RECOMMENDATIONS

OF THE

MEGHALAYA STATE PLANNING BOARD

WITH RESPECT TO PROVIDING FINANCIAL ASSISTANCE TO

MAWMLUH CHERRA CEMENTS LIMITED

September, 2011

INDEX

1) Recommendation of the Meghalaya State Planning Board

2) Background

3) Recommendations of the Working Group-VI of the Meghalaya State Planning Board (February/March 2010)

4) MCCL's Presentation before the Members of the Meghalaya State Planning Board on26th August, 2011

5) Annexure -I

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RECOMMENDATIONS

In view of the prevailing financial crisis faced by the Mawmluh Cherra Cements Ltd., the premier State owned Industrial unit of Meghalaya, it is considered opinion of the Meghalaya State Planning Board that an immediate onetime financial assistance may be provided to the Company on a **top priority** basis.

It is recommended that an amount of Rupees Fifteen Crore (Rs. 15.00 Crore) be sanctioned towards the Capital Investment in the Existing Plant, and an additional amount of Rupees Thirty Crore (Rs. 30.00 Crore) towards unsecured Loan for clearing the Statutory Payments and for Working Capital, which is of immediate and urgent requirement for sustenance of MCCL.

It is observed that the recommended amounts may have to be increased, should there be **any delay** in the sanctioning of the financial assistance (as per Annexure-I). This is due to effect of price escalation

Meghalaya State Planning Board further recommends that the Head Quarter of MCCL be shifted to Company's campus at Mawmluh for more effective functioning.

(Dr. Donkupar Roy, MLA)
Chairman
Meghalaya State Planning Board
Shillong.

BACKGROUND

- Mawmluh Cherra Cements Limited (originally named Assam Cements Limited) was incorporated on May 20 1955. After bifurcation of the State, the Company was rechristened as Mawmluh Cherra Cements Limited (MCCL) in May 1974. MCCL went into commercial production from 15th of November 1966.
- The Company had earned Profits continuously since 1988-89 till 2006-07.
- Since the Reactivation Project in 1991-92, i.e. 20 years back, no major investment has been made in the Existing Plant.
- Due to the ageing of the Plant, in 2005 the Company had conceptualized an Expansion Project for addition of the 600-TPD Dry Process Plant
- With the approval of the Govt. and on assurance of full Financial support, the Project was embarked upon from May 2006 at a cost of Rs. 84.95 Crore. Initially the Project was supposed to be completed by October 2007.
- However, due to the delay in receiving the funds from the Govt. the Project has time and cost over-run. Presently the Project Cost has been estimated at Rs. 115.29 Crore .
- All out efforts are being made to complete the Expansion Project by May 2012.
- The Meghalaya State Planning Board is aware of the problem of acute financial crisis presently faced by Mawmluh Cherra Cements Limited, the premier flagship Company of the State.
- Based on the earlier recommendations (Copy Enclosed) of the Working Group VI of the Meghalaya State Planning Board, in February/March, 2010, for financial assistance of Rupees Thirty Crore for the Expansion Project of MCCL, the Govt. of Meghalaya had already disbursed an amount of Rupees Twenty Crore.

However, extremely concerned with the present state of affairs, a team of the Meghalaya State Planning Board comprising of the following members and officials made an on the spot inspection of the factory site on 26th August, 2011.

Dr. Donkupar Roy, MLA	Chairman
Shri P.N.Syiem MLA,	Co-chairman
Shri Zenith Sangma Ex- MLA	Co-chairman
Shri H.S.Shylla, Ex-MLA	Co-Chairman
Shri B.G.Momin, EX MLA	Co-Chairman
Shri Clement R. Marak, Ex-MLA	Co- Chairman,
Shri John F Kharshing,	Co- Chairman
Shri Fersen Ch. Momin,	Co-Chairman
Shri Polycarp Marak, Ex-MDC	Deputy Chairman.
Dr. Manash Das Gupta	Deputy Chairman
Shri Enbin K Raswai, MDC	Deputy Chairman.
Shri W.Langstang	Director, Commerce & Industries
Shri U.Muktieh	Dy. Director Marketing, Commerce & Industries.
Shri S.Nongsiej	OSD, Planning Deptt.
Smti. B.C.Warjri	S.O. & Ex-Officio Under Secy. SPB.
Smti. J.L.Dkhar	Research Officer, SPB.
Shri A.Swer	Assistant Soil and Water Conservation Officer.

