaries Assisted (loan disbursed to)	10
3.	Number of Women Beneficiaries Covered (loan disbursed to)	5
4.	Parameter(s) covering effective implementation of Government's scheme(s) [to be identified in consultation with Administrative Ministries]	15
5.	Loan Disbursed to Total Fund Available	10
6.	Loan Disbursed to Micro Finance Beneficiaries	5
7.	Last Mile Disbursement to Ultimate Beneficiaries	5
8.	Geographical Coverage	10
9.	Overdue Loans to Total Loans	10
10.	NPA to Total Loans	10
11.	EBTDA (% of Total Income)	5
12.	Return on Net Worth, or Return on Capital Employed	5
13.	Asset Turnover Ratio	5
Total		100

Part-II: Compliance parameters and other conditions (including special notes) are same as Part-II at Annexure-I(a).

Annexure – I(d)**Template for Section 8 CPSEs (other than Social Finance)****Part-I: Main Parameters**

S.N.	Parameter	Weightage
1a.	Revenue from Operations	10
1b.	Physical Parameters: Production, Generation, Transmission, Value of Production & Services, Productivity related Parameters etc.	31
2.	Exports/ Income from Overseas	4
3.	Reduction in Imports Consumption (% of Revenue from Operations) over the previous year, Or Increase in Indigenous Content (%) over the previous year	4
4a.	Expenditure on R&D (% of previous 3 years' average PBT)	2
4b.	Patent or Industrial Design or IC Layout-Design Admitted	2
5.	Block for Admin Ministry Priorities	5
6a.	Capital Expenditure	5
6b.	Project Execution	7
7.	EBITDA (% of Total Income)	5
8.	Return on Capital Employed, or Return on Net Worth (for profit-making CPSE), Or Total Expenses to Total Income (for loss-making CPSE)	5
9.	Asset Turnover Ratio	5
10.	Operating Cash Flow (% of Revenue from Operations)	5
11.	Earnings per Share	10
Total		100

Part-II: Compliance parameters and other conditions (including special notes) are same as Part-II at Annexure-I(a).

**Standard Operating Procedure / Explanatory Note
on
MoU Parameters**

A. The Main Parameters are explained along with illustrations in the subsequent paragraphs.

1. Revenue from Operations

As per schedule III of the Companies Act, 2013, in respect of a company other than finance company, Revenue from Operations consists of – (a) Sale of products, (b) Sale of services, (c) Grants or donations received (in case of Section 8 companies), and (d) other operating revenues. In respect of a finance company, Revenue from Operations includes revenue from – (a) interest income, and (b) other income from financial services. This would be taken from audited Statement of Profit & Loss of the CPSE.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from Operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000

This figure is directly taken from Statement of Profit & Loss. Therefore, in this case, Revenue from Operations for the year 2026-27 is ₹97,000 crore and for year 2025-26 is ₹90,000 crore.

2. Value of Production

This would be worked out by adding Revenue from Operations [i.e. sale of goods and sale of services, but excluding other operating revenue and trading revenue] and then adjusting change in inventories of finished goods and work-in-progress.

S.N.	Particulars
a.	Sale of Goods
b.	Sale of Services
c.	Total Revenue from Sale of Goods & Services [a+b]
d.	Add: Closing value of Finished Goods & Work-in-Progress

e.	Less: Opening value of Finished Goods & Work-in-Progress
f.	Value of Production [c+d-e]

The figures would be taken from the audited Statement of Profit & Loss and Notes to Financial Statements of the CPSE.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from Operations			
Sale of Goods		50,000	45,000
Sale of Services		40,000	40,000
Other Operating Income		6,000	4,000
Trading Revenue		1,000	1,000
Total Revenue from Operations		97,000	90,000
Other Income		3,000	2,000
Total Income		1,00,000	92,000

Extract from NOTES TO FINANCIAL STATEMENTS			
Note: CHANGES IN INVENTORIES			
		For the year ended (₹ Crore)	
Particulars	31 March 2026	31 March 2025	
(i) Opening Balance			
Work-in-Progress	1,000	800	
Finished Goods	1,500	400	
Stock-in-trade	100	200	
Scrap	200	100	
(i) Closing Balance			
Work-in-Progress	500	1,000	
Finished Goods	700	1,500	
Stock-in-trade	200	100	
Scrap	180	200	
Increase/ (Decrease)		(1,220)	1,300

Calculation of Value of Production (₹ Crore) for year 2026-27:

S.N.	Particulars	FY 2026-27	FY 2025-26
a.	Sale of Goods	50,000	45,000
b.	Sale of Services	40,000	40,000
c.	Total Revenue from Sale of Goods & Services [a+b]	90,000	85,000
d.	Add: Closing value of Finished Goods & Work-in-	1,200	2,500

	Progress		
e.	Less: Opening value of Finished Goods & Work-in-Progress	2,500	1,200
f.	Value of Production [c+d-e]	88,700	86,300

3. EBITDA (% of Total Income)

The EBITDA will be calculated by dividing EBITDA by Total Income and multiplying by 100, using figures from the Statement of Profit & Loss.

EBITDA refers to Earnings Before Interest, Tax, Depreciation, and Amortization, excluding exceptional/ extraordinary or prior period items.

Total Income comprises Revenue from Operations and Other Incomes.

