PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY

TWO HUNDRED AND ELEVENTH REPORT

ON

THE NEPA LTD. (DISINVESTMENT OF OWNERSHIP) BILL, 2007
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES

(PRESENTED TO THE RAJYA SABHA ON 21.10.2008)
(LAID ON THE TABLE OF THE LOK SABHA ON 21.10.2008)

RAJYA SABHA SECRETARIAT
NEW DELHI

OCTOBER, 2008 / ASVIN, 1930 (SAKA)

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Content

COMPOSITION OF THE COMMITTEE

(Constituted w.e.f . 5th August, 2008)

RAJYA SABHA

1. Shri V. Hanumantha Rao — ***Chairman***
2. Shri G. Sanjeeva Reddy
3. Shri Gireesh Kumar Sanghi
4. Shri Kalraj Mishra
5. Shri Natuji H. Thakor
6. Dr. K. Malaisamy
7. Shri Thomas Sangma
8. Shri Pyarimohan Mohapatra
9. Shri O. T. Lepcha
10. Shri Rahul Bajaj

LOK SABHA

11. Shri Guharam Ajgalle
12. Shri Rajnarayan Budholiya
13. Shri S.K. Bwiswmuthiary
14. Shri Ajoy Chakraborty
15. Shri Swadesh Chakraborty
16. Shri Mohan S. Delkar
17. Shri Subhash Sureshchandra. Deshmukh
18. Shri Ram Singh Kaswan
19. Dr. Vallabhbhai Kathiria
20. Dr. Prasanna Kumar Patasani
21. Shri Krishnabhai V. Patel
22. Shri P. Rajendran
23. Shri Badiga Ramakrishna
24. Shri Gurjeet Singh Rana
25. Shri Sarvey Sathyanarayana
26. Shri K.C. Pallani Shamy
27. Shri Ganesh Singh
28. Kunwar Manvendra Singh
29. Shri V.K. Thummar
30. Shri Giridhari Yadav
31. Shri Umakant Yadav

Secretariat

Shri Sham Sher Singh, Joint Secretary

Shri A.K. Singh, Director
Shri Vimal Kumar, Joint Director
Shri Anil Kumar Saini, Committee Officer
Shri Ranjan Chaturvedi, Research Officer

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorized by the Committee, hereby present this Two Hundred Eleventh Report on NEPA Ltd. (Disinvestment of Ownership) Bill, 2007, which was referred to the Committee on 14th December, 2007 for examination and report. The Committee was granted extension till last week of the Monsoon Session to present its Report.

2. The Department-related Parliamentary Standing Committee on Industry considered and adopted the Draft report at its meeting held on the 12th August, 2008.

3 I thank the Department of Heavy Industries, Department of Expenditure (Ministry of Finance), BRPSE, Ministry of Law & Justice, Management of NEPA and Public Representatives of the respective area for providing valuable inputs to the Committee.

NEW DELHI*;*
12th August , 2008

V. HANUMANTHA RAO
Chairman
Department -related Parliamentary
Standing Committee on Industry

REPORT

Chapter I

NEPA Ltd. : Fact Sheet

1.	Background	Formed in January, 1947 under the name “National Newsprint & Paper Mills Ltd.”. The name was changed to NEPA LTD., in February, 1989.				
2.	Year of formation	Formed in January, 1947				
3.	Location	**Newsprint Mill at Nepanagar** Dist. Burhanpur, M.P. – 450221				
4.	Product Mix	Newsprint and Writing and Printing Paper (WPP).				
5.	Capacity	88000 TPA				
6.	Capital [29-02-2008] (Rs./ Cr.)					
	Authorised	125.00 Cr.				
	Paid up	107.01 Cr.				
	Govt. of India	104.66 Cr.				
	Govt. of M.P.	1.70 Cr.				
	Private / Individuals	0.65 Cr.				
	Total	**107.01 Cr.**				
	Rs. 1 Crore received on 26th December, 2007 for which shares are to be issued in favour of Govt. of India.					
7.	Outstanding Govt. Interest / Loan as on 31-03-2008 (Rs./Cr.)					
	Loan	151.45 Cr.				
	Interest	59.67 Cr.				
	Penal Interest	86.26 Cr.				
	Total	297.38 Cr.				
8.	Employees [As on 31/03/2008]	1171 (Regular) + 255 (Temporary)				
9.	Annual Wage Bill (Rs./Cr.)	18.00 Cr.				
10.	Status of Salary / Wages paid	Salary paid upto February ’08				
11		1999-2000	2000-2001	2001-2002	2002-2003	**Total**
	Employees separated under VRS so far	448	174	474	390	2340 *
12.	Accumulated Losses / Profit [Rs. In crores as on 31/03/2008]	- 427.27 Cr.				

There is no VR Scheme in the company since 7/8 October,2002.

***Inclusive of 854 employees separated prior to 31-03-1999.**

Current Financial status

As per Audited Annual Accounts (as on 31.03.2008), the major information related to the Company are as under

	Rs. in Crore
Paid up Share Capital	107.01
Reserves	0.11
GOI Loan	151.45
Accrued Interest	145.93
Gross Block	115.59
Net Block	18.94
Capital Employed	12.40
Accumulated Loss	427.27
Net Worth	320.26

None of the assets of the company have been assessed for valuation. Replacement cost of the assets also have not been worked out. As per the books of the accounts as on 31.3.2007 (audited) value of assets are as under:

Land

State Government of Madhya Pradesh allotted 1517.08 acres of land in Reserve Forest Compartment from time to time. Government of India vide letter no 8-42/2002/FC dated 23rd July 2002 approved return of 667.18 acres of land to State Government and signing of Lease Deed for balance 849.90 acres of land. BIFR has approved execution of deed of lease as well as deed of transfer of forest land to state government on 16.11.2007. Action for completion of formalities is on hand. The Company had paid Rs. 5 lakhs for rights, concessions and facilities in 1947 which has been written down to Rs. 0.25 lakhs in the books.

The Company purchased 350.51 acres of land in Revenue area in Nepanagar (Madhya Pradesh) as Freehold land at a value of Rs. 2.58 lakhs in 1979 which has the same written down value in the books.

The Company holds 803 acres of land in Hempur in Udhamsinghnagar District of Uttarakhand since 14th February 1987 after paying Rs. 149.23 lakhs as Lease Rent. Book value as on 31.3.2008 is Rs. 114.24 lakhs. **The Valuation of 803 acres of Hempur Land is Rs. 47.47 Crores as per prevailing collector rate.**

OPERATING PERORMANCE OF NEPA LTD FOR LAST TEN YEARS:

[Rs. In Crores]

Year	Production [MT]	Turnover	Profit before interest and Depreciation	Cash Profit / Loss(-) (After GOI Interest)	Net Profit / Loss (-)
1996-97	17523	40.71	-36.88	-43.51	-56.51
1997-98	37592	65.62	-13.84	-19.22	-32.45
1998-99	55555	91.60	-10.35	-14.47	-25.15
1999-00	58455	97.67	-8.99	-13.16	-21.29
2000-01	58155	131.16	9.86	5.96	2.26
2001-02	20555	96.00	-27.09	-33.43	-35.22

2002-03	20215	34.10	-39.43	-51.05	-52.11
2003-04	22450	38.96	- 27.36	- 45.11	- 46.17
2004-05	21680	38.47	-24.04	-47.58	-48.62
2005-06	30955	57.68	- 16.62	- 44.31	- 45.32
2006-07	42110	85.65	- 7.06	- 43.43	- 44.44
2007-08 (Provisional)	**51425**	**111.94**	**0.52**	**-37.07**	**-38.09**

BUDGETARY SUPPORT FOR LAST 10 YEARS [Rs. In Crores]

Year	Plan Loan	Non-Plan Loan (for Salary / Cash Loss	Non-Plan Loan for VRS	Grant of VRS (For Ex-gratia)
1998-99	-	10.00	-	7.00
1999-00	-	-	-	3.10
2000-01	-	11.69	-	1.00
2001-02	-	4.09	2.22	10.93
2002-03	-	10.77	37.64	-
2003-04	-	8.18	-	-
2004-05	-	20.86	-	-
2005-06	4.84 *	12.42	-	-
2006-07	- 4.23	19.01	-	-
2007-08 (Prov.)	1.00	13.98	-	-
Total	**1.61**	**111.00**	**39.86**	**22.03**

*** Rs. 4.23 Crores refund to Govt. of India on 09-03-2007.**

Chapter II

OVERVIEW

NEPA limited was incorporated as a Private Enterprise on 25th January 1947 by M/s Nair Press Syndicate Limited under the name “THE NATIONAL NEWSPRINT & PAPER MILLS LIMITED” for production of newsprint with the then available imported paper technology. The company was sole newsprint manufacturing unit in the country till 1981.

The plant is situated at Nepanagar, District Burhanpur, Madhya Pradesh. The Head Office as well as the Registered office are also located at Nepanagar. At present the Company has Marketing and Liaison offices at New Delhi, Mumbai and Bhopal. The Company also has a plantation unit at Hempur, District Udhamsingh Nagar in Uttarakhand.

The Company holds licence for production of Newsprint and Writing and Printing Paper. It has two Paper Machines with combined installed production capacity of 88000 MT per year.

The manpower position of the company as on 31.03.2008 is as under:

Regular employees - Executives		121
Non Executives		1050
Temporary Workers		255
		1426

In addition there are 272 Contract labour engaged in feeding of coal in Power House, attending stock preparation and various other miscellaneous works.

The authorized capital of the company is Rs. 125 Crore and paid up capital is Rs. 107.01 crore as on 31.03.2008. The holding pattern is as follows:

	Rs. (in crore)	**%**
Government of India	104.62	97.8
Government of Madhya Pradesh	1.70	1.6
Public and Employees (16228 Nos)	0.69	0.6
Total	107.01	100.0

The accumulated loss is Rs. 427.27 crore (as on 31.03.2008 Provisional). The outstanding Government of India loan and interest as on 31.03.2008 were Rs. 151.45 crore and 145.93 crore respectively.

