The National Newsprint and Paper Mills Ltd. Nepanagar (MP)

Speech of the Chairman, Sir A Ramaswami Mudaliar

The following is the text of the speech prepared by Sir A Ramaswami Mudaliar, Chairman of the National Newsprint and Paper Mills Ltd., for the 15th Annual General Meeting of the Company held on October 15, 1962. As Sir Ramaswami Mudaliar could not be present at the meeting, his speech was read out by Major Raja Bahadur Birendra Bahadur Singh, a Director of the Company, who was elected Chairman of the meeting.

Gentlemen,

I have much pleasure in welcoming you to the 15th Annual General Meeting of the Shareholders of the National Newsprint and Paper Mills Limited. The Directors’ Report, the Balance Sheet and the Audited accounts for the year ending 31st March, 1962, along with the comments of the Comptroller and Auditor General have been in your hands for some time, and with your permission I shall take it as read.

The progress during the year ended 31st March, 1962, has been satisfactory. During the year the production was 25,279 metric tons, of which only 895 tons was unbleached paper. The year ended with a net profit of Rs. 40,84,837.05 after providing for depreciation and Development Rebate Reserve. The profit has been utilised to reduce the debit balance of Rs. 65,67,818.00 standing at the beginning of the year, leaving a debit balance of Rs. 24,82,890.95 on 31st March, 1962. This is the fourth year in succession in which the Company has shown a surplus after meeting all expenditure and depreciation. The Directors have utilised the profits to further reduce the losses incurred in the earlier years, which at one time amounted to 195 lakhs. I think it is necessary for the private shareholders, apart from the Government Shareholders, to understand the position of the Company and what difficulties it had to overcome before attaining the present position. I should like to tell them that the venture was started with about 60 lakhs subscription from the private shareholders and 60 lakhs subscription from the Government, and as everybody must now realise, it was an impossibility to establish a Newsprint Factory of the present productive capacity with such meagre resources. The difficulties were fortunately overcome by the loans which the Madhya Pradesh Government liberally gave, and partly by loans which the Union Government gave. The shareholding of the Company after it was reorganised was nearly 5 crores, the shares being held as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt. of India</td>
<td>255,00,000.00</td>
</tr>
<tr>
<td>Govt. of Madhya Pradesh</td>
<td>169,72,90.00</td>
</tr>
<tr>
<td>Private Shareholders</td>
<td>62,48,500.00</td>
</tr>
<tr>
<td>Amount forfeited shares</td>
<td>6,03,477.50</td>
</tr>
<tr>
<td>Loan, Repaid</td>
<td>493,24,877.50</td>
</tr>
</tbody>
</table>

Even after con version of much of the loan into equity capital by the two governments, there was still a loan of Rs. 1,05,13,752.39 with interest payable thereon to the Madhya Pradesh Government and Rs. 32,73,000 payable to the Union Government with interest. The results of the working of the last four years have wiped out these loans and the interests payable thereon. Apart from this, there was an amount of Rs. 111,19,218.74 which had accumulated as interest on the original loan granted by the M. P. Government. The Private Shareholders must be grateful to the M. P. Government for having agreed to convert this amount into a non-interest-bearing-loan payable in 10 instalments. The Company has so far paid three instalments and there is an outstanding non interest-bearing-loan of 77 lakhs which has to be paid in equal amounts over a period of 7 years. I hope it will be realised that the Company has done its best to retrieve what looked like a hopeless position at one time, and I venture to think that within a short time the private investor as well as the Government, may look forward to a reasonable return on their equity investments. While I can well understand the natural concern of the Shareholders, I trust that they will realise the efforts that have been made to bring the day nearer when they can expect a return from their investment.

The position of supply of electric power and steam offered by the Chandani Power Station continues to cause occasional concern. It is understood that the original plan of expanding the Power House at Chandani has been given up and that the Madhya Pradesh Electricity Board proposes to supply power from the Chambal Hydro-electric Project. Steps have been taken by them to construct the transmission line and the substation etc required, and it is expected that the power will be available by the end of this year and that the Factory will have a comfortable position regarding the supply of power and steam.

Chlorine Plant to be Set Up

I stated last year that there has been considerable difficulty in the procurement of chlorine, as the supplies have to come from several distant places. On many occasions supplies failed either on account of breakdown in the supplier’s plant or due to transport restrictions. Further, heavy freight charges have to be incurred on these supplies. Your Directors have therefore decided to establish a Caustic Soda Chlorine Plant to meet the Factory’s requirements of chlorine and Caustic Soda. An order for a 10/12 ton Caustic Soda Chlorine Plant has been placed with a Swiss firm and the civil engineering work is well in progress. It is hoped to receive all the machinery by the end of January/February 1963 and complete the erection of the plant within the next two or three months thereafter. When the Plant is brought into commission, it is expected that it will be possible to meet all requirements of Chlorine and caustic soda and would be reducing the production cost to some extent.

