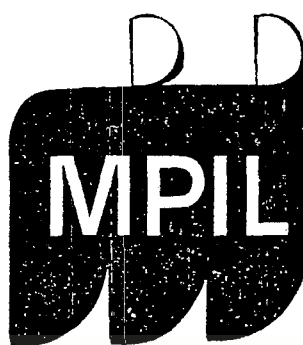


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PAPER & BOARD

Mansarovar Paper & Industries Limited
Regd. Office & Works
Najibabad - Nagina Road,
NAJIBABAD - 246 763

MANSAROVAR PAPER & INDUSTRIES LIMITED



DIRECTORS

Shri S.C. Agarwal , Chairman
Shri Dinesh Chand, Managing Director
Shri S.B. Dhungat
Shri Surinder Kumar Bansal
Shri R.S. Agarwal
Shri Sikander Lal Kohli
Shri Rakesh Kumar
Shri Avdesh Kumar
Shri Y.V. Luthra (Nominee of IFCl)
Shri Ajai Bhambi (Nominee of BIFR)

SENIOR VICE PRESIDENT

Shri V. Ganesan

COMPANY SECRETARY

Shri S.M. Sundaram

BANKERS

Bank of Baroda, Najibabad

AUDITORS

V. Sankar Aiyar & Co.
Chartered Accountants,
B-9 Guru Nanak House
Ranjit Nagar Commercial Complex,
New Delhi - 110 008

REGISTERED OFFICE AND WORKS

Najibabad - Nagina Road
Najibabad - 246763 (U.P.)

DELHI OFFICE

FF A12/ B12 Classic House
12, Doctors Lane,
Gole Market, New Delhi - 110 001

MANSAROVAR PAPER & INDUSTRIES LIMITED



PAPER & BOARD

NOTICE

Notice is hereby given to the members of the Mansarovar Paper & Industries Limited that the 10th Annual General Meeting of the company will be held on Monday, the 12th day of January 1998 at the registered office of the company at Najibabad - Nagina Road, Najibabad-246763 in the state of Uttar Pradesh at 10 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statement of accounts for the period ended 31st May 1997 together with the Auditors' Report and Directors' Report thereon.
2. To appoint a Director in place of Mr. R.S. Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Sikander Lal Kohli who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Aydes Kumar who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors of the company and in that connection to pass, with or without modification (s) the following resolution as an Ordinary Resolution: "Resolved That M/S V. Sankar Aiyar & Company, Chartered Accountants, Statutory Auditors of the Company, who hold the office of Auditor upto the conclusion of this Annual General Meeting, being eligible, be and are hereby reappointed as Auditors of the company, to hold office upto the conclusion of the next annual general meeting on a remuneration to be mutually decided by the Board and the said auditors."

