

PN-NBT-96.3

Vol 9300

P:NEP/050.02

2000

**HIS MAJESTY'S GOVERNMENT OF NEPAL
MINISTRY OF FINANCE
PRIVATIZATION OF PUBLIC ENTERPRISES**

**PRIVATIZATION STRATEGIES, VALUATIONS, AND
INFORMATION MEMORANDA FOR 3 MPEs EARMARKED FOR
PRIVATIZATION AS PART OF THE FIRST LOT UNDER HMGN'S
ONE YEAR PRIVATIZATION PROGRAM**

Prepared by

**Intrados/International Management Group
Washington, D.C.**

under Contract with

**International Privatization Group
Price Waterhouse
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**PRIVATISATION OF
RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION
("RHDCDC")**

NEPAL FILM DEVELOPMENT CORPORATION ("NFDC")

AND

BALAJU TEXTILE INDUSTRY LTD. ("BTI")

SUMMARY OF CONSULTANTS OPINIONS AND RECOMMENDATIONS

Introduction

Following the privatisation of 3 MPE's in 1992 HMGN has selected a further 14 Public Enterprises ("PE's") for privatisation by July 1994. Appraisals and indicative valuations of the shares in the above 3 PE's have been completed and sales information memoranda drafted for RHDCDC and NFDC. The sales memorandum for BTI is partially developed and should be completed by mid July.

While the approach taken to appraisal and development of sales memoranda has been similar to that applied in the case of the 1992 divestments, there are important differences. Firstly the timetable and budget has not allowed for the in-depth marketing and technical surveys undertaken in 1992, and secondly the recommendation is that the shares in these 3 PE's be offered for sale rather than the assets. The MPE's sold in 1992 realised in total in excess of NR 500 million. The 3 now being considered are unlikely to realise NR 100 mill. The lower investment in pre-sale research and appraisal is therefore justified.

Method of Privatisation

The recommendation is that HMGN's shares in the three PE's be offered for sale on a negotiated tender basis. This is the same procedure as used in 1992.

It involves:

- advertising the shares for sale
- receiving purchase proposals which refer not only to price but also address criteria and conditions set out in the information memorandum.

- negotiation with selected bidders and selection of a buyer on the basis of price and ability to meet HMGN's criteria.

Depending on the number and quality of responses received HMGN may decide to dispense with the negotiation phase and select a buyer simply on the basis of price. However it is strongly recommended that HMGN retain the flexibility to negotiate with any bidder.

The sale of shares rather than assets is recommended on the grounds of simplicity. Given the small size of these companies it is preferable that the sale involves a total divestment of HMGN's interest and that there be no requirement for after-sale administration or liquidation. However it should be appreciated that in buying shares a purchaser assumes responsibility for any undisclosed liabilities or contingent liabilities of the company. For this reason bidders may express a preference for buying assets or, alternatively may seek warranties from HMGN for undisclosed liabilities.

The bid documents have been drafted on the basis that no warranties will be given but this may need to be relaxed if maximum sale price is to be achieved. In the private sector warranties relating to undisclosed liabilities are quite normal, but Governments generally try to avoid them.

Public Shareholding

Because of their small size, inadequate past performance and the need for quick and considerable restructuring none of the three are considered appropriate for sharemarket listing or employee shareholding. Further comment is provided under each company heading.

However in the case of NFDC and possibly BJI there may be scope for a wider spread of shareholding at a later date. Bidders will be asked to provide comment on their plans in this regard.

Bidders are also asked to comment on plans for introducing improved conditions of employment, employee incentive schemes etc. Such moves are considered to be of greater benefit to employees than the issue of shares of doubtful value.

Redundancy

Based on the 1992 experience managing the redundancy problem is the most complex and important aspect of any sale where there are a significant number of surplus staff.

Detailed studies of the staffing requirements have not been undertaken. The available evidence suggests that in the case of RHCDC there will be significant redundancy at both manager and worker levels. (However many workers could be re-engaged on a collection contract basis). At BTI there

will be redundancy at administration and technical level and at least 15 workers will be redundant. Some surplus workers may be retained if the factory moves to 2nd or 3rd shifts. There is unlikely to be any significant redundancy at NFDC.

It is considered essential for the success of the privatisation programme that HMGN develops an acceptable and consistent policy to deal with redundancy and the related tasks of retraining and redundancy counselling. In the case of each individual sale the responsibilities of HMGN and the buyer must be clearly defined and adhered to.

The cost of carrying surplus staff and of redundancy payments will be factored into the purchase price offered by bidders.

Valuation

Cash Flow Valuations

Valuations based on anticipated future cash flows have been undertaken but the poor past record of the PE's, together with the lack of detailed independent market surveys, makes these extremely subjective. The worth of the PE's will depend very much on the level of competition from bidders.

In the case of RHCDC the cash flows arise mainly from the margin between hide prices to suppliers and the transfer price to tanneries. Our opinion is that this profit is controlled by tanners rather than RHCDC. The value of RHCDC is estimated at close to asset value.

It is important that HMGN establishes a "minimum" sales price for the purpose of assessing bids and negotiating with selected bidders. For this purpose the following indicative valuations have been prepared for each company.

Going Concern Assets Value

This involves an assessment of the price a buyer will pay to acquire the company on a going concern basis rather than incur the cost of setting up a new organisation.

Important aspects of this valuation are the current market value of land and buildings and the remaining useful life value of plant and equipment. In addition the cost of carrying and making redundant any surplus staff is taken into account.

Liquidation Value

This is an estimate of the net proceeds which would be available to HMGN if the PE was liquidated. The major differences between this and the going concern value are: (1) on liquidation, plant and equipment generally realises considerably less than its going concern value. This is particularly so in the case of specialist plant. (2) No redundancy payments are legally required in the case of job losses resulting from the liquidation of a company.

The estimated values for HMGN's shareholding in the PE's are: (NR 000's)

<u>Company</u>	<u>Going Concern</u>	<u>Liquidation</u>	<u>Cash Flow</u>
RHCDC	4,660	4,142	14,183
NFDC	50,000	35,275	36,270
BTI	37,000	17,000	16,740

The above values relate to those shares owned or controlled by HMGN or Government enterprises. In the case of RHCDC that is 59% of the total issued capital. For the other two PE,s it is 100%.

RAW HIDE COLLECTION AND DEVELOPMENT

HMGN, in conjunction with NIDC, holds a 59% interest in this company. 40% is held by tannery companies and the remaining 1% is held by members of the public.

The book value of HMGN's interest (before revaluations and other adjustments) is approximately NR 2,157,000. The company has traditionally been profitable but as a result of significant over-staffing and other inefficiencies will incur a loss of approximately NR 1.0 million in the 1992/93 year.

Given the dominant position of the local tanneries in the use of hides, it is considered that they represent the only logical buyers of HMGN's shares.

For the shares to be attractive to any other parties (including employees) HMGN would need to create a competitive hide market by allowing the export of raw hides. This would be contrary to stated policy.

With only one serious purchasing candidate the price will need to be established through a process of negotiation with the tannery interests. In the interests of transparency and to encourage tanners to make a realistic bid it is recommended that the normal process of advertising be adopted.

NEPAL FILM DEVELOPMENT CORPORATION

NFDC was established under the Communication Corporatin Act. It will need to be converted into a limited company prior to privatisation. At 15 May 1993 the equity of HMG/N at unadjusted book value was NR 46.0 million. This includes stock of films produced with a book value of NR 19.0 million. Most of these films are of very limited commercial value and the level of equity is overstated by approximately NR 17.0 million.

The Corporation has a long history of losses. In the past year it has ceased film production and is concentrating on processing for producers. However the profitability of the restructured business has yet to be proven.

Given the special nature of the business, it is difficult to assess what level of bidder interest there will be. Local producers will no doubt be interested but it is understood that they are unlikely to have the necessary capital.

The recommendation is that the sale be advertised outside Nepal but that the bid assessment criteria include reference to local participation and the promotion of Nepalese art and culture. If HMG/N wants to place any restrictions on foreign ownership because of the cultural importance of the company, then such restrictions should be clearly stated in information memorandum.

BALAJU TEXTILE INDUSTRY LIMITED

This company has suffered losses in three of the last four years and a further loss is predicted in the 1992/93 year. The balance sheet, before revaluation of fixed assets, shows that the company has negative shareholders funds (NR 7.6 million) but the current market value of its premises gives it a positive value.

The company has suffered from a serious lack of technical, product and staff development and is only operating a about one-third of weaving capacity (on a 3 shift basis). Management consider that with the injection of capital, the introduction of 3 shifts and appropriate technical and product development the company is viable. The question is whether those interested in the industry would take up the challenge to turn this company around, rather than invest in a more modern facility.

This may have some appeal to a buyer looking for a low cost entry into the industry or interested in developing other activities on the site. It is considered worth while to advertise the shares for sale rather than place

the company into liquidation.

TIMETABLE

The propose timetable for the sales incorporates the following key dates.

	NFDC	RHCDC	BTI
Approval to proceed	15/7	15/7	1/8
Advertising	23/7	1/8	14/8
Offers close	7/9	14/9	30/9
Transfer complete	23/10	30/10	14/11

Achievement of this timetable is dependant upon receiving approval to proceed not later than the dates shown. There is very little, if any, scope for making up time during the rest of the process.

Conclusion

Attached is a schedule of the key decisions and actions to be taken before the information memorandum can be completed and released.

Details supporting the conclusions and recommendations are contained in papers provided to Mr. Mukunda Prasad Aryal, Joint Secretary, Ministry of Finance.

Those directly involved in the sales process and negotiations relating to each company should ensure that they are familiar with the detailed reports and the complete information memorandum.

Privatization Checklist

General Points

- Information Memorandum - Deposit of NR 200,000 required to uplift. 90% refundable. Is this acceptable ?
- HMGN will provide no finance for Bids. Is this correct ?
- Policy on redundancy to be clarified and stated.
- The Bid criteria for each company to be approved. (Section 2.5)
- All documents :- Section 1 & 2 and appendix 1 to3 be agreed by Legal Advisor.
- Timetable Dates to be agreed (Section 2.9)
- Position relating to warranties to be discussed.
- Ensure any requirement of Government Auditor are met.

Note:- If the Information Memorandum says, no finance will be offered or no warranties given, then HMGN should apply those conditions consistently. It is very important that the terms and conditions of each sale can withstand scrutiny from all interested parties.

Nepal Film Development Corporation

Action and decisions:-

- Review Land lease terms and adjust to arms length basis.
- Convert corporation into Company.
- Decide which films will be retainedd by HMGN and remove from accounts.
- Level of tax losses for carry forward to be established.
- Decide on any ownership restrictions.

Raw Hide Development Corporation

Clarity position relating to collection licences issued by local authorities.

RAW HIDE COLLECTION & DEVELOPMENT CORPORATION

PRIVATISATION OPTIONS

INTRODUCTION

The following features and issues are relevant to the consideration of the practical options for privatisation of RHCDC.

- the eleven tanneries dominate the market for hides in Nepal
- given that productive capacity is well in excess of supply of hides it is unlikely that any new tanneries will be developed in the short term.
- collectively the tannery owners can control the price of hides and therefore the profitability of RHCDC
- that ability to control profitability means that an investment in RHCDC will be unattractive to any independent parties.
- tanneries already have a 43% interest in RHCDC
- if HMGN wishes to break the tannery cartel they would need to consider actions such as:
 - *providing the buyer with exclusive hide collection rights
 - *permitting the export of raw hides
 - *forcing tanneries to dispose of their existing interest in RHCDC and prohibiting future tannery shareholding
 - *introducing anti-collusion laws and regulations to prevent tanneries fixing hide prices

Our understanding is that HMGN would not wish to perpetuate the monopoly on collection or allow export of hides and we would not recommend either of those steps. The prohibition of tannery shareholding would be difficult to police. The development of laws

to prevent anti-competitive behaviour is desirable but is obviously not possible within the timeframe for sale of RHCDC.

In our opinion the only realistic option for the privatisation of HMGN's interest in RHCDC is to negotiate the best possible price with the tannery owners. We understand they have advised HMGN of their interest in taking over the company.

With only one serious bidder, questions arise as to how HMGN can achieve a sale which incorporates the necessary transparency and produces a fair market price. We also understand that employees have expressed interest in taking over the company. HMGN obviously needs to respond properly to this expression of interest.

THE SALES PROCESS

We recommend that the sales process should include the following steps and features:

1. Advertise

HMGN should advertise the fact that its shareholding in RHCDC is for sale and call for expression of interest from any party. Responding parties should be required to provide information to satisfy HMGN as to their financial standing and business management experience.

2. Release Sales Information Memorandum

A sales information memorandum should be provided to those parties which meet the pre-qualification requirements. A refundable deposit of NRxxxxx should be required to ensure that only genuine bidders gain access to the information. As well as providing financial data the memorandum should set out:

- the proposed terms and conditions of sale. e.g. payment requirements; warranties (if any).
- schedules of assets of the company and an indication as to their current value in use.
- statistics relating to employees.

- information required to be presented by bidders and criteria to be used by HMGN in assessing bids.
- information relating to current Government policies. e.g. ban on hide export, removal of collection monopoly, desire to develop added value processing etc.

3. Bidders Preliminary Inspection

All interested parties should be provided with the opportunity to inspect company records and facilities and discuss agreed matters with sales agents. (privatisation cell or other designated persons). This does not need to be a full due diligence but is designed to enable indicative bids to be developed.

4. Indicative Bids

Purchase proposals including an indicative bid price should be obtained and assessed. Discussions should take place to clarify bid proposals and HMGN should then decide whether any bid should be accepted. If no bids satisfy HMGN's criteria, including minimum value, then a decision must be made either to enter into negotiations with a selected bidder of bidders, accept the best available bid or withdraw the shares from the market.

EMPLOYEE BID

While employees have expressed interest in acquiring the shares we do not consider that this is either achievable or desirable.

The constraints on employee ownership include a lack of adequate equity capital and the fact that 43% of the shares are already owned by tanneries. Tannery owners would only need to acquire a further 8% of the shares to gain control. Also unless employees are granted sole collection rights there will be a risk that Tanneries will either dictate the price of hides or set up their own collection system. The financial risk for employees will be very high, particularly if they have relied substantially on borrowings or retirement funds to fund the share acquisition.

We consider that employee welfare will be best served if HMGN concentrates on negotiating satisfactory employment terms and satisfactory severance arrangements for those who are made redundant within say x years of sale. As regards terms of employment we consider that under tannery ownership many employees will probably be offered contracts for collection. This is in effect a form of transfer to employee ownership without the financial risks of equity investment. We consider that HMGN should encourage bidders to introduce such contract arrangements and employees to accept them.

OTHER POSSIBLE BIDDERS

As already stated, unless HMGN introduces certain constraints on ownership and is prepared to grant a monopoly on collection, we doubt that any other parties will be interested in acquiring the shareholding. However in the interests of transparency it is appropriate that no party satisfying the pre-qualification requirements be denied the opportunity to consider the position and bid.

POLICY ISSUES, CONDITIONS AND CRITERIA

The industry policies, conditions of sale and the criteria to be used in assessing bids needs to be agreed by HMGN and clearly set out in the information memorandum.

INDUSTRIAL POLICY

This will include comment and explanation of policies relating to import and export of hides, processed leather and leather products. Any current proposals to amend the policies should be stated (to the extent the information can be made public). Regulations relating to issue of collection licences at central and local government level need to be clarified. Information relating to incentives should also be given.

CONDITIONS OF SALE

It is recommended that those expressing interest in obtaining a copy of the information memorandum should be required to satisfy HMGN that they have the financial resources to make a realistic

bid. Requests for copies of the memorandum should include some comment as to how the party would finance the purchase and provide names of referees who could verify such comment.