BACKGROUND OF ACQUISITION BY GOVERNMENT OF INDIA

In January 1947, M/s Nair Press Syndicate Limited floated the Company under provisions of Indian Companies Act, 1913 and were the Managing Agents for running its operations. On 10th October 1947 the then State Government of Central Province and Berar (now Madhya Pradesh) agreed for participating in the Project. Initially 50000 ordinary shares of value of Rs. 5,00,000 were allotted as fully paid Shares to the State Government. Subsequently, the State Government paid for Share Capital of Rs. 0.60 crore. Shares worth Rs. 0.65 crores were floated in the market for general public to mobilize funds.

In May 1949, the Board of Directors of the Company revised the cost of Project to Rs. 3 crore from Rs. 1.30 crore and it became apparent that the Capital with which the Company was floated, would not suffice. The company sought applicability of the Central Province State Aid to Industries Act from the State Government. The State Government was also requested for a cash credit loan to tide over the situation. On 13th October 1949, the State Government took absolute control over the affairs of the company by appointing its representative as Managing Director and dispensing with the Managing Agents.

There was both cost and time over run. The cost of Project was revised to Rs. 5.57 crore in June 1954. The State Government found it difficult to arrange funds and requested Central Government to step in for funding.

In the 11th Annual General Meeting held on 29th December 1958, Shareholders approved Capital restructuring of the Company by conversion of Government of India Loan of Rs. 2.50 Crore (out of Rs. 2.84 crore) and Government of Madhya Pradesh Loan Rs. 1.10 crore (out of Rs. 2.15 crore) into equity.

In the 12th Annual General Meeting held on 28th September 1959, the Shareholders approved passing of controlling interest from the Government of Madhya

Pradesh to Government of India. Accordingly, Share Capital amounting to Rs. 0.05 crore was transferred from State Government to Central Government, thus raising its holding to Rs. 2.55 crore out of total Capital of Rs. 5.00 crore.

PERFORMANCE OF THE COMPANY

In 1969 Second Paper Machine was installed raising the installed capacity to 67500MT per year. The Company took up various projects from time to time for improvement in product and manufacture of better quality newsprint. In this process following plants were commissioned on different dates:

- Calcium Hypochlorite Plant in September, 1971
- Chandani Power House from MPEB in September, 1978
- Caustic Chlorine Plant in April 1979
- De-mineralisation Plant in Recovery Plant in April 1979
- Renovation of 3 boilers and addition of 10 MW cooling tower in 1982

Renovation, Modernisation and Expansion Schemes were prepared in 1981-82 and received approval from Government for Rs. 60.75 crore in 1984. Under these Renovation, Modernisation and Expansion Schemes in 1987-88, Ground wood Plant and Screw Press in Cold Soda Plant were commissioned and during 1988-89 installation of one new Boiler and TG set was completed. Brown Stock Washer, Coal Handling Plant and Ash Handling Plant were completed. The entire RME scheme could be completed in November 1989 after renovation of Paper Machine no 1(Partial), modification work of Chemical Pulp and Cold Soda Plants. The installed capacity of the plant was increased to 88000 MT per year

Government conveyed approval for setting up bagasse based Newsprint Project at estimated cost of Rs. 414.46 crore at Aliganj site in Uttar Pradesh. The Company acquired 750 acres of land and the then Prime Minister laid the foundation stone **in** September 1989. However, due to change in Government policy during 1992-93, the project was transferred/ sold to private sector through open tender process and project was handed over on 4th March 1995. However the 803 acre plot taken for plantation work at Hempur remained with the Company.

The Newsprint industry was under Administered Price Mechanism and imports were canalized. The product of the Company was not at par with international standards and could never achieve stage of 100% capacity utilization. The delay in fixation of remunerative prices by the controlling authorities resulted in losses in the operations.

With effect from 1.4.1992, the import of newsprint was de-canalised and Newsprint Import and Allocation Policy was liberalized. Nepa newsprint due to its inherent quality problem particularly in its shade could not withstand the severe competition from low priced better quality imported newsprint. The company shifted to production of 49 GSM newsprint from 52 GSM earlier being produced. Improvement in brightness and shade was tried by Hydrogen Peroxide bleaching. This improved the quality and strength properties of the newsprint but cost went up by Rs. 900 PMT, whereas imported better quality newsprint was available in the open market at rates lower by over Rs. 3000 to Rs. 3500 PMT.

The changed market environment and its impact on Nepa was severe as its operations had become uneconomic. M/s Tata Economic Consultancy Services, Mumbai were entrusted to study and identify problems faced by the company. M/s TECS submitted their report in January 1994 recommending immediate and short term measures involving investment of Rs. 57 Crore to remove plant bottlenecks for optimization of pulping capacity, improvement in quality, profitability and commercial competitiveness.

In 1994 there was steep rise in the prices of CTMP. Supply of power from MPEB became erratic. TECS revised their report and recommended inclusion of Captive Pulp Mill to avoid dependence on imported CTMP and addition of a FBC boiler with TG to increase captive power generation. It involved capital outlay of Rs. 280.84 crores.

With a view to upgrade the technology Technical Audit and Mill Development Study was handed over to M/s S.P.B. Project Consultants in late 1994. On Consultant's advise, TNS Rajan Techno Consultants were appointed as Technical Expert who envisaged a capital outlay of Rs 316 crore to raise installed capacity to 120000 TPA with product mix of Standard, glazed and pigmented newsprint, surface sized and light weight coated art papers. The scheme was called Mill Development Plan.

During 1994-95 the Government removed the quantitative restriction of importing one ton of newsprint for every two tones of newsprint purchased from domestic manufacturers. Import of newsprint was placed on OGL with ZERO duty. Large newspapers entered into direct supply contracts with foreign suppliers at attractive terms which affected off take of Nepa newsprint.

During 1996-97, the company went through one of the worst crisis since commencement of operations in 1955-56. The Mill remained shut from 16.8.96 to 14.3.97 after power supply was disconnected by MPEB for non-payment of arrears of energy bills. Various modification/alteration were carried out in the pulping street originally designed to process Forest Raw Material to produce acceptable quality of newsprint from waste paper. Units like Caustic Chlorine Plant, Chemical Pulp Unit, Lime Kiln, Soda Recovery Plant (except DM Water Treatment Plant), Cold Soda Pulping Plant and Chippers were bye passed. Production was taken up on Paper Machine No I on 15.3.97 utilising accumulated imported pulp stock of over 7000 MT and generation of captive power. Forest based raw material was replaced by cheaper waste paper. PM II started from 25.1.98. The Company introduced 44GSM newsprint in April 1997 for the first time in India.

Letter of Intent was issued on 8.12.97 to the company by Central Government for setting up a 2500 TCD sugar mill at Nepanagar at a cost of Rs. 50 crore. Bagasse pulp and secondary fibre from used newspaper and other waste paper were the cheaper alternatives. The sugar mill was to ensure supply of sufficient bagasse for production of 100MT of newsprint.

In the above mentioned circumstances, the physical condition of the Mill started deteriorating in absence of proper upgradation of equipments and heavy losses were suffered by the company in each year.

REASONS FOR SICKNESS

Continued cash losses created severe financial constraints resulting in Company's inability to mobilize adequate quantum of raw material to operate both the Paper Machines on a sustained basis.

The Plant, being more than fifty year old, had lower efficiency leading to high cost of production and wastage which were more than the prescribed industrial norms. All these had adverse impact on margin of the company.

The Plant faced serious technological bottlenecks for past one and half decades. The paper technology is obsolete.

No capital investment was made after 1989. No plans were implemented for rehabilitation, reconditioning and repair of major capital nature. Normally at every seven year interval renovation/upgradation of Paper Mill is envisaged for maintaining better quality product.

Quality constraints of Nepa Newsprint having lower brightness compared to indigenous and imported newsprint resulted in lower realization on sale. Absence of De-inking Cell has adversely affected the process of producing brighter paper.

There are vacancies at senior and middle level management for a long time and remain unfulfilled. Even a regular Chairman cum Managing Director who could provide leadership, direction and guidance for achieving high level of performance was not available in the company from December 2001 to October 2005.

REMEDIAL ACTION TAKEN IN PAST

Manpower Rationalisation

In order to limit the fixed cost on manpower, several Voluntary Retirement Schemes were introduced and significant reduction in manpower was made. Last VRS was implemented on 7/8th October 2002. In addition normal separation by way of superannuation, resignation, death etc continued. The reduction in manpower since 1.4.92 till 31.03.2008 is as under -

CATEGORY	as on 1.4.92	as on 31.3.08	reduction
Executive	438	121	317
Workmen: Permanent	3102	1050	2052
Temporary	892	255	637
Trainee	58	-	58
TOTAL	**4490**	**1426**	**3064**

Product Diversification

The Company obtained license for production of Writing & Printing Paper when prices were more lucrative. However, in view of restrictions on establishment of international letters of credit for import of pulp, the company could not diversify in this field, followed by indecisiveness on the future of the Company.

Improvement in Product

Though Nepa newsprint has quality problem of relatively lower brightness, it meets all other parameters prescribed by Bureau of Indian Standards. Nepa is the only manufacturer in the country who can produce 42 GSM newsprint. By in house R & D effort brightness have been improved by 3 to 4 degrees, yet it is below the norms.

DISINVESTMENT PROCESS

Government referred Nepa Limited to Disinvestment Commission in April 1997. Credit Analysis & Research Limited (CARE) were retained by Disinvestment Commission to carry out studies. On the basis of report of CARE, Disinvestment Commission recommended for Financial Restructuring of the Company i.e. grant for implementation of Voluntary Retirement to 1000 employees, Release of Rs. 5 crore for emergency repairs and issue of Government Guarantee for Rs. 45 crore for arranging working capital requirement.

