

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN**

**NEPA LIMITED, NEPANAGAR**

**AND**

**DEPARTMENT OF HEAVY INDUSTRY  
MINISTRY OF HEAVY INDUSTRIES**

**&**

**PUBLIC ENTERPRISES  
GOVERNMENT OF INDIA**

**FOR**


MOU 2011-12  
Approved By DPE/TF  
*M.W.*  
Signed

**F.Y. 2011-12**

**NEPA LIMITED**  
**MOU FOR F.Y. 2011-12**

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## 1. BACKGROUND:

- Nepa Ltd incorporated in JAN 1947. Commercial operations commenced in 1956.
- Taken over by Gol in 1958.
- Referred to BIFR in May 1998.
- Several efforts made in Disinvestment since 1998.
- Nepa Ltd (Disinvestment of Ownership) Bill introduced in Nov 2007.  
Returned by DRPSC on Industry.

### MAJOR REASONS FOR SICKNESS:

- i. Indecisiveness.
- ii. Absence of top / senior management level professionals since 1998  
(Due to BIFR restrictions).
- iii. Lack of updation of Plant & Machinery.

## 2. PERFORMANCE OF COMPANY DURING LAST 6 YEARS:

Year	Installed capacity (TPA)	Production (MT)	Capacity Utilization (%)	Sales (MT)	Turn over (₹ Crores)	Operating Profit / Loss (₹ Crores)
2004-05	88000	21680	24.64	21818	39.72	(-) 24.18
2005-06	88000	30955	35.18	30370	58.98	(-) 16.62
2006-07	88000	42110	47.85	42139	85.65	(-) 10.20
<b>2007-08</b>	<b>88000</b>	<b>51425</b>	<b>58.44</b>	<b>52005</b>	<b>112.99</b>	<b>(+) 0.88</b>
<b>2008-09</b>	<b>88000</b>	<b>44715</b>	<b>50.81</b>	<b>38849</b>	<b>97.97</b>	<b>(+) 0.45</b>
2009-10	88000	28425	32.30	33768	77.41	(-) 12.80
<b>2010-11 (up to 31/01/2011) (Provisional)</b>	<b>88000</b>	<b>41140</b>	<b>56.10</b>	<b>40428</b>	<b>88.97</b>	<b>(-) 10.32</b>

### 3. PERFORMANCE COMPARISON:

Sl. No.	Particulars	Unit	Performance during APR 09 - JAN 10 (Actual)	Performance during APR 10- JAN 11 (Provisional)
1.	Production	MT	21090	41140
2.	Sales Quantity	MT	25788	40428
3.	Sales value	` Lakhs	4971	8897
4.	<b>Sales Unit Rate</b>	` / MT	19276	22006
5.	Production Value	` Lakhs	4001.96	9051.59
6.	Other Income	` Lakhs	507.14	797.95
7.	Total Income	` Lakhs	4509.10	9849.54
8.	Total Variable cost	` Lakhs	3696.11	8464.26
9.	<b>Variable cost per MT</b>	` / MT	17525	20574
10.	Marginal Contribution	` Lakhs	812.98	1385.28
	Marginal Contribution / MT	` / MT	3855	3371
11.	Total Cash fixed Cost	` Lakhs	2261.45	2417.84
	<b>Fixed Cost per MT</b>	` / MT	10723	5877
12.	<b>Operating Profit &amp; Loss</b>	` Lakhs	(-) 1448.46	(-) 1032.56
13.	<b>Net Profit &amp; Loss</b>	` Lakhs	(-) 5137.07	(-) 4949.26

**MoU TO BE SIGNED BETWEEN NEPA LIMITED AND DHI**

**PART I**

**A] VISION / MISSION**

- To make NEPA a viable and sustainable producer of Newsprint.

**B] OBJECTIVE**

- To sustain the Plant as a running unit, under pending consideration of revival scheme.
- To ensure optimum utilization of existing resources to generate adequate margin to cover fixed cost and minimize losses.
- To explore utilization of locally available byproducts and waste like coal cinder, ETP Sludge, scrap etc for more gainful purpose.
- To implement technological upgradation of existing Plant and Machinery (subject to budgetary support from GOI) so as to derive maximum possible benefit in terms of increased volume and quality of production for achieving overall cost effectiveness.