In addition it recommended that a deposit of at least NR200,000 be required before release of a copy of the memorandum. 90% of the deposit should be refunded to those who do not bid or lodge unsuccessful bids.

The actual conditions of sale should include the following:

- Bids must be for the total number of shares available. HMGN should not be left with a minority holding.
- The purchaser should be required to offer to buy shares held by NIDC and members of the public (other than tannery shareholders) It would be unreasonable for HMGN to sell and leave minority shareholders locked in.
- Payment terms should be defined. We recommend that:
 - * HMGN state that it will not provide finance for the purchase. This is a small business and investors should be able to fund the purchase through equity and commercial borrowings.
 - *That a deposit of at least 5% of the price be required on signing of the sale agreement and the balance be paid on settlement within 1 month.
 - *In the event of a delay in payment penalty interest be charged. This should be at least 25% per annum.
- Any requirements relating to continuity of employment, redundancy terms etc., should be stated. We consider that this is one of the most important and contentious areas of privatisation and recommend that HMGN develop an approach that can be consistently applied to all privatisation transactions.

Sundry conditions of a standard nature will also be included in the draft sale and purchase agreement to be included in the information memorandum.

BID ASSESSMENT CRITERIA

HMGN should retain the right to negotiate with any bidder and accept other than the highest bid. However in the interest of transparency it is essential that HMGN can publicly defend the exercise of such rights by reference to predetermined criteria.

We recommend that the stated criteria for assessing bids include:

- Plans to develop the level of expertise at management and worker level
- The quality of business plans and in particular plans to lift the quality and quantity of hides available to local processors
- Proposed employment conditions and plans to provide employees with incentives and performance rewards (including in this case the contracting out of selected activities).
- Proposals for further investment e.g. the development of abattoirs.
- Procedures which will ensure a fair return to the suppliers of hides.

VALUATION ISSUES

Establishing a fair market value for the shares in RHCDC is extremely difficult. The accepted definition of "fair market value" is " the price that would be agreed between a willing but not anxious vendor and a willing but not anxious purchaser in a situation where the parties have equal knowledge and equal bargaining power."

For equal bargaining power to exist it is necessary that both parties have the ready ability to walk away from negotiations and pursue other means of meeting their objectives. Where, as is the case with HMGN's shares in RHCDC, there is only one serious bidder, then HMGN's options are limited to accepting the best price which can be negotiated with that one bidder or liquidating the company and accepting its share of the liquidation proceeds. Even liquidation is not a simple option because HMGN does not hold the 75% of shares required to resolve that the company be liquidated.

Obviously there is the further option of holding on to the shares but that is contrary to HMGN's privatisation policy and will only delay rather than solve the problem.

The difficulty of placing a fair value on RHCDC is compounded by the dominance which the local tannery owners have in the raw hide trade. If the tanners act collectively and take control of RHCDC then they can dictate both the price paid to hide suppliers and the price at which hides are transferred from RHCDC to the tanneries. RHCDC will therefore be as profitable as the tanneries decide.

If HMGN stipulated that shareholding in RHCDC cannot be controlled by tanners, then the tanners could still exert control by:

- collectively agreeing on the price they will pay to RHCDC, or
- refusing to buy from RHCDC and setting up their own collection network, or

- seeking indirect control of RHCDC through nominee or friendly shareholders.

The fundamental reason for the dominating position of tanners is that the export of rawhides is banned and suppliers have no alternative but to sell to local tanners. The dominance is given emphasis because, unlike the tanners, the hide suppliers are not an organised group and also because the tanners realise that new tanneries are unlikely to be set up and compete for raw hides.

Our view is that in negotiating a sale of the RHCDC shares HMGN should recognise that tanners can control the rawhide trade. What is being sold is therefore not a raw hide trading organisation but a collection space. The tanners need such a service and therefore the established RHCDC organisation and facilities do have some real value to the tanneries. The question is what is the value of this particular service? The answer can be found by considering the options available to the tanners.

The logical option is that they set up their own collection agency. The capital cost involved would be approximately the same as the current net asset value of RHCDC (with fixed assets valued at current market value). Even allowing for the management and administrative costs of setting up a new organisation, this option would be seen by tanners as having advantages as against taking over RHCDC.

The main advantage would be that tanneries would be free to appoint their own management and staff and would avoid the significant problems associated with taking over an organisation with a substantial number of surplus staff. A further advantage is that the tanneries could select the most economical sites for depots and warehouses rather than accept the current facilities.

The following comments on the valuation of RHCDC need to be considered in the light of the above general comments.

FREE CASH FLOW VALUATION

Sanli Pastore & Hill, Business Valuation Consultants, Los Angeles have assessed the value of the total shareholding in RHCDC at NR 24,039,000. On this basis the 59% shareholding of HMGN would have

a value of NR 14,183,000

This free cash flow valuation is only valid if there is an open and competitive market for the hides collected by RHDC. As stated above that position does not apply and we need to consider other methods of ascertaining the price which HMGN can expect to obtain for its shares in negotiations with the tanneries.

In our view the price which can be expected will probably fall somewhere between a "going concern" assets value and a liquidation value.

GOING CONCERN ASSETS VALUE

This involves an assessment of the price a buyer would pay to take over the established structure rather than set up a new business. The value can be assessed as follows:

1. Assess the current value of the net assets of the company.
2. Deduct the costs relating to surplus staff. These will include the wage costs of carrying those staff until they resign or are made redundant and make some allowance for the inevitable disruption associated with laying off staff and changing employment conditions for those who remain.
3. Allow for the benefit of any past tax losses which will be available to the new owners.
4. Add some allowance for the fact that the operation is "up and going."

The questions as to who will bear the costs of surplus staff and redundancy, and how such issues will be managed are probably the main points to be negotiated. We would expect tanners to argue very strongly that the responsibility lies with HMGN and the costs should be reflected in the share price.

Our estimate of the going concern value is set out in schedule 1 attached. It totals NR7,895,000 and HMGN,s 59% share would have a value of NR 4,660,000. We emphasise that the calculation is an approximation as it is not possible at this time to accurately calculate the level and costs of surplus staff.

LIQUIDATION VALUE

This involves an assessment of the net proceeds which would be available to shareholders if the company was liquidated. The main difference between this and the above going concern value is that some fixed assets will realise less on a liquidation sale than on a going concern basis. There are also liquidator, legal, and other costs associated with a liquidation.

An important point is that there is no legal obligation to make redundancy payments to staff who lose their jobs as a result of liquidation. This may be able to be used as a negotiating point when discussing potential surplus staff costs with the bidders.

It is appreciated that HMGN would be reluctant to liquidate the company. However this valuation approach establishes a minimum value for the shares.

An estimate of liquidation value is set out in schedule 2. The total net proceeds are estimated at NR7,021,000 and HMGN,s 59% share would have a value of NR4,142,000.

CONCLUSION

We estimate that, for the purposes of sale to the tannery group, the value of the 59% of the shares held by HMGN (including the 7000 shares held by NIDC), is in the range of NR 4.0 million to NR 5.0 million but a higher figure may be achievable if tanners are prepared to accept lower redundancy figures than we have estimated.

Schedule 1

Raw Hide Collection and Development Corporation
Going Concern Asset Based Valuation

	<u>NR</u>	<u>Note</u>
	(000's)	
Value of net assets including fixed assets at current value	9960	
<u>Less</u> Allowance for cost of surplus staff to be taken over by purchaser		
(a) Extra salary and wage costs for 1 year period until resignation retirement or redundancy	NR 3900	
Less Tax	1565	2345 (1)
(b) Gratuity costs accumulating from date of sole of shares until resignation, retirement or redundancy	NR Nil	
(c) Estimated redundancy costs (540 less tax 220)	NR 320	(2)

		7295
<u>Add</u> (a) Value of any past tax losses available to be carried forward-based on estimated 1992/93 loss of NR 1.0 million	NR 400	
(b) Allowance for the costs which would be involved in setting up a new collection Company (including administration)	NR 200	

Net Value	NR 7895	
	=====	
Value of HMGN's 59%	NR 4660	

Notes

- (1) We have not carried out a review of the organization structure and operating procedures. However we have made a preliminary assessment of likely surplus staff numbers.

This figure assumes that all staff will be retained for 1 year and then surplus staff will be made redundant.

If surplus staff number are less than our estimate, and/or leave before 1 year then the figure will be reduced.

- (2) These redundancy costs are based on surplus staff numbers. It has been assumed that staff who joined last will be the first to be made redundant.

Redundancy payments are assessed at 1 months pay for each year of service plus 1 months advance pay.

- (3) The tax benefit will vary according to the actual tax deductible loss for the year ending 15 July 1993. The figure used is an estimate only.

**Raw Hide Collection and Development Corporation
Liquidation Valuation**

(000's)

1. Net Assets as per Adjusted Balance Sheet
(including fixed assets at current going
concern value).

NR 9960

2. Estimated Profit or Loss on disposal and
collection of assets.

<u>Assets</u>	<u>Adjusted Book Value</u>	<u>Estimated Proceeds</u>	<u>Profit (Loss)</u>	
Stock	1671	1475	(196)	
WIP	137	100	(37)	
Trade Debts	4662	4196	(466)	
Other Advances	2380	2142	(238)	
Investments	500	500	Nil	
Land	4406	4406	Nil	
Building	1218	609	(609)	
Vehicles	2597	1818	(779)	
Office Furniture & Equipments	329	165	(164)	
	-----	-----	-----	
Totals:	17900	15411	(2489)	NR (2489)
	=====	=====	=====	-----

3. Net Assets adjusted for Profit (Loss) on disposal

7471

4. Liquidation Costs and Expenses

- Redundancy or termination costs
payable to employees

NR Nil

- Liquidators fees, legal fees and
sundry expenses

NR 450

Net Liquidation Value

NR 7021

Value of HMGN's 59%

NR 4142

NEPAL FILM DEVELOPMENT CORPORATION

PRIVATISATION OPTIONS

INTRODUCTION

In considering the options for privatising Nepal Film Development Corporation ("NFDC") the following characteristics and issues are relevant:

- this is a small specialised facility with a limited customer base
- the company has incurred losses in 21 out of 22 years
- it is in the early stages of changing from a film production company to a film processor and developer. It also hires film production equipment.
- the company's success is very dependant upon the level of film production in Nepal. There is a growing demand for movie theatres throughout Nepal and this will encourage local film production.

However much of the investment in theatres and local films is probably fuelled by the present tax incentives available to theatre owners and film producers. If those incentives were withdrawn or reduced the level of investment could diminish rapidly.

- as film viewers tastes become more sophisticated there will be more demand for foreign films both in theatre and video. This has been the case in India where local film production has declined significantly in the last 5 years.
- the facility and the country could gain if a foreign investor could be attracted. Such investor could help attract foreign film producers to Nepal. However this could be contrary to HMGN,s policy for development of local culture.
- given the small size of the company and the dependency of the industry on tax incentives, the suitability of the company for public listing is marginal. However a controlling shareholder with plans to expand the facility and attract foreign interest could be interested in seeking capital through the share market.
- the company would benefit from a shareholder which could provide technical and/or marketing experience.

Given the specialised nature of the facility and the lack of any marketing studies it is difficult to assess the likely level of investor interest in NFDC.

THE SALES PROCESS

We recommend that the sales process should include the following steps and features:

1. Incorporate as a Company under The Company Act, 1991

NFDC was established under the Communication Corporation Act. To enable it to be totally privatised the NFDC needs to be removed from the provisions of that act and re-registered as a company under the Company Act.

2. Adjust Land Lease to Current Market Terms.

The present lease of Government land to NFDC is on favourable terms. Before privatisation HMGN should ensure that the terms and conditions of the lease are in accordance with normal arrangements with the private sector.

3. Decide on Future Ownership of Historical/Cultural Film

NFDC holds a stock of films which have very little commercial value, but could be of historical or cultural importance to Nepal. Rather than transfer the custody of such films to a private sector owner the Ministry of communications may prefer to retain them in HMGN ownership. Any such decision must be made prior to release of the sales information memorandum. It is important that bidders understand precisely which films they will be acquiring.

4. Advertise

HMGN should advertise in local and foreign newspapers the fact that its shareholding in NFDC is for sale and call for expression of interest from any party. Copies of advertisements should be provided to foreign embassies in Nepal. Responding parties should be required to provide information to satisfy HMGN as to their financial standing and business management experience.

5. Release Sales Information Memorandum

A sales information memorandum should be provided to those parties which meet the pre-qualification requirements. A refundable deposit of NR200,000 should be required to ensure that only genuine bidders gain access to the information. As well as providing financial data the memorandum should set out:

- the proposed terms and conditions of sale. e.g. payment requirements

- warranties (if any).
- schedules of assets of the company and an indication as to their current value in use.
- statistics relating to employees.
- information required to be presented by bidders and criteria to be used by HMGN in assessing bids.
- information relating to current Government policies. e.g. reference to relevant parts of the National Communications Policy statement of 1992.

6. Bidders Preliminary Inspection

All interested parties should be provided with the opportunity to inspect company records and facilities and discuss agreed matters with sales agents (privatisation cell or other designated persons). This does not need to be a full due diligence but is designed to enable indicative bids to be developed.

7. Indicative Bids

Purchase proposals including an indicative bid price should be obtained and assessed. Discussions should take place to clarify bid proposals and HMGN should then decide whether any bid should be accepted. If no bids satisfy HMGN's criteria, including minimum value, then a decision must be made either to enter into negotiations with a selected bidder or bidders, accept the best available bid or withdraw the shares from the market.

8. Lease Option

If a buyer cannot be found at appropriate terms then consideration could be given to making the facility available by way of lease arrangements.

We regard this as a "last resort" option. A lease arrangement is likely to appeal to those who do not have the finance to buy. This would mean that the facilities would be unlikely to be developed (unless HMGN funds future capital expenditure) and would leave HMGN exposed to the risk of failure of the lessee.

POLICY ISSUES, CONDITIONS AND CRITERIA

The industry policies, conditions of sale and the criteria to be used in assessing bids needs to be agreed by HMGN and clearly set out in the information memorandum.

INDUSTRIAL POLICY

As stated above the policies and plans of HMGN relating the film industry, should be clearly stated. In particular if HMGN intends to place any particular requirements or constraints on the owners of NFDC, such conditions must be clearly stated in the information memorandum.

Section 4.9 of the National Communications Policy 1992 sets out the objectives and policies of NFDC. A private sector owner must be free to implement its own policies and objectives. If HMGN requires NFDC to assist in meeting certain social objectives then appropriate commercial arrangements would need to be agreed with the new owners. For example HMGN could contract with NFDC to provide certain assistance to local producers. An alternative is for HMGN to provide financial assistance to local producers to enable them to compete with other parties for the use of NFDC facilities. The existing tax incentives are an example of such assistance.

CONDITIONS OF SALE

It is recommended that those expressing interest in obtaining a copy of the information memorandum should be required to satisfy HMGN that they have the financial resources to make a realistic bid. Requests for copies of the memorandum should include some comment as to how the party would finance the purchase and provide names of referees who could verify such comment.

In addition it is recommended that a deposit of at least NR200,000 be required before release of a copy of the memorandum. 90% of the deposit should be refunded to those who do not bid or lodge unsuccessful bids.

The actual conditions of sale should include the following:

- Bids must be for the total number of shares available. HMGN should not be left with a minority holding.
- Payment terms should be defined. We recommend that:
 - * HMGN state that it will not provide finance for the purchase. This is a small business and investors should

be able to fund the purchase through equity and commercial borrowings.

- * That a deposit of at least 5% of the price be required on signing of the sale agreement and the balance be paid on settlement within 1 month.
- * In the event of a delay in payment penalty interest be charged. This should be at least 25% per annum.
- Any requirements relating to continuity of employment, redundancy terms etc., should be stated. We consider that this is one of the most important and contentious areas of privatisation and recommend that HMGN develop an approach that can be consistently applied to all privatisation transactions.