Note: For CPSEs in the finance sector, the parameter will be EBTDA (Earnings before Tax, Depreciation, and Amortization, excluding exceptional, extraordinary, or prior period items) as a percentage of Income.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		86,000	79,000
Profit before exceptional/ extraordinary items, tax and regulatory deferral account balances		14,000	13,000
Exceptional/ Extraordinary Items		2000	(2000)
Profit before tax		16,000	11,000
Tax expense			

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	(6,000)
Total tax expense		9,000	(2,000)
Profit before regulatory deferral account balances		7,000	13,000
Net movement in regulatory deferral account balances (net of tax)		5,000	(4,000)
Profit for the year		12,000	9,000

Calculation of EBITDA:

S.N.	Particulars	For the year ended (₹ Crore)	
		31 March 2027	31 March 2026
a	Profit before tax or Earnings before tax	16,000	11,000
b	Interest/ Finance Cost	7,000	5,000
c	EBIT (Earnings Before Interest Tax) [a+b]	23,000	16,000
d	Depreciation and Amortization	9,000	7,000
e	Exceptional Item - Income/ (Expenses)	2,000	(2,000)
f	EBITDA (Earnings Before Interest Tax Depreciation, Amortization and Exceptional/ Extraordinary/ Prior Period item) [c+d-e]	30,000	25,000

In this case, EBITDA as a percentage of Total Income for FY 2026-27 and 2025-265 would be 30% [i.e. (30,000/1,00,000 x 100)] and 27.17% [i.e. (25,000/92,000) x 100] respectively.

Illustration (for Finance CPSE):

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from operations		40,000	32,000
Other income		1,000	1,000
Total income		41,000	33,000
Expenses			
Finance Costs		25,000	20,000
Net Translation/Transaction Exchange		1,000	2,000

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Loss/(Gain)			
Fees and Commission Expense		100	200
Net Loss/(Gain) on Fair Value changes		(700)	(100)
Impairment on Financial Instruments		1,000	(700)
Employee Benefit Expenses		200	200
Depreciation and Amortization		1,000	1,000
Corporate Social Responsibility Expenses		200	200
Other Expenses		100	100
Total expenses		27,900	22,900
Profit before exceptional/ extraordinary items and tax		13,100	10,100
Exceptional/ extraordinary items		2,000	(2,000)
Profit after exceptional/ extraordinary items and before tax		15,100	8,100
Tax expense			
	Current year	2,000	3,000
	Earlier years	0	0
	Deferred tax	1,000	2,000
Total tax expense		3,000	5,000
Profit for the year from continuing operations		12,100	3,100

Calculation of EBTDA:

SN	Particulars	For the year ended (₹ Crore)	
		31 March 2027	31 March 2026
a	Profit before tax or Earnings before tax	15,100	8,100
b	Depreciation and Amortization	1,000	1,000
c	Exceptional/ Extraordinary/ Prior Period: Income/ (Expenses)	2,000	(2,000)
d	EBTDA (Earnings Before Tax, Depreciation, Amortization and Exceptional/ Extraordinary/ Prior Period item) [a+b-c]	14,100	11,100

In this case, EBTDA as a percentage of Total Income for FY 2026-27 and 2025-26 would be 34.39% [i.e. (14,100/41,000) x 100] and 33.64% [i.e. (11,100/33,000) x 100] respectively.

4. Return on Capital Employed

Return on Capital Employed (ROCE) is calculated by dividing EBIT (from the Statement of Profit & Loss) by Average Capital Employed (from the Balance Sheet), and then multiplying by 100.

EBIT refers to Earnings Before Interest and Taxes, as reported in the Statement of Profit & Loss.

Capital Employed is the sum of Paid-up Share Capital, Other Equity and Non-Current Borrowings, as reported in the Balance Sheet.

Average Capital Employed is the simple average of the opening and closing Capital Employed figures.

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		86,000	79,000
Profit before exceptional/extraordinary items, tax and regulatory deferral account balances		14,000	13,000
Exceptional/ Extraordinary Items		2000	(2000)
Profit before tax		16,000	11,000
Tax expense			
Current tax			
	Current year	2,000	3,000
	Earlier years	3,000	1,000
	Deferred tax	4,000	(6,000)
Total tax expense		9,000	(2,000)
Profit before regulatory deferral account balances		7,000	13,000
Net movement in regulatory deferral account		5,000	(4,000)

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
balances (net of tax)			
Profit for the year		12,000	9,000

Calculation of EBIT:

SN	Particulars	For the year ended (₹ Crore)	
		31 March 2027	31 March 2026
a	Profit before tax or Earnings before tax	16,000	11,000
b	Interest/ Finance Cost	7,000	5,000
c	EBIT (Earnings Before Interest Tax) [a+b]	23,000	16,000

BALANCE SHEET AS AT 31 MARCH 2027

		As on (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
EQUITY AND LIABILITIES			
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total equity		1,14,000	1,07,000
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings		1,47,000	1,21,000
Trade payables			
Total outstanding dues of micro and small enterprises		500	5,000
Total outstanding dues of creditors other than micro and small enterprises		500	1,000
Other financial liabilities		500	1,000
Provisions		500	3,000
Deferred tax liabilities (net)		8,000	4,000
Total non-current liabilities		1,57,000	1,35,000
Current liabilities			
Financial liabilities			
Borrowings		14,000	15,000
Trade payables			
Total outstanding dues of micro and small enterprises		6,000	4,000

BALANCE SHEET AS AT 31 MARCH 2027			
		As on (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Total outstanding dues of creditors other than micro and small enterprises		9,000	7,000
Other financial liabilities		24,000	25,000
Other current liabilities		6,000	5,000
Provisions		6,000	7,000
Total current liabilities		65,000	63,000
Deferred revenue		3,000	2,000
TOTAL EQUITY AND LIABILITIES		3,39,000	3,07,000

Calculation of Capital Employed:

SN	Particulars	₹ Crore	
		FY 2026-27	FY 2025-26
a	Paid-up Share Capital	10,000	10,000
b	Other Equity (including Reserve not created out of Profit)	1,04,000	97,000
c	Total Equity [a+b]	1,14,000	1,07,000
d	Long term Borrowings or Non-Current Borrowings	1,47,000	1,21,000
e	Total Capital Employed [c+d]	2,61,000	2,28,000

In this case, Average Capital Employed is computed by taking average of opening and closing Capital Employed i.e. $(2,61,000+2,28,000)/2 = ₹2,44,500$ crore. Thus, Return on Capital Employed for FY 2026-27 would be 9.41% [i.e. $(23,000/2,44,500) \times 100$].