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**PART II**

**EXERCISE OF ENHANCED AUTONOMY AND DELEGATION OF FINANCIAL**

**POWERS**

Nepa Limited will be empowered with delegated powers that are given to MOU signing Companies from time to time.

**PART III**

**PERFORMANCE EVALUATION PARAMETERS AND TARGETS**

Statement attached

**PART IV**

**COMMITMENT OF NEPA LIMITED**

Nepa Limited undertakes to achieve the performance targets for the financial year 2011-12 in respect of operational, financial and other parameters as outlined in the enclosed statements.

**ASSISTANCE FROM THE GOVERNMENT OF INDIA**

- DHI will expedite finalizing the revival package based on the. TEFR submitted by M/s SPB-PC, Chennai.

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## PART V

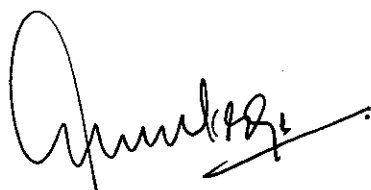
### ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

Nepa Limited undertakes to submit Quarterly Report on the various aspects of the MOU to DHI within 30 days of each quarter ending June 2011, September 2011, December 2011 and March 2012.

The Board of Directors of Nepa Limited will ensure monitoring of performance against MOU target in every meeting.

Half Yearly evaluation of performance against MOU targets will be undertaken by the Secretary, Department of Heavy Industry.


Annual evaluation of performance against MOU targets will be undertaken by the Department of Public Enterprises.



**Brig. S.K. Mutreja**  
Chairman-cum-Managing Director  
Nepa Limited



**Mr. B. S. Meena**  
Secretary to the Govt. of India  
Department of Heavy Industry

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## COMMITMENTS OF NEPA LIMITED

## MOU ASSESSMENT FORMATE FOR SICK AND LOSS MAKING CPSEs

## ANNEXURE-V

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MOU TARGET				
				Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)
<b>1</b>	<b>STATIC/ FINANCIAL PARAMETERS (40%)</b>							
1.1	Gross Sales	Rs.Crore	10	119.00	113.00	108.00	102.00	97.00
1.2	Gross Margin (Profit before Interest, Depreciation, Tax, Amortization, Extra Ordinary Items)	Rs.Crore	10	-17.33	-18.23	-19.18	-20.14	-21.10
1.3	<b>Gross Profit</b>	Rs. Crore	5	-18.17	-19.18	-20.21	-21.20	-22.21
1.4	Net Profit (Profit after Tax before Extra Ordinary items)	Rs.Crore	5	-66.47	-70.17	-73.86	-77.55	-81.25
1.5	Cash Generation from Operation	Rs.Crore	5	-50.13	-52.77	-55.55	-58.32	-61.23
1.6	Working Capital/ Turnover	Ratio	5	-0.41	-0.43	-0.46	-0.48	-0.50
	<b>Sub- Total 1 (1.1+1.2+1.3+1.4+1.5+1.6)</b>	<b>Rs.Crore</b>	<b>40</b>					
<b>2</b>	<b>DYNAMIC PARAMETERS (25%)</b>							
2.1	Physical Targets*	MT	5	49000	47250	45000	42750	40000
2.2	Order Booking	MT	5	49000	47250	45000	42750	40000
2.3	Quality ( Opacity of Paper)	%	2.5	98	95	90	86	81
2.4	Customer Satisfaction ( No. of complaints)	Nos.	2.5	20	25	28	25	30
2.5	Project Implementation	Annexure V-(A)	10	-	-	-	-	-
	<b>Sub- Total 2 (2.1+2.2+2.3+2.4+2.5)</b>		<b>25</b>					

\* Note: This target will be achieved if Revival plan is not sanctioned by DHI. Target will be reviewed after sanction of Revival Plan by DHI.

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## COMMITMENTS OF NEPA LIMITED