A power point presentation (Copy Enclosed) was made by Smti M.N.Nampui, MCS, Managing Director MCCL before the Members of the Meghalaya State Planning Board .

RECOMMENDATIONS
of the
Working Group-VI
of
MEGHALAYA STATE PLANNING BOARD

WITH RESPECT TO PROVIDING

ASSISTANCE OF RUPEES THIRTY CRORES

TO

MAWMLUH CHERRA CEMENTS LIMITED

FOR THE

600 TPD (DRY PROCESS)

EXPANSION PROJECT

February -/March, 2010

It is the considered opinion of the Working Group VI of the State Planning Board that immediate relief in the form of SOS grant to the tune of Rs. 30.00 Crores is required to save the premier industrial unit of Meghalaya, which had put the State in the Industrial map of the country. The Working Group further expresses its apprehensions that any delay in providing the much needed "succour" would further aggravate the situation causing the Company to collapse with adverse repercussions on a mighty scale. All acts may be put together to bail out the Company on an emergengy basis.

The background of events since the inception of the Company to the present stage are attached for ready reference.

(A.H.Scott Lyngdoh)

Co-Chairman

(Dr. Manash Das Gupta)

Member

Working Group VI

Mawmluh Cherra Cements Limited was incorporated on May, 20, 1955 and went into commercial production from 15th November, 1966.

With decontrol of Cement, w.e.f March,1989 the Company had continued to earn profits continuously upto 2006-07. However, due to a major break-down, production had fallen drastically from October, 2007 and MCCL has incurred losses in 2007-08 and 2008-09. Though the repair works had been completed, the low production during the period of break-down had dented the liquidity position of the Company.

Meanwhile, due to the aging of the Existing Plant, MCCL had embarked on an Expansion Project in 2006 to increase the production by adding a 600 TPD Dry Process Plant at a cost of Rs. 85 Crores under the Technical Consultancy of M/s HOLTEC, Gurgaon. This was approved by the Govt. of Meghalaya. MCCL received Govt. assurance of Equity participation to finance the Project as the total expenditure could not be borne from the Company. UCO Bank had sanctioned an amount of Rs. 50.96 Crores as Term Loan for the Project.

On receiving such financial assurance from the Govt., (Minutes of the Meeting held on 17th March,2006 at the Office Chamber of the Hon'ble Chief Minister and also Chaired by him, is enclosed) and on completion of all formalities, the Expansion Project had commenced from 1st May, 2006. Though the Expansion Project was scheduled to be completed by October, 2007, about 50% of the Project was completed at an expenditure of Rs.52.96 Crores, till 31st October, 2009.

As long as MCCL could provide funds from its own sources, work had progressed well, but soon MCCL had exhausted its own funds and without receiving the Govt. Funds, the work had slowed down.

Though the Govt. had assured to release Rs. 7.50 Crores in 2006-07 and another Rs. 7.50 Crore in 2007-08, the Govt. had actually released Rs. 5.00 Crores in Dec, 2007. Another Rs. 10.00 Crores was received in 2008-09.

In view of the non-availability of Funds on time, the Expansion Project has time and cost over-run. The revised Estimated Project Cost made by M/s HOLTEC in May, 2009 showed that the Project cost had escalated to Rs. 100.62 Crores. Further, in view of the over-run factors, various complications had arisen on different fronts. This was further aggravated by the liquidity crisis being faced by the Company due to the poor performance of the Existing Plant. Along with a number of payments lying outstanding, even the pre-operative interests on the Term Loan sanctioned for the Expansion Project also could not be paid/serviced.

Till date, the Supply of Plant and Machinery Items is 80% complete and about 75 % of all Civil Works have been completed. However, the Electrical works which would take more than an year, have not started yet. Unless Funds are available in hand, the electrical contractors cannot be finalized and work cannot be allotted.

STATUS OF TERM LOAN FROM UCO BANK

1) Uco Bank had sanctioned the Term Loan of Rs. 50.96 Crores for the Expansion Project in 2006, at a Debt : Equity Ratio of 60:40 and on hypothecation of all movable plant and machinery and other movable assets related to the existing and proposed plant as the exclusive first charge and a Fixed Deposit of Rs. 5.00 Crores as collateral security.

2) The Loan was to be repaid in 32 equal instalments of Rs. 1.59 Crores each (last instalment of Rs. 1.67 Crores) commencing from April, 2009, i.e. One and half years after the commercial production and the Interest during the construction period was to be serviced as and when charged.