5. Return on Net Worth

Return on Net Worth (RoNW) is calculated by dividing Profit After Tax by Average Net Worth, and then multiplying by 100.

Profit After Tax (PAT) refers to the figure as reported in the audited Statement of Profit & Loss, including Non-Controlling Interest for consolidated accounts.

Net Worth is calculated as the sum of paid-up share capital, reserves created from profits, and securities premium, minus accumulated losses, deferred expenditure, and unwritten-off miscellaneous expenses, as per the Audited Balance Sheet, excluding non-controlling/minority shareholders' interest and reserves from revaluation of assets, depreciation write-back, and amalgamation.

Average Net Worth is the simple average of the opening and closing Net Worth balances, taking into account any changes due to fresh equity issuance and share buybacks.

Illustration:

Extract from STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Profit before exceptional/extraordinary items, tax and regulatory deferral account balances		14,000	13,000
Exceptional/ Extraordinary Items		2,000	(2,000)
Profit before tax		16,000	11,000
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	(6,000)
Total tax expense		9,000	(2,000)
Profit before regulatory deferral account balances		7,000	13,000
Net movement in regulatory deferral account balances (net of tax)		5,000	(4,000)
Profit for the year		12,000	9,000

BALANCE SHEET AS AT 31 MARCH 2027			
		As on (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
EQUITY AND LIABILITIES			
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total Equity/ Net Worth		1,14,000	1,07,000

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2027					
(₹ Crore)					
Particulars	Retained Earnings	Capital Reserve	Revaluation Reserve	Other Comprehensive Income	Total
Balance as at 1st April 2026	96,500	100	200	200	97,000
Profit for the year	6,700	-	-	-	6,700
Other Comprehensive Income for the year	-	-	-	300	300
Balance as at 31st March 2027	1,03,200	100	200	500	1,04,000
Balance as at 1st April 2025	93,700	100	200	-	94,000
Profit for the year	2,800	-	-	-	2,800

Other Comprehensive Income for the year	-	-	-	200	200
Balance as at 31st March 2026	96,500	100	200	200	97,000

Calculation of Average Net Worth:

SN	Particulars	₹ Crore		
		FY 2026-27	FY 2025-26	FY 2024-25
a	Paid-up Share Capital	10,000	10,000	9,000
b	Reserve and Surplus	1,04,000	97,000	94,000
c	Net Worth [a+b]	1,14,000	1,07,000	1,03,000
d	Reserve not created out of Profit (e.g., Revaluation reserve, OCI etc.)	800	500	300
e	Net Worth [c-d]	1,13,200	1,06,500	1,02,700
f	Average Net-worth [(Opening Net-worth + Closing Net-worth)/ 2]	1,09,850	1,04,600	--

In this case, Return on Net Worth [i.e. PAT ÷ Average Net Worth x 100] for FY 2026-27 and FY 2025-26 would be 10.92% [i.e. (12,000/1,09,850) x 100] and 8.60 % [i.e. (9,000/1,04,600) x 100] respectively.

6. Asset Turnover Ratio

The Asset Turnover Ratio will be calculated by:

Total Income (from Statement of Profit & Loss) ÷ Average Total Assets (from Balance Sheet) × 100

Total Income comprises Revenue from Operations and Other Incomes.

Average Total Assets is simple average of Opening and Closing Total Assets, whereas Total Assets is sum of Non-Current Assets and Current Assets [as reflected under the 'Total Assets' heading in the Balance Sheet].

Illustration:

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000

BALANCE SHEET AS AT 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
ASSETS			
Non-current assets			
Property, plant and equipment		1,56,000	1,25,000
Capital work-in-progress		73,000	91,000
Intangible assets		5,000	7,000
Intangible assets under development		2,000	4,000
Financial assets			
Investments in subsidiary and joint venture companies		26,000	13,000
Other investments		1,000	1,000
Loans		1,000	1,000
Other financial assets		1,000	1,000
Other non-current assets		11,000	13,000
Total non-current assets		2,76,000	2,56,000
Current assets			
Inventories		11,000	8,000
Financial assets			
Trade receivables		16,000	8,000
Cash and cash equivalents		2,000	2,000
Bank balances other than cash and cash equivalents		2,000	3,000
Loans		3,000	3,000
Other financial assets		12,000	8,000
Other current assets		8,000	15,000
Total current assets		54,000	47,000
Regulatory deferral account debit balances		9,000	4,000
TOTAL ASSETS		3,39,000	3,07,000

In this case, Average Total Assets would be computed by taking average of opening and closing Total Assets i.e. $(3,39,000+3,07,000)/2 = ₹3,23,000$ crore. Thus, Assets Turnover Ratio for FY 2026-27 would be 30.96% [i.e. $(1,00,000/3,23,000) \times 100$].

7. Operating Cash Flow (% of Revenue from Operations):

This is calculated by dividing Net Operating Cash Flow by Revenue from Operations, and then multiplying by 100.

Net **Operating Cash Flow** refers to the figure as reported in the audited Statement of Cash Flow.