Sundry conditions of a standard nature will also be included in the draft sale and purchase agreement to be included in the information memorandum.

BID ASSESSMENT CRITERIA

HMGN should retain the right to negotiate with any bidder and accept other than the highest bid. However in the interest of transparency it is essential that HMGN can publicly defend the exercise of such rights by reference to predetermined criteria.

We recommend that the stated criteria for assessing bids include:

- Proposals which will assist in the development of the local film producing industry and the Promotion of Nepalese art and culture.
- Shareholding participation by Nepalese residents, particular those with an interest in developing local art and culture.
- Plans to develop the level of expertise at management and worker level
- The quality of business plans and in particular plans to lift the quality and quantity of film processing undertaken
- Proposed employment conditions and plans to provide employees with incentives and performance rewards
- Proposals for further investment and creation of more jobs

VALUATION

Without conducting a market survey of potential users of the NFDC facilities and also surveying the potential buyer interest from Nepal and elsewhere it is difficult to accurately assess how competitive the bidding will be for the Shares in NFDC. The time available for our assessment of this company has been insufficient to allow for such surveys. In considering the values set out below it must be acknowledged that:

- the company has a long history of losses and future prospects are uncertain
- indications are that there is a surplus of film production and processing facilities in India
- the recent increase in demand in Nepal has been driven by taxation incentives rather than the economic potential of the industry.

FREE CASH FLOW VALUATION

Sanli Pastore & Hill, Business Valuation Consultants, Los Angeles, have assessed the value of the shares on a free cash flow basis at NR 36,276,000. Details are set out in a separate valuation report.

Future cash flows used in the valuation are based on projections provided by the General Manager of the company. Amongst the important assumptions are:

- that total sales revenue will increase from less than 2.0 million 1992/93 to 16.1 million in 1993/94 and will progressively increase to 52.7 million by 1997/98.
- that the company will recover from a loss in 1992/93 to a profit (before tax and interest) of NR 6.5 million in 1993/94 and progressively increasing to 34.0 million by 1997/98.

Free cash flows have been discounted back to present value at a discount rate of 30%.

GOING CONCERN ASSETS VALUE

This involves an assessment of the price a buyer would pay to take over the established structure rather than set up a new business. The value can be assessed as follows:

1. Assess the current value of the net assets of the company.

2. Allow for the benefit of any past tax losses which will be available to the new owners.
3. Add some allowance for the fact that the operation is "up and going."

Our estimate of the going concern value is set out in schedule 1 attached. It totals NR 50 million. We emphasise that the calculation is an approximation as it is not possible to accurately calculate the value which a buyer would place on the specialised equipment.

LIQUIDATION VALUE

This involves an assessment of the net proceeds which would be available to shareholders if the company was liquidated. The main difference between this and the above going concern value is that some fixed assets will realise less on a liquidation sale than on a going concern basis. There are also liquidator, legal, and other costs associated with a liquidation.

It is appreciated that HMGN would be reluctant to liquidate the company. However this valuation approach establishes a minimum value for the shares.

An estimate of liquidation value is set out in schedule 2. The total net proceeds are estimated at NR 35.275 million.

CONCLUSION

We estimate that, for the purposes of is in the range of NR 35 million to NR 45 million.

SHARES OR NET ASSETS

In taking over an existing business many buyers prefer to acquire the assets rather than the shares. The reasons include:

- in acquiring shares the new shareholder accepts the risk that their may be undisclosed liabilities or contingent liabilities arising out of previous activities of the company. This may include income tax liabilities, legal claims and undisclosed amounts due to employees and creditors. In acquiring assets the buyer has no liability for the liabilities of the previous owner.

- by acquiring assets the buyer can base future tax depreciation claims on the current value of the assets rather than on the depreciated book value. In most cases this results in a higher depreciation claim. This advantage may be offset by fees payable on transfer of land.

When a company has tax losses which can be set off against future profits buyers may prefer to acquire the shares so as to gain the future tax benefits. However the buyer may ask that HMGN, as vendor, provides a warranty relating to any undisclosed liabilities of the company.

In the case of NFDC we recommend that HMGN advertise the shares for sale, but be ready to consider offers from bidders who may have a strong preference for an acquisition of assets. If a sale of shares is negotiated HMGN needs to consider the form of warranties it is prepared to provide.

Schedule 1

**Nepal Film Development Corporation
Going Concern Asset Based Valuation**

	<u>NR</u> (000's)
Net Assets per Adjusted Balance Sheet	49,395
<u>Less</u> - Reduction in Book value of Films to bring to Market value	(2,076)
- Costs relating to surplus workers wages and salaries until resignation	Nil
Redundancy Payments	Nil

	47,319

<u>Add</u> - Allowance for costs of establishing new business	1,000
- Allowance for tax losses carried forward losses Nr. 9.0 million @ 40%	3,600

Estimated Going Concern Value	49,919
	=====
Say	50,000

Schedule 2

**Nepal Film Development Corporation
Liquidation Valuation**

NR
(000's)

Net Assets as per Adjusted Balance Sheet 49,395

Estimated Profit or Loss on disposal and
collection of assets.

<u>Assets</u>	<u>Adjusted Book Value</u>	<u>Estimated Proceeds</u>	<u>Profit (Loss)</u>	
Film	4,076	2,000	(2,076)	
Other Stock	4,366	3,929	(437)	
Debtors	1,689	1,604	(85)	
Advance	5,623	5,061	(562)	
Deposits LC's	23,106	23,106	Nil	
Land	130	Nil	(130)	
Building	10,068	6,673	(3,395)	
Plant & Machinery	9,220	2,556	(6,664)	
Vehicles	519	389	(130)	
Furniture & Equipments	183	92	(91)	
	-----	-----	-----	
	58,980	45,410	(13,570)	(13,570)
	=====	=====	=====	
Net Assets Adjusted for Profit (loss) on disposal				35,825
Liquidation Fees and Expenses				550

Net Proceeds of Liquidation				35,275
				=====

BALAJU TEXTILE INDUSTRY LIMITED

PRIVATISATION OPTIONS

INTRODUCTION

In considering the options for privatising Balaju Textile Industry Limited ("BTI") the following characteristics and issues are relevant:

- This is a small company operating in an internationally competitive industry. The company suffers badly from outdated equipment, lack of technical skills, lack of product development and product mix and does not have the financial resources to improve its position.
- the company has incurred losses in 3 out of the last 4 years, has negative shareholder's funds and is technically insolvent.
- low productivity has resulted in high production costs per metre and contributed to the losses.
- given the small size of the company and the history of losses it is not suitable for public listing or employee ownership.

The size and low value of the company has not justified an independent marketing or technical study of the company. However the present manager has expressed confidence that with appropriate technical assistance, training and capital the company could be converted into a profitable activity.

An important element in the manager's opinion is that the plant should be geared up to operate on a 3 shift basis. If this could be achieved then, apart from those who could not be retrained, most workers should retain their jobs.

While we have carried out an approximate assessment of value we consider that this is a situation where value can only be assessed through a competitive bidding process.

THE SALES PROCESS

We recommend that the sales process should include the following steps and features:

1. Advertise

HMGN should advertise in local newspapers the fact that its shareholding in BTI is for sale and call for expression of interest from any party. Copies of advertisements should be provided to foreign embassies in Nepal. Responding parties should be required to provide information to satisfy HMGN as to their financial standing and business management

2. Release Sales Information Memorandum

A sales information memorandum should be provided to those parties which meet the pre-qualification requirements. A refundable deposit of NR200,000 should be required to ensure that only genuine bidders gain access to the information. As well as providing financial data the memorandum should set out:

- the proposed terms and conditions of sale. e.g. payment requirements
- warranties (if any).
- schedules of assets of the company and an indication as to their current value in use.
- statistics relating to employees.
- information required to be presented by bidders and criteria to be used by HMGN in assessing bids.
- information relating to current Government policies relevant to the industry. e.g. import policy, incentives for manufacture.

3. Bidders Preliminary Inspection

All interested parties should be provided with the opportunity to inspect company records and facilities and discuss agreed matters with sales agents (privatisation cell or other designated persons). This does not need to be a full due diligence but is designed to enable indicative bids to be developed.

4. Indicative Bids

Purchase proposals including an indicative bid price should be obtained and assessed. Discussions should take place to clarify bid proposals and HMGN should then decide whether any bid should be accepted. If no bids satisfy HMGN's criteria including minimum value, then a decision must be made either to enter into negotiations with a selected bidder or bidders, accept the best available bid or liquidate the company.

CONDITIONS AND CRITERIA

BEST AVAILABLE COPY

The conditions of sale and the criteria to be used in assessing bids need to be agreed by HMGN and clearly set out in the information memorandum.

CONDITIONS OF SALE

BEST AVAILABLE COPY

It is recommended that those expressing interest in obtaining a copy of the information memorandum should be required to satisfy HMGN that

they have the financial resources to make a realistic bid. Requests for copies of the memorandum should include some comment as to how the party would finance the purchase and provide names of referees who could verify such comment.

In addition it is recommended that a deposit of at least NR200,000 be required before release of a copy of the memorandum. 90% of the deposit should be refunded to those who do not bid or lodge unsuccessful bids.

The actual conditions of sale should include the following:

- Bids must be for the total number of shares available HMGN should not be left with a minority holding.
- Payment terms should be defined. We recommend that:
 - * HMGN state that it will not provide finance for the purchase. This is a small business and investors should be able to fund the purchase through equity and commercial borrowings.
 - * That a deposit of at least 5% of the price be required on signing of the sale agreement and the balance be paid on settlement within 1 month.
 - * In the event of a delay in payment penalty interest be charged. This plus surcharge should be at least 25% per annum.
- Any requirements relating to continuity of employment, redundancy terms etc. should be stated. We consider that this is one of the most important and contentious areas of privatisation and recommend that HMGN develop an approach that can be consistently applied to all privatisation transactions.

Sundry conditions of a standard nature will also be included in the draft sale and purchase agreement to be included in the information memorandum.

BID ASSESSMENT CRITERIA

BEST AVAILABLE COPY

HMGN should retain the right to negotiate with any bidder and accept other than the highest bid. However in the interest of transparency it is essential that HMGN can publicly defend the exercise of such rights by reference to pre-determined criteria.

We recommend that the stated criteria for assessing bids include:

Proposals which will assist in the development of the local
textile producing industry.

- Shareholding participation by Nepalese residents particular those with marketing or management experience in the industry.
- Plans to develop the level of expertise at management and worker level
- The quality of business plans and in particular plans to lift the quality and quantity of products produced
- proposals relating to any redundant employees.
- Proposed employment conditions and plans to provide employees with incentives and performance rewards
- Proposals for further investment and creation of more jobs

VALUATION

Without conducting a market survey of potential users of the BTI facilities and also surveying the potential buyer interest from Nepal and elsewhere it is difficult to accurately assess how competitive the bidding will be for the Shares in BTI. The time available for our assessment of this company has been insufficient to allow for such surveys. In considering the values set out below it must be acknowledged that the company has a history of losses and future prospects are very uncertain.

CAPITALISED FUTURE PROFIT VALUATION

Sanli Pastore & Hill Business Valuation Consultants, Los Angeles, have assessed the value of the shares on a capitalization of future profits basis at NR 16,740,000. Details are set out in a separate valuation report.

Future cash flows used in the valuation are based on projections provided by the General Manager of the company. Amongst the important assumptions are:

- that total sales revenue will increase from NR 17 million for 1992/93 to 48 million following some plant modernisation and introduction of a 3 shift operation.
- that the increased production of 2.2 million metres (1991/92 was 0.837 metres) can be achieved and sold at current market prices.
- that the company will recover from a loss expected to be in the vicinity of NR 1.0 million in the 1992/93 year to a profit of 10.0 million before tax, after the reorganisation.

The maintainable profit has been capitalised at a rate of 20%, which rate allows for future real growth of 10%.

GOING CONCERN ASSETS VALUE

This involves an assessment of the price a buyer would pay to take over the established structure rather than setup a new business. The value can be assessed as follows:

1. Assess the current value of the net assets of the company.
2. Allow for the benefit of any past tax losses which will be available to the new owners.
3. Add some allowance for the fact that the operation is "up and going."

Our estimate of the going concern value is set out in schedule 1 attached. It totals NR 37 million. We emphasise that the calculation is an approximation as it is not possible for local valuers to accurately calculate the value which a buyer would place on the specialised equipment.

LIQUIDATION VALUE

This involves an assessment of the net proceeds which would be available to shareholders if the company was liquidated. The main difference between this and the above going concern value is that some fixed assets will realise less on a liquidation sale than on a going concern basis. There are also liquidator, legal and other costs associated with a liquidation.

It is appreciated that HMGN would be reluctant to liquidate the company. However, this valuation approach establishes a minimum value for the shares.

An estimate of liquidation value is set out in schedule 2. The total net proceeds are estimated at NR 17 million.

CONCLUSION

We estimate that, for the purposes of
it is in the range of NR 17 million to NR 25 million.

SHARES OR NET ASSETS

In taking over an existing business many buyers prefer to acquire the assets rather than the shares. The reasons include:

- in acquiring shares the new shareholder accepts the risk that there may be undisclosed liabilities contingent liabilities arising out of previous activities of the company. This may include income tax

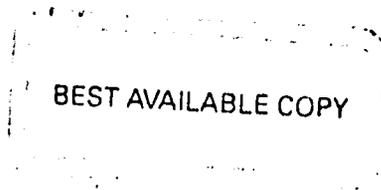
BEST AVAILABLE COPY

liabilities, legal claims and undisclosed amounts due to employees and creditors. In acquiring assets the buyer has no liability for the liabilities of the previous owner.

- by acquiring assets the buyer can base future tax depreciation claims on the current value of the assets rather than on the depreciated book value. In most cases this results in a higher depreciation claim. This advantage may be offset by fees payable on transfer of land.

When a company has tax losses which can be set off against future profits, buyers may prefer to acquire the shares so as to gain the future tax benefits. However the buyer may ask that HMGN, as vendor, provides a warranty relating to any undisclosed liabilities of the company.

In the case of BTI we recommend that HMGN advertise the shares for sale, but be ready to consider offers from bidders who may have a strong preference for an acquisition of assets. If a sale of shares is negotiated HMGN needs to consider the form of warranties it is prepared to provide.



Balaju Textile Industry Limited
Going Concern Asset Based Valuation

	<u>NR</u> (000's)
Value of net assets including fixed assets at current value	NR 36,382
<u>Less</u> Allowance for cost of surplus staff to be taken over by current value	
(a) Extra salary and wage costs for period until resignation, redundancy (after tax). Estimated 15 labour and 12 Administrative / 12 Technical NR 946,000 Less Tax 376,000	NR (570)
(b) Gratuity costs accumulating from date of sale of shares until resignation, retirement or redundancy (after tax)	NR (50)
(c) Estimated redundancy costs (after tax)	NR (570)
<u>Add</u> (a) Value of any past tax losses available to be carried forward 40% of NR 5.0 million	NR 2000
(b) Allowance for the costs which would be involved is setting up a new textile company	NR 200
Net Value	----- NR 37,392 =====
Say	NR 37,000

**Balaju Textile Industries
Liquidation Valuation**

NR
(000's)

1. Net Assets as per Adjusted Balance Sheet
(including fixed assets at current going concern value) NR 36,382

2. Estimated Profit or Loss on disposal and
collection of assets.

<u>Assets</u>	<u>Adjusted Book Value</u>	<u>Estimated Proceeds</u>	<u>Profit (Loss)</u>	
Stock	4,096	3,072	(1,024)	
Trade Debtors	327	311	(16)	
Other Advances	99	99	Nil	
Land	20,969	20,969	Nil	
Building	8,280	6,624	(1,656)	
Plant & Machinery	21,289	5,446	(15,843)	
Vehicles	53	40	(13)	
Officer Furniture & Equipments	40	20	(20)	
	-----	-----	-----	
Totals:	55,153	36,581	(18,572)	NR 18,572
	=====	=====	=====	-----

3. Net Assets Adjusted for Profit (loss) on disposal 35,825

4. Liquidation Costs and Expenses

- Redundancy or termination costs

payable to employees

NR Nil

- Liquidators fees, legal fees and

Sundry expenses

NR 400

Net Liquidation Value

NR 17,410

=====

HIS MAJESTY'S GOVERNMENT OF NEPAL
MINISTRY OF FINANCE
PRIVATIZATION OF PUBLIC ENTERPRISES

INFORMATION MEMORANDA RELATING TO THE
SHARES OF HMGN IN
RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION
AND
NEPAL FILM DEVELOPMENT CORPORATION

Prepared by

Intrados/IMG

under Contract with

International Privatization Group
Price Waterhouse
Washington, D.C.