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification(s) the following resolution as an **Ordinary Resolution**: "Resolved that Mr. D. B. Bhargava be and is hereby appointed as a Director of the Company liable to retirement by rotation in accordance with the provisions of the Articles of Association of the company"
7. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**: "RESOLVED that the consent of the shareholders be and is hereby given for the amalgamation of Mansarovar Bottling Co. Ltd (MBCL) with the Company on the appointed date viz. June 1, 1997, arising out of the Scheme of Arrangement filed with the Board for Industrial and Financial Reconstruction (BIFR), included in the Draft Rehabilitation Scheme(DRS) published by BIFR, which is appended to the notice convening the meeting." "RESOLVED further that the consent of the shareholders be and is hereby given for vesting of the soft drink bottling undertaking of MBCL in Hindustan Coca Cola Bottling North West Pvt. Ltd. (HCC) as provided in the scheme of Arrangement and as per the Rehabilitation Scheme finally sanctioned by the Honourable BIFR." "Further Resolved that the Board of Directors of the company be and is hereby authorised to do all such acts as are necessary to implement the scheme of amalgamation."
8. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**: "RESOLVED that pursuant to Section 81 (1A) of the Companies Act, 1956 and other applicable provisions, if any, the Board of Directors of the Company, be and is hereby authorised to issue, allot Equity/Preference Shares as a result of the amalgamation of MBCL with the Company in the manner required under the Rehabilitation Scheme, as may be finally sanctioned by the Hon'ble BIFR."
9. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**: "RESOLVED that the existing Issued, Subscribed and Paid-up Capital of the Company be and is hereby reduced by 20% in the manner required under the Rehabilitation Scheme as may be finally sanctioned by the Hon'ble BIFR."
10. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Ordinary Resolution**: "RESOLVED that the Authorised Share Capital of the company be increased from Rs. 15,00,00,000/- (rupees Fifteen Crores) to Rs. 26,00,00,000/- (rupees Twenty Six Crores only) divided as under:
1,80,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 18,00,00,000/-
80,00,000 15% Non Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 8,00,00,000/-
"Resolved further that the Clause V of the Memorandum of Association of the company be altered accordingly."
11. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**: "RESOLVED that Clause 3 of Articles of Association be deleted and the following clause be substituted in lieu thereof:
The authorised share capital of the Company is Rs.26,00,00,000/- (Rupees Twenty Six Crores) divided into 1,80,00,000 (One Crore Eight Lacs) Equity Shares of Rs.10/- (Rupees Ten) each and 80,00,000 (Eighty Lakhs) 15% Non Cumulative Redeemable Preference Shares of Rs.10/- (Rupees Ten) each with the right, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being and to vary, modify or abrogate any such right, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of the Association of the Company for the time being.

By Order of the Board
for Mansarovar Paper & Industries Limited

S.M. SUNDARAM
Company Secretary

Date : 13th December 1997
Place : New Delhi

Notes:

- (1) A member entitled to attend and vote in the meeting, is entitled to appoint a proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. The proxy form in order to be effective must be received not less than 48 hours before the time of meeting at the registered office of the company in the prescribed form supplied by the Company.
- (2) The members are requested to notify changes of address of communication.
- (3) The Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 is attached herewith.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6 -Mr. D. B. Bhargava is proposed to be appointed as a Director of your company to fill the vacancy caused due to the resignation of Mr. Ramesh Chandra. Mr. Bhargava is a Director of MBCL. The Company has received a notice from a shareholder proposing the appointment of Mr. Bhargava as a Director together with the requisite fees of Rs. 500/-. His appointment will be subject to the Articles of Association of the company and he will be liable to retirement by rotation. Your directors recommend his appointment in view of his experience. None of the Directors is interested in this resolution.

Item No. 7,8,9,10 & 11

Your company (hereinafter referred to as "MPIL") entered into a Scheme of Arrangement with Mansarovar Bottling Company Limited (MBCL) and Hindustan Coca Cola Bottling North West Private Limited, (HCC) whereby MBCL is deemed to have been merged with MPIL on the appointed date (i.e. 1st June 1997) and the acquired business of MBCL as defined in Part-I of the scheme shall be disposed off to HCC on the Effective Date. MPIL was declared sick by Board for Industrial and Financial Reconstruction (BIFR) in July 1997. The Draft Rehabilitation Scheme (DRS) was formulated by IFCL, who were appointed by BIFR as the Operating Agency and circulated by BIFR. Merger is required to be approved by the shareholders. Hence the resolution is being put up before the members of MPIL for their approval. The members may read the text of DRS reproduced below:

MANSAROVAR PAPER & INDUSTRIES LIMITED



PAPER & BOARD

BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION
CASE NO. 71/97 IN RE : M/s Mansarovar Paper & Industries Ltd.
DRAFT SCHEME