Illustration

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Income			
Revenue from Operations			
Sale of Goods		50,000	45,000
Sale of Services		40,000	40,000
Other Operating Income		6,000	4,000
Trading Revenue		1,000	1,000
Total Revenue from Operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars		31 March 2027	31 March 2026
Net Cash Flow from operating activities		8,500	6,500
Net Cash Flow from investing activities		(20,000)	12,000
Net Cash Flow from financing activities		11,500	(4,000)

Calculation of Operating Cash Flow (% of Revenue from Operations):

SN	Particulars	For the year ended (₹ Crore)	
		FY 2026-27	FY 2025-26
a	Net Cash flow from Operating Activities	8,500	6,500
b	Revenue from Operations	97,000	90,000
c	Net Cash flow from Operating Activities as percentage of Revenue from Operations [a/b]*100	8.76	7.22

8. Total Return to Shareholder (for listed CPSEs)

Total Return to Shareholders (TRS) of a listed CPSE includes –

- (i) Appreciation in Stock Value
- (ii) Dividends Paid (including dividend distribution tax if any)
- (iii) Redemption of Bonus Preference Shares, Dividend on Bonus Pref. Shares.
- (iv) Redemption of Bonus Debentures, Interest on Bonus Debentures.

TRS will be worked out in % as

$$\frac{(\text{Market cap. at end of FY} - \text{Market cap. at end of Previous FY}) + \text{Dividend Paid} + \text{Dividend/ Interest/ Redemption of Bonus Pref. Shares or Debenture, etc.}}{\text{Market cap. at the end of Previous FY}} \times 100$$

Evaluation methodology:

- a). TRS shall be calculated on year-end basis (i.e. change in TRS as on 31st March of the base year to 31st March of the MoU year). The benchmarking for CPSEs is categorized into two groups – (i) CPSEs constituting the BSE 100 Index at the year-end: Benchmarking will be based on the TRS of BSE 100 constituent companies, and (ii) Remaining CPSEs: Benchmarking will be based on the TRS of BSE 500 constituent companies. This differentiated approach considers the varying scope for growth among the CPSEs in relation to their respective peer groups.
- b). TRS benchmark range would be determined based on statistics of the TRS of BSE 100/ BSE 500 constituent companies, which would be as follows:
- Upper value:** Mean (μ) + 0.43 x Standard Deviation (σ)
- Lower value:** Mean (μ) - 1 Standard Deviation (σ)
- This range would serve as the benchmark for evaluating the performance of the CPSEs. This would be determined at the end of financial year, and thereafter the same would be disclosed by the DPE.
- c). The TRS achievement of a CPSE for a financial year shall be evaluated against the benchmark range determined for that year. Full marks shall be awarded on achieving the upper value ($\mu + 0.43\sigma$), while achievements falling between the upper value ($\mu + 0.43\sigma$) and the lower value ($\mu - \sigma$) shall be assigned proportionate scores on a full linear scale.

Illustration:

Benchmarking –

If Mean (μ): 8.50% and Standard Deviation (σ): 6.50%

Then Upper value and Lower value would be arrived to 11.30% and 2.00% respectively.

Scoring to the achievements of TRS:

Achievement	$\geq 11.30\%$	9.00%	7.50%	5.00%	$\leq 2.00\%$
Corresponding Score (out of 10)	10.00	7.53	5.91	3.23	0

9. Earnings Per Share (for unlisted CPSEs)

For unlisted CPSEs, the basic Earnings Per Share (EPS) parameter is calculated by dividing audited PAT by outstanding shares. In case of issuance of bonus share or share buyback or fresh equity, the number of outstanding shares determined at the time of target setting would be used for calculating the achievement of this parameter. The parameter is assigned a value in rupees.

Illustration:

Extract from STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		For the year ended (₹ Crore)	
Particulars	Note No.	31 March 2027	31 March 2026
Profit before exceptional/extraordinary items, tax and regulatory deferral account balances		14,000	13,000
Exceptional/ Extraordinary Items		2000	(2000)
Profit before tax		16,000	11,000
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	(6,000)
Total tax expense		9,000	(2,000)
Profit before regulatory deferral account balances		7,000	13,000
Net movement in regulatory deferral account balances (net of tax)		5,000	(4,000)
Profit for the year		12,000	9,000

For 1000 outstanding shares taken for target setting for financial year, EPS for FY 2026-27 and 2025-26 would be ₹12 (i.e. 12,000/1000) and ₹9 (i.e. 9,000/1000) respectively.

10. Dividend Payout

Performance under the Dividend Payout parameter shall be evaluated with no exemption or relaxation for any CPSE, except Section 8 companies. Full marks shall be awarded where 100% of the dividend, as prescribed under DIPAM guidelines, is paid, or where a higher target stipulated by DIPAM is achieved. In cases of shortfall against the stipulated target, marks shall be awarded on a proportionate basis.

11. Physical Output related parameters (such as Production, Generation, Transmission etc.) or Productivity related parameters

CPSEs in production-based sectors (Petroleum, Power, Mining, Steel, Coal, etc.) must demonstrate growth in installed capacity and efficient output. The parameter can be measured in absolute quantities, % capacity utilization, or ₹ Crore value of physical output. Relevant data, including revenue contribution, must be reported in the annual report. The weightage of the parameter in the MoU will be determined based on its revenue contribution.

The CPSEs must submit its proposal, if willing to add new or delete existing products/services, to DPE before the IMC's meeting held for MoU finalization. The proposal should consist importance of the products/services and their contribution in the revenue.

