

RAMA NEWSPRINT & PAPERS LIMITED

PROPOSAL FOR ENHANCING THE TOTAL PRODUCTION CAPACITY OF THE MILLS FROM 1,32,000 TPA TO 3,32,000 TPA

In India, currently, we have a demand of about 16.5 lac tpa of Newsprint Paper. Roughly half of this demand is met through Indigenous supply and the balance is met by imports. The increase in ad-spreads by Corporates, Governments, Institutions and NGOs etc. is helping to further boost up the circulation of the Newspapers and thereby increasing the demand for Newsprint. The Newsprint demand in India is growing at a CAGR of about 7% as compared to the growth rate of about 3% in developed countries.

At present RNPL with 1,32,000 MT production per annum enjoys a market share of about 17% in the domestic Newsprint segment and has well established marketing network and customer base. For the last 2 years, the Company has also strengthened its Process, Engineering, Power block and Project & Development wing and is now well equipped to undertake the expansion programme.

The size of the unit is an important parameter in capacity expansion. In the present competitive market, smaller units with high operating cost are becoming unviable. The bigger units which can fully embrace the rapid developments in technology can achieve lower operating cost due to scale of operations.

The Newsprint prices in India have been showing an upward trend for the last 2 years. However, the prices are currently pegged in the range of US\$570 to US\$620 per MT depending upon the sources and quality of the Newsprint. The domestic Newsprint of a reasonable good quality is currently selling at around Rs. 23,000/- per MT to Rs. 27,000/- per MT depending upon gsm, quality and location of the mill.

...2...

:2:

RNPL through Mill Development Plan wants to further debottleneck and enhance the total production capacity from 1,32,000 tpa to 1,44,000 tpa, from the present machines and by adding one more paper machine, deinking plant and captive power plant shall achieve the total production capacity to about 3,32,000 tpa.

The company was able to locate a good paper machine of second hand origin and have signed purchase/sales contracts for the same in December 2006. This will give substantial savings in terms of gestation period and project cost compared to a brand new paper machine. The company has ensured that the second hand paper machine selected is capable of refurbishing and modernizing to adopt the latest technology.

The total project cost envisaged is about Rs. 630 crores, comprising the cost of Plant & Machinery, Captive Power Plant & Miscellaneous Fixed Assets, Land Development & Civil Works, Preliminary Expenses/ Technical Services/ Start up Expenses, etc.

The per annual metric tonne project cost for a Greenfield project based on 100% recycled fibre is currently taken at Rs. 65,000/- as against that the per annual project cost of the proposed brown field expansion will be about Rs. 31,500/- per annual tonne which makes the project very competitive.

The project will be financed through Equity & Internal Accrual Rs.100 crores and Debt Rs.530 crores.

The Board of Directors has given its approval for the project at their meeting held on 08th January, 2007. Necessary approvals are to be obtained from existing Lenders and other regulatory and environmental authorities, etc.