## MOU ASSESSMENT FORMATE FOR SICK AND LOSS MAKING CPSEs

## ANNEXURE-V

Sl. No.	Evaluation Criteria	Unit	Weight (in %)	MOU TARGET				
				Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)
<b>3</b>	<b>SECTOR /ENTERPRISE SPECIFIC PARAMETERS (35%)</b>							
3.1	<b>Technology Up gradation</b>							
	a) Electricity consumption	Kwh/Per ton	2.5	1260	1330	1400	1470	1540
	b) Coal consumption ( Per ton of Paper)	Paper MT/MT	2.5	2.16	2.28	2.40	2.52	2.64
	c) BOD of effluent	Mg/Per Ltr.	2.5	26	28	29	30	32
	d) Water Consumption / MT of paper	Cum/MT	2.5	131	138	145	152	159
3.2	<b>Generation of funds from non-performing assets</b>							
	a) Income from Coal cinder, Sludge, Scrap etc.	Rs./crores	2.5	3.30	3.15	3.00	2.85	2.70
	b) Recovery from sundry debtors over 6 months old	Rs./Lakh	2.5	50	45	40	35	30
3.3	<b>Human Resource Development</b>							
	a) Manpower rationalization, (% reduction on manpower)	%	4	22	21	20	19	18
	b) Training (No. of workshop)	Nos.	1	6	5	4	3	2
3.4	<b>Reduction in receivables</b>	%	5	11	10.5	10	9.50	9
3.5	<b>Inventory Control (stock of finished products as no. of days)</b>	No. of Days	5	8	9	10	11	12
3.6	<b>Corporate Governance</b>	Nos.	5	Compliance of all DPE guidelines	Compliance of those DPE guidelines, implementation of which is under the control of CPSE management.	-	-	Non compliance of DPE guideline / guidelines under the control of CPSE.
	<b>Sub total-3 (3.1 (a+b+c+d) +3.2 (a+b) +3.3 (a+b) + 3.4 + 3.5 + 3.6)</b>		<b>35</b>					
	<b>Total (1+2+3)</b>		<b>100</b>					

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**ANNEXURE – V (A)**

**PROJECT IMPLEMENTATION PROGRAMME FOR THE YEAR 2011-12**

<b>Sr. No.</b>	<b>PROJECT</b>	<b>UNIT</b>	<b>EXCE.</b>	<b>VERY GOOD</b>	<b>GOOD</b>	<b>FAIR</b>	<b>POOR</b>
1	Installation of VFD in OFD Fan of Boiler No. 4 of Rs. 7.00 Lacs	1	Nov. 2011	Dec. 2011	Jan. 2012	Feb. 2012	March 2012
2	Strengthening of RCC pulp Tower No. 106 & 64 in stock preparation plant. of Rs. 5.00 Lacs.	1	Sept. 2011	Nov. 2011	Jan. 2012	Feb. 2012	March 2012
3	Costing of RCC logs (400) for anicut. of Rs. 2.00 Lacs.	1	Sept. 2011	Nov. 2011	Jan. 2012	Feb. 2012	March 2012

**ANNEXURE – V (B)**

**STATUS OF CAPITAL EXPENDITURE FOR THE YEAR 2010-11**

For the year 2010-11 capital Expenditure programme is nil.

## NEPA LTD. NEPANAGAR (MP)

## INCOME - EXPENDITURE STATEMENT (AS ON 31 ST MARCH)

Annexure VI

SL. NO.	PARTICULARS	UNIT	2006-07	2007-08	2008-09	2009-10	2010-11			2011-12 MOU Target Projected
			Actual Ach.	Actual Ach.	Actual Ach.	Actual Ach.	MOU Target	Actual upto 30-11-10	Estimated for the year	
1	2	3	5	6	7	8			9	
1	<b>Total Income</b>	Rs./Lakhs	8565	11300	11005	6869	6870	7809	11714	11668
1.1	Gross Sales	Rs./Lakhs	8835	11113	9283	6366	6370	7211	10817	10800
1.2	Less : Excise Duties & Others	Rs./Lakhs	484.00	738.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3	Net Sales / Operating Income	Rs./Lakhs	8351	10375	9283	6366	6370	7211	10817	10800
1.4	Accretion / Depletion to finished stocks to work-in-progress	Rs./Lakhs	26	80	1208	-871	0.00	0.00	0.00	0.00
1.5	Other Income	Rs./Lakhs	213	924	514	1374	500	598	897	868
2	<b>Total Expenditure</b>	Rs./Lakhs	12882	14852	10899	8069	9813	8554	12831	13588
2.1	Raw Material / Purchase of Products for resale	Rs./Lakhs	3862	4963	5149	2909	4302	4162	6243	6520
2.2	Manufacturing Expenses / Direct Expenses / Operational Expenses	Rs./Lakhs	604	673	678	580	584	375	563	507
2.3	Power, Fuel, Water etc.	Rs./Lakhs	2301	2787	2385	1826	2053	2200	3300	3235
2.4	Salaries & Wages	Rs./Lakhs	1765	1672	1937	1886	2307	1439	2159	2572
2.5	Other Expenses	Rs./Lakhs	4350	4757	749	868	567	378	567	754