The Cabinet approved the following in its meeting held on 23.2.1999:

- Private Sector participation in NEPA and in principle approval for inviting bids for strategic sale for a minimum of 51% which could go up to

100%

- Financial Restructuring of Nepa Limited effective from 31.3.1998
- Grant of Rs. 10 crores from National Renewal Fund as against Rs. 20 crores proposed for Voluntary Retirement to surplus employees
- Non-plan support of Rs. 5 crore as against Rs. 10 crore proposed for meeting part of cash losses of Nepa Limited till finalisation of Joint Venture/privatisation

The Cabinet did not approve the following:

- Hiving off the township and taking up the matter with State Government
- A Plan loan of Rs. 5 crores for carrying out emergency repairs.
- A Government Guarantee for Rs. 45 crores in order to enable the Company to borrow funds from banks for working capital without levying guarantee fee

NRF grants of Rs. 22.03 crores were released by the Government during 1998-99 to 2001-02. In addition Non plan loan of Rs. 39.86 crores was provided to the Company for facilitating VRS. 1486 employees were separated under various VR schemes during 1999-2000 to 2002-03. Since then 151 employees have been separated under normal retirement/resignation/death etc.

By way of Capital restructuring, Central Government Loan of Rs. 30.99 crore and normal interest of Rs. 9.54 crores as on 31.3.1998 was converted into equity. Besides, penal interest of Rs. 14.60 crores as on 31.3.1998 was waived.

Previous efforts for JV failed

A. Advertisement was published in newspapers in January 2000 to invite bids from parties to submit Expression of Interest for Nepa. M/s SBI CAPS Ltd. were appointed as merchant Bankers. Although four parties submitted EOI, only two parties carried out due diligence. Disinvestment process initiated in January 2000 was not successful. There was only single bid of M/s Lok Prakashan Limited (Gujarat Samachar) of Rs. 15 crores for sale of 72.31% of the equity shares.

B. Fresh disinvestment process was initiated by Ministry of Disinvestment (MODi) by calling EOIs in January 2003. Four bidders responded and two out of them carried out due diligence in May 2003. Transaction documents and draft note were finalised in February 2004 but further meetings could not take place due to General Election.

C. Ministry of Law & Justice advised that prior parliamentary approval is necessary before converting Government Company into non-Government company. Accordingly, Nepa Limited (Disinvestment of ownership) Bill 2007 has been introduced in the Parliament on 22.7.2007. The bill has been referred to Standing Committee of Parliamentary on Industry for detailed examination.

REFERENCE TO BIFR

In 284th Board Meeting held in October 1997, Board of Directors noted that the Company has become Sick Industrial Company as per the provisions of Section 15 of the Sick Industrial Companies Act as Annual Accounts of the Company for the Financial Year ended 31st March 1997 showed that the accumulated loss of Rs. 94.15 crores exceeded Paid up Capital of Rs. 64.86 crore. It was decided in March 1998 to file a reference to Board for Industrial and Financial Reconstruction. The Company submitted to in May 1998.

In it first hearing held in August 1998, the Bench observed that there were two options available to the company.

a) First, involved working out a package for rehabilitation and its implementation after obtaining necessary approvals for infusion of funds etc from the Government. Once the company becomes healthy through this route, it could go in for joint venture partnership for technological upgradation etc for improving future prospects.

b) The second was to seek a co-promoter straightway and make a proposal for rehabilitation of the company based on infusion of funds both by the existing promoter and the co-promoter.

The Bench allowed three months time to the company, as requested by the Government also, for working out a proposal based on either of the above two options.

In the second hearing held in February 2001**,** the Bench noted that there had been inordinate delay of almost two and a half year instead of permitted Three months. And that there was an urgent need for early rehabilitation of the company to motivate all concerned including the secured creditors, labourers, banks and suppliers of various input materials. On the request of promoters for allowing some more time to rehabilitate the company, the Bench as a last opportunity gave the company/promoters to come up with their agreed rehabilitation package within four months from the meeting date.

BIFR in its order dated 14th December, 2001 appointed State Bank of India as Operating Agency to prepare a Rehabilitation Package for the company after detailed Techno-economic Viability study. The cut-off date was taken as 30.6.2002.

It was stated that in absence of viable proposal, the Board would consider for Change of Management of the company without holding further hearing. The company was also asked not to dispose off or alienate in any other way any of its fixed assets and current assets without specific prior approval of the BIFR.

BIFR later allowed the company to draw from current assets for its operational requirements and to route all its funds through the existing Bankers and during this period the Bankers were to allow drawing of funds for the operational requirement in public interest.

BIFR in its order dated 21th November 2003, directed the Operating Agency to notify change of management with a view to exploring all other alternatives for expeditious revival of the Company. OA was to issue an advertisement within 15 days for Change in Management (COM) of the company based on its latest available audited Balance Sheet and invite offers for take over/leasing/amalgamation/merger for rehabilitation, with or without One Time Settlement (OTS) of the dues of FIs/Banks, giving 60 days time for submission of offer. The present promoter was also permitted to submit fully tied up offer, with or without a co-promoter, in response to the Advertisement.

BIFR in its order dated 3rd March, 2004 directed:

- Ministry of Disinvestment, Government of India to submit a clear cut and viable proposal for the revival of the Company to SBI (OA) within 60 days positively; and for the above period the OA should keep in abeyance further action for change of management of the company in pursuance of Bench's previous order dated 21.11.2003.

BIFR in its further order after the expiry of six months (instead of 60 days) dated 17th September 2004 directed SBI (OA) to notify change of management for the expeditious revival of the company, with or without some or all the liabilities of the company. The present promoter was also to be permitted to submit fully tied up offer with or without a co-promoter. In case no proposal for the revival of the company was received within the stipulated period or found unviable, the Board was to take other alternative decisions which may include winding up the company.

Eventually the BIFR in its hearing held after one year, on 29th November 2005 directed Operating Agency (SBI) to issue advertisements in leading newspapers within 2 weeks inviting offers for the takeover/leasing/amalgamation/merger for rehabilitation with or without OTS of the dues of Financial Institutions and Banks giving 4 weeks time for submission of offer. Central and State Public Sector undertakings/registered WICS were also permitted to submit a fully tied up comprehensive rehabilitation proposal indicating clearly the means of finance with or without induction of resourceful co-promoter. The BIFR also asked each revival proposal to contain the number of workers to be retained and the time period for revival etc.

The company was to get its assets valued through an approved valuer immediately and submit the valuation report to the OA with a copy to the Board.

BIFR in its hearing held on 29th May 2007 had directed the Ministry of Heavy Industry to submit its proposal for revival of the company through joint venture within one month to the Cabinet Secretariat. The proposal was to mention about the overriding provisions of the Act under which Change of Management (COM) order could be issued, over other Acts. Further:

- The Ministry of Heavy Industry, company and SBI (OA) to submit a fully tied up DRS for the company within two months
- The Ministry of Heavy Industry to seek timely approval of the competent authority for payment of salary to the employees of the company.

BIFR in the hearing held on 29th August 2007 considered the facts on record and the submission made and observed that the company and Government of India had taken concrete steps for revival of the company. It directed the company, Government of India and SBI (OA) to submit a fully tied up DRS within three months of the passing of the Bill for changing the character of the company, by the Parliament. The Bench further directed the Government of India to submit a note on the approval of the proposal by the competent authority within 15 days of receipt of the decision. The Bench further directed the Government of India to give priority to payment of dues of workers in time.

The Committee is unhappy to note that the Government could never keep the timeframe with BIFR. There have been delays in each of successive hearings of BIFR. It is also remarkable that the BIFR which had been seeking fully tied up DRS alongwith possibility of change in management since November 2003, all of a sudden after four years and numerous directions to the Government and Operating Agency, gave up. Despite knowing the fact that there is dismal performance in the way of revival proposal the BIFR, however, not only satisfied itself of the steps taken by the Government but put the ball in the court of Parliament to approve the change of management. It may also be considered that the relevant Judgment of the Supreme Court on the requirement of Parliamentary approval had come in September 2003 i.e. before the BIFR first mooted the Change of management. Despite such a judgment of SC, the BIFR had been pursuing the Government/OA for four years till November 2007, to submit fully tied up DRS.

REFERENCE TO BRPSE

As the BIFR had been persuading the Government / OA to explore the change in management, the company was concurrently referred to BRPSE who in its meeting held in June 2005 recommended**:**

- Company may be financially restructured by Government of India by way of waiver, concessions to the tune of Rs. 229.97 crores.

    Conversion of outstanding loan of Rs. 105.45 crore as on 31.12.04 into equity.

    Conversion of further loan of Rs. 64.50 crore received by company into equity.

Conversion of outstanding normal interest of Rs. 30.96 crore as on 31.12.04 into equity.

Waiver of Penal interest of Rs. 21.22 crores as on 31.12.04.

Waiver of penal interest passed by RPFC Indore to pay damages u/s 14B & interest u/s 7Q for the period April 93 to March 04 amounting to Rs. 4.83 crores

Waiver of order passed by CIT, Indore to pay penalty of Rs. 2.27 crore for AY 19997-98

Waiver of orders to pay Custom & Excise Duty of Rs. 1.04 crore.

- Waiver/relief/concessions by Government of Madhya Pradesh/Local Authorities to the tune of Rs 50.01 crore as detailed below:

For withdrawal of RRC issued by Tehsildar in respect of dues of MPEB-Rs. 20.12 crore

Waiver of Electricity Duty on Captive generation of Power-Rs. 11.69 crore (up to 31.1.2.04)

Waiver of Water Cess up to 31.12.04 –
Withdrawal of claim of MPRVVN Rs. 0.22 crore

Waiver from payment of Royalty on sale of Bamboo to MP Forest Department- Rs. 0.18 crore

Withdrawal of orders passed by AO in respect of Central Sales Tax, MP Sales Tax & Entry Tax up to 31.12.04-Rs 15.34 crores

Withdrawal of Property Tax imposed by Nagarpalika, Nepanagar-Rs. 0.88 crore

Withdrawal of Mandi Shulk imposed by Krishi Upaj Mandi Samiti, Balaghat in August, 1997 – Rs. 0.36 crore

Withdrawal of Entry Tax imposed by SADA, Nepanagar up to 31.3.94 – Rs. 0.51 crore

- Revival of Nepa Limited through Joint Venture with Central and State Public Sector Enterprises in the Paper Industry like Hindustan Newsprint Limited, Hindustan Paper Corporation Limited, Tamilnadu Newsprint Paper Limited, etc.