1.0 INTRODUCTION :

- 1.1 Pursuant to the provisions of Section 15(1) of Sick Industrial Companies (Special Provisions) Act 1985, M/s Mansarovar Paper & Industries Ltd. (MPIL) made a reference to the Board for determination of measures to be adopted in respect of the said company. After inquiry, in the hearing held on 09/07/97, it was held that the company had become a sick industrial company in terms of Section 3 (1) (o) of the Act and IFCI was appointed as the Operating Agency (OA).
- 1.2 MPIL submitted a rehabilitation proposal based on merger of Mansarovar Bottling Co. Ltd. (MBCL) with MPIL. The said rehabilitation proposal envisaged inter alia selling of bottling unit of MBCL to Hindustan Coca Cola Bottling North West Private Ltd. (HCC) and One Time Settlement (OTS) of dues of financial institutions by making payment of principal plus 75% of simple interest within a period of one month after sanction of scheme. The operating agency report based on rehabilitation proposal submitted by MPIL was considered in the hearing held on 6/11/97 and after certain modifications particularly in regard to MPIL bringing all the institutions at par. The scheme was prima facie acceptable to participating agencies. The operating agency was directed to submit draft rehabilitation scheme keeping in view these modifications. The operating agency has since submitted the revised report and based on its recommendations we have formulated the following draft scheme for rehabilitation of MPIL.

2.0 BACKGROUND :

- 2.1 M/s. Mansarovar Paper & Industries Ltd. (MPIL). (formerly known as Mansarovar Beverages & Industries Ltd.) promoted by Shri S.C. Agrawal, Shri Dinesh Chand and Mansarovar Bottling Co. Ltd. (MBCL) has set up a plant for the manufacture of 10000 tpa of Coated duplex/ triplex Board at Village Manoharwala, Najibabad, Distt. Bijnor, U.P. The cost of the project was originally estimated at Rs. 1100 Lakhs which was to be financed by Rupee loan of Rs. 411 lakhs from the institutions (IFCI Rs. 165 lakhs, IDBI Rs. 164 lakhs and ICICI Rs. 82 lakhs) and Equity share capital of Rs 689 lakhs (Private Promoters Rs 222 lakhs, Mutual Fund Rs.55 lakhs and Public Issue Rs 412 lakhs) MPIL commenced commercial production in November 1992 as against January 1992 envisaged originally. As a result of cost escalation and certain changes in the design specification of the machinery etc. for increasing the installed capacity of 12500 tpa as also escalation in pre-operative expenses on account of delay in completion of the project, the cost of the project escalated to Rs 1789 lakhs i.e. overrun of Rs. 689 lakhs which was financed by additional Rupee Term Loans of Rs. 212 lakhs from the Institutions (i.e. term loan of Rs. 168 lakhs, Rs. 84lakhs each from IFCI and IDBI) besides a sum of Rs. 44 lakhs (IFCI Rs. 17.60 lakhs, IDBI Rs. 17.60 lakhs, ICICI Rs. 8.60 lakhs) sanctioned in lieu of funding of interest which fell due on 15th April 1992 and 15th July 1992, additional equity share capital of Rs. 288 lakhs on rights basis, excess subscription of Rs. 95 lakhs retained out of earlier public issue and unsecured loans amounting to Rs 94 lakhs from promoters and their associates.
- 2.2 MPIL's plant which was initially rated 38 TPD capacity (12500 TPA) had a potential capacity of about 60 TPD and MPIL carried out certain modifications/ additions in the stock preparation section (addition of 4 chest for storage of pulp, installation of two potcher washers etc.), paper machines (installation of additional press, modifications to cylinder mould section, dryer section, coating section, etc.), during 1995-96 thereby increasing the installed capacity of 21000 TPA. The said capital expenditure has been met mainly by non-payment of interest dues to the Institutions and by availing of hire purchase facilities from various parties. Besides MPIL has also acquired certain equipment through lease finance to the extent of about Rupees 161 lakhs (including about Rs 20 lakhs from Mansarovar Holdings Ltd., a group concern of MPIL) for increasing the installed capacity/improving the quality of its products.
- 2.3 MPIL had earlier proposed to expand its production capacity by installation of a second hand imported paper machine from UK for manufacture of 12000 tonnes of writing and printing paper per annum, at its existing factory site at an estimated cost of Rs. 2337 lakhs. MPIL had also entered into an agreement with IVAX Ltd. (IVAX), UK on 28/4/95 for import of the said paper machine. However due to unsatisfactory working and tight liquidity position, MPIL has since abandoned the said expansion scheme. MPIL had incurred a total expenditure of Rs. 91.47 lakhs i.e. Rs. 73.86 lakhs towards advance for import of the paper machine (accounted under loans and advances under current assets) and Rs. 16.36 lakhs towards foreign travel expenses etc. of Director / Executives (treated as deferred revenue expenditure) in connection with the above project. The imported paper machine had reached Mumbai port and MPIL expressed its inability to clear the goods and later on issued NOC to IVAX for sale of the machinery to any other party. The recovery of advance paid for import of the said machinery has become doubtful. In the mean time IVAX had filed a suit against MPIL in UK for breach of the covenants of the aforesaid agreement dated 25/4/95 and MPIL would have to incur additional expenditure towards legal charges etc., in connection with the above litigation proceedings. It is understood that the High Court of Justice Queens Bench, London has approved the consent order between IVAX and MPIL on 15/4/97 according to which MPIL has to pay IVAX a sum of US\$ 650000 equivalent to about Rs. 234 lakhs in a phased manner between 14/5/97 to 30/9/97 as full and final settlement towards the cost of machinery supplied by IVAX Ltd. In the event of delay in payment, interest @ 8% would be payable. The matter is again being contested by MPIL in UK court based on further facts that have come to light after execution of the aforesaid consent order. In view of the above, the aforesaid payment as per the consent order is being kept in abeyance. The capital expenditure and cash losses incurred by MPIL were met by non-payment of institutional dues and raising of unsecured loans/deposit.