3) Initially, on commencement of the Project and upto November, 2007 the Interest charged during construction period was paid from the earnings of the existing plant. However, after the break-down in the Existing plant, this interest which was being charged monthly by the Bank could no longer be paid due to the onset of liquidity crisis.

4) Meanwhile, on completion of the One and half years moratorium period for the Term Loan the first quarterly instalment of Rs. 1.59 Crores fell due for repayment in April, 2009.

5) In view of the delay in completion and the huge liability on the Loan Account, MCCL had applied to UCO Bank for re-phasement of the Term Loan.

6) In a Meeting called by the Chairman and Managing Director of UCO Bank, the Bank had expressed its inability to finance the project any further in view of the delay in the project and in utilizing the entire term loan and also in view of the inability on the part of MCCL to pay the monthly interest and Term Loan Instalments

[redacted]

In January, 2010, the Bank has stopped the Company from operating all its Accounts with the Bank and has adjusted an amount of Rs. 5.10 Crores on account of the unpaid interest and one Term Loan instalment of Rs. 1.59 Crore, from the amount of Rs. 5.40 Crore received from Govt. as Equity in December, 2009 and the balance from the interest earned on the Collateral Security of Rs. 5.00 Crore, provided to the Bank.

7) On the 2nd and 3rd of February, 2010 in a meeting held between UCO Bank Officials, MCCL and officials of the Industries Deptt., Govt. of Meghalaya, wherein, it was decided that the Govt. in the Industries Deptt. would initiate the process to provide a further amount of Rs. 30.00 Crores to be released in a phased manner, to MCCL for completion of the Project by May, 2011.

8) On such assurance, the Bank has agreed to rephase the Term Loan Account but only after payment of the balance of monthly interest upto December, 2009 and also the 2nd Instalment of Term Loan of Rs. 1.59 Crores, so that no further Interest and Term Loan Instalment be payable by MCCL, till the Project is completed in May, 2011 and commencement of commercial production.

In the State Budget for 2009-10, an amount of Rs. 13.00 Crores was allotted to MCCL. The Company has received the total amount in phases, during the year (2009-10).

Though this amount was to be utilized for the Electrical Works, an amount of Rs. 5.52 Crores was Debited by the Bank on account of the unpaid pre-operative Interest on Term Loan. In addition, the Bank had also debited an amount of Rs. 3.18 Crores on account of the two installments of the principal, which had fallen due.

For completion of the Expansion Project, it is imperative that funds are available to MCCL, so that proper planning and implementation of work could be undertaken on schedule. With each days delay, interest and other price escalation factors increase the Project Cost. The Company has no other option but to approach the Govt. for more funds.

However, the post expansion scenario is highly attractive. Apart from increased production, the Company would be entitled to a number of subsidies and Tax Holidays under the North East Industrial Policy of the Govt. of India. This would favourably change the financial position of the Company.

Over the years, MCCL has directly and indirectly employed thousands of people of the State whose family would be in complete jeopardy unless the Expansion Project is completed at the earliest.

Meeting of the Working Group VI of the State Planning Board

The Working Group No. VI of the State Planning Board in its Meeting with the Deptt. Of Industries, Govt. of Meghalaya on 16th of February, 2010 went into planned schemes of the Industries Department at length and it emerged that the present state of affairs Mawmluh Cherra Cements Ltd. needed immediate attention.

It was pointed out that the 600 TPD expansion project which was to have been completed in October, 2007 is yet to see the light of the day due to non-availability of funds at the appropriate time. It was stated that due to time and cost over-run factors, the Project Cost has escalated from Rs. 85.00 Crores to Rs. 100.62 Crores as computed in May, 2009. The major problem for this was the delayed and piece-meal release of funds.

It was informed that Rs. 59.00 Crores was incurred on the Expansion Project upto the 28th of Feb., 2010 and the balance of Rs. 41.62 i.e. Rs.(100.62 – 59.00) Crores would be required for completion of the Project.

This amount of Rs. 41.62 Crores was to be provided from the following sources :

Govt. Contribution	: 30.00 Crores
Bank Finance	: 11.62 Crores
Total	: 41.62 Crores

Expenditure Proposed to be Incurred from the amount of Rs. 30 Crores

Sl. No.	Details of Expenditure	Amount in (Rs.)
1.	Balance of Expenditure for the Supply of Mechanical Equipments and Erection	8.60 Crores
2.	Balance of Expenditure for Civil Constructions including Material	3.60 Crores
3.	Cost of the total Electrical Works	14.60 Crores
4.	Cost of Mining Equipments	3.20 Crores
	Total	30.00 Crores

The meeting expressed its optimism that subject to availability of funds, the project could be completed by May, 2011.