June 1993

HIS MAJESTY'S GOVERNMENT
OF
NEPAL
MINISTRY OF FINANCE
PRIVATIZATION OF PUBLIC ENTERPRISES

Information Memorandum

Relating to the

Shares of HMGN

In Raw Hide Collection and Development Corporation

Date : _____ , 1993

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SECTION 1. INTRODUCTION

1.1 Introduction

This information memorandum ("Memorandum") in relation to His Majesty's Government of Nepal's (HMGN) shares ("shares") in Balaju Textile Industry Ltd. ("BTI" or "the Company") has been prepared by INTRADOS/IPG of Washington, D.C. (together "Advisors" which expression shall include all other consultants or advisors who have contributed to the information contained in this Memorandum) for HMGN from information provided to the Advisors by the Company and from publicly available information. The Memorandum is for use by those persons who are considering the purchase of the shares in the Company ("Shares"). It has been prepared solely for information purposes in order to assist interested parties in making their own evaluation of the Company and does not purport to contain all of the information that a prospective purchaser may require. In all cases, interested parties will be required to conduct their own investigation and analysis of the Company and the data set out in this Memorandum.

1.2 Confidentiality

This Memorandum is confidential to the person ("Party") who has paid the initial fee and applied for a copy of the Memorandum. So too, all information provided to the Party by HMGN or the Company shall be treated as confidential by the Party. In accepting delivery of the Memorandum, the recipient acknowledges and agrees to observe such confidentiality at all times and undertakes not to use or disclose any such information other than for the sole purpose of enabling the Party to evaluate the Company and make an offer for the acquisition of the Shares. This undertaking is in addition to any separate confidentiality agreement which HMGN or the Company may require the Party to enter into.

1.3 Status of Memorandum

This Memorandum is not an offer by HMGN to sell its shares in the Company. HMGN may at any time negotiate with one or more prospective purchasers and enter into any agreement for the sale of the shares without notice to the Party or any or all interested parties. HMGN reserve the right at any time to terminate further the participation in the investigation and sale process by the Party or by any or all interested persons and to terminate such process or modify the procedures without assigning any reason for such action. HMGN shall be free to conduct the sale of the Shares in their sole and unfettered discretion and may determine procedures relating to the sale of the Shares which may be more or less favorable to any potential purchaser than to other potential purchasers.

1.4 Disclaimer

Neither HMGN nor the Company nor the Advisors have independently verified the information contained in this Memorandum. The Advisors, HMGN and the Company make no representation or warranty as to the accuracy and completeness of the information and projections contained in this Memorandum or provided to any party by HMGN, the Company, the Advisors or any other person and they shall have no liability for any statements, opinions, information or matters (express or implied) arising out of, contained in or derived from, or for any omission from, this Memorandum or any other written or oral communications transmitted to the Party in relation to the business or the Company.

In particular, this Memorandum includes certain statements, estimates and projections with respect to the future performance of the Company. These reflect certain assumptions made by the Company or the Advisors concerning anticipated results which may or may not prove to be accurate. No representations or warranties are made by the Advisors, HMGN or the Company as to the accuracy or

completeness of such assumptions, statements, estimates or projections. The Party must rely solely on its own judgment, knowledge, investigation and assessment of the matters which are the subject of this Memorandum and any other information provided.

Neither the Party nor any other person shall have any claim whatsoever against the Advisors, HMGN, the Company or any of their officers, employees, agents or advisors arising out of or relating to the sale of the Shares or this Memorandum, other than those contained in any formal agreement for sale and purchase entered into between HMGN or the Company and any purchaser. The Party acknowledges and agrees that no contract or agreement of any nature shall exist between the Party and the Advisors, HMGN or the Company and no equitable rights or interest of any nature shall vest in the Party or any other person in relation to the proposal for sale of the Shares unless and until a formal written agreement has been executed. The Party waives all claims in relation to the proposal except those arising pursuant to the terms of such written agreement to which it is a party.

1.5 Shareholding in RHDC

The authorized capital of the company is Nrs. 10,000,000 comprising 100,000 ordinary shares of NR 100 each. 47,455 shares have been issued and paid up.

Current shareholding is set out in appendix 10. In summary the share holding is:

	Share Held	
	<u>Number</u>	<u>%</u>
Held or controlled by HMGN.	28,000	59.0
Held by Tannery Companies	18,966	40.0
Public Shareholders	489	1.0

Total	47,455	100.0

SECTION 2. SALE PROCESS

2.1 Introduction

In January 1991 HMGN resolved to encourage greater participation by the private sector in the development of an open and dynamic economy in Nepal. This was to be achieved by the privatization of certain public enterprises.

In accordance with that policy HMGN has decided to sell its shares in RHDC, with a view to completing this sale by October, 1993.

This section of the Memorandum sets out the process by which the sale is to be achieved within that timeframe.

2.2 Nature of Interest Offered

It is intended that the privatization objectives will be achieved by the sale by HMGN of its shares in the Company.

The shares controlled by HMGN and available for sale total 28000. It will be a condition of any sale that the purchasers will also offer to purchase the 489 shares held by the general public on the same terms and conditions as apply to the sale and purchase of HMGN's shares. However any decision to sell their shares shall rest with the public shareholders.

2.3 Access to Further Information

It is recognized that the information contained in this Memorandum may be inadequate to enable potential purchasers to evaluate the Company and formulate bids. If, after reviewing this Memorandum, prospective purchasers wish to proceed further with a view to making a formal proposal for the Shares, the following procedure must be followed :

- (a) application must be made to : Ministry of Finance, Corporation Coordination Division, Privatization Unit, Bagh Durbar, Kathmandu.
- (b) a confidentiality agreement in the form set out in appendix 1 must be completed and forwarded to the Ministry of Finance.

On completion of these formalities the Party will be given access to the records and facilities of the Company through Ministry of Finance, Corporation Coordination Division, Privatization Cell to obtain further information that may be available and relevant to a purchaser of the Shares. Interested parties should not make any direct approach to the Company or its employees without first completing these formalities.

2.4 Bidding Process

- (a) The sale process is public and any person who has purchased a copy of this Memorandum is entitled to bid. However, the sale process differs from the conventional form of public tender. Once bids have been received, HMGN proposes to negotiate with selected bidders with a view to finalizing a sale of the Shares to that Bidder whose proposal is seen by HMGN to best serve the objectives of privatization.
- (b) Bids must be received by the Ministry of Finance, Corporation Coordination Division, Privatization Cell , Bagh Durbar, not later than 5 p.m. on ____ 1993.
- (c) Bids are to be delivered in a sealed envelope marked "RHDC Shares".
- (d) Bids must be made in the form set out in appendix 2 and must contain all of the information required by each part of the bid form.
- (e) All bids should be expressed in Nepalese Rupees.
- (f) HMGN and the Company shall be entitled to enter into correspondence or discussions with any prospective purchaser prior to the final date for receipt of bids and at any time after that date. HMGN and the Company shall be under no obligation to act in a similar manner to any other bidder or potential bidder.

- (g) HMGN and the Company shall not be bound to accept any or the highest bid. Acceptance will be complete on execution by HMGN and the successful purchaser of the written agreement for sale and purchase. Completion of the purchase shall then take place in accordance with the provisions of that agreement.
- (h) If the successful bidder is a company, whether or not a private company or a listed or unlisted public company, HMGN may in their sole discretion require the directors and / or the shareholders or any of them to guarantee the obligations of the purchaser or to provide other security for the performance of the purchaser's obligations.
- (i) If any doubt or obscurity arises as to the sale procedure set out in this Memorandum or any advertisement or in communication relating to the sale process (but not in the agreement for sale and purchase, after it has been signed by the parties thereto) such doubt or obscurity shall be resolved by HMGN in its absolute discretion.
- (j) This Memorandum and any contract for the sale and purchase of the Shares arising therefrom shall be governed by and construed in accordance with the laws of Nepal.
- (k) The sales process is subject to the provisions of paragraph 1.3 of this Memorandum.

2.5 Material issues

In evaluating the proposal and submitting bids, prospective purchasers will need to give consideration to and assess the impact on the bid the following matters :

- (a) **Redundancies :** It is envisaged that, following purchase of the Shares, a purchaser will wish to restructure the Business operation in the interests of efficiency.

Any restructuring will, inevitably, involve redundancy for some employees. Any costs of redundancies will represent a liability of the Company. HMGN accepts no responsibility for any such costs.
- (b) **Business Plans :** Without limiting shareholders freedom to operate the Company following acquisition in such manner as the shareholders consider appropriate. HMGN will take into account, when evaluating competing bids, the following factors (in addition to price) which bidders are asked to address when submitting offers:
 - (i) Programmes to develop the level of local expertise and ability at management and worker levels.

- (ii) Ability of the bidder to introduce programmes increasing the quality and quantity of raw hides collected.
- (iii) Business plans for the Company.
- (iv) Proposals in relation to anticipated levels of redundancy and improvement of employment conditions and employee welfare.
- (v) Proposals to provide employees with incentives or to contract some activities to independent contractors.

HMGN is concerned to ensure that the Company will be operated properly after sale and will play a part in the economic development of Nepal. These issues will be regarded by HMGN as important in the evaluation process.

- (c) **Ability to Finance Acquisition and Continued Operation of Company :** HMGN will need to be satisfied as to the ability of bidders to finance the acquisition of the Shares and to continue to operate the Company on a viable basis. This aspect should be addressed in the bid form. Although HMGN will provide every assistance to the successful bidder to enable early completion of the sale process (any assistance required should be identified by bidders in the bid form), HMGN/the Company will not provide financial assistance to the purchaser of the Shares, either by way of deferred purchase terms or otherwise.
- (d) **Management Expertise :** Evidence of the bidder's past management experience and ability should be provided in the bid form.
- (e) **Warranties :** HMGN is putting the Shares up for sale on an "as is" basis. It is not proposed that HMGN or the Company will provide any warranties, representations or undertakings in relation to the Company or its Business. Potential purchasers must satisfy themselves as to the assets and operation of the Company and bid for the purchase of the Shares based on their own judgment.
- (f) **Government Consents :** An agreement by HMGN/the Company to sell the Shares to the successful purchaser will constitute approval by all departments of HMGN whose consent is necessary to the acquisition of the Shares by the successful purchaser. No separate applications for other approvals will be necessary.

2.6 Deposit

An amount equal to 90 % of the fee of R. 200,000 paid by the Party to receive a copy of this Memorandum will be refunded (without interest) if the Party is unsuccessful in purchasing

the Shares for any reason (other than default in completing the sale and purchase after final agreement has been signed). The fee paid by the successful bidder shall be applied as part payment of the purchase price of the Shares.

A further amount which, together with the initial fee of Rs. 200,000, equals 5 % of the purchase price, is to be paid by the successful bidder at the time when the agreement for sale and purchase is signed. If the total payment is not made within the specified period of time, the deposited amount shall be forfeited.

2.7 Legal Documentation

A draft agreement for sale and purchase of the Shares is set out in appendix 3. This should be regarded as reflecting HMGN's present approach to the terms of the agreement which the successful bidder will be required to sign. However, HMGN reserves the right to change the terms in any way or to adopt a new form entirely. The ultimate form of agreement which embodies the obligations of HMGN and the purchaser will be agreed between those parties.

2.8 Liaison and Enquiries

All enquiries and requests for information in relation to this Memorandum and the sale process should be directed to:

Mr. Mukunda Prasad Aryal
Joint Secretary
Ministry of Finance, Corporation Coordination Division
Privatization Cell,
His Majesty's Government of Nepal
Bagh Durbar
Nepal.

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2.9 Sale Timetable

It is proposed that the following timetable will govern the sale process:

- ___ 1993 Publication of Tender Notice
- ___ 1993 Distribution of Information Memorandum.
- ___ 1993 Last date for receipt of bids.
- ___ 1993 Completion of evaluation by HMGN of bids received.
- ___ 1993 Negotiation with successful bidders.
- ___ 1993 Agreement and Payment of deposit.

HMGN reserves the right to change this timetable at any time.

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SECTION 3 : BUSINESS INFORMATION

3.1 GENERAL INFORMATION

3.1.1 Company Background

Hides are major raw materials for the leather and tanning industries producing both semi-finished and finished leather products.

The need for hides became an important consideration with the advent of the government's policy on establishing a domestic leather industry in Nepal. The setting-up of the first leather and shoe factory, Bansbari Leather and Shoe Factory (BLSF) in 1965- recently privatized by the Government- followed by liberalization in this industry over the years, led to the establishment of further 11 leather and tanning factories in the country.

With the evolution of this industry, there emerged a growing need for raw materials used for producing end products. Realizing the scarcity of raw hides needed for feeding this industry, the government, in 1981/82, established the Raw Hide Collection and Development Corporation (RHCDC). Formed under the Company Act of Nepal, the RHCDC was a joint venture between BLSF, Hetauda Leather Industry (HLI), and the private sector. The RHCDC is charged with the responsibility of collecting, processing, and developing of raw hide leading to its sale to tanneries that supply to the domestic market as well as markets abroad. Collection of raw hides is done through RHCDC collection centers established in 60 districts of the country.

Towards the end of 1982, a year after its inception, RHCDC had collected, processed and sold over 77,000 pieces of rawhides. In the fiscal year 1991/92, total sales surpassed 215,000 pieces, showing an annual growth rate of 18% over the last 10 year period. Having experienced losses in its first few formative years, RHCDC reported significant profits in the last 8 years until July 1992. The organisation is likely to report a loss for the year ending 1992/93.

RHCDC has a total of 300 collection centers, 14 regional & branch offices and 23 subbranches scattered in 60 districts of the country. These represent a total land area of about 16.5 Ropanis. Major towns where the corporation has landholdings include Kathmandu, Pokhara, Hetauda, Butwal, and Dharan with a total of 2.5 Ropanis in Kathmandu only.

3.1.2 Economic Significance

The Corporation was established with the objective of assisting in the promotion and development of the shoe and leather industry in Nepal. It now collects almost all the raw hide required by the 11 large size tanneries in the country. As the only major collector and provider of raw hides- due to the extensive nature of its collection capabilities-, the RHCDC has played an important role in the rapid growth that the leather and shoe industry has experienced in the last few years.

The demand for rawhides is in the neighborhood of 400,000 pieces. RHCDC was able to supply only 215,000 pieces in the fiscal year 1991-92. It is anticipated that privatization of this corporation will lead to increased collection of rawhides that could be made available to the tanneries - which already have an installed capacity to process 500,000 units.

In view of the fact that the leather industry has still remained labor intensive, with significant cost advantages to be achieved through cheap labor sourcing, privatization of the RHCDC will enhance the export potential of Nepalese leather products and further increase foreign exchange earnings.