3.0 CAUSES FOR SICKNESS

- a) Initial technical problems viz, defects in moulds and stock preparation equipments. b) Initial problems in non-availability of senior technical personnel and stabilisation of quality of the products. c) Competitive market conditions d) Financial mis-management. e) Liquidity Constraints. f) Unplanned expansion without arranging requisite long term resources leading to high interest burden due to raising of short term unsecured loans. g) High interest burden due to short term unsecured loans.

4.0 REHABILITATION PROPOSAL/ SCHEME

4.1 MPIL rehabilitation proposal envisages the following ingredients :

- i) Reverse merger of Mansarovar Bottling Co. Ltd. (MBCL) with MPIL is engaged in the business of bottling of soft drinks of reputed brands. It has entered into franchise agreement with Coca-Cola Co. for bottling of Coke, Fanta brands. A profile of MBCL is enclosed as Annexure-I. The detailed merger scheme is enclosed as Annexure-II. The effective cut off date for merger has been envisaged as 1st June'97.
- ii) Disposing of Bottling unit assets of MBCL to Hindustan Coca-Cola Northwest Pvt. Ltd. (HCC), an indirectly owned subsidiary of Coca Cola for a net cash consideration of Rs.24.90 crores. In this regard, valuation of assets of MBCL was carried out by M/s John Foord, Singapore, an international valuer of industrial plant and properly appointed by Coca-cola India, who has estimated value of assets of MBCL as Rs.33.98 crores after taking in to account the liabilities of Rs.6.69crores in respect of secured loans and Rs. 4.47crores in respect of dealer deposits. The net sales consideration, after negotiations has been arrived at Rs.24.90 crores for which a Memorandum of Understanding dated 26th March'97 has already been signed between HCC & MBCL.
- iii) The sale proceeds of Rs.24.90 crores would be utilised for payment of liabilities of MBCL (Rs.13.79 crores), payment to shareholders of MBCL other than promoters (Rs.2.47 crores) assuming that the shareholders would exercise their option in favour of receiving the cash payment of Rs.10/- instead an equity share of Rs.10/-, payment of capital gains tax/ bond on account of sale of assets of MBCL (Rs.2.05 crores) and reduction of long term loan liabilities of MPIL (Rs.8.89 crores). The shortfall of Rs.2.30 cr. would be bridged by infusion of funds by promoters.
- iv) OTS of MPIL dues of institutions by making payment of entire principal plus 75% simple interest due and accrued up to 31st December 97, after bringing all the institutions at par as on 15/10/95. The same would be payable over a period of one month from the date of sanction of the scheme. It is being stipulated that MPIL shall open an escrow account with a bank for depositing sale proceeds of Rs.24.90 crores and also authorise the bank for remitting the settlement amount directly to each institution.
- v) Change in product mix so as to produce higher value added products within the over all installed capacity of 21000 TPA. MPIL is at present making white triplex board, white black board, light weight coated (LWC) board and Super white LWC. MPIL apart from making these products, also proposes to take up