12. Capital Expenditure

- 12.1. Capital Expenditure (CAPEX) parameter is linked with the Capital Outlay presented in the Statement 26 (Investment in Public Enterprises) under expenditure profile (Budget document). CPSEs those having CAPEX estimates of ₹100 crore or more will be eligible for the parameter. Once the parameter has been assigned, in no case the target will be revised below ₹100 crore. This parameter, carrying significant weightage, aims to incentivize CPSEs for successfully implementing large-scale projects or initiatives that align with the Government's vision.
- 12.2. CAPEX refers to expenditures on acquiring or adding assets that become part of fixed assets, as shown in the CPSE's annual accounts under Property, Plant and Equipment, Capital Work-in-Progress, Intangible Assets, etc. This includes expansion, modernization, or diversification expenses. CAPEX is considered on an accrual basis, as per the audited Balance Sheet, not on a cash basis. The achievement would be calculated as under:

S.N.	Particulars
a	Addition to Property, Plant and Equipment, Intangible Assets, Right-of-Use Assets etc.
b	Changes in Capital Work-In-Progress (+/-)
c	Changes in Intangible Assets under development (+/-)
d	Changes in Capital Advance, if shown separately (+/-)
	Total [a+b+c+d]

- 12.3. CAPEX incurred by subsidiaries and Joint Ventures (JVs) as shown in consolidated annual accounts of the holding Company will be treated as holding Company's CAPEX.
- 12.4. CAPEX incurred by JVs can also be considered, proportionate to the CPSE's shareholding, if it's capitalized in the JV's accounts and disclosed in the CPSE's Notes to accounts.
- 12.5. CAPEX incurred through Public-Private Partnership (PPP) mode, as reflected in the CPSE's annual accounts, will also be considered as CAPEX.
- 12.6. Investments made by CPSEs in subsidiaries and JVs will be considered based on their treatment in the audited annual accounts. If capitalized, they will be treated as CAPEX; otherwise, they won't be considered CAPEX.

Illustration:

Note to accounts- Non-Current Assets: Property, Plant and Equipment**As at 31 March 2027 (₹ Crore)**

Particulars	Gross block				Depreciation and amortization				Net block
	As at 1 April 2026	Additions	Deductions/adjustments	As at 31 March 2027	Upto 1 April 2026	For the year	Deductions/adjustments	Upto 31 March 2027	As at 31 March 2027
Freehold land	40,000	14,000	5,000	49,000	0	0	0	0	49,000
Lease-hold land	25,000	8,750	3,200	30,550	7,500	2,500	1,000	9,000	21,550
Building	30,000	10,500	3,800	36,700	6,500	3,000	2,000	7,500	29,200
Plant and machinery	25,000	8,750	3,200	30,550	16,500	4,000	2,000	18,500	12,050
Computer-hardware	35,000	12,250	4,500	42,750	13,500	12,000	10,500	15,000	27,750
Vehicles	20,000	7,000	2,550	24,450	6,000	4,000	2,000	8,000	16,450
Right of Use Assets	10,000	1,000	-	11,000	1,000	100	-	1,100	9,900
Total	1,85,000	62,250	22,250	2,25,000	51,000	25,600	17,500	59,100	1,65,900

Note to accounts- Non-Current Assets: Capital Work-in-progress (CWIP)**As at 31st March 2027 (₹ Crore)**

Particulars	As at 1 st April 2026	Additions	Deductions/adjustments	Capitalized	As at 31 st March 2027
Building	45,000	4,500	3,000	10,500	36,000
Plant and machinery	46,000	1,000	2,250	5,750	37,000
Total	91,000	5,500	5,250	16,250	73,000

Note to accounts- Non-Current Assets: Intangible Assets**As at 31st March 2027 (₹ Crore)**

Particulars	Gross block				Amortization				Net block
	As at 1 April 2026	Additions	Deductions/adjustments	As at 31 March 2027	Upto 1 April 2026	For the year	Deductions/adjustments	Upto 31 March 2027	As at 31 March 2027
Software	8,000	1,000	2,500	6,500	1,000	700	200	1,500	5,000
Total	8,000	1,000	2,500	6,500	1,000	700	200	1,500	5,000

Note to accounts- Non-Current Assets: Intangible assets under development**As at 31st March 2027 (₹ Crore)**

Particulars	As at 1 st April 2026	Additions	Deductions/adjustments	Capitalized	As at 31 st March 2027
Software	4,000	0	1,000	1,000	2,000
Total	4,000	0	1,000	1,000	2,000

Note to accounts- Non-Current Assets: Investment Property

As at 31st March 2027 (₹ Crore)

Particulars	Gross block				Depreciation				Net block
	As at 1 April 2026	Additions	Deductions/ adjustments	As at 31 March 2027	Upto 1 April 2026	For the year	Deductions/ adjustments	Upto 31 March 2027	As at 31 March 2027
Freehold land	0	0	0	0	0	0	0	0	0
Lease-hold land	0	0	0	0	0	0	0	0	0
Building and related fixtures/ assets	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

Note to accounts - Other non-current Assets:As at 31st March 2027 (₹ Crore)

Particulars	31 March 2027	31 March 2026
Capital Advances (Considered good unless otherwise stated)		
Secured	8,000	7,000
Unsecured		
Covered by Bank Guarantee	2,000	1,500
Others	4,000	4,000
Considered Doubtful		
Less: Allowance for bad and doubtful debts	1,000	1,500
Total	13,000	11,000

Calculation of CAPEX incurred during the year:

Particulars	₹ Crore
Addition in Property, Plant and Equipment (including Right-to-use)	62,250
Change in CWIP (Closing-Opening)	(18,000)
Addition in Intangible Assets	1,000
Change in Intangible Assets under Development (Closing-Opening)	(2,000)
Addition in Investment Property	0
Change in Capital advances (Closing-Opening)	2,000
Total	45,250

13. Project Execution

13.1. All CAPEX projects of a CPSE which are mapped with MoSPI would be evaluated based on **Earned Value Analysis (EVA)** and project-wise weightage would be given in proportion to the **revised project cost**.