3.1.3 Capability Profile

3.1.3.a Grades of Hides Collected, Processed, and Developed by RIICDC for Purchase by Tanneries

80% of the hides collected by the RHCDC are of the buffalo and 20% are those of the cow. In lines with local religious beliefs, slaughtering of the cow and the female buffalo is prohibited, therefore, hides for these two animals can only be collected once they are dead.

The hides collected, processed, and developed for purchase by tanneries fall in sizes as shown in the table below.

Shape	Buffalo	Cows
a. Extra Large	32 sq. feet or more	---
b. Large	24-31.99 sq. feet	23 sq. feet or more
c. Big	18-23.99 sq. feet	16-22.99 sq. feet
d. Medium	12-17.99 sq. feet	11-15.99 sq. feet
e. Small	6-11.99 sq. feet	6-10.99 sq. feet
f. Extra Small	4-5.99 sq. feet	4-5.99 sq. feet

(Classification based on structure of the hide, its grain pattern, and size)

Grade 1: Hide of healthy cattle with full size; fresh and adequately preserved; and having no defects on either side.

Grade 2: Full size; fresh and adequately preserved; having no defects on either side (flesh and grain); following defects on other parts of the body deemed as acceptable:

- i. A cut or hole not exceeding 1 sq. inch in depth
- ii. A wound, or a scar, or loss of hair not exceeding 1 sq. inch in area
- iii. a small portion of the side of the hide damaged or eaten by worms

Grade 3: Full size; fresh and adequately preserved; having no more than 3 of the following defects, and also with 3/4th of the total size intact:

- i. branded or with attached fecal deposits
- ii. scratches on one side
- iii. small part that is rotten or decomposed
- iv. any other defects mentioned in Grade 2

Grade 4: Rawhides of this grade have more scratches, and their grain structure is non-uniform. Following defects may also cause the hide to be classified under this grade.

- i. 1 sq. foot decomposed
- ii. Hide preserved by wrong method but could still be preserved
- iii. Hides with defects mentioned in Grade 2 and Grade 3 above but having 2/3 part intact

3.1.3.b Types of Processed Hides Generated from Tanneries Once Received from RHCDC in Raw Form

- a. Wet Blue (Semi-Finished)
- b. Crust Leather (Processed)
- c. Finished Leather (Fully Finished)

3.1.4 Corporation Outputs

The RHCDC supplied over 215,000 pieces of rawhide to the tanneries industry in Nepal in 1991-92.

3.1.5 Sources of Information

The information for this appraisal has been obtained from interviews with previous Company management, the management of the two major tannery units, and an expert who previously served as Chairman of RHCDC and is now with the Leather Industries Co-ordination Cell of the Ministry of industry.

Additionally, an extensive number of independent reports were reviewed as well as a status report prepared by the General Manager of the Company for the Ministry of Finance in March 1993. The organisational and engineering appraisal was necessarily very limited in scope and depth. It was based on:

- * Interviews with previous management.
- * Review of all the documents and information provided by the company.
- * A review of the processes and methods for collection, processing, storage, and distribution of raw hides.
- * An assessment of the organisation structure and arrangements as well as the management information systems and the human resources available to the company.
- * Data provided by the factory management.

3.2 MARKET INFORMATION

Demand Variables

3.2.1 Consumer Variables

End Users /

All the rawhide collected by the RHCDC is sold to the 11 tanneries that further process it to 3 different kinds of products that are then sold domestically as well as in the foreign market.

The three different products being made are:

- a. Wet Blue (Semi-Processed Hide)
- b. Crust Leather (Processed)
- c. Finished Leather (Fully Processed)

The tanneries export over 70% of their products to foreign markets and 30% is consumed domestically. Of the total quantity of products exported, 60% comprises the wet blue variety, 30% is crust leather, and 10% is of the finished leather type.

For the domestic market, most of the usage is in the area of leather shoe production, and other products— not produced in large volumes— that include portfolio bags, and belts mainly for the army and the police force.

3.2.2. Quantity Consumed

The annual requirement of the 11 large tanneries in Nepal is in the region of 400,000 pieces. They depend on the RHCDC for virtually all the supply of rawhide. Therefore, the total supply of 215,000 pieces by the RHCDC is immediately consumed by the tanneries.

3.2.3. Competitor Variables

3.2.3.a. Market Shares

Until three years ago, the RHCDC was the only agency empowered to collect raw hide from around the country. With the relaxation of government policy in 1989, and the allotment of licenses to others, raw hides are now generally collected in three ways: a) by RHCDC, through its organized and independent collection centers established extensively all over the country, b) directly by the tanning industries themselves, and c) through many local collectors who are generally appointed by the tanners, but in some cases they work independently, selling hides and skins to tanneries on a piece rate basis.

RHCDC dominates the market in the collection of raw hides. Raw hides collected by others are very low and can be deemed as negligible. However, in Kathmandu the competition is keen as there is a sizable buffalo population being slaughtered for meat consumption.

3.2.4 Availability of Raw hides

3.2.4.a Historical Indicators:

Since the RHCDC happens to be the dominant collector of rawhides in the country, its collection ability can reflect on the majority of rawhides available in the country. However, based on analysis of recent studies carried out by the Ministry of Industry, and interviews conducted with industry experts, the potential availability

of hides is substantially higher than currently being acquired for use by the industry. Experts have indicated that over 400,000 pieces of rawhides could be made available annually to the industry in the next 3 years if the collection rates were higher than they exist today.

The low rates of collection are attributable to poor transport facilities— inability of collectors to reach inaccessible areas due to lack of proper roads and highways— and lack of enough collection centers in strategic locations. However, the numbers cited below and the analysis of the market for raw hides have taken these constraints into account. It is more a issue of productivity and efficiency of collection that need to be enhanced to reach the uncollectible amounts. Therefore, it is hoped that private sector ownership and management into RHCDC will help in significantly increasing collection rates.

The table below highlights the generation of rawhide based on the population of cattle and buffalo in Nepal, the offtake of hides, hides collectible, total hides collected by RHCDC, and productivity of collection of RHCDC.

Livestock Population of Nepal, Offtake of Hides, Total Hides Available, and Hides Collected by RHCDC (in '000)

	87/88	88/89	89/90	90/91	91/92
a. Hide					
- Buffalo	2,952	3,003	3,012	3,044	3,058
- Cattle	6,343	6,285	6,281	6,255	6,246
b. Hides Available					
Offtake basis					
- Buffalo -12.2%	360	366	367	371	373
- Cattle -2.8%	178	176	176	175	175
c. Total Raw Hides Available	538	542	543	546	548
d. Total Raw Hides Deemed Collectible Based on Accessibility	307	309	310	311	312
e. Total Collected by RHCDC	129	168	170	184	215
f. Total Collected by Others (5%)	15	15	15	15	15
g. Raw Hide not Collected by RHCDC	178	141	139	127	97
h. Colln. Rate (%) (RHCDC)	42	54	55	59	68

Comments:

a. The livestock population in Nepal was obtained from "Livestock and Fishery", Part 2 of the Statistical Report of the Agriculture Information Division, Department of Agriculture.

b. The calculation of off-take amounts of rawhide from the total cattle and buffalo population is based on mortality/slaughter rates obtained from "Leather and Leather Products Sub Sector Study: TPC/ISC 1980, Ministry of Industry. The off-take figures

for both these animals are very much on the conservative side. This is more so in the case of the buffalo, as there is a sizable number of these animals being brought in from India for slaughter—owing to a high demand for buff meat in Kathmandu. Due to the absence of an organized meat production industry in Nepal and free-border trade with India, there is no account of the number of buffaloes being brought into the country for slaughter, and therefore, the numbers on the livestock population do not reflect this import.

c. Total raw hides available are calculated based on mortality/ slaughter rates described above.

d. The number of "Total Hides Deemed Collectible Based on Accessibility" were based on an analysis of the accessibility of pick-up locations in all the 75 districts of the country. Poor transportation facilities, lack of proper roads, and the vagaries of the weather make it difficult to collect raw hides from remote locations. The analysis revealed a total of 43 district locations that could be deemed as accessible and where raw hides could be collected with ease. Based on this assessment, it can be reasonably assumed that 57% of the total rawhides available can be collected.

e. The total raw hide collected by RHCDC is done through its 300 collection centers established in all the accessible regions of the country.

f. RHCDC has enjoyed a monopoly on rawhide collection all these years. As part of a policy change announced by the government in 1989/90, RHCDC no longer has this authority. Though other players such as the tanneries, and independent collectors, etc. have undertaken collection on their own, the number collected is still very small. Further, though there is no data to support this claim, it is often suggested that raw hides (including dry salted) are being smuggled into India due to the high prices that this commodity is able to demand for itself in that market. The Nepal government's trade policy has identified raw hides as a product banned for exports.

RHCDC can collect all the accessible raw hide available if collection rates are better and the collection operation is more efficiently handled. Moreover, the amount smuggled is low and can be stopped once the private sector takes over RHCDC and is able to better compensate the collectors.

3.2.4.b. Future Trends

Since the potential availability of raw hide in the future will depend on the growth of the population of cattle and buffaloes, the estimation of their population, the total hides available and deemed collectible, and increase in RHCDC collection centers is being made based on the following:

With the improvement in road infrastructure, modes of transportation, and efficiency of collection in the coming years, there is bound to be an increase in the availability of raw hides as the remote locations of the country become increasingly accessible. Also, as collection rates in major towns become higher and government begins to further facilitate organized meat production, raw hide availability would be much more than the numbers being envisioned in the table below.

Projection of Livestock Population of Nepal, Offtake of Hides, Total Hides Likely to be Made Available, and Hides that could be Collected by RHDC (in '000)

	92/93	93/94	94/95	96/97	97/98
a. Hide					
-Buffalo	3,076	3,094	3,113	3,131	3,150
-Cattle	6,233	6,221	6,208	6,196	6,183
b. Hides Available					
Offtake basis					
-Buffalo-12.2%	375	377	380	382	384
-Cattle -2.8%	174	174	173	173	173
c. Total Hides Available	549	551	553	555	557
d. Total Hides Deemed Collectible Based on Accessibility (Reaching 72% in 5 years)	329	347	365	383	406
e. Total Likely to be Collected by RHDC (Collection rate increasing 5% every year to reach a total of 93% in 5 years)	241	271	302	337	373

Comments:

a. A 0.6% annual growth rate in the buffalo population has been assumed for the next 5 years. This is based on an average of the growth rates over the last 10 years. At this time, the projections do not take into account the total number of buffaloes imported from India for slaughter into Nepal. The cow population in the country has been declining. Reasons cited are the movement of the older cows to India where they would fetch very high prices. Also, though the government has introduced measures to increase quantity and quality of livestock through better breeding and vaccinations, etc., this analysis assumes an annual decrease of 0.2% of the cow population.

b. The calculation of off-take amounts of rawhide from the total cow and buffalo population is based on mortality/slaughter rates obtained from "Leather and Leather Products Sub Sector Study: TPC/ISC 1980, Ministry of Industry. The off-take figures for both these animals are very much on the conservative side. This is more so in the case of the buffalo, as there is a sizable number of these animals being brought in from India for slaughter, and the numbers on the livestock population do not reflect this import.

c. Total rawhides available are calculated based on mortality/slaughter rates described above.

d. The government has been attaching high priority for road development. Emphasis is being placed to make the country as accessible as possible. It is anticipated that over 54 district locations will become accessible in the next 5 years. This would result in 72% of the total available rawhides becoming collectible by 1996/97. An annual increase of 3% accessibility is being assumed for this analysis.

e. RHCDC had a collection rate of 68% in 1992 which increased significantly from the last few years because of the increase in collection centers. However, the collection per employee was still very low. It is anticipated, with privatization, more efficient methods of collection will be introduced. Therefore, this analysis assumes an annual increase of 5% in the collection rates over the next 5 years.

3.2.5 Competition

As mentioned earlier, RHCDC was the only agency empowered to collect raw hide from around the country until 1989. With the relaxation of government policy, and the allotment of licenses to others, raw hides are now generally collected in three ways: a) by RHCDC, through its organized and independent collection centers established extensively all over the country, b) directly by the tanning industries from the butchers, and c) through many local collectors who are generally appointed by the tanners, but in some cases they work independently, selling hides and skins to tanneries on a piece rate basis.

With its vast network of collection centers, RHCDC dominates the market in the collection of raw hides in the country. Raw hides collected by others on a nationwide basis are very low and can be deemed as negligible.

However, the competition for raw hide collection in the Kathmandu valley has been increasing appreciably. There is one private sector tannery that has the license to collect rawhides in the valley. This operator has been collecting on an average about 15000 raw hides annually (at the rate of 50 hides per day).

Another tannery, Bansbari Leather and Shoe Factory— previously government-owned but now transferred to the private sector— was granted the right by RHCDC to collect rawhides on its own by way of a royalty basis. It collects over 15,000 (at the rate of 50 per day) rawhides from the local butchers through its own personnel and equipment.

3.2.6 Marketing Analysis

3.2.6.a. Strengths

RHCDC possesses a number of strengths that makes it a very attractive proposition for investment. These are:

- a. Its established history and structure of ownership: Over 12 years in operation and jointly owned by the government and major private sector tanneries in Nepal.
- b. Extensive Network: RHCDC has an extensive network of collection centers that have been set-up to facilitate raw hide collection all over the country. The table below lists the location of its branch offices and collection centers by region.

No.	Region	Branch	Subbranch	Collection Centers
1.	Eastern	2	6	51
2.	Central	6	6	98
3.	Western	2	11	88
4.	Mid Western	2	3	51
5.	Far Western	1	-	12
	TOTAL	13	26	300

c. **Dominant Provider:** RHCDC dominates the market in the supply of rawhides to the tanneries. It enjoyed a monopoly status until 4 years ago following which others were allowed to enter the collection market. With the size of its resources, RHCDC still remains the major provider of raw hides in the country.

d. **Availability and Quality:** RHCDC, through its 2 major supply centers in Hetauda and Itahari, has been able to guarantee availability of raw hides to the tanneries scattered in all the parts of the country. As part of its developmental functions, the RHCDC has been focussing its synergies in the areas of extending collection activities, as well as improving slaughtering techniques. In the fiscal year 1991/1992, the Corporation received an assistance of Rs.2,300,000 from the European Economic Community (EEC) funded STABEX project being implemented by the Trade Promotion Center. This amount has been utilized for the purchase of land to establish a model slaughter house- aimed at helping the farmers, butchers, and other providers to improve slughtering techniques; and extending collection activities in remote locations.

3.2.6.b. Weaknesses

The weaknesses of RHCDC lie more in the management's inability to streamline collection and handle the logistics of company operations. This does not in any way challenge the capability of the existing management, however, it is a reflection on public enterprise management skills that do not necessarily augur well with those of the private sector. Private sector management will be able to invest its resources judiciously to enhance the efficiency of the company's operations.

3.2.6.c. Opportunities

There are a number of opportunities for RHCDC that can be capitalized to the company's advantage:

- a. Investment in better equipment and collection techniques will significantly increase raw hide collection and quality.
- b. Increase in collection rates by 5% can result in over 12% increase of rawhide collection.
- c. Emphasis of the government to provide increasing access to inaccessible regions in the next few years will further increase collection rates.

3.2.6.d. Threats

There are certain threats that the company faces while in its efforts to increase collection and revenues:

- a. Even though exports of raw hides (including dry salted) is banned, there are reports of these being smuggled into India due to the high prices they are able to demand in that market. Such a practice could be stopped once the private sector takes over RHCDC and is better able to compensate the collectors.
- b. District Development Authority Act: DDC regulation has authorised concerned DDC to go on contract with contractors for the collection of raw hides taken off from dead cattles.
- c. Liberal policy of government may attract other organised firms in the business depending upon the availability of raw hides and profitability on business.