- On failure of the revival of Nepa envisaged as above, disinvestment of either 74% or 100% of Government Equity in Nepa in favour of private party/parties in a transparent manner.

The recommendations of the BRPSE were examined by the Committee of Secretaries (COS) who endorsed the recommendations of BRPSE in the matter and advised to constitute an Inter Ministerial Group to make recommendations in this regard.

The IMG headed by Additional Secretary & Financial Advisor in the Ministry of Heavy Industries & Public Enterprises was constituted. On the recommendations of IMG, consultations were held with M/s Hindustan Paper Corporation Limited, Kolkata, M/s Tamilnadu Paper Mill Limited, Chennai and Mysore Paper Mill Limited, Bangalore. However, this exercise was not successful in view of prior commitments by these PSUs. Hence, the process for formation of Joint Venture with private sector came in consideration.

The Committee feels that this cannot be called a decent achievement on the face of the fact where the Government had opened parallel processes simultaneously with no actual convergence. With the NEPA's case is still pending before the BIFR, whose prolonged and repeated attempts have not resulted into a viable and sustainable revival, what was the rationale of referring the case to BRPSE, which is only a recommendatory body to the Government. Considering the fact that its recommendations for a JV can not be implemented without the approval of BIFR, it was futile to refer NEPA to BRPSE if the applicability of its recommendations by the Government were subject to approval by the BIFR that in turn sought Parliamentary approval before delivering its verdict on NEPA. Such delinked and segregated layers of approval have only complicated the decision making and delayed the process. Thereby accumulating the company's losses without any sustainable revival.

Further it has been informed that the consultations were held with HPC, Tamilnadu Paper Mills and Mysore Paper Mills, however the exercise was resulted in vain. No information has been given regarding the terms and conditions offered to these entities, if such terms were in accordance with the recommendations of BRPSE. If so whether the approval of BIFR was obtained.

The Union Cabinet gave its approval on 23rd August 2007 for revival of the Company through joint venture in private sector by disinvestment of Government of India equity preferably to the extent of 74% or 100% and for introduction of Nepa Limited (Disinvestment of Ownership) Bill 2007. The Cabinet also gave its approval for requesting BIFR to locate a Joint Venture Partner.

The Nepa Limited (Disinvestment of Ownership) Bill 2007 was introduced in the Lok Sabha on 22nd November 2007. The Bill has been referred to Department related Standing Parliamentary Committee has held three sittings.

Committee's observation on the revival attempts

The Committee noted that the Government could never keep the timeframe with BIFR. There have been delays in each of successive hearings of BIFR. It is also remarkable that the BIFR which had been seeking fully tied up DRS alongwith possibility of change in management since November 2003, all of a sudden after four years and numerous directions to the Government and Operating Agency, gave up. It not only satisfied itself of the steps taken by the Government but put the ball in the court of Parliament to approve the change of management. It is also observed that the relevant Judgment of the Supreme Court on the requirement of Parliamentary approval had come in September 2003 i.e. before the BIFR first mooted the Change of management. Despite such a judgment of SC, the BIFR had been pursuing the Government/OA for four years till November 2007, to submit fully tied up DRS.

The Government had opened parallel processes simultaneously with no actual convergence. With the NEPA's case is still pending before the BIFR, whose prolonged and repeated attempts have not resulted into a viable and sustainable revival, what was the rationale of referring the case to BRPSE, which is only a recommendatory body to the Government. Considering that its recommendations for a JV can not be implemented without the approval of BIFR, it was futile to refer NEPA to BRPSE if the applicability of its recommendations by the Government were subject to approval by the BIFR that in turn sought Parliamentary approval before delivering its verdict on NEPA. Such delinked and segregated layers of approval have only complicated the decision making and delayed the process, thereby accumulating the company's losses without any sustainable revival.

Further it has been informed that the consultations were held with HPC, Tamilnadu Paper Mills and Mysore Paper Mills, however the exercise was unsuccessful. No information has been given regarding the terms and conditions offered to these entities, if such terms were in accordance with the recommendations of BRPSE. If so, whether the approval of BIFR was obtained?

Chapter III

Issues before the Committee

Prospects of Newsprint Sector in the country and improved performance of NEPA

The Committee noted that there was an impressive newsprint market in the country which was growing at an annual rate of 15%. The Newsprint consumption in country was 85 lakh tones in 2007 which was likely to grow upto 150 lakh tones by 2015 and further 200 lakh tones by 2020. It further noted that there was a wide gap in the demand of newsprint and the production capacity. Obviously the gap has sought to be filled by the cheap imports mainly from Canada, Russia, Korea, China and other countries. The situation for domestic producers has been further accentuated by decannalising the paper imports.

The Committee also noted that the NEPA in recent years has shown slight resurgence in terms of production, Turn over and operating losses/profits. During 2007-08, the Company is likely to earn an operational profit of Rs 52 lakhs. However, the Company suffered due to burden of loans and interest thereon. The recurrent annual loans by the Government of India have been used in settling salary and other dues, without substantially reviving the company. These loans have become a drag on the Company. The Company is likely to continue to reel under this liability unless a sustainable and comprehensive revival plan was implemented expeditiously. The current Bill sought to revive the Company through disinvestment of Government's ownership.

This brought the Committee to consider:

Whether the Parliamentary approval was at all required in this case.

The Committee took note of the Government's assertion in the Statement of Object and Reasons that the Parliamentary approval was necessary for changing the public character of the Company as per the judgment of the Supreme Court in the case Center for Public Interest Litigations Vs. Union of India (2003).

In his submission before the Committee, the representative of the Ministry of Law and Justice stated :

> *"If 51 per cent paid up share capital of the Government in the company reduces, then the character of the company changes from being the 'Government company.' So, the Supreme Court cleared the confusion and made an observation that whenever a character of the company changes from the Government company to a non-Government company, then the approval from Parliament has to be approved. After that decision, the Ministry of Law has adopted an approach that whenever there is a process of disinvestment of a Government company, we advice, in view of the decision by the Supreme Court, to seek approval from Parliament. From that angle, recently, when the Rubber Corporation of India was disinvested, approval from Parliament was taken.*
>
> *With regard to NEPA, we advised the same and drafted the Bill in view of the decision of the Supreme Court. So, Sir, now, the position of law is very clear. There are instances where legislation was not resorted to for disinvesting a company. But, I would submit that those instances took place prior to the decision of the Supreme Court in 2003. I may mention two cases -- BALCO and Maruti Udyog Limited. In these, disinvestment was done without the approval from Parliament. But, it was done before the decision of the Supreme Court. After the decision of the Supreme Court, we have adopted a harmonious settled approach that whenever a Government company is proposed to disinvest, then the approval from Parliament has to be obtained. That is the reason why we have this Bill before us.*

However the said judgment stated:

> *"In the case of BALCO (supra) executive action to disinvest was not challenged probably due to the fact that there was no statutory backing of the nature*

with which we are concerned in the present case. In the case of Maruti Udyog Limited (supra) though acquired under an enactment, there was no challenge to the same to disinvest merely by executive action. Thus, these cases stand on a different footing.

There is no challenge before this Court as to the policy of disinvestment. The only question raised before us where the method adopted by the Government in exercising its executive powers to disinvest HPCL and BPCL without repealing or amending the law is permissible or not. We find that on the language of the Act such a course is not permissible at all."

As such the Judgment is applicable to the PSEs those have been established by an enactment. On the contrary the NEPA Ltd. was acquired through the transfer of shareholding from the State Government of Madhya Pradesh to Government of India in 1959 without any enactment. Therefore primarily there was no need for such a Bill as per the aforesaid judgment of the Supreme Court. The Committee is of the considered view that to that limited extent the Statement of Objects and Reasons and the assertion of the representative of the Ministry of Law and Justice misrepresent the facts regarding the Supreme Court judgment. Moreover, if at all the Parliamentary approval was felt necessary the Government could have moved a resolution to that effect in both the Houses of parliament and get the same adopted instead of adopting lengthy process of legislation which will certainly delay the process of JV. In the instant case no existing Act of Parliament was to be repealed in accordance with the Supreme Court judgment. This Bill will unnecessarily add to the numbers in the statute book.

Yet the Government under the advice from the Ministry of Law and Justice decided to seek parliamentary approval.

This led the Committee to another issue:

<u>What constitutes a Parliamentary approval?</u>

Despite it's observations in the previous para the Committee still wondered if the Parliament could be expected to give its approval without critical information like proposed Draft Revival Scheme (DRS), financial implications of such DRS, valuation of the assets and liabilities of the Company, expected returns from the disinvestment etc. The Committee in its 203rd Report on the TCIL (Disinvestment of Ownership) Bill, had taken a serious note on the absence of such critical information before seeking the Parliamentary approval. The Committee had also expressed its agreement to the recommendation of the Parliamentary Standing Committee on Finance regarding the separate valuation of land and the need for improved methodology of valuation of a company. The Committee had sought the rationale of bringing the Bill without providing any substantive information. Yet no information has been provided to the Committee in the current Bill on these critical issues. In the written submission the Department of Heavy Industries stated that :

"As per the approval of the Competent Authority, BIFR will take action for disinvestment/ JV formation in respect of NEPA Ltd. after the Parliamentary approval is available."

The Committee was also informed that various methods of valuation were prescribed by the Department of Disinvestment. However, the Committee observed a vast difference in the valuations of Company as provided by the Department. The book value of the Company was estimated at [-] Rs. 21 Crores where as with the Discounted Cash Flow (DCF) method the value was [+] Rs. 49 crores.

