

NEPA LTD : NEPANAGAR

CHAIRMAN'S SPEECH



Ladies and Gentlemen,

It gives me immense pleasure in extending a very warm and cordial welcome to you all on this 66th Annual General Meeting of the Company.

The Directors' Report on the working of the Company, audited Balance Sheet and Accounts for the year 2012-13, Statutory Auditors' Report and C&AG comments are already before you and with your permission I presume these having been read.

Highlights of the Operations

The production of newsprint during the year was 50,055 MT as compared to 59,205 MT in the previous year showing decrease of 15.45%. During the year, the sale was 50,305 MT as compared to 57,543 MT in the previous year, showing a decrease of 12.58%. Average sales realization was Rs. 26280/- PMT as compared to Rs.26351/- per M.T. in the previous year.

All out efforts were made to procure raw material in time and to run both machines on sustained basis, to ensure maximum capacity utilization. Capacity utilization was 56.88% against previous years 67.28% and turnover Rs.150.62 Crore against previous year Rs.165.20 Crores respectively. The primary reason for the decline in performance has been the frequent breakdowns in the power house leading to resultant loss in production. Certain repairs required in the Power House have been under taken and we hope to improve the performance. However, its optimum performance will be possible only after renovation.

Some of the other activities under taken during the year are:-

MOU Signed With DHI

Company had signed MoU (Memorandum of Understanding) with Department of Heavy Industry on 31.03.2012 for financial year 2012-13 and likely to achieve "Very Good" grading this year. MoU for 2013-14 also has been signed with Department of Heavy Industry on 20/03/2013 and the company will strive to achieve the highest grading i.e. "Excellent" in the next year.

APPROVAL OF REVIVAL PACKAGE

As per the directives of DHI, the Company engaged reputed Consultant namely M/S SPB-PC (Seshasayee Paper & Board Project Consultancy Limited), Chennai through open tender, who prepared TEFR (Techno Economic Feasibility Report). Based on TEFR a revival Package was prepared and submitted to DHI on 01/06/2012, amounting to Rs. 1025.96 Crore. The same was sanctioned vide letter No 7(8)/2009-PE-VII dated 25/09/2012.

The RMDP is proposed to be implemented in 24 months. The major tasks to be undertaken during RMDP are:-

- I. Installation of new De-Inking Plant with capacity of 300 TPD
- II. Up-Gradation of both paper machines
- III. Installation of new captive power plant
- IV. Renovation of Existing Power Plant.

Salient features of Revival Plan are:-

- Infusion of funds to the tune of Rs. 157 Crore in the form of fresh equity from GoI to meet part finance of total expenditure of Rs. 285 Crore (Balance 128 Crore to be borrowed from financial institutions). Sanction of non-plan loan of Rs. 17.18 Crore towards cash loss from production for 1st year.
- Sanction of Rs. 60.00 Crore for implementing VRS. The same is issued against 7% Non-Plan, Non -Cumulative Preference Shares.
- GoI/GoMP involves waiver / conversion in to equity a sum of Rs. 663.78 Crore on account of loan and interest thereon.
- 1997 pay scale to the employees on roll with prospective effect from 06/09/2012.
- Enhancement in the superannuation age of the employees from existing 58 years to 60 years w.e.f 06/09/2012
- Approval of recruitment of Director (Finance) and empowerment of Board of Directors for recruitment of minimum necessary General Managers & Deputy General Managers including 70 experienced skilled persons on regular basis.

Present status of RMDP (Revival & Mill Development Plan):

- 1997 pay scale has been implemented since 06/09/2012
- Till date 377 no of employees have been separated through VRS in a phased manner.

- Company has appointed M/S TCE (Tata Consulting Engineers Ltd), Mumbai as PMC (Project Management Consultant) for implementation of RMDP of Nepa Ltd and basic & detail engineering is under progress.
- Processes of obtaining loan from SBI / BOI are in progress, SBI (State Bank of India) & BoI (Bank of India) for grant of loan of Rs. 75.00 Crore & Rs. 53.00 Crore respectively (Total Rs. 128.00 Crore).
- Environment Impact Assessment (EIA) study, Risk & Consequence Analysis (RA), preparing Environmental Management Plan (EMP) and obtaining clearances from statutory authorities, i.e. from Ministry of Environment & Forest (MoEF) and Madhya Pradesh Pollution Control Board (MPPCB) are in progress.
- Land survey and soil testing work orders placement is in process
- Likely date of completion of project – Aug-2015

Clearance from BIFR (Board for Industrial and Financial Reconstruction)

DRS (Draft Rehabilitation Schemes) prepared in conjunction with Operating Agency (OA), SAMB – SBI Bhopal and submitted to BIFR on 20/02/2013 to come out of the purview of BIFR and the same has been considered by BIFR. DRS has been circulated to all stakeholders.

Award From Commercial Tax Department:

I am pleased to inform that your company is receiving prestigious “Bhamashah Puraskar” worth Rs.1.00 Lakhs since last five years, being the highest commercial tax payer in the district. Your company is nominated for the same for this year also.

Repayment of Consortium Dues:

Your Company has paid back all outstanding dues (17 years old) against Working Capital Demand Loan to the consortium banks making it a debt free company.

Corporate Governance:

Your Company is ensuring compliance with the guidelines of Corporate Governance as applicable to the Company.

Social Responsibility

Your Company is committed to maintaining the highest standard of safety and social responsibility in its business activities. To cater to important needs of the

society and to contribute to the development of the Community, we endeavor to make a positive contribution to the Communities in the near vicinity by providing health and education facilities.

ACKNOWLEDGEMENT

I am grateful to the shareholders who have remained with the company without receipt of any dividend due to continuous losses suffered by the Company. I am also thankful to the Government of India, Government of MP, Office of Comptroller and Auditor General of India, Statutory Auditors, Cost Auditor, Consortium of Banks, Customers and Suppliers for the support and co-operation received from them..

I wish to record my thanks and appreciation for the hard work put in through dedication by all our employees in whatever positions they are engaged, in order to keep the Company operative.

I am confident that with the continued support and co-operation from all of you in the near future, the Company will reach new heights.

Best Regards,

Brig. S. K. Mutreja
Chairman-cum-Managing Director