3.2.6.e. Critical Success Factors

The factors critical to RHCDC's future marketing success are:

its capability to further increase the efficiency of collections.

- invest in equipment and vehicles that can help improve collection methods,
- educate the farmers, butchers, and others on better slaughtering in order to improve the quality of rawhides,
- Methods for extracting hides have been suspect. In order to maintain a high quality, modern techniques and tools for flaying will have to be introduced, and
- Support of the tannery companies.

3.2.7 Conclusions

RHCDC is well established to serve the needs of the tanneries in Nepal. It has an extensive network of collection centers dispersed all over the country. The quantity of raw hide sold by RHCDC is well below the requirements of the tanneries. Also, it is the only operation of its kind with the reach and ability to procure raw hides from all the regions of the country. Therefore, there are no marketing reasons as to why the company should not continue to be competitive.

3.3 ORGANISATION AND ENGINEERING APPRAISAL

PRESENT SITUATION

3.3.1. General Comment

The setting-up of a leather and shoe factory, Bansbari Leather and Shoe Factory (BLSF)— recently privatized by the Government— in 1965 with the assistance of People's Republic of China and further liberalization in this industry has led to the formation of 11 leather and tannery units in the country. With the evolution of this industry, there emerged a growing need for raw materials used for producing end products. Realizing the scarcity of raw hides needed for feeding this industry, the government, in 1981/82, established the Raw Hide Collection and Development Corporation (RHDC). Formed under the Company Act of Nepal, the RHDC was a joint venture between BLSF, Hetauda Leather Industry (HLI), and the private sector. The RHDC is charged with the responsibility of collecting, processing, and developing of raw hide leading to its sale to tanneries that supply to the domestic market as well as markets abroad.

RHDC has currently benefitted from the EEC funded STABEX Project implemented by the Trade Promotion Center Center. An amount of Rs2,300,000 was approved by this project for the purchase of land to establish a model slaughter house— aimed at helping the farmers, butchers, and other providers to improve slughtering techniques; and extending collection activities in remote locations.

RHDC recently purchased 2.5 ropanis of land in Marutol, Kankeswari, Kathmandu which will be used to set up the slaughter house.

The Corporation is a dominant supplier of rawhides to the tannery industry. 30% of the hides collected and processed for use by the tannery industry are of the buffalo, and 20% are those of cattle.

The RHDC carries out 2 functions as part of its ongoing operations. First, it collects raw hides from 60 districts of the country. Second, the raw hide collected is brought to one of its 300 collection centers where it undergoes a process of preservation. Once the preservation operation is completed, the raw hides are then transported to its supply centers/godowns from where it is sold to the various tanneries.

Significant aspects of RHDCs present situation include the following. The corporation:

- * Has sold over 600 hides per day to the tanneries.
- * Has 300 collection centers in 60 districts of all the 5 regions of the country.
- * Operates 2 large and 7 small supply centers/godowns that sell raw hides to the tanneries. Tanneries in the eastern part of the country are served by the corporation's large godown located in Itahari while the central & western part— having the highest demand— is served by the godown located in Hetauda. The 7 small godowns have been set up to provide raw hide to those with limited access to the 2 major ones.
- * Is well placed to service the entire market for raw hides in Nepal. The main demand is apparently generated in the city and other 5 districts with 11 major tanneries. The level of demand is reported as being such that the corporation cannot collect enough raw hides to meet it.
- * The corporation is able to sell practically all it collects and processes and is virtually producing to order.

- * It has a total staff of 539 employees with over 400 being temporary and daily wages workers.
- * There is considerable potential for increasing both collection capacity and productivity and for reducing costs.

3.2.2 Land, Buildings and General Facilities

The Corporation owns a total land area of about 16.5 Ropani. Most of this land area houses the corporation's head office, godowns, and land available for a model slaughter house. Some of the characteristics of the land owned being:

- a. 2.5 Ropani of land is in Kathmanu itself.
- b. In the Terai area, the corporation owns 13.0 ropani of land.

RHCDC's 300 collection centers are on lease with the corporation. These collection centers are located in all the 5 regions of the country. The number of these centers in each region are specified below:

REGION	NUMBER OF COLLECTION CENTERS
Eastern Region	51
Central Region	98
Western Region	88
Mid Western Region	51
Far Western Region	12
TOTAL	300

The location of these collection centers along with their remaining lease periods can be found in the list enclosed as part of Appendix 8 of the memorandum.

3.3.3 Organization and Staffing

3.3.3.a. Organization

The corporation is governed by a Board of Directors that comprises: a) the Secretary, Ministry of Industry- acting as Chairman, b) a representative from the Ministry of Finance- acting as member, c) shareholder representative from the private sector- acting as a member, and d) the general manager- reports to the board and also acts as its member secretary.

The General Manager has under him a Manager who reports to him on all functions of the company. The manager has under him the various functional departments as well as the branch offices.

The functional departments are located in the head office at Hetauda, and they comprise the following:

- a. Administrative Department
- b. Accounts Department
- c. Internal Audit Department
- d. Business Department

There are a total of 14 regional / branch offices in the 5 regions of the country. These 14 regional/ branches have a total of 29 sub branches and about 300 collection centers.

3.3.3.b. Staffing

Most of the corporation's employees are employed as either "temporary employees" or as "permanent employees" under the conditions of corporation service. The number of people that can be employed by the factory in this way is determined by the number of positions authorized by the government appointed Board. These limitations will cease once the business has been privatized. Out of a total number of 539, the corporation presently has 99 permanent and 440 temporary employees. Out of the total number of 440 temporary employees, 99 work on monthly basis, and 134 work on a daily wage basis.

Staff numbers were reported as follows:

MANPOWER GRADES AND NUMBERS*

POST	GRADE	NUMBER AUTHORIZED	NUMBER APPOINTED	
			Permanent	Temporary
GENERAL MANAGER	SPECIAL	1	1	-
MANAGER	10	1	-	-
ASST. MANAGER	8TH	3	-	-
SENIOR OFFICER	7TH	3	3	-
OFFICER	6TH	8	4	-
SR. ASSISTANT	5TH	15	10	9
ASSISTANT 4	4TH	47	26	24 (1 mw)
ASSISTANT 3	3RD	16	9	17 (5 mw)
ASSISTANT 2	2ND	18	-	36 (3 mw)
MISC.	1ST	369	38	*351(90 mw & 134 dw)
DRIVER	-	3	-	3
LABOR	-	9	8	-
TOTAL		493	99	440

NOTE : (*) These numbers are approximate & chang with change of total number of collection centers depending on availability of raw hides.

The allocation of manpower was reported as follows:

REPORTED ALLOCATION OF STAFF TO FUNCTIONS

DEPARTMENT/UNIT	ADMIN STAFF	TECH STAFF	DIRECT LABOUR	TOTAL
GEN MANAGER	10	1		11
ACCOUNTS	5			5
INTERNAL AUDIT	4			4
BUSINESS DEPT.	5			5
BRANCHES	28		164	192
GODOWNS	12	10	300	322
TOTAL	64	11	464	539

3.3.4 THE PROCESS OF COLLECTION, PRESERVATION AND SALE

3.3.4.a. General

It is understood that RHCDC is currently collecting and processing for sale to tanneries about 700-750 rawhides a day with a labour force of about 539 employees of which 99 are permanent staff.

Collection activities are carried out through RHCDC employees and part-time workers operating from the 300 centers, and going out to the field to individually collect raw hides from the villagers, butchers, and other sources. After collecting these from the site, the same are put on trucks, or any other suitable form of transportation, and transported over to the collection center where initial preservation activities are carried out before their sale to the tanneries. RHCDC collectors also educate farmers and butchers on better methods for extracting hides from the respective animals.

Using one or more of the preservation techniques, salt is applied to the hides and these are then stored for sale to the tanneries.

The main restriction to the increases in output of raw hide for sale to tanneries is the low efficiency of collection, lack of proper equipment and vehicles for improving collection methods, and less-effective methods for extracting hides.

3.3.4.b. Raw Material

i. Raw Hide Obtained from Site

An average of 700-750 raw hides are collected by 300 collection centers situated in the country.

The raw hide collected is composed of water, protein, fat and minerals. It is composed of three layers, namely: a) the upper layer— termed the epidermis, b) the middle layer— termed as the corium, and c) the lower layer— termed as the sub-cutis. Only the corium is utilized for the production of processed rawhides.

While processing the rawhides, the epidermis and sub-cutis layers are removed from the raw hide through a chemical and mechanical process.

ii. Salt Used for Raw Hides

Most of the salt— of the common salt variety— used for the processing of raw hides is obtained from the Salt Trading Corporation which imports almost all the country's requirements from India.

Over 75% of the total annual requirement of salt is procured from the Salt Trading Corporation and its dealers, whereas the rest is procured from local retail outlets. RHCDC consumes about 18,000-20,000 packets of salt every year (each packet weighing 75 kg) depending on the total number of raw hides collected.

3.3.4.c. The Process of Preparation of Raw Hide for Its Use By the Tanneries

i. The Collection Process:

Raw hides are collected from the source— farmers, butchers, and others— by RHCDC personnel and brought to the corporation's collection centers. There are a total of 300 collection centers all over the country, however, some of the regional and branch offices also serve a similar function, thereby making it a total of 333 locations that can serve as collection points. Most of the collection staff are temporary employees— working on daily and monthly wages. The corporation has a fleet of 2 trucks, 14 motorcycles, and 200 bicycles that are used for collection. The trucks are used for collection and transporting of raw hides primarily in Kathmandu and Hetauda.

Motorcycles and bicycles serve as suitable forms of transport for collection in other locations, specially the ones that are in remote areas.

ii. The Flaying Process:

Usually, the process of flaying of the buffalo and the dead cow, is done by the farmers, butchers, and others themselves. However, RHCDC hired personnel are required to carry out this function if they come across any unclaimed fallen animals, and also in cases where the farmer does not possess the capability to flay the dead animal.

The process of flaying is carried out using special kind of knives that each employee carries with him.

iii. Fat Removal, Washing and Trimming:

Once the raw hide arrives at the collection center, it is examined for any fat, protein, and other minerals that might be present on its surface. A mat of 8"x7.5" is placed on an inclined platform with the surface of the mat being uniform. The mat can be used for the preservation of 50 hides at a time after which it is replaced. The inclined platform has a height of 4" on one side and 14" on the other. The hide is then placed on this mat— flesh side up— with the tail portion on the upper side of the inclined platform and the head portion on the lower side. Fats, proteins, and the tail are scraped-off from the raw hide using knives, and then it is thoroughly cleaned with water and trimmed into uniform shape before getting on to a the next process.

iv. The Process of Preservation:

Raw hide collected by the RHCDC has to undergo a preservation process within 6 hours of flaying and fat removal in order to avoid decomposition. This process has to be completed before the raw hides are made available for purchase by tanneries.

There are 3 techniques for the preservation of raw hides normally carried out by the RHCDC. These being:

- iv.a. Wet Salting
- iv.b. Drying
- iv.c. Dry Salting
- iv.a. Wet Salting

The wet salting technique is one of the best techniques for raw hide preservation, and it helps to restore the quality of raw hide for longer periods ranging from 1.5 to 2 months. It is the most extensively used process by the RHCDC.

In this process, salt is applied over the entire surface of the raw hide kept over a mat placed on the inclined platform. The salt used is slightly bigger than sugar crystals. The amount of salt required for this process depends upon the size of the raw hide. Salt to be applied, should be used in a proportion of 25-30% of the total weight of the raw hide to be preserved.

The table below is indicative of the quantity of salt recommended for use for different sizes of raw hides.

S. No	Sizes	Quantity of Salt Required in Kilograms	
		Buffalo	Cow
1.	Extra Large	7	--
2.	Large	5.5	5
3.	Big	4	3.5
4.	Medium	4	2
5.	Small	1.5	1.5
6.	Very Small	1	0.75

The Drying Process:

This process is usually used in remote areas where there are inadequate transportation facilities, and salt is a scarce commodity. The process undergoes the same steps until the fat removal and washing stage, followed by hanging the raw hide for drying on bamboo poles that hold it from all sides. This process of drying is not done under normal sunlight, but, in an area that is shaded and protected from sun rays. If placed directly under the sun, the outer portion will dry up quickly, whereas the inner portion will start to decompose due to the wetness.

After the drying process is completed, the pesticide should be sprayed on both the sides of the hides.

iv.c Dry Salt Method:

This process is a combination of both the above stated methods, starting with the wet salting method and followed by the drying process. It assists in prolonging the life of the preserved hide, thereby further increasing the number of days that the hide can be stored for.

A disadvantage of this kind of process is the uncertainty of the quality of hide produced. Buyers are reluctant to buy raw hides processed through this method.

v. Storage:

After the wet salting process— used mostly by RHDC— the raw hide is placed in a storage area protected from the sun and rain. About 75-100 raw hides can be piled on top of each other in a single file. Storing of raw hides on top of each other also results in the secretion of the remaining water content that might still be present on the hide's surface.

The raw hides can be stored easily for a month, however, the same should be directed to the tanneries in 15 days. If the raw hides remain in storage for more than a month, they have to be re-salted every 3-4 days thereafter.

Each of the 14 branches— having their own set of sub-branches and collection centers— also have storage houses where the preserved hides are stored prior to their sale to the tanneries.

3.3.5 Comment on the Process of Collection and Preservation of Raw Hides for Delivery to the Tanneries

Raw Hides

The table below indicates the location of branch offices of RHCDC with the number of godowns, sub-branches, and collection centers in each; no. of employees; and hides collected in 1991-92 and 1992-93.

Branch Location	Number			Employees		Hides Collected/Year	
	G	SB	CC	Mgrs.	Wkrs	91/92	92/93*
1. Itahari	2	5	35	8	35	18603	14,583
2. Lahan	-	2	47	5	47	12536	7,651
3. Janakpur	2	2	34	8	34	22737	16,036
4. Gaur	1	-	16	4	16	5695	4,460
5. Kalaiya	-	-	10	2	10	4126	3,478
6. Birganj	-	-	11	3	11	6184	6,082
7. Hetauda (includes head office)	1	1	4	20	12	9876	8,138
8. Kathmandu	-	2	16	9	18	20247	21,204
9. Pokhara	1	4	43	6	45	25069	19,970
10. Bharatpur	1	-	10	3	10	5024	4,788
11. Butwal	-	4	48	11	49	27473	24,425
12. Dang	1	2	29	6	30	13646	11,001
13. NepalGanj	-	1	17	4	18	8994	5,024
14. Dhanghari	-	-	9	2	10	3820	3,741

* Number of hides collected shown in table for 1992/93 includes collections for first 10 months.

Note: Number of collection centers keeps on changing depending on availability of raw hides in those areas.

(G-godowns, SB-Subbranches, CC-Collection centres)

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The process of raw hide collection and preservation is not a very complex one, therefore, the need for sophistication in the operations is not that warranted. However, there are certain comments that can be made about the company's operations. Firstly, the means for collection of raw hide could be improved. A major part of the motorcycles and bicycles available for collection in other areas are old and a major part of them are non-operational. The number of light commercial vehicles available for collection could be increased.

A better assessment of the locations of collection centers needs to be carried out. It has been observed that a number of these centers are not economically viable, as the total number of hides collected there do not justify the total number of employees present. Therefore, consolidation of some of these centers will lead to better collection rates and increases in profitability.

It is also possible to improve the output of hides collected per employee by increasing the capacity to collect hides. Some reductions in the staffing level also may

be possible. The present employee productivity of hides collected per day could be more than doubled. However, some investments in better collection modes will be needed.