A scheme for doubling the capacity of the Mill and stepping up the production to 200 tons per day has been included in the Third Five Year plan. The project plan for this expansion was prepared some time back, but doubts have been recently expressed as to the availability of the necessary raw material. The Board of Directors have
considered it necessary to examine this aspect carefully before the Project can be further progressed.

The quality of our newsprint has been improved to a certain extent by mixing a small proportion of imported mechanical and chemical pulp which has not only added to the strength but also has improved the appearance and colour. Bleaching with hydrogen-peroxide has also been tried out and extended trials are being done with this form of bleaching as it has given better results. In addition the Board of Directors arranged for a team of 4 American Experts to visit the Mill for a period of three months to improve the quality of newsprint manufactured at this mill, obtain maximum output out of the present equipment, reduce the cost of production, examine raw material question, and suggest ways and means for expansion of the Mills. The American Experts arrived early in January and worked for a period of three months at the factory. They have suggested a number of improvements particularly in the grinding and recovery sections. They have also made slight modification to the equipment on the paper machine which have helped in bringing down the number of breaks and waste of paper and improving production and quality of newsprint. Their detailed report has not been received yet and we hope to implement their recommendations and take necessary steps to see that the improvement in quality is achieved.

The demand for newsprint has been increasing and the quantity supplied to newspapers has been considerably stepped up. During the year nearly 18,500 tons were supplied to the newspapers as against 13,250 tons supplied last year. During the current year in order to save foreign exchange the Government have decided that at least 20,000 tons of the production should be supplied to the newspapers. We have estimated for a production of nearly 28,000 tons and it is hoped that it will be possible to supply this quantity to newspapers, only the balance being distributed to Printers and Publishers, Government and the Dealers. In this way there is likely to be a saving of foreign exchange of nearly two crores of rupees. I would like to point out here that even though cost of all raw materials and power and steam have gone up and the establishment and labour costs considerably increased, the price of Nepa newsprint has not been increased since May 1958.

Impact of Excise Duty

The distribution of newsprint during the last year was very smooth but early this year this has been disturbed by the removal of the concession of excise free duty on newsprint supplied to newspapers. Instead the full excise duty of 22 nP per kg was enforced on supplies to the newspapers when the Budget was introduced on the 24th April, 1962. As a result the supplies to the newspapers decreased considerably owing to lack of orders. The matter was represented to the Ministry both by the newspapers and by us and the Government have revised the concession to the extent of 17 nP per kg. The newspapers have to pay now an excise duty of 5 nP only per kilogram subject to certain conditions. This has relieved the situation to some extent. The Government have also decided that 25% of the quota of each newspaper will be supplied from Nepamills. As a result orders have recently started coming in and it is hoped to clear the accumulated stock and also ensure a regular manufacturing programme and supplies.

The welfare of staff continued to be given attention by the Directors. This year also an incentive award equal to a month's pay and allowances to all employees getting a basic pay of upto Rs 500/- subject to a maximum of Rs 325/- was given. We have taken in hand the building of a full fledged 40 bed hospital which I hope will provide the necessary medical facilities to all the employees. The School has been taken over by the Management from the 1st April of this year and it is hoped to re-organise the educational facilities given to the employees in such a manner that it will cater to the needs of all in this small place. Considerable amenities and concessions have been given with the result that the salaries and wages have increased from 14 lakhs in 1957 to nearly 24 lakhs in 1962, though there has been no appreciable increase in the number of employees.

Acknowledgements

I would like to thank all the employees for the work they have done during the year 1961-62. It has been a difficult period and in spite of all the difficulties they have stepped up production and manufactured 25,279 tons even though it is less than the target. I would like to take this opportunity to recognise the enthusiastic help and co-operation that has been extended by all the employees, both on the factory side and in the administrative offices. In token of the increase in production this year, we have recommended a payment of 1½ month's incentive award to all the employees. I would like to make an appeal to all of them to see that they improve on the performance of last year and try to reach the target production of 30,000 tons as expeditiously as possible so that they can get increased benefits.

I should fail in my duty if I did not recognise the valuable work done by the Assistant Works Manager and the technicians in charge of the Mill. The Mill has had no Works Manager for some time, as it was not possible to get a highly qualified officer at the level of salary permitted by the Government. The Government has since relaxed the rule and it is expected that a Works Manager will be joining very soon. It is all the more creditable that the Assistant Works Manager and the comparatively junior staff of technicians have, with their experience and initiative, carried on for nearly two years, increasing the production and with no damage to the Mill.

I must pay a special tribute to the devoted services of Mr S L Visvannathan, Managing Director, who will be retiring in a few weeks. His knowledge and experience as an Engineer and as an administrator has been of very great value to the Company. His place is expected to be filled by the Officer to whom I have referred, both as Works Manager and Managing Director.

Lastly, I have to convey my apologies to the Shareholders for my inability to attend this meeting and to have the pleasure of meeting them once again.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.