- 13.2. Under this approach, project progress is assessed using key metrics such as **Planned Value (PV)**, **Actual Cost (AC)**, and **Earned Value (EV)**, from which performance indices—**Cost Performance Index (CPI = EV/AC)** and **Schedule Performance Index (SPI = EV/PV)** are derived.
- 13.3. Progress reported on the MoSPI's **PAIMANA Portal** or otherwise suggestion of MoSPI shall be used for the purpose of performance evaluation.
- 13.4. **Earned Value Analysis:** The analysis relies on three primary data points collected against a Performance Measurement Baseline (PMB):
- Planned Value (PV):** The budgeted cost or work scheduled to be completed by a specific date.
 - Actual Cost (AC):** The total cost actually incurred for the work performed.
 - Earned Value (EV):** The budgeted cost of the work actually completed to date. This is calculated as (Physical Progress x Project Cost).
- From these values, following critical indices are derived, that signify project health:
- o **Cost Performance Index (CPI = EV/ AC):** Measures cost efficiency. A value less than 1.0 indicates a budget overrun.
 - o **Schedule Performance Index (SPI = EV/ PV):** Measures schedule efficiency. A value less than 1.0 indicates the project is behind schedule.
- 13.5. CPSEs having projects shall be given this parameter with weightage of 7 marks and for CPSEs without projects, the parameter related to Capital Expenditure will be allocated 10 marks and parameter related to physical output will be allocated 27 marks.

Illustration:

Assuming, CPSE has following portfolio of ongoing project as on 31 March 2027 as reported on PAIMANA Portal:

Project	Original Project Cost	Revised Project Cost	Physical Progress (%)	Earned Value (EV=Cost*Physical Progress)	Planned Value (PV)	Actual Cost (AC)
A	1,000	2,000	40	400	500	450
B	5,000	4,800	50	2,500	2,800	2,400
C	500	700	60	300	300	350
D	200	210	70	140	140	130

Considering the above details, the marks distribution, CPI, SPI, marks allocated, and marks awarded based on CPI and SPI for each project is as follows:

Project	Revised Project Cost	CPI (EV/AC)	SPI (EV/PV)	Weightage based on revised project cost	Marks based on CPI	Marks based on SPI	Score
A	2,000	0.89	0.80	1.81	0.81	0.73	1.54
B	4,800	1.04	0.89	4.36	2.27	1.94	4.21
C	700	0.86	1.00	0.64	0.27	0.32	0.59
D	210	1.08	1.00	0.20	0.10	0.10	0.20
	7,710			7.00	3.45	3.09	6.54

The marks would be rounded off to 7 in rare cases where marks obtained are greater than 7 due to weighted CPI and/or SPI being greater than 1.

14. Expenditure on R&D (% of previous 3 years' average PBT)

- 14.1. Research and Development (R&D) and Innovation Initiatives are essential drivers of national self-reliance, economic growth, sustainability, and competitiveness, particularly in engineering and process industries. To foster a culture of innovation and technological advancement, this parameter should always be aspirational, specifically to the profit-making CPSEs to encourage in focusing on dedicated R&D activities. **This parameter will be mandatory for all CPSEs those rely on imports.**
- 14.2. The targets would outline CPSE's commitment to R&D and Innovation Initiatives, expecting a proportional increase in R&D expenditure aligned with their Profit Before Tax. Aspirational targets will be assigned based on historical performance and sectoral trends, as the percentage of previous 3 years' average PBT.

15. Patent, Industrial Design and Integrated Circuit Layout-Design Admitted

- 15.1. Given the substantive scrutiny and timelines involved in the registration processing stages, the Patent, Industrial Design and Integrated Circuit Layout-Design admitted would reasonably capture the R&D efforts made during the year, shifting focus from input spending to innovation outputs. The parameter would be evaluated on the basis of **admission** of the application filed for the Patent, Industrial Design, and Integrated Circuit Layout-Design.

16. Block for Ministry's Priorities

- 16.1. The specific parameters concerning to Ministry's priorities, those cannot be accommodated within the MoU template, will be identified by Administrative Ministries along with their corresponding targets and weightages within the earmarked 5 marks (or with lesser cumulative weightage), and **will be intimated to DPE in advance of the IMC meeting**. The IMC will examine whether the additional parameters are really not adequately accommodatable in the template. If not, they will be incorporated in the final MoU as per inputs of the Ministry.
- 16.2. Achievement shall be certified by the Administrative Ministry, which would also be disclosed in the CPSE's Annual Report along with the other relevant information regarding these parameters.
- 16.3. In cases where the Administrative Ministry does not propose such parameter or decides to keep the weightage lesser, the IMC will suitably distribute the spare weightage in other parameters.

17. Exports and imports related parameter

17.1. Export/ Income from Overseas:

This parameter applies exclusively to CPSEs with export revenue or overseas income. These CPSEs should prioritize increasing their net exports. Additionally, Administrative Ministries must encourage their respective CPSEs to develop a long-term export vision strategy. This parameter would be given either in absolute terms or as a percentage of Revenue from Operations. If parameter is given as percentage, then the same would be calculated by dividing the Export Revenue (as reported in Segmental Reporting/ Operating Segment of Notes to Accounts) by the Revenue from Operations (as stated in the Statement of Profit & Loss), and then multiplying the result by 100.