MANSAROVAR PAPER & INDUSTRIES LIMITED



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- merger of MPIL with MBCL including the right to appoint Nominee Director till the dues of the Institutions/Banks have been discharged fully
- (x) After payment of OTS dues to the Financial Institutions and their vacating charge over the fixed assets, MPIL shall create first charge over its fixed assets in favour of its bankers for securing the working capital facilities. The bank will also agree for creation of pari-passu charge on the fixed assets of MPIL for securing any term loan that MPIL may raise in future.
 - (xi) The performance of MPIL shall be periodically reviewed by BIFR. MPIL shall submit its quarterly/annual report in the prescribed format to the Operating Agency.
 - (xii) MPIL shall guarantee the projections of cash flow and would also undertake to meet any shortfall in resources for financing the requirements of funds and working capital requirement under the Rehabilitation Scheme in case the projections in respect of MPIL do not materialise to the extent envisaged and shall bring in funds in this behalf on an year to year basis on terms to the satisfaction of the Institutions/Banks.
 - (xiii) Any contingent liability or any other liability of MPIL not known at the time of financing and sanctioning of the Rehabilitation scheme shall be met out of additional interest free funds to be brought in by the promoters as and when required.

(S.L. KAPUR)
MEMBER

(ASHIM CHATTERJI)
MEMBER

New Delhi

Date : 3rd December 1997

The members may note the following:

- The following are amongst the other major benefits which will accrue from the proposed scheme of amalgamation and for these reasons, inter alia, the amalgamation is being proposed:

Mansarovar Bottling Company Limited (MBCL) is a licensed bottler for The Coca Cola Company, Atlanta, USA (Coke) in terms of an agreement valid upto November 1999. In order to keep pace with the business plans of Coke, the company will have to invest a substantial sum of money in the fixed assets as well as vehicles, bottles and crates and the other necessary infrastructure. This does not seem feasible or economical under the present circumstances. Under the bottling agreement, the company is barred from entering into a similar business of bottling for any competitor for a period of two years from the date of termination of the agreement. Though the agreement may be renewed, the Board of Directors, after considering the pros and cons of renewal of the Agreement, have taken the view that any additional investment in the bottling plant is neither feasible, nor such an investment will be profitable to the shareholders at large. Hence they have considered it proper and desirable to amalgamate the company with Mansarovar Paper & Industries Limited and thereafter sell the bottling undertaking to Hindustan Coca Cola Bottling North West Private Limited (HCC) and pursue the business of paper and paper boards after amalgamation under the name and style of Mansarovar Paper & Industries Limited.

Mansarovar Paper & Industries Limited (MPIL) was set up in 1987 with the primary object of manufacture of all papers and paperboard. The company has been incurring losses due to various reasons which have been spelt out by the management from time to time. Basically the paper industry is a capital intensive one and it takes time for the unit to settle in and make profits. In view of the net worth of the company becoming negative as on 30th June 1996, the Board of Directors, had to register the company with the BIFR as required under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The BIFR had registered the case No. 71/97 in July 1997.