In its explanation over such difference the Department of HI explained:

"The valuation of Rs. 49.07 crore was made by Advisor, SBI Capital Markets for NEPA Limited on "Going Concern" basis as on 31.3.2003 under Discounted Cash Flow ***(DCF)*** *method and the valuation of Rs. (-)21.31 crore was made on the basis of book value under Balance Sheet method. "*

On the query over reconciliation of such vast difference in valuation, it was further stated by the Department that :

> *"As each of the methods follow a different approach, the values arrived at using these methods would necessarily be different from each other. The Advisor makes a recommendation with regard to the most suitable methodology. The decision to adopt a particular methodology or a combination of methodologies of valuation depends on the case being considered. In this case the Advisor in SBI Capital Markets considered that the company had been incurring losses and the lack of funding ability to incur capital expenditure had resulted in a deterioration of the old plant and machineries, etc it would not be appropriate to adopt Book Valuation Method/ Balance Sheet method. Also, it would be difficult to locate a company with similar issues to form a meaningful comparative valuation. The Advisor recommended that in this case the DCF methodology may be preferred since the transaction envisages sale of stake in NEPA Limited as a going concern and is not a sale of assets."*

In absence of updated critical information the Committee can not make an informed examination of the Bill, as mandated by the Hon'ble Chairman of Rajya Sabha, while referring the Bill to this Committee. It would have been appropriate if the Government had placed comparative valuation figures before the Committee alongwith the rationale for accepting a particular valuation. The Committee considers that by seeking Parliamentary approval of the Bill without such vital information, the Government has made a very superficial effort to comply with only the literal sense of what it considered the Supreme Court's decision. The Bill definitely ignores the spirit of parliamentary scrutiny as intended by the Supreme Court.

However, Department's assertion led the Committee to another issue:

Should the Parliament not examine the Revival package approved by the BIFR as it <u>will have financial implications?</u>

As the supreme legislative institution with oversight obligations, the Parliament is expected to scrutinize the Bill in all its comprehensible ramifications – financial or otherwise. As such the Committee finds it distinctly inappropriate to expect the Parliament to give its approval without discussing the final revival plan which may have financial implications. It would be a misrepresentation of the Supreme Court's judgment to set Parliamentary sanction as a precondition to decide upon the DRS by the BIFR in a case which has been pending before it for last ten years since 1997.

The Committee found it to be remarkable that the BIFR which had been seeking fully tied up DRS alongwith possibility of change in management since November 2003, all of a sudden after four years and numerous directions to the Government and Operating Agency, gave up. It not only satisfied itself of the steps taken by the Government but put the ball in the court of Parliament to approve the change of management. It has not been informed to the Committee whether the BIFR in its decision of August 2007 considered the recommendations of the BRPSE of June 2005 before taking such a decision. If yes, than the revival would entail serious cost on the Government's finances and therefore Parliamentary scrutiny.

As such the Committee expresses its reservation over BIFR's verdict and the Government's subsequent step to bring a Bill without finalizing the financial and administrative details relevant to disinvestment e.g. status of Government's investments, extent of waivers, extent of Government Guarantees, fresh investments, implications of dues/claims of other agencies like Banks, State Governments/local agencies, status and valuation of land and other assets. The verdict of BIFR goes contrary to the spirit of Supreme Court's decision. Parliament as the supreme legislative body having oversight functions, should be facilitated with relevant information. In such cases, the Parliament can not be asked to be instrumental to start an administrative action, rather it should critically examine the revival proposal and take the final view on the basis of relevant information. It appears that the Government and the BIFR have misread the entire procedure before seeking the parliamentary approval. The replies of the Department confirm the apprehensions of the Committee that the Government had not ascertained the vital issues with the stake holders like Banks, State Governments including the Ministry of Environment and Forest. The Government was not sure of the financial liabilities and the expected returns from the sale of the assets of the Company.

This brings to yet another issue of servicing the financial liabilities of the Company towards the Union and State Governments, Local Bodies and banks as well as the pending dues of the employees. Going by the recommendations of the BRPSE, based on which the Government has initiated the disinvestment process, the revival will incur waivers and conversion of loans, interests and tax/fee dues towards Union and State Governments and local bodies, and therefore, will have bearing over the Consolidated Fund of India. If so, should not the Bill have a Financial Memorandum, elaborating the financial implications for the Consolidated Fund of India.

Need for Financial Memorandum in such a Bill requiring waivers

The Committee has been consistent in its contention that a Bill towards disinvesting the Government's ownership in a Company must inform the financial liabilities and proceeds. The Committee had recommended as much in its 203rd Report in respect of TCIL.

On the issue of need for Financial Memorandum, the Secretary, Department of Heavy Industry, submitted before the Committee -

> *"There was an issue of attaching financial memorandum to the Bill. In this regard, I may humbly submit that the financial memorandum has not been finalized at this stage, because the passing of this Bill in the Parliament is necessary for finalizing the financial memorandum with the approval of the Cabinet. As far as all the other units are concerned, where the Bill has been presented before the Parliament, like the Tyre Corporation of India Ltd., no financial memorandum was ever attached to the Bill. So, we are not actually able to attach a financial memorandum to the Bill. But what we have, presently, before is only a proposal of the BRPSE for giving certain waivers of loan and interest, cash and non-cash infusion from the Government. All these proposals, along with this, will go before the Cabinet to enable the Cabinet to decide that how much of liability will be passed on the prospective bidders. And, on that basis, an inter-ministerial group will be constituted to identify prospective bidder and select the prospective bidder. So, the terms of disinvestment of ownership has to be settled before any of these financial sacrifices can be finalized."*

The Committee took due cognizance of the apprehensions expressed by one of the Committee's Members, over the procedure adopted by the Government -

> *" The first is regarding the last point made by the Secretary, that is, the Financial Memorandum. How does a Government, that is, the Cabinet, decide anything if the quantum of waivers and financial restructuring arrangements are not known to it? How a decision regarding disinvestments is taken? Suppose I want to sell off, or hive off something from my assets. I want to hive off something from my assets and later on, mind you, later on only I decide whether to waive something or whether to convert debt into equity and I do many other things. So, what kind of trouble have you got into? You first bring a law. The Madhya Pradesh Government now says, as per the paper given today, that it is not going to its Rs.50 cores let go. What are you going to do about that? So, you are not thinking on the lines as to what are going to be the liabilities finally when the law is passed."*

Concurring with this argument, it is Committee's considered view that any legislation including the present Bill that brings financial liabilities/ returns to the Consolidated Fund of India must have a Financial Memorandum appended to it elaborating the financial liabilities and the resources needed to meet the same, more so when the Government's appointed BRPSE has recommended the waivers, conversions and fresh expenditures.

Associated with this issue of financial liabilities is the issue of accumulating liabilities pending the implementation of the Acts.

Need for Commencement Clause

The Committee sought to know the status of previous Acts passed in 2006 and 2007 regarding Dalmia Dadri unit of the CCI and the TCIL respectively.

The Department in its written reply submitted :

" Regarding CCI, Dalmia Dadri Cement Limited (Acquisition and Transfer of Undertaking) Amendment Bill 2006 was proposed to make a law to confer powers upon the CCI to dispose off the assets of the company vested by the earlier notification of 1981. The Act was passed by the Parliament, assented by the President on 29th December 2006 and was published in the Gazette of India on 2nd January 2007.

In January 2007, three Workers' Unions approached Delhi High Court and sought stay on implementation of the Sanctioned Scheme. The Hon'ble High Court ordered maintenance of status-quo till its final decision. On 11th January 2008, the Hon'ble High Court has dismissed all the three petitions. A certified copy of the judgment is awaited. Workers have right for legal redressal in case they feel aggrieved by any administrative decision or Parliamentary approval.

Regarding the Tyre Corporation of India Limited (Disinvestment of Ownership) Act, 2007, the proposal has been submitted to the competent authority for approval of financial and capital restructuring of the company before locating a strategic partner."

The Committee took cognizance that these Units were incurring further losses over the accumulated losses that had eaten up their net worth. As such the Government had been either waiving its previous dues or providing fresh budgetary support to sustain these Units. These Acts were passed with an understanding that such transfer of ownerships would revive these Units and the Government shall not have to bear liability any further. Yet, due to delay in implementation of the respective Acts, the entire purpose has been defeated. The Government shall have to bear the liability of further depleted worth. The Committee therefore feels that it is essential that basic ground work like valuation of assets, liabilities and lands should have been done before approaching the Parliament for approval of the Bill.

In view of past experience the Committee recommends that the parliamentary approval can not remain un-implemented in perpetuity. If the Government seeks Parliamentary approval it should carry out comprehensive proposal. The Bills seeking disinvestment or transfer of ownership of a Company or its Unit should have clear Commencement Clause to fix a reasonable time frame for disinvestment/transfer of ownership without incurring further losses/liabilities.

***Issue of land with NEPA*.**

In pursuance with the recommendation of the Parliamentary Standing Committee on Finance (30th Report, 13th Lok Sabha), that

"*since land is a tangible asset which has value irrespective of whether it fetches income at a particular time, the land should be valued separately and should be factored into the computation of the total value of the assets of the company which is disinvested.*"

The Committee sought to know if the valuation of NEPA also included the land at Uttarakhand.