INSPECTION OF MAWMLUH CHERRA CEMENTS PLANT AT SOHRA BY WORKING GROUP VI OF MEGHALAYA STATE PLANNING BOARD.

Consequent upon the meeting held on the 16th of February, 2010, Shri A.H.Scott Lyngdoh, Co-chairman, State Planning board and Chairman, Working Group VI, accompanied by Dr. Manash Das Gupta, Member, State Planning Board and Member, Working Group No.VI, visited the MCCL Factory at Sohra on the 16th of March, 2010. The team conducted an on the spot study of the existing plant and the proposed 600TPD Dry Process Plant site. The team also had an intensive meeting with Smt. M.N.Nampui, MCS, Managing Director, MCCL and other officers of the Company at the plant site and arrived at certain conclusions.

The Working Group VI observed that on successful completion of the Project, the production shall increase. MCCL enjoyed supreme position in the market because of the quality of its Cement. Presently the production has reduced due to the ageing of its existing plant and it cannot fully cater to the demand. This problem would be solved to a great extent on completion of the Expansion Project.

The benefits on completion of the Project shall include :-

- Sustained long term existence and commercial viability of MCCL
- Central Excise relief for a period of Ten Years w.e.f. the day of Commercial Production after Expansion.
- Income Tax holiday for a period of Ten years on the Profit earned after Expansion.
- State VAT at a reduced rate.
- Transport & Power subsidies.
- Reduction in quantity and cost of Coal used in manufacture of Cement by the Dry Process as against the present Wet Process.

With increased productivity, reduction in cost of production and the Tax holidays and reliefs, MCCL would soon be able to regain its supremacy in the market.

Over the years, MCCL has directly and indirectly employed thousands of people of the state whose family would be total distress unless the expansion project is completed at the earliest.

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MCCL's PRESENTATION BEFORE THE MEMBERS OF THE STATE PLANNING BOARD ON 26TH AUGUST, 2011