Significant improvements can also be made by:

- * Upgrading staff skills, knowledge and motivation
- * Incentivizing the employees, especially those responsible for collection functions.
- * Better handling of collection and distribution logistics.

In the area of raw hide preservation, it was observed that the consumption of salt per hide has been increasing significantly over the year. The cost of salt per raw hide incurred by RHCDC has been increasing every year at an annual compounded rate of 23% whereas the increase in the price of salt over the same period has been in the range of 7.5% annually. There appears to be a considerable amount of wastage in the consumption of salt, thereby further increasing the procurement cost for raw materials and cost of goods sold. With the privatization of RHCDC, it is hoped that this practice will be corrected. It is also anticipated that the private sector will negotiate directly with the salt trading authorities in India to get better prices for volume delivery, thereby bypassing the Salt Trading Corporation.

Finally, the price paid to the farmers, butchers, and others from whom the raw hide is collected, has to be increased. Raw hides being smuggled to India— as reported— can be controlled once these people are able to get a better price for the raw hides.

3.4 FINANCIAL INFORMATION

Historical Trading Results

The Company's trading results before tax for the Four years ended 15 July 1993 are summarized below. The results and the balance sheet figures shown below are taken from the audited accounts for the 1989, 1990 and 1991 years and provisional and unaudited accounts for the years 1992. Provisional Accounts for the period ending 10 months i.e. 13 May 1993 are also shown in the summary. The figures in the schedules are in NRS 000 s'.

	1989	1990	1991	1992	1993
Sales	<u>18,457</u>	<u>25,253</u>	<u>39,274</u>	<u>49,050</u>	<u>39,105</u>
Gross profit	<u>4,216</u>	<u>6,970</u>	<u>9,597</u>	<u>10,516</u>	<u>7,484</u>
Depreciation	210	211	323	270	357
Other Overhead and Expenses	<u>3,325</u>	<u>4,225</u>	<u>5,646</u>	<u>8,484</u>	<u>8,234</u>
Sub-Total:	<u>3,535</u>	<u>4,436</u>	<u>5,969</u>	<u>8,754</u>	<u>8,591</u>
Operating profit (Loss)	681	2,534	3,628	1,762	(1,107)
Misc. Income	14	15	28	129	328
Non-operating Expenses	<u>(123)</u>	<u>(366)</u>	<u>(526)</u>	<u>(163)</u>	<u>000</u>
Profit(Loss) Before Interest	572	2,183	3,130	1,728	(779)
Interest Expense	159	248	136	264	172
Profit(Loss) after Interest	===== 413	===== 1,935	===== 2,994	===== 1,464	===== (951)

Balance Sheet

The Company's balance sheet position is summarized below.

Sources of Funds	1989	1990	1991	1992	1993
Capital	2,647	4,746	4,746	4,746	4,746
Reserves & Surplus	(594)	245	3,619	4,529	3,578
Loan Funds	1,210	610	610	2,352	2,096
Total	3,263	5,601	8,975	11,627	10,420
Application of Funds					
Fixed Assets	2,120	2,599	4,255	6,186	7,162
Less Depreciation	450	661	984	1,254	1,611
Net Fixed Assets	1,670	1,938	3,271	4,932	5,551
Investments	0	0	500	500	500
Current Assets	2,502	6,141	9,211	10,993	11,264
Less Current Liabilities	909	2,478	4,007	4,798	6,895
TOTAL:	3,263	5,601	8,975	11,627	10,420

As a result of an appraisal of vehicles and equipment, the valuation of land and buildings and a review of other major balance sheet items the Advisors consider that a number of adjustments are required to more accurately reflect the value of assets employed by the Company. The following table and notes show the value and general nature of the adjustments.

Sources of Funds	At 13 May 1993	Adjustments	Note	Adjusted Position
Capital	4,746			4,746
Reserves & Surplus	3,578	1,636	(1)	5,214
TOTAL Shareholders Fund	8,324	1,636		9,960
Loan Funds	2,096			2,096
Total	10,420	1,636		12,056
Application of Funds				
Fixed Assets (net of depreciation)	5,551	2,999	(2)	8,550
Investments	500	-----		500
Current Assets	11,264	(1,825)	(3)	9,439
Less Current Liabilities	(6,895)	462	(4)	(6,433)
TOTAL	10,420	1,636		12,056

Notes

(1) Reserves and Surplus Adjustment of R. 1,636 is the surplus amount of various adjustments effected in the assets and liabilities of the Company.

(2) Fixed Assets Adjustment of R. 2,999 represents the increase in the existing use value of the assets of the Company as per the valuation reports:

Land has been revalued to its market value as bare land R. 4,406. Buildings, Vehicles & other Equipments have been revalued to their existing use value, R. 4,144.

(3) Current Assets Adjustment of R. 1,825 is the aggregate of the following:

- unrecoverable staff loans & Advances	Rs. 76
- Advance Income Tax adjusted against provision for Income Tax	1,749
	=====
	1,825
	=====

(4) Current Liabilities: Decrease in current liabilities, represents following adjustments:

-	Advance Income Tax Adjustment	<u>Rs.</u> 1,749
-	Advance against Share Capital	50
-	Estimated amount of gratuity not provided in the accounts	1,237
		=====
	Net adjustment	462
		=====

(5) No provision for bad doubtful debts or account of advances to suppliers & other sundry debtors have been effected in the books of accounts.

(6) Branch Advances totalling to Rs 2,250 have not been verified & accounted for at stated book figures.

SECTION 4 POLICY AND REGULATORY ISSUES

4.1 Government's Efforts for Promoting Nepal's Leather Industry

The leather industry is the 3rd largest export industry for Nepal. Therefore, it has a special significance in the country's overall economic development program.

Realizing that the leather industry has still remained labor intensive, with significant cost advantages to be achieved through cheap labor sourcing, the government is giving all the required inducements to enhance the export potential of Nepalese leather products and further increase foreign exchange earnings.

At this present time, tanneries export over 70% of their products to foreign markets and 30% is consumed domestically. Of the total quantity of products exported, 60% comprises the wet blue variety, 30% is crust leather, and 10% is of the finished leather type.

In lines with the development of the leather industry worldwide, especially in India, Pakistan and other neighboring countries, the trend in the last few years has been to move from just exporting the wet blue variety, to producing crust leather and finished leather goods for export that create more value added, thereby further increasing export earnings.

There is a likelihood that the government—in the coming years—may restrict the export of wet blue and give greater incentives to exporting semi- and fully processed leather.

As per the trade policy of the government, the export of raw hides (including salted rawhides) is not permissible.

4.2 Taxes and Duty Regime

Although the Industrial Enterprises Act proposes certain concessions for industrial enterprises, it is believed that many of the protections and concessions anticipated in the industrial policy will not apply to the Business, because it is an existing enterprise.

4.3 Registration Fees

Registration duty shall be levied as per the prevailing laws, rules, regulations, etc.

4.4 Labor Issues

The new Labor Act, 2048 contain provisions governing employment in Nepal. These include preferential employment of Nepalese nationals, hours of work, procedures for termination of employment, welfare of employees, personal grievances by employees, wage fixing, change of enterprise ownership and closure of business operations.

4.5 Obligation of Bidders to Seek Advice

Those persons who are interested in purchasing the business may seek professional advice on the matters set out in this section and be satisfied, based on that advice and their own judgement, that any proposal for purchase and operation of the business conforms with HMGN policy and statutory requirements.

CONFIDENTIALITY AGREEMENT

Private and confidential

To: His Majesty's Government of Nepal
Ministry of Finance
Kathmandu

And To Raw Hide Collection and Development Corporation (RHDC)

In consideration of your agreeing to provide us with the Information Memorandum(s) dated _____, 1993 relating to the sale of HMGN's Shares in RHDC we hereby agree to as follows:

1. We have read and acknowledges the disclaimer forming part of the Introduction Section in the Information Memorandum(s).
2. We will hold and keep strictly confidential all information, statements, opinions, projections, forecasts and other matters of whatsoever nature ("the Contents") contained in the Information Memorandum(s) or otherwise provided to us in respect of the Proposals, except insofar as the same may be or become information in the public domain, and we will only use the Contents and other information as necessary to consider the Proposal.
3. If it is necessary to make any such disclosure to any employee or third party, we will prior to making such disclosure procure that such employee or third party unconditionally agrees to be bound by the terms of this letter. We agree that we are and will be responsible for all the acts and omissions of such persons insofar as they relate to or affect any matter with which this letter or the Information Memorandum is concerned, or may do so.
4. On completion of the sale process, we will return the Information Memorandum, any copies thereof or of any parts thereof and any papers containing extracts from the same or based upon the Contents, in such case within our possession or disposition to you promptly upon your request, but in such case we recognize that we will be entitled to a refund of 90 % of the charge levied for provision of the Memorandum.
5. We will do and take all lawful things and actions as you may request to procure that the undertakings set out in this letter are fully and properly complied with and performed at all times.
6. We agree that the undertakings set out above will continue in full force and effect notwithstanding any omission, event and/or matter, except with respect to any interest we purchase.

As a separate and independent undertaking we will indemnify His Majesty Government of Nepal, RHDC and their respective officers, employees, advisors and agents against any loss, cost, claim, damage, expense, liability, proceeding or demand which they or their respective officers employees or agents may incur or suffer in consequence of any breach on our part, or on the part of any persons for whom we are responsible, of the undertakings herein contained, and that we unconditionally consent to submit to the non-exclusive jurisdiction of the courts of Nepal.

Your faithfully

Name : _____
 Company : _____
 Date : _____
 Position : _____

Form of Bid
PRIVATIZATION OF MANUFACTURING PUBLIC ENTERPRISES
HIS MAJESTY'S GOVERNMENT OF NEPAL
BID FORM IN RESPECT OF THE BUSINESS OF
RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION

To: His Majesty's Government of Nepal
Ministry of Finance
Corporation Coordination Division,
Privatization Cell, Kathmandu, Nepal

1. This bid is submitted pursuant to the invitation by His Majesty's Government of Nepal (HMGN) for offers to purchase 28,000 Shares in Raw Hide Collection and Development Corporation Limited ("Company") in accordance with the provisions of the information memorandum dated ____ 1993.

2. The full names and the addresses of the bidder ("Bidder") is:

Name : _____

Address : _____

3. The full names and addresses of the shareholders and the directors of the Bidder (if a company) are as follows :

4. The Bidder confirms that it is acting as :

* (a) principal for its own account; or

* (b) agent for the following principal(s) :

* [delete as in applicable]

5. The value which the Bidder ascribes to the Shares is Nrs [],

6. The Bidder understands that if agreement is reached with HMGN for the purchase of the Shares, HMGN shall be entitled to make it a condition of the agreement that the bidder make an offer to each member of the public to acquire their shares in RHDC (in all 489 shares as disclosed in Appendix 10 of the Information Memorandum) on the same terms and conditions as apply to the purchase of HMGN's shares.

7. * The Bidder does not have any unresolved questions in relation to the purchase of the Shares. or
- * The Bidder has the following unresolved issues in relation to the purchase of the Shares.

* [delete as inapplicable]

8. Set out in the schedule to this form are the following :

- (a) A brief outline of the Bidder's plans for the Company, proposals in relation to estimated redundancy numbers, employee welfare, further capital investment in the Business, introduction of technical expertise, improvement of management and employee skills, and development of the quality and quantity of raw hides collected.
- (c) Details of the commercial experience of the Bidder.
- (d) The advantages/benefits to the economy and development of Nepal which the Bidder considers will accrue as a result of its acquisition of the Shares.
- (e) Any amendments proposed by the Bidder to the draft form of agreement for sale and purchase set out in the information memorandum.
- (f) Any special conditions attaching to the bid.

9. The Bidder proposes to finance the purchase of the Shares in the following manner.

The Bidder confirms that it can complete the purchase in accordance with the timetable set out in the information memorandum.

10. The Bidder : (a) acknowledges that neither HMGN nor the Company will have any obligation to the Bidder (except as to return of 90 % of the fee paid for the Information Memorandum) nor will the Bidder have any obligation to HMGN or the Company until HMGN and the Bidder have signed a written agreement for sale and purchase in respect of the Shares. (b) acknowledges that it is bound by the provisions of the information memorandum in relation to the sale process, confidentiality and disclaimer of responsibility.

11. The Bidder offers the following as referees in respect of the business skills, integrity and financial standing of the Bidder :

DATE : 1993

SIGNED BY OR
ON BEHALF OF BIDDER : _____
Name and position held

Note : The Bidder must set out in a separate schedule the matters referred to in paragraph 8 of this form.

His Majesty's Government of Nepal
(HMGN)

(Purchaser)

(Guarantor)

AGREEMENT FOR SALE AND PURCHASE
OF 28,000 SHARES
IN RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION

CONTENTS

<u>Section</u>	<u>Heading</u>
1.	Interpretation
2.	Sale and Purchase of Shares
3.	Purchase Price
4.	Payment
5.	Completion
6.	Information etc
7.	Warranties and Undertakings
8.	Employees
9.	Right of Repurchase
10.	Rights of Vendor
11.	Announcements
12.	Notices
13.	No Waiver
14.	Costs
15.	Guarantee
16.	Governing Law

PARTIES

1. His Majesty's Government of Nepal ("HMGN")
2. [] ("the Purchaser")
3. [] ("the Guarantor")

INTRODUCTION

- A. HMGN owns or controls 28,000 Shares ("Shares") in Raw Hide Collection and Development Corporation a Company registered under the Company Act 1964.
- B. HMGN has agreed to sell and the Purchaser has agreed to purchase the Shares on the terms and conditions contained in this agreement.
- C. The Guarantor has agreed to guarantee the obligations of the Purchaser under this agreement.

AGREEMENT

I. INTERPRETATION

- 1.1 In this agreement, unless the context otherwise requires:

"Advisors" means INTRADOS/International Privatization Group (IPG), Anup Raj Sharma, Legal Advisor, Nepal and Devendra Shrestha & Associates, registered valuers of Nepal.

"Completion" means completion of the sale and purchase of the Shares in accordance with clause 5.2 or, as the context may require, the point in time at which such completion takes place.

"Completion Date" means _____ 1993 or such other date as the Vendor and the Purchaser may agree.

- 1.2 In this agreement, unless the context otherwise requires:

- a) Words importing one gender include the other gender;
- b) The singular includes the plural and vice versa;
- c) References to a month or a year are references to a calendar month or year, as the case may be.

- 1.3 In this agreement:

- (a) A reference to the HMGN, the Guarantor or the Purchaser is a reference also to their respective executors, administrators or successors.
- (b) A reference to a "person" includes an individual, firm, company, corporation or unincorporated body of persons, or any state or government or any agency thereof (in each case, whether or not having separate legal personality) and a reference to a "company" includes a person.

- (c) Headings are for convenience only and shall not affect interpretation;
- (d) References to sections, clauses and schedules are references to sections, clauses and schedules of this agreement unless specifically stated otherwise.

2. SALE AND PURCHASE OF THE SHARES

- 2.1 HMGN agrees to sell and the Purchaser agrees to purchase the Shares at the price specified, and upon the other terms and conditions in this agreement.

3. PURCHASE PRICE

- 3.1 The purchase price for the Shares shall be an aggregate amount of NR

4. PAYMENT

- 4.1 The Purchaser shall pay the purchase price for the Shares in the following manner:

- (a) By a deposit of Nrs.[] upon the execution of this Agreement.
- (b) The balance of the purchase price shall be paid in cash on the Completion Date.

- 4.2 If from any cause whatever (excluding the default of HMGN under, or failure by the HMGN to comply with, any provision of this agreement) any portion of the purchase price for the Shares is not paid on the due date, the Purchaser shall pay to HMGN interest and surcharge at the rate of 25% per annum on the portion of the purchase price so unpaid, such interest to be payable from the due date for payment until actual payment thereof but this stipulation is without prejudice to any of HMGN's rights or remedies under this agreement.