## INCOME - EXPENDITURE STATEMENT (AS ON 31 ST MARCH)

Annexure VI

SL. NO.	PARTICULARS	UNIT	2006-07 Actual Ach.	2007-08 Actual Ach.	2008-09 Actual Ach.	2009-10 Actual Ach.	2010-11			2011-12 MOU Target Projected
							MOU Target	Actual upto 30-11-10	Estimated for the year	
1	2	3	5	6	7	8			9	
3	Gross Margin	Rs./Lakhs	-776	284	106	-1200	-2943	-745	-1118	-1918
3.1	Depreciation	Rs./Lakhs	101	102	102	104	101	67	101	101
	DRE	Rs./Lakhs	0	0	0	0	0	0	0	0
3.2	Gross Profit Operating Income PBIT	Rs./Lakhs	-877	181	4	-1304	-3044	-812	-1218	-2021
4	Profit / Loss on Sale of Assets	Rs./Lakhs	8	8	0	0	0	0	0	0
5	Priond Period Adjustment	Rs./Lakhs	-3	-33	-520	254	0	0	0	0
6	Extra Ordinary Item (Net)	Rs./Lakhs	0	0	0	0	0	0	0	0
7	Interest(on GOI, Bank, CCLoan, Panel Interest (Bank)	Rs./Lakhs	-3567	-3916	-4092	-4483	-4530	-3020	-4530	-5365
8	Provision for Tax (Including Deferred & FBT)	Rs./Lakhs	0	0	0	0	0	0	0	0
9	Net Profit/Loss	Rs./Lakhs	-4438	-3767	-4608	-5533	-7574	-3832	-5748	-7386
10	Dividend Paid	Rs./Lakhs	0	0	0	0	0	0	0	0
11	Tax on Dividend	Rs./Lakhs	0	0	0	0	0	0	0	0
12	Retained Profits	Rs./Lakhs	-4438	-3767	-4608	-5533	-7574	-3832	-5748	-7386
13	Return to Capital Employed @10% /4% whichever is applicable	Rs./Lakhs	1060	1070	1089	-138	-243	-195	-330	-340
14	Added Value (3-13)	Rs./Lakhs	-1836	-787	-983	-1062	-2700	-550	-788	-1580
15	No. of Employees	No.	1455	1426	1402	1355	1311	1315	1302	1225

## NEPA LTD. NEPANAGAR (MP)

## BALANCE SHEET AS ON 31ST MARCH

Annexure VII

Sl. NO.	PARTICULARS	UNIT	2006-07	2007-08	2008-09	2009-10	2010-11			2011-12 MOU Target Projected
			Actual Ach.	Actual Ach.	Actual Ach.	Actual Ach.	MOU Target	Actual upto 30-11-10	Estimated for the year	
1	2	3	4	5	6	7	8			9
	<b>SOURCES OF FUND</b>									
1.1	Shareholders fund (a+b+c)		106.12	107.12	108.97	108.97	108.97	108.97	108.97	108.97
	Paid-up Capital	Rs./Crores	106.01	107.01	108.86	108.86	108.86	108.86	108.86	108.86
b	Share Application Money	Rs./Crores	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c	Reserves and Surplus	Rs./Crores	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
1.2	Long Terms Loans	Rs./Crores	259.68	306.00	357.43	405.51	522.30	438.06	443.79	516.64
1.3	Deferred Tax Liability	Rs./Crores	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total (1.1+1.2+1.3)</b>	Rs./Crores	<b>365.80</b>	<b>413.12</b>	<b>466.40</b>	<b>514.48</b>	<b>631.27</b>	<b>547.03</b>	<b>552.76</b>	<b>625.61</b>
	<b>APPLICATION OF FUNDS</b>									
2.1	Gross Block	Rs./Crores	115.16	115.56	115.99	105.39	115.99	105.39	105.39	105.39
2.2	Less : Depreciation	Rs./Crores	95.92	96.57	97.59	87.96	99.59	88.63	88.97	89.98
2.3	Net Block	Rs./Crores	19.24	18.99	18.40	17.43	16.40	16.76	16.42	15.41
2.4	Capital Work in Progress	Rs./Crores	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.5	Investments (Financial)	Rs./Crores	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.6	Current Assets (a)	Rs./Crores	29.17	36.29	46.93	43.49	40.38	50.60	68.85	68.85
2.7	Loans and Advances (b)	Rs./Crores	7.46	6.87	8.64	12.19	6.23	14.18	19.30	19.30
2.8	<b>Total Current Assets (2.6+2.7)</b>	Rs./Crores	<b>36.63</b>	<b>43.16</b>	<b>55.57</b>	<b>55.68</b>	<b>46.61</b>	<b>64.78</b>	<b>88.15</b>	<b>88.15</b>
2.9	Current Liabilities(d)	Rs./Crores	79.39	75.88	80.49	86.88	87.34	101.08	137.54	137.54
2.10	<b>Net Current Assets (e)</b>	Rs./Crores	<b>-42.76</b>	<b>-32.72</b>	<b>-24.92</b>	<b>-31.20</b>	<b>-40.73</b>	<b>-36.30</b>	<b>-49.39</b>	<b>-49.39</b>
2.11	Deferred Revenue Expenditure	Rs./Crores	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.12	Deferred Tax Asset	Rs./Crores	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.13	Profit & loss Account (DR)	Rs./Crores	389.18	426.85	472.92	528.25	655.60	566.57	585.73	659.59
	<b>Total (2.3 to 2.9)</b>	Rs./Crores	<b>365.80</b>	<b>413.12</b>	<b>466.40</b>	<b>514.48</b>	<b>631.27</b>	<b>547.03</b>	<b>552.76</b>	<b>625.61</b>