Slide (1)---

Slide (2)---

<u>PRESENTATION ON STATUS OF MCCL</u>

<u>PART (A) – EXISTING PLANT</u>

<u>PART (B) – EXPANSION PROJECT</u>

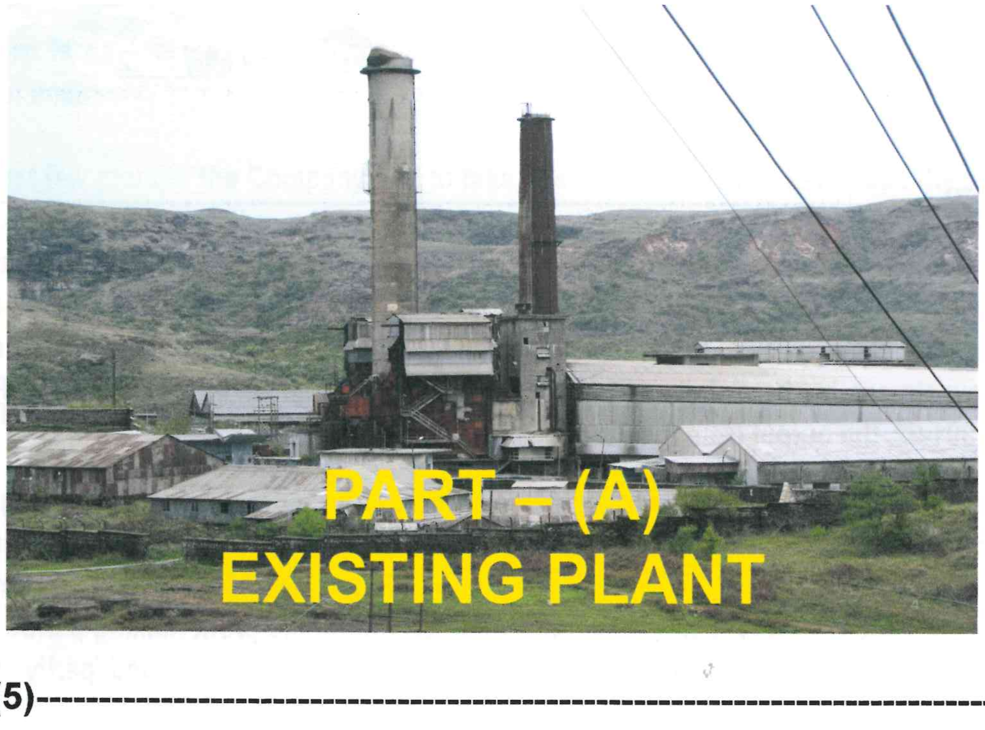
Slide (3)---

HISTORY OF MCCL

- Mawmluh Cherra Cements Limited (originally named Assam Cements Limited) was incorporated on May 20 1955. After bifurcation of the State, the Company was rechristened as Mawmluh Cherra Cements Limited(MCCL) in May 1974.
- MCCL went into commercial production from 15th of November 1966.
- Initially it started with one kiln of 250 TPD. Thereafter, an expansion programme was embarked upon to augment the capacity by addition of two more kilns of 340 TPD each, the first of which was commissioned in September 1978 and the second in August 1985. By this time the first Kiln of 250 TPD had to be shut down as it had outlived its normal life.
- The Company then undertook a Reactivation Programme under the guidance of ACC Ltd. for toning up certain areas of operation for optimization of production. The "Reactivation" was completed in 1991-92.

Slide (4)--

PART – (A) : EXISTING PLANT



Slide (5)---

PROFITS EARNED

- With the decontrol of cement from the 1st of March 1989, along with the successful Reactivation programme, MCCL began to earn profits.

- With the improvement in the financial condition of the Company, in 1994-95 the Company had liquidated all loans taken from the Govt. of Meghalaya and Financial Institutions. From 1994-95 the Company was totally 'Debt Free' till the commencement of the Expansion and Modernization Project.
- The Company had earned Profits continuously since 1988-89 till 2006-07.

Slide (6)---

Since the Reactivation Project in 1991-92, i.e. 20 years back, no major investment has been made in the Existing Plant.

Due to the ageing of the Plant, in 2005 the Company had conceptualized an Expansion Project for addition of the 600-TPD Dry Process Plant

With the approval of the Govt. and on assurance of full Financial support, the Project was embarked upon from May 2006 at a cost of Rs. 84.95 Crore. Initially the Project was supposed to be completed by October 2007.

However, due to the delay in receiving the funds from the Govt. the Project has time and cost over-run. Presently the Project Cost has been estimated at Rs. 115.29 Crore .

All out efforts are being made to complete the Expansion Project by May 2012.

Slide (7)---

PRESENT STATUS OF THE EXISTING PLANT

- In view of the delay in the completion of the Expansion Project and inability to make any investment in the Existing Plant since the completion of the Reactivation Project in 1991-92, the output from the Plant has reduced considerably.
- Since the major break-down in the Inlet Journal in 2007, the Plant is facing frequent break-downs and continuous operating problems. In view of its age the consumption of power, consumables etc. have all increased considerably. Meanwhile all the accumulated reserves of the Company earned during the profit making period has been exhausted, as it was partly invested in the Expansion Project and partly utilized in running the Existing Plant.

Slide (8)---

Calculations show that in the Existing Plant, the break-even point can be reached only of production of approximately 1,05,000 MT of Cement . Against this the production achieved during the past four years and the financial results are shown below

Financial Year	Production (MT)	Sales(MT)	Loss(Rs.)
2007-08	84,340 MT	84,220.693 MT	Rs. 3,10,34,868
2008-09	50,610 MT	50,556.349 MT	Rs. 9,38,73,582
2009-10	60,550 MT	60,605.150 MT	Rs.12,88,53,165
2010-11	52,930 MT	51,904.342 MT	Rs. 12,56,93,544

Slide (9)---

EFFECT OF POOR PRODUCTION

In view of the continued dismal performance, the liquidity position has *suffered enormously.* Sales revenue has fallen drastically and liabilities have been accumulating every day.

This in turn is having the cascading and cyclic affect on the smooth running of the current production line.

For the past few months the Company had to take special efforts, even to release the salaries to its employees. Inspite of the poor production, the Company has been compelled to offer discounts to the dealers, to garner funds for salaries and the bare minimum of running expenses..