In the written reply, Department of Heavy Industry stated:

" *Valuation of the assets of the company has not been done. Similarly, the land at Uttarakhand also has not been valued. Company had acquired 803 acres of land from Uttar Pradesh State Industrial Development Corporation (UPSIDC) in the year 1986 after payment of Rs.149.23 lakhs as cost of development, lease etc. The Company has been paying lease rent till March 2000. Thereafter, Government of Uttarakhand refused to accept the same. The land was acquired on 90 years lease and has been taken in Books of accounts where the cost of lease hold land is being written off over the period of lease. The book value as on 31.3.2008 is Rs.114.24 lakhs. (Written down value) The value of this land as per circular No. 672/6-STAMP/VALUATION/2007-08 dtd. 31st October, 2007 issued by Collector Udhamsingh Nagar will be Rs.4747.00 lakhs."*

In his deposition before the Committee the representative of the State Government of Uttarakhand informed that of 803 acres given to NEPA for setting up a factory, only 106 acres were used for plantation, while remaining land lay disused and was under the threat of encroachment. The representative of the State Government of Uttarakhand further stated :

"Our request is that the State of Uttarakhand is a new State. We have 67 per cent area under forest cover. WE hardly have any land to do our own activities. Sir, 106 acres of land is with them and if they need to use it, we will allow them to continue to use it if the factory is running. After all, land is a common property and it should not be lying in disuse. Sir, we want that at least 700 acres should come back to use so that we can make a productive use of this land. And if they don't require this piece of land and if they want any compensation, we have already made an offer of Rs. 3 crores to them for certain portion of the land if they want to . Sir, the State Government of Uttarakhand is very open on this issue of helping the NEPA. If it is reviving back, as hon. Members have said that it should be revived, then, the State of Uttarakhand will not like to come in the way and our land can help them in reviving back. Our only pint is that the unit has not come up in that area. Only 100 per acres is being used for growing trees. So, let them indicate to us how much land they want. Let them continue with that and let the rest of the land be given to us. In the land records, Sir, even today, NEPA is not the owner. Let them come forward and execute a proper lease deed with us. Let the terms and conditions be decided. Let the matter not to be hanging in the air. So, Sir, that is our only request. Sir, the State of Uttarakhand would like to assist NEPA if it is being revived back. But if it is going to the JV, then, our request is that this land should not be treated as an asset in the BIFR. The Law Department has given its view on this. So, that should not be read with that. If it is not being revived, then, the land should come back to us. If it is being revived in the present circumstances, then, whatever land they want, we can sit together and decide."

The Committee further sought to know about the valuation of land in MP.
It was informed that the valuation of land in MP has also not been done. However the break up of land at Nepanagar was as under :-

Lease Land [Reserve Forest Area]	1517.08 acre for whose rights/ concessions company allotted shares worth Rs. 5.00 lakh in 1947 in the name of State Govt. Company pays Rs. 0.50 per acre per year as lease rent to State Government. Company holds lease documents for 19 acre of land only. It is now planned to return 667.18 acres to MP Government and sign a lease deed for 849.90 acres (including extension of lease of 19 acres).
Free-hold land at Nepanagar	350.51 acre of land purchased at a value of Rs. 2.58 lakhs.

1517.08 acre of land is in reserve Forest Area and is on lease from State Govt.

The Committee sought to know whether the views of Ministry of Environment and Forest were ascertained in respect of reserved forest area. The Department of HI informed :

" In response to proposal of Govt. of M.P. for de-reservation of 1517.08 acres of forest land in favour of Nepa Limited, the Ministry of Environment & Forests vide their letter dated 23.7.2002 had accorded the approval for which one of the condition was that the forest land shall be used only for main purpose i.e. running of paper mill for which it has been diverted and the allied activities thereof. Further, in the event of Nepa Limited not requiring the land for running the paper mill, the permission shall stand cancelled.

Also in their submission made before the Committee, the Govt. of M.P. mentioned in their letter dated 14th May 2008 that in the event of major change in share holders or transfer of major share of GoI to any other organization/company/individual or otherwise, Lessee shall seek prior permission of the Lessor. In the absence of such written permission from the Lessor, the lease deed shall stand revoked and the forest land shall be reverted back to the lessor. In granting permission, Lessor may impose such further condition or change conditions as it deems fit. These issues will be taken up with the MOEF and Government of Madhya Pradesh after Parliament approves the Bill."

Deposing before the Committee the representatives of the Forest Department, State Government of Madhya Pradesh stated:

"Then, Sir, the Ministry of Environment and Forest, on 23rd July had given permission on our proposal which was for 1517 acre. They said that 849.90 acre land can be given to them on lease and 667 acre to be taken back from them. But, Sir, the lease dead has not been signed so far in this regard. We prepared the draft document in May, 2004 and received the concurrence of the NEPA Mills Ltd. only in November, 2007. It is undergoing the process of examination by different departments of the State Government. The land which was supposed to be transferred back to the State has not been transferred as yet and the modalities are being finalized. The Ministry of Environment and Forest has put a condition that the NEPA Mills Ltd. shall pay for raising plantation on 124 acres of forest land. We had prepared the project. That was amounting to Rs. 1.24 crores. The NEPA Mills Ltd. has approached the State Government to exempt them from this payment. We have made our written submission before this hon. Committee also that the condition has been imposed by the Ministry of Environment and Forest, and therefore, we are not able to exempt them from this. We have put in a condition in the draft deed that we have prepared that in the event of major changes in share holders of lessee or transfer of major share of Government of India to any other organization/company/individual or otherwise, lessee shall seek prior permission of the lessor. In the absence of such written permission from the lessor, the deed lease shall stand revoked and the forest land shall be reverted back to the lesser. That is the condition we have put in the draft."

The representative of the Union Ministry of Environment and Forest submitted before the Committee :

"Sir, the Forest Conservation Act provides for diversion of forest land for non-forestry purposes for a particular period of time only and after that, it is reverted back to the State Forest Departments. When we issue the clearance for diversion of forest land, we insist that the status of forest land will continue to be forest land and the permission is only for the use of it temporarily for non-forestry purposes. And, this clearance is given under certain circumstances and with certain conditions. The three essential conditions at present are that compensatory afforestation will be carried out for the land used for non-forestry purposes."

It was further stated :

"After October 2002, the Supreme Court has imposed a term called net present value. For each inch of land diverted, net present value has to be deposited. They had made it very clear that the agreements which had not taken the final shape before that date, that is, October 2002, would need to pay the net present value also. So, these are the three conditions under which the permission is given. When the permission was given in July 2002, it was envisaged that there will be a formal agreement between the State Government of Madhya Pradesh and NEPA. The draft agreement was submitted. But this agreement was not completed before October 2002. That is why the Ministry of Environment and Forest, while giving its opinion, said that it would need a fresh clearance under the Forest Conservation Act with the change of the ownership. Even under the present Forest Conservation Act, if the diversion was already allowed, even then you have to come for a full diversion proposal once again."

Taking cognizance of the presentations by the representatives of the State Governments of Madhya Pradesh, Uttarakhand and the Ministry of Environment and Forest, the Committee considers that the title of most of the land presently with NEPA, is either not clear or the respective State Governments are seeking those lands back due to failure of the Company to utilize them for the purpose the lands had been allotted. Furthermore, it is

clear that in case of change of ownership as envisaged in the Bill, the existing lease will stand revoked and fresh clearance along with fresh lease deed will be required. BIFR must factor the fact in its decision that the lease deed will have to be renegotiated by the JV partner after seeking necessary clearance under Forest Conservation Act. Also, the NEPA Township, Plant and ancillary units are located on the leased 849 acres of land. The Committee recommends that the State Government should negotiate afresh the value/terms of land for township, Plant and ancillary units separately with the JV partner. Further, no information has been provided regarding the current value of the free hold land of 350.51 acres. The Committee recommends that this free hold land should be valued in accordance with the recommendation of the Department related Parliamentary Standing Committee on Finance. The Committee only wonders about the valuation of the Company without such lands.

More importantly, considering that previous two efforts of disinvestment of the Company have failed, whether the final offer on the basis of such diminished assets will elicit positive response from potential JV partners.

Issue of dues of MP Government

The Committee also took note of the fact that the Company owed dues worth Rs 50.01 crores towards Government of Madhya Pradesh and the Local bodies. Notwithstanding the optimism elicited by the representative of Department of Heavy Industries, the representative categorically conveyed the State Cabinet's decision against any waiver of its dues of Rs 50.01 crores over the NEPA Ltd.

The representative of the D/O Heavy Industries agreed that the decision taken by the MP Government was "imponderable". The Committee too feels that the Government should first ascertain such imponderable liabilities towards State Governments, Banks and sundry creditors before coming to Parliament for seeking the resources in the form of Financial Memorandum. Further, the Committee also took note of unsettled titles of the NEPA's lands. In view of the positions taken by the State Governments of Uttarakhand, MP and the M/O Environment and Forest, seeking fresh negotiations to settle the land ownership and its usage, the Committee feels that the Government must actually settle these issues first as these will have significant bearing over the valuation of the Company. The Government should then inform the Parliament of its worth, before actually seeking approval for disinvestment.

Inconsistency in Government's policy towards NEPA Ltd.

The Committee took note that the domestic newsprint market was growing at an annual growth rate of 15% and only 50% requirement is met through imports. Thereby leaving remaining 50% market for domestic producers including the NEPA Ltd. The Committee is therefore apprehends the rationale of disinvesting a company at a huge cost on the Government in terms of waivers/conversions, when the newsprint Sector is growing impressively. Why should the Government relinquish its space at a huge cost and thereby leaving the domestic newspaper market to be dominated and determined by the imported newsprint. The Committee appreciates that the NEPA has suffered due to economies of scales and obsolescence of technology, but it failed to understand if these limitation could be solved by a costly disinvestment. The Committee failed to appreciate the insistence over 74%-100% disinvestment of government's ownership when previous disinvestment efforts have failed. Secondly, is the disinvestment of ownership cost effective alternative to revival without changing the public character of the PSE. In this regard, the Committee took note of recent performance of NEPA ltd. where in turnover, capacity utilization and operating profits have improved without any substantive revival supported through the budgetary support.