## NEPA LTD. NEPANAGAR (MP)

## BALANCE SHEET AS ON 31ST MARCH

## Annexure VIII

SL. NO.	PARTICULARS	UNIT	2006-07	2007-08	2008-09	2009-10	2010-11			2011-12 MOU Target Projected
			Actual Ach.	Actual Ach.	Actual Ach.	Actual Ach.	MOU Target	Actual upto 30-11-10	Estimated for the Year	
1	2	3	6	7	8		9			10
1	Net Worth	Rs./Crores	-283.16	-319.73	-363.95	-419.28	-546.63	-457.60	-476.76	-550.62
2	Capital Employed	Rs./Crores	-23.52	-13.72	-6.78	-13.77	-24.33	-19.54	-32.97	-33.98
3	Gross Margin	Rs./Crores	-7.76	2.84	1.06	-12.00	-29.43	-7.45	-11.18	-19.20
	Gross Block	Rs./Crores	115.17	115.57	115.99	105.39	116.00	105.39	105.39	105.39
			-0.07	0.02	0.01	-0.11	-0.25	-0.07	-0.11	-0.18
4	Net Profit / Net Worth	Rs./Crores	-44.44	-37.34	-40.88	-55.33	-75.74	-38.32	-57.48	-73.86
			-283.16	-319.73	-363.95	-419.28	-546.63	-457.60	-476.76	-550.62
			0.157	0.117	0.112	0.132	0.139	0.084	0.121	0.134
5	Gross Profit / Capital Employed	Rs./Crores	-8.87	1.82	0.04	13.04	-30.44	-8.12	-12.18	-20.21
			-23.52	-13.72	-6.78	-13.77	-24.33	-19.54	-32.97	-33.98
			0.377	-0.133	-0.006	-0.947	1.251	0.416	0.369	0.595
6	PBDIT / Total Employment	Rs./Crores	-7.76	2.84	1.06	-12.00	-29.43	-7.45	-11.18	-19.20
			1455	1426	1402	1355	1311	1315	1302	1225
			-0.53	0.20	0.08	-0.89	-2.24	-0.57	-0.86	-1.57
7	Added Value / Sales	Rs./Crores	-18.37	-7.87	-9.82	-10.62	-27.00	-5.50	-7.88	-15.80
			83.52	103.76	92.30	63.11	63.70	72.11	108.17	108.00
			-0.220	-0.076	-0.106	-0.168	-0.424	-0.076	-0.073	-0.146



**To whom it may Concern**

It is to certify that for verification of Non Financial Parameters, the Company shall depute independent group (Like Quality Control Division) who will verify the performance based on achievements of targets on non financial parameters. The same will be submitted to the Board during quarterly review.

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Manager (Finance)

MOU 2011-12  
Approved By DPE/TF

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Signed