Slide (10)---

CURRENT LIABILITIES OF MCCL

Particulars of Dues		Amount (Rs)
Dues to MeECL for Electricity Charges	:	15,83,66,551.48
Dues on VAT to Sales Tax Deptt	:	2,49,83,022.00
Dues on Royalty & Cess to DMR	:	1,33,58,508.00
Coal	:	96,79,000.00
Other Liabilities to suppliers	:	75,00,000.00
Total	:	21,38,87,081.00

Apart from these, the liabilities on account of arrears payable to both the present and retired employees of both categories i.e. Wage Board Employees (who are covered by the Cement Manufacturers Association pay rules) and Non Wage Board employees (who fall under the Company's pay rules in which only the Dearness Allowances are followed as per the State Govt.) on account of pay revision, wage board settlement, increase in dearness allowances etc amounts to approximately, Rs. 82 lakhs and Rs.1.75 crore respectively.

Of late, MCCL is not in a position even to release the retirement dues to its employees.

Slide (11)--

NECESSITY OF RUNNING THE EXISTING PLANT

Though the Expansion Project is likely to be completed by May 2012, it is ABSOLUTELY ESSENTIAL that the existing plant continues to run for at least another ten years even after the commissioning and stabilization of production from the new plant. Or else it would be difficult for MCCL to sustain with its present strength of 550 employees and also maintain the re-payment schedule of Term Loan which is due from May 2012.

Slide (12)--

WAY OUT OF THE PRESENT CONDITION

Under such desperate and critical conditions there remains no other option before MCCL, but to request the Govt. for financial support, yet again, as was sought earlier till 1992-93, last, under similar circumstances.

It may be stated here that since 1992-93, till date, i.e. for the last eighteen years, MCCL did not require any support from the Govt. for running its existing plant.

Slide (13)--

AMOUNT OF FINANCIAL ASSISTANCE

- 1) Unsecured Loan : An amount of Rs. 20.00 Crore is sought as Unsecured Loan for immediately clearing a major portion of the outstanding dues to MeECL for Power, Sales Tax Department for VAT and DMR for Royalty & Cess .
- 2) Unsecured Loan : An amount of Rs. 10.00 Crore for Working Capital to liquidate the Bills of Suppliers of Raw Materials, Consumables, Stores & Spares etc.so as to regularize the supplies and improve production.

- 3) Equity of Rs. 15.00 Crore for immediate investment in the Existing Plant for replacement and repairs of Machinery items so as to obtain reasonable output for another ten years.

Slide (14)---

PROPOSED AREAS OF INVESTMENT NECESSARY TO INCREASE PRODUCTIVITY OF THE EXISTING PLANT

Sl.No.	Department/ Section	Replacement Cost (Rs) (approximate)
1)	Rotary Kiln 2 and Coal Mill No.2	6,81,83,000.00
2)	Rotary Kiln 3 and Coal Mill No. 3	6,62,01,000.00
3)	Raw Mill No. 2	80,00,000.00
4)	Cement Mill No.2	30,00,000.00
5)	EOT Cranes	50,00,000.00
6)	Coal Dryer	20,00,000.00
7)	Slurry Basin	20,00,000.00
8)	Packing Plant	20,00,000.00
9)	Factory Building	50,00,000.00
	TOTAL	**16,13,84,000.00**

Slide (15)---

CONCLUSION

The total amount of Rs. 30.00 Crore sought as unsecured Loan in (1) and (2) above, is required IMMEDIATELY for running the Plant and continuance of the operations and the Equity of Rs. 15.00 Crore may be released within the Financial year 2011-12.

This assistance is sought for survival of MCCL with its strength of 550 plus employees and their families without which it may be difficult for the Company to come out of its present slump.

At the same time it is assured, that once the Company is able to overcome the present condition and once theproduction from the Expansion Project starts, the financial condition would improve in no time and MCCL would self-sustain as in the past.

----END of PART 'A'---

Slide (16)---

PART – (B)
EXPANSION PROJECT

Slide (17)---

EXPANSION PROJECT

- Due to ageing of the Existing Plant & Machinery, there has been frequent break-downs and reduction in production capacity and hence an expansion Project was conceptualized in 2005.

  On being assured of financial support by the Govt., MCCL had embarked upon the 600 TPD Expansion Project on 1st of May, 2006, at a cost of Rs. 85.00 Crores, under the technical consultancy of M/s Holtec Industries (P) Ltd., Gurgaon.