17.2. Reduction in Imports Consumption (% of Revenue from Operations), or Increase in Indigenous Contents (%) over the previous year:

- a) This parameter will be uniformly assigned to CPSEs with significant import dependencies, where their respective Administrative Ministries set import reduction targets, aligning with the nation's objective of achieving self-reliance (Atmanirbhar). For the purpose of this parameter, the value of imports **consumed** will include the total value of all imported raw materials, spare parts, and components utilized during the financial year, as required to be disclosed under Schedule III of the Companies Act, 2013.
- b) For Increase in Indigenous Contents, the target shall be set at either the CPSE level or the product/platform level. **The Administrative Ministry shall certify the status of indigenous contents in terms of cost of the items.**

18. Parameters linked with Non-Banking Finance Companies

- a. **Loan Disbursed (% of Total Funds Available):** The target should normally be 100% of the total funds available. And the achievement will be calculated based on the total loans disbursed during the year and the total funds available. Total funds available will comprise the initial cash and bank balance, share capital received during the year, loans raised or repaid, funds received from any source, proceeds from asset sales, and repayments/pre-payments received, minus investments in assets, as per the Fund Flow Statement.
- b. **Overdue Loans (% of Total Net Loans):** The figures for loan dues not recovered and total net loans will be derived from the audited financial statements.
- c. **Non-Performing Assets (% of Total Net Loans):** The figures of NPA would be Net NPA taken on the basis of regulatory framework under which CPSE perform as on the last date of the year under reference. Loan assets (net) would be based on Audited Balance Sheet.
- d. **Cost of raising funds through Bonds as compared to similarly rated CPSEs/entities (Margin over Reuters):** This parameter is mandatory for CPSEs that raise

funds from the market. The target for excellence is to secure funds at lower rates compared to similarly rated CPSEs/entities, as measured by the margin over Reuters

19. Parameters linked with Section 8 Social Finance CPSEs

- e. Loans disbursed to Micro-Finance Beneficiaries (% of Total Disbursement):** The intention of this target is to increase the percentage of loans disbursed to Micro Finance Beneficiaries as compared to bigger beneficiaries.
- f. Geographical Coverage (%):** This will be worked out by dividing Number of States/ UT Served with Total Number of States/ UTs having targeted population and multiplying with 100.
- g. Last-mile Disbursement to Ultimate Beneficiary (%):** This will be worked out by dividing Loans disbursed to ultimate beneficiaries by the intermediary with Total Funds disbursed to intermediary and multiplying with 100.
- h. Parameter(s) covering effective implementation of Government's scheme(s):**

The CPSEs in consultation with Administrative Ministry will identify scheme/projects to be covered in this parameter to ensure their effective implementation. The same shall be provided to DPE with full details of schemes, such as scope, tenure, financial commitments etc., before the IMC's meeting held for MoU finalization.

B. Aggregate score would be subject to qualifying compliance parameters [as stipulated at Annexure - I, Part-II], failing which full marks, as indicated, would be deducted and there will be no partial deduction. The parameters are elaborated below:

- (i) **DPE guidelines on CSR expenditure:** CPSEs must adhere to] the Department of Public Enterprises (DPE) guidelines on CSR expenditure, as updated from time to time. Compliance verification will be conducted based on inputs from Administrative Ministry, based on Board Resolutions, Annual Reports, and inputs from the CSR Cell of DPE.
- (ii) **Provisions in the Companies Act, 2013 [or SEBI (LODR) regulations in case of listed entities] on Corporate Governance:** CPSEs must adhere to the provisions of the Companies Act and Listing Agreement, as applicable. The parameters outlined in Part-II of Annexure-I will be evaluated for scoring. The Administrative Ministry will verify compliance based on reports from the CAG, Statutory Auditor, and Secretarial Auditor.
- (iii) **Onboarding of CPSE on all operational TReDS platforms:** CPSEs must ensure their onboarding on all operational Trade Receivables e-Discounting System (TReDS) platforms during the financial year, unless otherwise specified. Compliance will be confirmed based on Sambandh portal and/ or TReDS platforms.
- (iv) **Timely payments to MSE vendors as prescribed in MSMED Act:** CPSEs must ensure prompt payment to MSEs within the stipulated timelines prescribed under the Micro, Small and Medium Enterprises (MSME) Development Act, 2006. The compliance with the parameter may be verified from MSME Samadhaan Portal/ TReDS Portals or other authentic sources. In case of delayed payments beyond the prescribed timelines, CPSEs will be liable for a graded penalty as follows:

Condition (Delayed Cases)	Penalty
No delay	No penalty
≤ 5%	-1 mark
> 5% and ≤ 10%	-2 marks
> 10%	-3 marks

Disclosure Requirements: CPSEs must disclose the number and amount of bills pending and paid, beyond the prescribed timelines, during the financial year in their Annual Reports. Failure to report this information in the Annual Report shall also attract penalty of full marks.

- (v) **Procurement of goods & services from MSEs overall, SC/ST owned MSEs and Women-owned MSEs (as percentage of total procurement):** CPSEs must ensure procurement from MSEs as per the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2018. The three sub-parameters will be evaluated separately and independently.

No exemptions or relaxations will be granted by DPE, unless specifically approved by the M/o MSME for the concerned CPSE. CPSEs may seek relaxation from M/o MSME, if required, as per the prescribed procedure.

Disclosure Requirements: CPSEs shall report the status of procurement on a monthly basis in the subsequent month through the MSME Sambandh Portal. CPSE shall also report goals set with respect to procurement to be met from MSEs and achievement made thereto in the Annual Report (*Para 5 of PPP for MSE order 2012*), and the CPSE which fail to meet the annual goal shall substantiate with reasons to the Review Committee headed by Secretary (MSMEs) (*Para 3(4) of PPP for MSE order 2012*). Failure to do such reporting on time shall also attract penalty.

- (vi) **Succession Planning and Leadership Development Plan:** CPSEs must prepare and execute a Succession Planning and Leadership Development Plan. The Board approved plan should be submitted to **General Management and Capacity Building** Division of DPE and the **Capacity Building Commission** as indicated in the DPE OM No. PP-II-7/5/2022- DPE (FTS-12739) dated 15.09.2025. Compliance shall be verified from the GM&CB Division.
- (vii) **Surplus non-core asset (land and building) monetization Plan:** The details of the plan would be formulated by CPSEs, in the following format:

S. No.	Complete Address	Asset Type (Land/ Building)	*Land ID (as per GLIS)	Monetizable Area/ Floor area (Sq. Meter)	Book Value (₹ Lakh)	Circle/ Market Value	Year-wise monetization plan (from year 2026- 27 to 2029-30)

* Land Id as per Government Land Information System (GLIS)

The CMD/ MD would submit the plan through Administrative Ministry/Department to DPE latest by **31st October, 2026**. Even if there is no monetizable asset, the CPSE should submit a 'NIL' report **again**. Non submission of report will be treated as non-compliance.