The Committee agreed that the Company which commands around 6% of newsprint's market in the country, suffered due to technological handicap and economies of scale. The Committee also observed that without any significant capital investment from the Government, the Company has been gradually increasing its capacity utilisation. However, the Committee finds it unconvincing that the Government required a JV partner to scale up the production capacity and technology upgradation. The Committee also took note of the Government's support to the Company over last ten years. Of some Rs 174.50 crores given as Loans or grants to the Company since 1998-99, only Rs. 1.61 crores have been Plan loan. Substantial Non-Plan loans have been given to settle salary dues and to clear VRS dues. Going by the recommendation of the BRPSE these loans are likely to be waived off. In this respect the Committee is in agreement with the contention of the elected representatives of the region, that the Central Government despite giving annual Non-Plan loans, never made a structured and sustained attempt to revive the Company. Instead the Government has only provided ad hoc relief on year on year basis as loans wherein the Government is likely to loose money. The Committee finds distinct inconsistency in disinvesting a unit wherein the Government has invested Rs 174 crores over last few years.

The Bill states that the JV partnership with Private Sector was expedient for the "efficient management and optimum use of infrastructure and productive resources of the Company." The Committee therefore sought to know the details of the studies conducted by various expert agencies and consultants in this regard and if the recommendations were actually implemented.

The Committee was informed about the revival studies as following:

I. MILL DEVELOPMENT PLAN

NEPA limited was forced to shutdown Ground Wood Pulping Street in 1993 due to its quality deficiencies. This created imbalances in the Pulping Capacity and due to problems in Cold soda Plant, use of imported pulp to operate both Paper Machines was resorted to. The gap in availability of pulp and paper making capacity had widened. In such deteriorating condition of the mill operation M/s SPB Projects and consultants Limited, Chennai was commissioned in 1994 by Nepa to carry out a technical audit of the Mill and suggest measures to improve the mill operation and schemes for efficient operation of the existing plant for a sustained operation on a sound footing and also on overall development plan for the Mill including restructuring the organisation at all levels.

SPB-PC carried out the Technical Audit of the Mill and discussions with Nepa Officials on Draft Report, submitted final Report in June 1995.

The Project Cost for Mill Development Plan was Rs. 330 crores. No action was taken on report for two years.

II STUDY BY M/S TNS RAJAN TECHNO CONSTULANTS (P) LTD

When the prices of newsprint and all types of paper crashed in 1997, M/s TNS Rajan Techno Constulants (P) Ltd, Chennai was commissioned to do the study again to replan the strategy on product mix as well as the project cost estimates alongwith viability.

Estimated investment outlay for the proposed Mill Development Plan worked out to Rs. 315.81 crores under following heads:

Rs. in lakh

1.	Civil Works	1370
2.	Plant and Machinery	
	- Imported	9771
	- Indigenous	14893
3.	Installation Charges	722
4.	Expenses on Vender Supervision	193
5.	Fees for Engineering	289
6.	Start up Expenses	120
7.	Contingencies	1326

8.	Interest during construction	1872
9.	Margin Money for working Capital	1025
	Total Project cost	315.81

- With the completion of Mill Development Plan, the installed Capacity was to increase by 32000 MT PA.

	Existing TPA	Proposed TPA
Standard Newsprint	88000	54000
Glazed Newsprint	-	6000
Pigmented Newsprint	-	6000
Surface Sized Writing and Printing Paper	-	48000
Coated Art Paper	-	6000
	88000	120000

The expenditure of Rs. 315.81 crores was to be met from Loan – Rs. 189.49 crores and Rs. 126.32 crores Equity for Government.

The implementation schedule for the Mill Development Plan was 36 months commencing from April 1998.

III. DISINVESTMENT COMMISSION / CREDIT ANALYSIS AND RESEARCH LTD.

Government referred Nepa Limited to Disinvestment Commission in April 1997. Credit Analysis and Research Limited (CARE) were retained by Disinvestment Commission to carry out studies. On the basis of report of CARE, Disinvestment Commission recommended for financial restructuring of the company, grant for implementation of voluntary retirement to 1000 employees, release of Rs.5 crore for emergency repairs and issue of Government Guarantee for Rs.45 crore for arranging working capital requirement.

IV. TECHNO-ECONOMIC VIABILITY STUDY BY TATA ECONOMIC CONSULTANCY SERVICES

BIFR in its order dtd. 14.12.2001 appointed State Bank of India as Operating Agency. SBI in turn appointed M/s Tata Economic Consultancy Services (TECS), Mumbai to conduct Techno-Economic Viability Study of Nepa limited for formulation of Draft Rehabilitation Scheme. M/S TECS submitted their report to SBI in July 2002.

TECS was asked to revise their study Report in April 2005 for submission to Department of Heavy Industries for consideration by Board for Reconstruction of Public Sector enterprises (BRPSE). TECS revised their report in June 2005.

Comparative Summary of both report are as under:

	Scheme of July 02	**Scheme of June 05**
CAPITAL INVESTMENT		

Deinking Assembly and Waste Paper handing System	19.50	14.91
Reconditioning of Paper Machine No. I and II	18.50	20.05
Reconditioning and Revamping of Paper Plant	8.50	6.00
Strengthening of Finishing House	-	7.10
Urgent Repairs and Replacement of Spares	6.50	5.58
Diversification into Writing and Printing Paper	17.00	-
	70.00	53.64

a)	Plan Assistance for Capital Investment (50:50 Equity : Loan)	70.00	53.64
NON PLAN ASSISTANCE			
- for payment of PF/Gratuity		7.44	
- for repayment of WCDL to Bank		11.60	
- for meeting Cash Losses upto Sept. 2002		21.63	
- for VRS to employees		17.84	
- for payment of salary/wages and Statutory Dues upto March 2005			10.95
- for Short term working capital			
Total fund requirement			8.50
TOTAL MONETARY SUPPORT		**128.51**	**73.09**
NON MONETARY SUPPORT			
b)	Capital Restructuring as on 30.9.92/31.12.04		
- Conversion of GOI loan into equity		103.35	105.46
- Conversion of fresh loan in Equity		-	19.45
- Conversion of Interest in Equity		7.12	30.96
- Waiver of Penal Interest		6.85	21.22
		117.32	177.09
- Waivers of Orders passed by RPFC/Indore		-	4.83
- Waiver of orders passed by Commissioner Income Tax			2.27
- Waiver of Orders passed by Collector Customs			1.04
		117.32	185.23
c)	Reliefs from Government of MP		
- Waiver/Write off of MPEB Claims		10.52	20.12
- Exemption of Electricity Duty		8.60	11.69

- Exemption of Water Cess	0.47	0.72
- Liabilities towards Sales Tax	15.76	15.34
- Withdrawal of claim of MPRVVN	-	0.21
- Waiver from payment of Royalty on sale of bamboo	-	0.18
- Withdrawal of Property Tax imposed by Nagarpalika	-	0.88
- Withdrawal of Mandi Shulk by Krishi Upaj Mandi Samiti, Balaghat	-	0.36
- Withdrawal of Entry Tax imposed by SADA, Nepanagr	-	0.51
-	35.35	50.01
TOTAL (a+b+c)	**281.18**	**308.33**

Production Capacity		
Newsprint MT	50500	88000
Writing and Printing Paper MT	37500	-
Total	88000	88000
Completion period	1 year to 18 months	
Operating Profit - 1st year	8.13	8.44
2nd year	22.45	17.75
3rd year	42.17	25.52
4th year	43.43	28.45
5th year	44.69	31.85
6th year	45.95	-

V. STUDY BY HINDUSTAN PAPER CORPORATION LIMITED

Expert team headed by MD/HNL undertook onsite inspection of Plant at Nepanagar on 15 and 16th May 2005. On ocular assessment of an investment of Rs. 260 crore in following areas was estimated:

Rs. in crores

- A well designed Deinking Plant of around 250 tpd 130.00
- Major repair and maintenance with certain renovation And replacement in both Paper Machines 80.00

- Old Power Block to be disposed off and new efficient Boiler alongwith a TG Set to be procured and Existing

BHPU Boiler to be retrofitted to convert it in FBC type 50.00

260.00

It was further recommended that a consultant of repute to be appointed to make a Detailed Project Report on ….

a) Deinking Plant
b) Essential Renovation, replacements and repairs jobs on Paper Machines
c) Study on Steam balance and power requirements and DPR for new Boiler and TG Set.
d) Techno Economical Study of the Mill as a whole.

IV STUDY BY NAGAON PAPER MILLS 2007

Chief Executive Nagaon Paper Mill headed a team to visit Nepa on May 8-10, 2007 to make a study report.

The team suggested that a credible revival package which is at once bankable and forward looking can be crafted only after getting a Detailed Project Report formulated by a Consultant of repute with extensive diagnostic studies on various plant and equipment components. However, following short term and medium term schemes were suggested:

Rs. in crore

	Short term schemes	**Medium term schemes**
Paper Machine- Remedial Measures (12 months)	3.75	19.68
Power House Remedial Measures	2.76	7.18
Deinking Plant		100
Total	**6.51**	**126.86**

Further reduction of manpower to 500 from 1200 and waiver of interest burden was recommended.

The Committee is dismayed to note that since 1993 six studies on the revival of NEPA have been conducted. However none of the outcome has been implemented comprehensively to take the revival to the logical conclusion. There have been instances of appraisal of one study by another consultant or same consultant TECS being asked in 2005 to revise estimates of 2002. Yet to no avail. The Committee also compared the estimates given by TECS. While the Capital investment came down from Rs 70 crores (2002) to Rs 53.64 crores (2005) and over all monetary support came down from 128. 51 crores (2002) to Rs 73.09 crores (2005), the overall cost of revival increased from Rs 281.18 crores (2002) to Rs 308.33 crores (2005) due to increased interest liabilities on account of delay in revival.

However, the Committee is surprised to note that the D/O HI instead went ahead with yet another study by HPC/NHL in the same year 2005, who made an cursory ocular assessment of the factory and estimated Rs 260 crores of fresh cash infusion. The estimates did not include Non-Planned monetary support and possible waivers. For which the HNL/HPC prescribed a Draft Project Report with reputed consultant. The BRPSE noted wide variance in the revival estimates given by TECS and HNL/HPC. Yet the D/O HI largely agreed with the estimates given by the only an ocular assessment of NEPA ignoring the Draft Project Report as recommended by the HNL/HPC.