- Initially, the Project was to be financed in the following manner :

  - Govt. Equity : Rs.24.00 Crores
  - MCCL equity : Rs.10.00 Crores
  - Bank Finance : Rs.50.96 Crores
  - Total Rs.84.96 Crores

- UCO Bank had sanctioned a Term Loan of Rs. 50.96 Crores in the Debt : Equity Ratio of 60 : 40.

Slide (18)---

INITIAL PROJECT MILESTONE

After finalizing the Contractors and Suppliers and on their approval by the Govt., works commenced on 1st May 2006. The Project was scheduled to be completed by October 2007.

Soon after the commencement of the works, MCCL awaited the release of funds by the Govt., committed thereof.

As long as MCCL could pay from its reserve funds, work progressed at full swing, but soon the reserves were exhausted and all works slowed down.

Slide (19)---

INITIAL RECEIPT OF GOVT. FUNDS

The first instalment of Govt funds of Rs. 5.00 crores was received only in December, 2007 (2007-08) i.e. two months after the scheduled date of completion of the project.

Second instalment of Govt funds of Rs. 10.00 crore was received in September, 2008. (2008-09)

During the FY -2009-10, an amount of Rs. 13.00 crores was received.

Slide (20)---

TIME OVERRUN & INCREASE of REQUIREMENT OF FUNDS

Though a total amount of Rs. 28.00 Crores was received from the Govt. from December, 2007 to March, 2010, in view of the delay in receiving the funds after commencement of the Project Works, many complications had arisen for the completion of the Project which are :

Time and Cost Over-run factors and consequent escalation of the Project Cost from Rs. 85.00 Crores to Rs. 100.62 Crores (as computed in May, 2009) and further to Rs. 115.29 Crore (as computed in April 2011)

Inability of MCCL to pay/service the interest during the construction period to UCO Bank resulting in rephasement of Term Loan after adjustment of all unpaid dues and imposition of stricter terms of sanction in the debt equity ratio of 1 : 1.41 till the completion of the project by May 2011

Slide (21)--

BANK FINANCE

- The UCO Bank had initially sanctioned an amount of Rs. 50.96 crores as Term Loan for the expansion project at a debt equity ration of 60 : 40.
- According to the terms of sanction, the loan was to refunded in quarterly instalments of Rs. 1.59 crore w.e.f. April 2009 (i.e. on completion of ONE & HALF years of moratorium period on completion of the project). Further, the interest during the construction period should be serviced regularly.
- However, neither of the above two conditions could be fulfilled as :
- Unavailability of funds at the proper time prevented the timely payments and thus the schedule of work was disturbed.
- Preoperative interests could not be paid timely due to poor liquidity caused by the poor performance of the existing plant.
- In view of this, the bank had freezed all the Company's accounts
- The impasse was resolved in Feb 2010 only after a meeting held between the Govt of Meghalaya and the UCO bank wherein it was decided that

1) All the accumulated pre-operative interests along with two instalments of principal were paid .
2) The Govt. would contribute a further amount of Rs. 30.00 crore immediately so as to complete the project by May 2011

Slide (22)--

BANK'S CONDITIONS ON REPHASEMENT OF LOAN

On restructuring the Bank Loan in March 2010, the main conditions set were :

1) Completion of the Project by May 2011
2) Revised Debt Equity Ratio of 1:1.41
3) Transfer of Interest on Term Loan availed till the date of re-phasement to FITL A/c.
4) Monthly payment of Interest on Term Loan availed after re-phasement along with Interest on FITL.
5) Repayment of the principal and FITL in quarterly instalments from May 2012 i.e. after one year of completion of the Project

Slide (23)--

GOVT FUNDS UNDER SPECIAL PROJECT ASSISTANCE(SPA)

Accordingly the Govt of Meghalaya had processed an amount of Rs. 30.00 Crore for the Expansion Project and Rs. 5.00 Crore for the Existing Plant under SPA from the Planning Commission.

Sanction was received and the Planning Commission had decided to release an amount of Rs. 20.00 Crore for the Expansion Project and Rs. 5.00 Crore for the Existing Plant in 2010-11.

The balance amount of Rs. 10.00 Crore is to be released in 2011-12.

An amount of Rs. 20.00 Crore for the Expansion Project and Rs. 5.00 Crore for the existing Plant was received towards the end of 2010-11.

Slide (24)--

RECEIPT OF FUNDS UNDER SPA

However, due to the delay in receipt of the above funds which were released at the end of 2010-11, the Expansion work during that period could not progress much.