MPIL was promoted by MBCL and since then MBCL has been associating with MPIL by guaranteeing the loans granted to MPIL by Financial Institutions.

Hence, after due deliberations, it was decided by the Board of MBCL to merge with MPIL so as to revive the sick company, MPIL as also to compensate the shareholders of MBCL in the manner explained in the DRS.

Now it is proposed to rehabilitate the company based on the merger of MBCL with MPIL and hiving off the bottling undertaking to HCC for a net sale consideration of Rs. 24.90 Crores, subject to final accounting adjustments. On merger the net worth of MPIL shall become positive and the company shall be outside the purview of sickness. The operations of the company shall be improved by utilising the residual sale proceeds for making one time settlement (OTS) of the Institutional dues. The Financial Institutions have granted relief to MPIL as a part of OTS by completely waiving off the compound interest, liquidated damages and the simple interest to the extent of 25% accruing since 15th October 1995. The total waiver aggregates to Rs. 1.72 Crores. Immediately after revival as also with the induction of requisite working capital, MPIL proposes to manufacture premium paperboards, such as Kraft Paper board etc. which can be manufactured with the existing facility with some balancing equipment.

In view of the scheme of Arrangement, the Authorised Capital of MPIL shall be increased to Rs. 26,00,00,000 crores (comprising of 1,80,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 18,00,00,000/- and 80,00,000 Non Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 8,00,00,000). Accordingly, approval of members is being sought for the increase of Authorised Capital. Consequent upon the increase in the Authorised Capital, clause 3 of Articles of Association, which deals with the capital clause is also required to be amended.

Besides, it is also proposed to reduce the existing equity capital by 20% before giving effect to the merger. Keeping in view of the current financial condition, the members of the company are advised to accept the reduction of capital.

Since the shareholders of MBCL are to be issued Equity Shares in your company, necessary approvals under Section 81 (1A) of the Companies Act, 1956 are being sought as provided in the DRS and as finally approved by Honourable BIFR.

- None of the directors of MPIL/ MBCL have any material interest in the Scheme of Amalgamation save and except to the extent of their shareholding in both the companies as set out herein below :-

Name of the Director	No. of shares held in	
	MBCL	MPIL
Mr. S.C. Agarwal	58,080	1,45,450
Mr. Dinesh Chand	72,510	1,35,600
Mr. Rakesh Kumar	56,650	1,38,700
Mr. Avdesh Kumar	71,920	1,30,300
Mr. S.B. Dhungat	12,300	1,500
Mr. S.L. Kohli	9,299	—
Mr. D.B. Bhargava	9,100	—

Mr. R.S. Agarwal, Mr. S.K. Bansal, Mr. Y.V. Luthra and Mr. Ajai Bhambr, the Directors of MPIL do not hold any shares in either of the companies.

- The proposed amalgamation is in the interest of the shareholders of the MPIL, MBCL and also in the public interest and interest of all concerned. Further, there is no likelihood that any secured/unsecured creditor of MBCL would be prejudiced as a result of the Scheme being passed. The latest audited accounts for the period ended May 31, 1997 of MBCL indicate that the Company is in a solvent position and would be able to meet liabilities as they arise in the course of the business. Hence, the merger will not cast any additional burden on the members of either Company nor will it affect the interests of any of the classes of the members or creditors.
- After the Scheme is approved by the requisite majority of the members of the MBCL and MPIL, both the companies shall apply to the Hon'ble Bench of BIFR at New Delhi for obtaining sanction to the Scheme envisaging merger of MBCL with MPIL and for an order or orders under Section 18 of SICA for carrying the Scheme into effect and for dissolution of MBCL without winding up as also for any order or orders as may be necessary and appropriate.
- This scheme, though effective from the appointed date i.e. June 1, 1997, shall be operative from the last of the following dates or such other dates as the BIFR may