- (viii) **Adoption of Emerging Technologies Plan:** CPSEs shall update the current status and prepare an action plan for adoption of emerging technologies, as applicable to its business needs, with detailed technical scope of implementation. The Board-approved status and plan shall be provided to DPE's MoU Division by **31st October 2026**.

C. Formats referred in the illustrations –

- a. Balance Sheet,
- b. Statement of Profit & Loss, and
- c. Statement of Changes in Equity
- d. Statement of Cash Flow

BALANCE SHEET AS AT 31 MARCH 2027			
		₹ Crore	
Particulars	Note No.	As at 31 March 2027	As at 31 March 2026
EQUITY AND LIABILITIES			
Equity			
Equity share capital		10,000	10,000
Other equity		1,04,000	97,000
Total equity		1,14,000	1,07,000
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings		1,47,000	1,21,000
Trade payables			
Total outstanding dues of micro and small enterprises		500	5,000
Total outstanding dues of creditors other than micro and small enterprises		500	1,000
Other financial liabilities		500	1,000
Provisions		500	3,000
Deferred tax liabilities (net)		8,000	4,000
Total non-current liabilities		1,57,000	1,35,000
Current liabilities			
Financial liabilities			
Borrowings		14,000	15,000
Trade payables			
Total outstanding dues of micro and small enterprises		6,000	4,000
Total outstanding dues of creditors other than micro and small enterprises		9,000	7,000
Other financial liabilities		24,000	25,000
Other current liabilities		6,000	5,000
Provisions		6,000	7,000
Total current liabilities		65,000	63,000
Deferred revenue		3,000	2,000
TOTAL EQUITY AND LIABILITIES		3,39,000	3,07,000
ASSETS			
Non-current assets			
Property, plant and equipment		1,56,000	1,25,000

BALANCE SHEET AS AT 31 MARCH 2027			
		₹ Crore	
Particulars	Note No.	As at 31 March 2027	As at 31 March 2026
Capital work-in-progress		73,000	91,000
Intangible assets		5,000	7,000
Intangible assets under development		2,000	4,000
Financial assets			
Investments in subsidiary and joint venture companies		26,000	13,000
Other investments		1,000	1,000
Loans		1,000	1,000
Other financial assets		1,000	1,000
Other non-current assets		11,000	13,000
Total non-current assets		2,76,000	2,56,000
Current assets			
Inventories		11,000	8,000
Financial assets			
Trade receivables		16,000	8,000
Cash and cash equivalents		2,000	2,000
Bank balances other than cash and cash equivalents		2,000	3,000
Loans		3,000	3,000
Other financial assets		12,000	8,000
Other current assets		8,000	15,000
Total current assets		54,000	47,000
Regulatory deferral account debit balances		9,000	4,000
TOTAL ASSETS		3,39,000	3,07,000

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		₹ Crore	
Particulars	Note No.	For the year ended 31 March 2027	For the year ended 31 March 2026
Income			
Revenue from operations		97,000	90,000
Other income		3,000	2,000
Total income		1,00,000	92,000
Expenses			
Fuel cost		54,000	52,000
Electricity purchased for trading		3,000	3,000
Employee benefits expense		5,000	5,000

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2027			
		₹ Crore	
Particulars	Note No.	For the year ended 31 March 2027	For the year ended 31 March 2026
Finance costs		7,000	5,000
Depreciation and amortization expenses		9,000	7,000
Other expenses		8,000	7,000
Total expenses		86,000	79,000
Profit before exceptional/extraordinary items, tax and regulatory deferral account balances		14,000	13,000
Exceptional/ Extraordinary Items		2000	(2000)
Profit before tax		16,000	11,000
Tax expense			
Current tax			
Current year		2,000	3,000
Earlier years		3,000	1,000
Deferred tax		4,000	(6,000)
Total tax expense		9,000	(2,000)
Profit before regulatory deferral account balances		7,000	13,000
Net movement in regulatory deferral account balances (net of tax)		5,000	(4,000)
Profit for the year		12,000	9,000

STATEMENT OF CHANGES IN EQUITY (SOCIE) FOR THE YEAR ENDED 31 MARCH, 2027					
A. Equity Share Capital					
As on (₹ Crore)					
Particulars	Balance as at 1 April 2025	Changes during the year ended 31 March 2026	Balance as at 1 April 2026	Changes during the year ended 31 March, 2027	Balance as at 31 March 2027
Equity Share Capital	10,000	-	10,000	-	10,000
B. Other Equity					
As on (₹ Crore)					
Particulars	Retained Earnings	Capital Reserve	Revaluation Reserve	Other Comprehensive Income	Total

Balance as at 1st April 2026	96,500	100	200	200	97,000
Profit for the year	6,700	-	-	-	6,700
Other Comprehensive Income for the year	-	-	-	300	300
Balance as at 31st March 2027	1,03,200	100	200	500	1,04,000
					0
Balance as at 1st April 2025	93,700	100	200	-	94,000
Profit for the year	2,800	-	-	-	2,800
Other Comprehensive Income for the year	-	-	-	200	200
Balance as at 31 st March 2026	96,500	100	200	200	97,000

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2027		
	As on (₹ Crore)	
Particulars	31 March 2027	31 March 2026
Net Cash Flow from operating activities	8,500	6,500
Net Cash Flow from investing activities	(20,000)	12,000
Net Cash Flow from financing activities	11,500	(4,000)