With the receipt of the funds, all pending Bills were cleared for the Civil and Mechanical Works and the Contractors started mobilising their workforce.

The final package for the Electrical, Control & Automation Works was finalised in July 2011.

Slide (25)--

Revised Project Cost and Time of Completion of the Project

In April 2011 the Project cost was reviewed by Holtec, and it was estimated that the Cost has escalated to Rs. 115.29 Crore mainly due to the Interest payable on the Term Loan. *This element of the Project cost has increased tremendously due to the delay in completion of the project.*

The Expansion Project for the new 600TPD Dry Process Line, is now targetted to be completed by **May 2012.**

Slide (26)--

EXPENDITURE INCURRED AND BALANCE REQUIREMENT FOR COMPLETION OF PROJECT

STATUS AS ON AUGUST 16TH , 2011

(Rs in Lakhs)

HEAD OF EXPENSES	ESTIMATED EXPENSES	EXPENDITURE INCURRED	BALANCE REQUIREMENT
PLANT & MACHINERY	4345.00	3733.64	611.36
CIVIL WORKS	921.00	696.89	224.11
STEEL & CEMENT	1033.00	1033.00	0.00
ELECTRICAL	1089.00	86.14	1002.86
2 Nos. DG Sets	330.00	0.00	330.00
MISC. FIXED ASSETS	45.00	0.00	45.00
MINING EQUIPMENTS	320.00	0.00	320.00
CONSULTANCY & PREOPERATIVE	351.00	314.97	36.03
CONTINGENCY	137.00	0.00	137.00
WORKING CAPITAL	112.00	0.00	112.00
STORES & SPARES ETC.	123.00	4.03	118.97
LAND AND SITE DEVELOPMENT	1.00	0.00	1.00
INTERESTS on Term Loan	1000.00	1000.00	0.00
Interests on Rephasement	851.00	154.22	696.78
(FITL/Int. on FITL/Term Loan)			
Provision for Escalation *Inclusive of Balance from Earlier Electrical Estimate (1460-1089)*	871.00	199.74	671.26
TOTAL	11529.00	7222.63	4306.37

Slide (27)--

CONCLUSION

- Though the Expansion Project is scheduled to be complete by May 2012, MCCL is now facing serious difficulties in running its Existing Plant.
- This is because of the Low Production in view of the ageing Plant & Machinery and that NO MAJOR investment since the Reactivation Programme, twenty years back has been made.
- As mentioned earlier, the Existing Plant must co-exist with the New Plant for at least TEN more years for a healthy sustainance of MCCL

<u>In view of all the reasons stated above, MCCL thus requests the Govt.through the State Planning Board to release an amount of Rs. 15.00 Crore for Capital Investment in the Existing Plant.</u>

<u>This is in addition to the amount of Rs. 30.00 Crore sought as Un-secured Loan for clearing the Statutory Payments and for Working Capital.</u>

<u>We sincerely hope that the Hon'ble members of the State Planning Board will consider our requirements so that MCCL will, once again, retain its status as the pioneer in the industry as well as the flagship Company of the State.</u>

<u>Dt. 26th August 2011</u>

Yours faithfully,
for and on behalf of MCCL

Sd/-
(M.N.Nampui, MCS)
Managing Director

ANNEXURE – I

Statement Showing the Proportionate Increase in Requirement of Funds in case of DELAY in SANCTIONING

PURPOSE OF FUNDS		IMMEDIATE REQUIREMENT WITHIN 30TH SEPTEMBER,2011	REQUIREMENT IN CASE OF RELEASE DURING (1ST OCTOBER TO 31ST DECEMBER)2011	REQUIREMENT I CASE OF RELEASE DURIN (1ST JANUARY, T 31ST MARCH) 201
(A)	FOR CAPITAL INVESTMENT IN EXISTING PLANT(*)	Rs. 15.00 Crore	Rs. 15.50 Crore	Rs.16.00 Crore
(B)	FOR CLEARING OF STATUTORY DUES	Rs. 20.00 Crore	Rs. 23.00 Crore	Rs. 25.00 Crore
(C)	WORKING CAPITAL	Rs. 10.00 Crore	Rs. 12.00 Core	Rs. 15.00 Crore
	TOTAL	Rs. 45.00 Crore	Rs. 50.50 Crore	Rs. 56.00 Crore

Note (*) : The detailed Project Report is in process of preparation and the same will be submitted immediately on its completion.

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