MANSAROVAR PAPER & INDUSTRIES LIMITED

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direct, viz.:

- a. The date on which the last of the all the consents, approvals, permissions, resolutions, sanctions and orders as are hereinafter referred to have been obtained or passed, and
 - b. The date on which certified copies of the order of the BIFR under the SICA are filed with the Registrar of Companies;
6. The Board of Directors of MBCL and MPIL have approved the merger scheme envisaged in the Draft Rehabilitation Scheme.

Copies of the following documents are open for inspection at the registered office of the Company between 11.00 am and 1.00 pm on all working days.

- a. Memorandum and Articles of Association of MBCL and MPIL.
- b. Copy of the Balance Sheet and Profit and Loss Account of MBCL and MPIL as at 30th June 1996 and 31st May 1997.
- c. Share Valuation Report of V. Sankar Aiyar & Co., Chartered Accountants, recommending the share exchange ratio.
- d. Copy of the Draft Rehabilitation Scheme circulated/published by the Order dated 3rd December 1997 passed by the Hon'ble Bench of the Board for Industrial and Financial Reconstruction complete with all annexures.
- e. Consent letter of HCC to participate in the scheme.

By Order of the Board
for Mansarovar Paper & Industries Limited

S.M. Sundaram
Company Secretary

Date : 13th December 1997
Place : New Delhi

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MANSAROVAR PAPER & INDUSTRIES LIMITED



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5.0 VIABILITY

- 5.1 The statement showing the profitability projections of consolidated company after merger are enclosed as Annexure IV a. The projected balance sheet and cash flow of consolidated company with assumption underlying the projections are enclosed as Annexure IV b, IV c and d respectively and a summarised position thereof is given as under (Rs. in lakhs)

	for the year ended 31st May..				
	1998	1999	2000	2001	2002
Installed Capacity	21000	21000	21000	21000	21000
Capacity Utilisation	78.06	78.34	78.34	78.34	78.34
Net Sales	3054	3319	3319	3319	3319
Gross Profit	523	628	616	602	588
Interest	320	296	253	226	197
Depreciation	84	84	84	84	84
Oper Profit	119	249	279	293	307
Tax	22	25	28	30	81
Cash Accruals	304	199	226	178	129
Share Capital	1943	1943	1943	1943	1943
Reserve & Surplus	-	-	-	32	201
Accumulated Losses	598	371	125	-	-
Other Int. Assets	1073	1059	1045	1031	1017
Net worth	272	513	773	944	1127

- 5.3 MBCL proposes to upgrade its product range by taking up manufacture of white triplex card. Grey boards, kraft liner and high kraft board apart from the existing product within the overall installed capacity of 21000 MT p.a. This would improve profitability of MPIL as net unit contribution from these products are expected to be much better. With the improved profitability, all the accumulated losses of MPIL would be wiped out by the end of year 31st May 2001. With the merger of the healthy company, MBCL with MPIL, its networth would become positive on effective date of merger i.e. 1st June, 97. MPIL would repay its entire long term loans as per OTS indicated in the scheme and there would not be any long term loans thereafter.

6. RELIEFS AND CONCESSIONS

A. Institutions (IFCI, IDBI and ICICI)

- To waive compound interest/ penal interest and liquidated damages accrued /accruing from 15/10/95 upto 31/12/97 (Approx. Rs. 112.73 lakhs).
- To waive 25% of simple interest due and accruing from 15/10/95 upto 31/12/97 (Approx. Rs. 59 lakhs)
- The principal amount of Rs. 612.54 lakhs from financial institutions. 75% of simple interest from 15/10/95 till 31/12/97 (Rs. 177.08 lakhs) and the amount required for bringing all the Financial Institutions at par till 15/10/95 (Approx. Rs. 99.47 lakhs) would be payable as under :-
 - Within one month from the date of sanction of the scheme by BIFR.
 - The interest for the period from 1/1/98 till date of sanction of the scheme shall be calculated on simple basis at document rate and shall be paid alongwith down payment.