The Committee can not find any convincing reason for ignoring the estimates of TECS that required only Rs 73.09 crores of monetary help for Capital investment and Non-Planned assistance. Instead the Government relied more on the estimates by HNL/HPC to arrive at an estimate of Rs. 397 crores based on cursory ocular assessment without any Draft Project Report.

The Committee considers that in addition to Government's annual assistance of Rs 174.50 crores, another monetary investment of Rs 73.09 crores as per TECS would be a worthwhile investment to revive the Company and thereby protecting the loans and investments made in the Company, instead of waiving Rs 279.08 crores of dues towards GoI and Government of MP and then disinvesting the ownership in favour of JV partner. And in the later case the liabilities towards the State Government and returns of disinvestment remain uncertain. The Committee is apprehensive over the financial prudence of such disinvestment.

Comparison between Government's support to NEPA Ltd and the Jagdishpur Project of HPC

The Committee asked on what basis the Government was providing budget support to the Jagdishpur project of HPC but is not inclined to make capital investments to revive NEPA

The Department of HI in its written reply stated :

> *"As regards Jagdishpur Project of HPC, the project is to be funded by loans from financial institutions and funds raised from Initial Public Offer (IPO). Government is to give a loan of Rs.255 crores to HPC to fund its promoters contribution in the new subsidiary company formed for implementation of the Project."*

In his presentation before the Committee the Secretary, D/O HI made distinction between the NEPA and the Jagdishpur Project. While former produced newsprint, the letter is to manufacture high-end paper.

The Committee finds such subtle distinction facile. On one hand the Government is not inclined to invest any money in non-core sector like paper whereas on the other hand it has made Budgetary provision of Rs 255 crores for HPC's subsidiary. The Committee is not convinced with the D/O HI's argument that the UP Paper Mill is going to be a market driven project. The Committee wonders if the Government would divert a part of such Budgetary support to the extent of Rs 73.09 crores which is required to revive an on-going Company NEPA. And provide Government Guarantees to the HPC to raise finance from the market for UP Paper Mill instead of making direct equity investment.

The Committee therefore sees definite merit in the argument presented before it by the people's representatives of the area in questioning the consistency in Government's policy regarding investment in non-core sector like paper.

In this respect the Committee also observes that Aliganj Project of NEPA ltd. envisaged product diversification. The project that was to be fully financed with the budgetary support was shelved on the similar plea as paper being a non-core sector. As a result the Company incurred financial losses. Its product-diversification plan suffered. Lack of product diversification has had distinct bearing over the current financial condition of NEPA. In fact the successive studies on NEPA like Mill Development Plan and the TECS had recommended product diversification into higher end paper but these Plans were never implemented.

The Committee also noted that the Company faced crippling scarcity of raw material pulp. Shelving of Aliganj project precipitated the problem. Bagasse as an alternative could not be arranged from the sugar mills. As a result the Company had to switch over to old newspapers as the raw material, which necessitated installation of Deinking Plan to optimize the returns. However no effort was made to help the Company overcome this handicap. The Committee also noticed that there were wide differences in the estimates for De-Inking Plant. While the TECS gave the estimates of around Rs 15 crores

(2005) , the HPC and its subsidiary Nagaon Paper Mills gave estimates of Rs. 130 crores (2005) and Rs 100 crores (2007) respectively. The Committee wondered if any effort were made by the Department to reconcile such varying estimates. The Committee also noted that the Department neither accepted the recommendations of TECS nor did it accept the recommendation of HNL/HPC for a fresh Detailed Project Report. The Department has rather relied on the cursory ocular study.

In this respect the Committee also observed that while HPC had earlier refused to take over the NEPA Ltd. as part of revival recommended by BRPSE, yet DHI relied on the ocular study of HPC/HNL. Further while DHI is not inclined to provide frssh investments for the revival of NEPA, it is providing budgetary support to HPC's another subsidiary UP Paper Mills at Jagdishpur. There could be justifiable apprehensions over the conflict of interest in respect of HPC and the DHI should remove such apprehensions on the fairness.

The Committee therefore is apprehensive whether the Government itself made any effort to efficiently use the infrastructure and productive resources of the Company as intended in the Bill. The representative of the D/O HI and the HPC had asserted before the Committee that the Company suffered due to economies of scales. At the present scale, it was neither in position to dictate the domestic newsprint price. The Committee wonders if not the Government, which private JV partner would have such resources to increase the capacity to economically sustainable levels.

Disinvestment for Management

The Committee was informed that the Company did not have full time CMD from December 2001 to October 2005 and most of the key positions like GM (works), GM (commercial), GM (Marketing) have been vacant since 2002. Considering the issue of management the Committee also took note of the assertion :

> *"we did not have CMD many times, and in the retirement of a CMD and the appointment of a new CMD, we had gaps of a couple of years or more. Like Mr. A.L. Chowdhury retired in January, 1996, but we did not have a CMD up till 2001. And after 2001, we did not have a CMD up till we had Brigadier S.K. Mutreja***."**

The Committee sought to know the reasons for not appointing the top Management which had a crippling effect on the performance of the Company and if should it require an Act to improve Management of the Company.

The Committee was informed that since 1999, on the recommendation of Divestment Commission, Government has been taking steps for disinvestment of Nepa Ltd. In 2005, BRPSE also recommended disinvestment of 74% to 100% of Nepa Ltd. to joint venture partner. Also the company is not in a position to pay salary and wages to its employee and entire expenditure on salary and wages was met out of budgetary resources. Government had approved appointment against managerial posts on tenure / contractual basis. It was further informed that as the prevailing salary scales are 1992 scales in Nepa and also because of uncertainty prevailing due to delay in revival process through joint venture formation, Nepa is not able to get appropriate personnel for its senior managerial posts.

In view of the reply from the D/O HI the Committee discounts the claim made in the Bill regarding improving the management of the company through disinvestment of ownership to a private sector company. In respect of low wages in the Company the Committee found definite discrimination in the Government's policy. While the wages had not been revised in NEPA since 1992 citing the DPE's guidelines for wage revision in loss making sick units, however, BIFR allowed applicability of 1997 wage in case of NPPC. The Committee sought to know the rationale for such handicap for NEPA.

The D/O HI informed in case of NPPC, wage revision was recommended by BIFR after acceptance of Draft Rehabilitation Scheme and discharge of NPPC from Sick Industrial Companies Act. Revised 1997 pay scale is proposed to be applicable w.e.f. 27th June 2007 when the order of BIFR was issued. Since revival of Nepa is proposed to be done through joint venture formation, this issue may be considered in Draft Revival Scheme to be submitted by joint venture partner before

BIFR after depending on required investments and expected cash flows.

The Committee is dismayed over such facile argument that will seriously imperil the fate of the Company. The Department has itself acknowledged that the Government was not able to attract qualified professionals for the top management posts due to archaic pay scales. Yet it allowed the critical positions in the Company to remain vacant for years. And now an efficient management is being sought through disinvestment. The Committee finds that the NEPA has been discriminated in terms of Government's budget support and policy support.

The Committee's apprehensions are further accentuated by the Clause 5*(l)* of the Bill which says :

> "*Every officer or other employee of the NEPA LIMITED, except the chairman and directors, serving in its employment immediately before the disinvestment of the NEPA LIMITED under this Act, shall continue in office or service after such disinvestment, on the same terms and conditions as if the disinvestment of the NEPA LIMITED had not been made and shall continue to do so until the expiry of the period of one year from the date of such disinvestment.*"

Despite the Committee's recommendation in its 203rd Report in respect of similar TCIL (Disinvestment of Ownership) Bill, 2007 that the prescribed period should be extended from one year to three years and considering that this recommendation was accepted by the Government in respect of TCIL, the present Bill again retains the period of one year.

The Committee finds inconsistency in respective provisions for officers and employees of two companies, inexplicable.

Chapter IV

Conclusion

The Committee is of the considered view that the Company has suffered in terms of finance, infrastructure and management due to inconsistency in Government's policy and lack of timely and appropriate intervention by the Government.

The Committee has been earnest in its recommendations that the Department should safeguard the Government's investments in the CPSEs. The Committee has made observations that current revival are only costly window dressing through massive waivers and Non-Planned investments without actually enhancing the capacity of a Company on a sustainable basis and that the revival must not be confined to Non-Planned loans to clear the salary and other dues of the employees. Its apprehensions have come true in case of NEPA Ltd. where the Government is ready to loose its investments and incur additional expenditures instead of making capital expenditure of much lesser amount. The Government is disinvesting its ownership without assessing the value of the company and the likely returns of the sale of assets. In doing so the Government appears to have ignored the growing market for newsprint in country. The Committee finds the Bill flawed on the economic prudence.

The Committee finds the disinvestment of NEPA Ltd. as proposed in the current Bill was infirm procedurally, lacked financial prudence and was inconsistent in policy. The Bill per se is insufficient in information as it lacked Financial Memorandum and Commencement Clauses.

The Committee also requires that its Report must be and should be vital reference for the BIFR and the issues raised in the Report must be resolved as and when the Government considers bringing the proposal afresh for Parliamentary approval.

Also there should now be a finality regarding the intent of the Supreme Court's judgment that required Parliamentary approval on the disinvestment of

Companies acquired or established through an Act of Parliament. The Parliamentary approval must be an informed approval instead of a routine procedural technicality. As such the Parliament should be informed of the relevant information particularly about the valuation of the assets and liabilities and if such disinvestment had any bearing over the Consolidated Fund of India in terms of cash out go or waivers of dues, same should be indicated through a Financial Memorandum.

In view of above infirmities, the Committee recommends that the Bill be withdrawn.

Last but not the least the Committee is of the opinion that sincere efforts should be made by the Central Government to revive the NEPA Ltd. In the true sense for which the management and workforce of the NEPA Ltd., state Governments and the representatives of the people of the area are ready to cooperate wholeheartedly.

DRAFT REPORT (III)

NEPA Ltd. (Disinvestment of Ownership) Bill, 2007