(The above mentioned figures are provisional. The exact settlement amount will be calculated and advised by each Institutions.)

B. Bank (BOB)

- To provide need based additional working capital facilities to the company.

C. Promoters

- To agree to merger of MBCL with MPIL and obtain requisite approvals from shareholders /creditors of MBCL for the proposed merger/scheme of arrangement and issue of the existing shareholders of MBCL for each share (i) one equity share of MPIL (ii) two 15% non cumulative redeemable preference shares of Rs. 10 each and an option to either receive one equity share of Rs. 10 each of MPIL or cash payment of Rs. 10 each after restructuring of existing capital of MPIL.
- To bring in funds to the tune of Rs.4.97 crore for bridging the shortfall in the cost of the rehabilitation scheme (Rs. 2.30 crore for payment to institutions under OTS and Rs. 2.67 crores for margin money for working capital), and also make arrangements for meeting any shortfall in working capital requirements.
- To bring in interest free funds to meet the liability arising out of any contingent or other liability not known/ not provided for at the time of formulating the scheme including payment, if any, required to be made to IVAX, UK.
- The existing shareholders of MPIL to agree to reduction of existing issued subscribed and paid up capital by 20% i.e. 100 shares of face value of Rs.10 each shall stand reduced to 80 shares of face value of Rs. 10 each.
- Specific approval by way of special resolution in terms of provision of Section 81 (1A) of the Companies Act in respect of issue and allotment of equity shares in the transferee company (MPIL) to the shareholders of transferred company (MBCL).
- To agree not to claim any benefits under Section 72(A) of I.Tax from I.Tax Authorities.

7.0 GENERAL TERMS AND CONDITIONS :

- The package of reliefs / concessions shall be subject to annual review and the institutions banks shall have right to accelerate the repayments/ increase the interest rate(s) should the profitability, cash flow and other circumstances so warrant based on such reviews and after obtaining the approval of BIFR.
- In case the projections in respect of the company do not materialise to the extent envisaged, the shortfall in the projections shall be met by the promoters by bringing in interest free funds from their own sources.
- MPIL shall ensure settlement amount of Institutions are amortised strictly in accordance with the arrangement for settlement of dues and in the event of default, if any, the Institutions shall have the right to :
 - Charge interest @ 16% p.a. plus tax on the amount of default besides liquidated damages of 2.10% p.a. from the due date till the clearance of default.
 - Forfeit the amount already paid, if any, by MPIL and revoke the settlement by restoring the liability as per covenants of the Loan Agreement.
- MPIL shall open an escrow account with a bank and sale realisation of Rs. 24.90 crore received from HCC shall be deposited in the escrow account. MPIL shall also authorise the bank to remit OTS amount as sanctioned by BIFR directly to each institutions to the satisfaction of the OA of BIFR.
- Apart from deployment of the sale consideration of Rs. 24.90 crores realisable from sale of bottling assets of MBCL towards the rehabilitation of MPIL as per approved scheme, the promoters shall bring in additional funds for financing the balance cost of the scheme (including margin money requirement for strengthening of working capital).
- MPIL/MBCL shall arrange to obtain all necessary clearances including statutory approvals for effectuating the proposed merger.
- MPIL shall amend its Memorandum & Articles of Association so as to enhance its authorised share capital and make other changes as per requirements of the sanctioned scheme.
- The promoters of MBCL shall exercise option of obtaining only equity shares of MPIL of Rs. 10/- each instead of receiving cash payment/warrant of Rs. 10/- per share.
- All the loan and security documents executed by MPIL/its promoters in favour of the Institutions/Banks shall remain in full force and effect, even after