5. COMPLETION

- 5.1 Completion of the sale and purchase of the Shares shall take place not later than 12 noon on the Completion Date at the offices of the Ministry of Finance, Bagh Durbar Kathmandu.

- 5.2 At Completion;

- (a) Title to the Shares and possession of the Shares shall be given by HMGN and RHCDC accepted by the Purchaser;
- (b) HMGN shall ensure that the [] Directors which it has appointed to the Board of Directors of RHCDC shall resign.
- (c) HMGN shall deliver to the Purchaser:
 - (i) A memorandum of transfer of the Shares;
 - (ii) All other documents and things reasonably necessary to transfer to the Purchaser full and unencumbered title to and possession of the Shares.

All such documents referred to in clauses 5.2 (c) (i) and (ii) to be prepared by the Purchaser and submitted to the Vendor in sufficient time prior to the Completion Date to enable execution by HMGN.

- (d) The Purchaser shall pay or satisfy the purchase price for the Shares in the manner specified in clause 4.1.

6. INFORMATION ETC

- 6.1 In the period prior to Completion, HMGN and RHCDC shall provide the Purchaser and its duly authorized representatives with access during the RHCDC's normal operating hours to the Business Records and the Business Premises to enable the Purchaser to familiarize itself with the affairs of the Company.

7. WARRANTIES AND UNDERTAKINGS

- 7.1 In consideration of the Purchaser entering into this agreement, HMGN warrants that the Shares are not now, nor will on Completion be subject to any option, mortgage, charge, lien, encumbrance, security interest or other adverse interest of any nature whatsoever.
- 7.2 The purchaser undertakes that in consideration of HMGN entering into this agreement it will make an offer for the shares held in RHCDC by members of the public (an aggregate of 489 Shares) upon the same terms and conditions as are incorporated in this agreement.
- 7.3 The Purchaser acknowledges that it is entering into this agreement, and agreeing to purchase the Shares pursuant to this agreement, solely in reliance on its own judgment and inspection of the RHCDC Business and assets and not in reliance on any statements, warranties or representations made to the Purchaser or to any other person by or on behalf of HMGN and, save for clause 7.1, all express or implied or other representations and warranties are hereby expressly excluded to the maximum extent permitted by law. Without limiting the foregoing, the Purchaser acknowledges that (save as is expressed in clause 7.1):
- (a) none of HMGN, the Advisors, RHCDC or any person on behalf of any of them has made, or is making, any representation or warranty, express or implied, as to the accuracy or completeness of, or otherwise in relation to, the Evaluation Material;
 - (b) none of HMGN, the Advisors, RHCDC or any person on behalf of any of them has given, or will give, any representation or warranty as to the future prospects of the business of RHCDC;
 - (c) none of HMGN, the Advisors, RHCDC or any of their respective officers, directors, employees, shareholders, affiliates or agents has any liability to the Purchaser, or to any other person, resulting from the use of any Evaluation Material by the Purchaser;
 - (d) neither the provision of any Evaluation Material, nor the entry by the Vendor into this agreement constitutes any representation, warranty or undertaking (express or implied) that the Evaluation Material was or is correct or that there has been no change in the business, affairs or financial state of RHCDC either before or after the date of the provision of the Evaluation Material to the Purchaser or its agents or advisors;
 - (e) the Purchaser has made its own enquiries and satisfied itself (after taking all such independent advice as it has considered necessary or desirable) as to all matters which are relevant (whether material or not) to its decision to enter into, and perform its obligations under, this agreement.

For the purposes of this clause 7.3 the expression "Evaluation Material" means all information (whether written or oral and held in any medium) statements, projections, records, valuations, appraisals, forecasts, estimates and opinions relating directly to the business and the assets of RHCDC or the employees of the Business and provided by HMGN or any department of HMGN, the Advisors, RHCDC or any of their respective officers, directors, employees, shareholders, affiliates, agents or advisors.

8. EMPLOYEES

8.1 The Purchaser shall ensure that RHCDC shall continue to employ such of the employees of the Vendor as are engaged in RHCDC on the Completion Date as desire to continue employment with RHCDC on terms and conditions no less favorable (including terms relating to provident fund, leave compensation and gratuity) than those at present enjoyed by such employees, but subject to the provisions of clause 8.2.

8.2 (Notes

1. This clause will contain provisions relating to entitlements of employees who remain in the employment of RHCDC.
2. The specific entitlements will be negotiated with the successful bidder and inserted in the final agreement.
3. HMGN's present intention is that redundancy costs will be met by RHCDC, that HMGN will accept responsibility for agreeing any redundancy package with employees and that RHCDC will retain liability for payment to employees of accrued gratuity and leave compensation at Completion Date).

9. RIGHTS OF VENDOR

9.1 If the Purchaser defaults in the performance of any of its obligations under this agreement then HMGN may, after giving to the Purchaser 3 days' notice in writing of such default requiring the Purchaser to remedy the same and such default not having been remedied within that period, exercise all or any of the following, without prejudice to any other rights, powers, authorities or remedies which the Vendor may have:

- a) Cancel this agreement and in that event any moneys paid by way of deposit or installments of purchase price shall be absolutely forfeited to the Vendor;
- b) Re-sell the Shares either by public auction or private contract for cash or on credit, and upon such other terms and conditions as HMGN may think proper, with power to vary any contract for sale, buy in at any auction and re-sell, and any deficiency in price which may result and all expenses in attending a resale or attempted resale shall be made good by the Purchaser and shall be recoverable by HMGN as liquidated damages, the Purchaser receiving credit for any payments made in reduction of the purchase price but any increase in price on resale after deduction of expenses belonging to HMGN;
- c) Sue the Purchaser for specific performance.

10. ANNOUNCEMENTS

- 10.1 Except as may be required by law the Purchaser shall not make any announcements or disclosures as to the subject matter or any of the terms of this agreement except in such form and manner, and at such time, as may be approved by HIMGN.

11. NOTICES

- 11.1 If any party wishes to give to or serve on another party any notice, claim, demand or other communication (a "notice") under or in connection with this agreement, the notice shall be sufficiently given or served (but without prejudice to any other mode of service) if addressed to that party and delivered to the address of that party stated below.

The Vendor and HMGN: His Majesty's Government of Nepal
Ministry of Finance, Privatization Unit,
Kathmandu, Nepal

The Purchaser and the Guarantor:

12. NO WAIVER

- 12.1 No waiver of any breach, or failure to enforce any provision, of this agreement at any time by any party shall in any way affect, limit or waive the right of such party thereafter to enforce and compel strict compliance with the provisions of this agreement.

13. COSTS

- 13.1 The parties shall each bear their own costs and expenses incurred in connection with the preparation and implementation of this agreement. Any fees taxes or stamp duty payable of transfer of the shares shall be borne by the purchaser.

14. GUARANTEE

- 14.1 The Guarantor unconditionally and irrevocably guarantees to HIMGN the due and punctual payment by the Purchaser of all moneys from time to time payable by the Purchaser under this agreement and the due, punctual and proper performance and observance by the Purchaser of all its other obligations under this agreement.
- 14.2 The liability of the Guarantor under this guarantee shall constitute a principal obligation of the Guarantor and such liability shall not be relieved or in any way affected in a manner prejudicial to HMGN by any granting of time, waiver or forbearance to sue by HMGN or by any other act, omission, matter, circumstance or law whereby the Guarantor as a surety only would but for the provisions of this clause have been released from liability hereunder.

15. GOVERNING LAW

- 15.1 This agreement shall be governed by, and construed in accordance with, the laws of Nepal.
- 15.2 The Purchaser submits to the non-exclusive jurisdiction of the courts of Nepal in respect of all matters arising out of this agreement.

EXECUTION BY THE PARTIES

Signed for and on behalf of IIMGN _____
(Name) (Position)

Signed by or on behalf of the Purchaser _____
(Name) (Position)

Signed by the Guarantor in the
presence of _____

Signature of Witness

Occupation

Address

RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION

List of Shareholders

<u>HMGN owned and controlled</u>		<u>No. of Shares</u>	<u>Paid up R s ' 0 0</u>
1.	HMGN Ministry of Finance Comptroller General Office	21000	21000
2.	Nepal Industrial Devt. Corporation	7000	7000
		-----	-----
		28000	28000
 <u>Tannery Shareholders</u>			
1.	Leatherage Bansbari Tannery & Shoe Fac. Ltd.	7966	7966
2.	Nepal Tanning Industries P. Ltd.	3000	3000
3.	Universal Leather Industry P. Ltd.	3000	3000
4.	Anapurna Tanning Industry P. Ltd.	3000	3000
5.	Pioneer Tanning Industry P. Ltd.	1000	1000
6.	Nepal Leather Industry P. Ltd.	1000	1000
		-----	-----
		18966	18966
 <u>Public Shareholders</u>			
7.	Yadav Prasad Joshi	157	157
8.	Mohan Lamshal Sharma	100	100
9.	Amir Shrestha	25	25
10.	Bal Krishna Shrestha	25	25
11.	Lokendra Bhaktta Pradhanang	20	20
12.	Gaouri Rana Joshi	12	12
13.	Ram Prasad Pandey	10	10
14.	Dhurba Bahadur K.C.	10	10
15.	Subi Bhandari	10	10

16.	Dinkar Man Singh Pradhan	10	10
17.	Bashudev Gyawali	10	10
18.	Padam Kumari Gyawali	10	10
19.	Purna Krishna Prajapati	10	10
20.	Damodar Pradhanang	10	10
21.	Ambika Gouchan	10	10
22.	Riddi Man Amatya	10	10
23.	Kadam Luxmi Amatya	10	10
24.	Sarita Luxmi Amatya	10	10
25.	Niroj Man Amatya	10	10
26.	Tulshi Man Amatya	10	10
27.	Bijaya Shanker Pradhanang	10	10
		-----	-----
		489	489
		-----	-----
	Total	47455	47455
		-----	-----

The issued and paid up capital of the company is NR. 4,745,500 comprising 47,455 shares of NR 100 each.

COMPANY: RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION
BALANCE SHEET

	Schedule	1988/89	1989/90	1990/91	1991/92	1992/93
I SOURCES OF FUNDS						
(1) Share holds fund						
(a) Capital	1	2647.10	4745.50	4745.50	4745.50	4745.50
(b) Reserves and Surplus	2	-594.03	295.16	3669.24	4579.30	3628.52
(2) LOAN FUNDS						
(a) Secured Loans		1210.18	610.18	610.18	2351.51	2096.59
(b) Unsecured Loans						
		<u>3263.25</u>	<u>5650.84</u>	<u>9024.92</u>	<u>11676.31</u>	<u>10470.61</u>
II APPLICATION OF FUNDS						
(1) FIXED ASSETS						
(a) Gross Block Value		2120.76	2599.19	4255.23	6186.09	7162.36
(b) Less: Depreciation		450.25	660.91	984.38	1254.44	1611.33
(c) Net Block		1670.51	1938.28	3270.85	4931.65	5551.03
(2) INVESTMENTS						
		0.00	0.00	500.00	500.00	500.00
(3) CURRENT ASSETS LOANS AND ADVANCES						
(a) Inventories	3	650.27	591.23	666.56	2930.01	1671.07
(b) Sundry Debtors & advances	4	1632.18	2669.10	4496.97	6255.39	6986.07
(c) Cash and Bank Balance	4	139.74	2433.86	3016.25	691.28	590.87
(d) Other Current Assets	5	79.50	446.90	896.60	978.89	1878.89
(e) work in process	6	0.00	0.00	134.90	137.40	137.40
Less: CURRENT LIABILITIES AND PROVISIONS	7	<u>903.95</u>	<u>2428.53</u>	<u>3957.21</u>	<u>4748.32</u>	<u>6844.75</u>
(a) Liabilities		504.92	1052.09	851.81	1734.27	4107.70
(b) Provisions		404.03	1376.44	3105.40	3014.05	2737.05
Net Current Assets		1592.74	3712.56	5254.07	6244.65	4419.55
TOTAL:		<u>3263.25</u>	<u>5650.84</u>	<u>9024.92</u>	<u>11676.30</u>	<u>10470.58</u>

COMPANY: RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION
PROFIT & LOSS ACCOUNT

	Schedule	1988/1989	1989/1990	1990/1991	1991/1992	1992/93
Sales:						
Local Sales		18457.10	25253.02	39273.64	49050.35	39105.13
Government Sales						
Other income						
A. TOTAL SALES		18457.10	25253.02	39273.64	49050.35	39105.13
Direct Costs						
Materials		12922.14	16461.05	27079.93	37366.41	27624.91
Manufacturing Wages		892.62	952.27	1472.22	1899.39	3061.49
Depreciation plant & machinery		0.00	1.20	10.83	1.67	1.60
Other factory overheads	7	1035.46	1446.79	1783.65	2038.16	2461.42
less:Closing Stock		-609.10	-577.59	-659.42	-2769.33	-1526.55
B. TOTAL DIRECT COSTS		14241.12	18283.72	29687.31	38536.30	31622.87
C. GROSS PROFIT (A-B)		4215.98	6969.30	9586.33	10514.05	7482.26
Administrative and Other Overheads						
Salaries & Benefits	8	2251.39	2952.06	4320.44	5886.68	4953.27
Administration & Other Overhea	9	1243.55	1448.30	1582.56	2626.89	3504.42
Selling & Distribution Overhead	10	39.38	34.59	56.01	238.81	131.13
G. Total Administration & Other Overheads		3534.32	4434.95	5959.01	8752.38	8588.82
H. Operating profits (C-G)		681.66	2534.35	3627.32	1761.67	-1106.56
Non-operating Income and Expenses						
Non-operating Income	11	13.95	15.44	27.50	128.64	327.57
Non-operating Expenses		-122.77	-365.68	-526.32	-162.61	0.00
Interest Expense		-159.41	-248.19	-136.43	-264.14	-171.73
Exceptional Items (prior period Expenses)		0.00	0.00	0.00	0.00	
Profit Before Tax		413.43	1935.92	2992.07	1463.56	-950.72
Tax		-196.89	-769.75	-1186.72	-550.63	0.00
Net Profit		216.54	1166.17	1805.35	912.93	-950.72
Tax Prior Period		-115.10	0.00	-138.08	-2.78	0.00
Dividends		-39.70	-237.28	-593.19	0.00	0.00
Retained profits		61.74	928.89	1074.08	910.15	-950.72

COMPANY: RAW HIDE COLLECTION AND DEVELOPMENT CORPORATION
 SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE	1988/89	1989/90	1990/91	1991/92	1992/93
1 CAPITAL					
Authorized Capital	10000.00	10000.00	10000.00	10000.00	10000.00
Issued Capital	7500.00	7500.00	7500.00	7500.00	7500.00
Paid up Capital	2647.10	4745.50	4745.50	4745.50	4745.50
2 Reserves and Surplus					
Capital Reserve					
General Reserve					
Profit & Loss A/C:					
Profit (Loss) up to previous year	-745.47	-683.73	245.16	1319.24	2229.30
Profit (Loss) this year	61.74	928.89	1074.08	910.06	-950.78
Other funds GRANTS	0.00	0.00	2300.00	2300.00	2300.00
TOTAL:	-683.73	245.16	3619.24	4529.30	3578.52
3 INVENTORIES					
Raw-Hide	609.09	577.58	639.40	2769.33	1526.55
Salt	41.18	13.65	7.16	160.68	144.52
TOTAL	650.27	591.23	666.56	2930.01	1671.07
4 Cash & Bank Balance					
Cash-in-Hand	0.00	0.00	0.00	5.80	22.29
Cash-at-Bank	139.74	1805.11	2878.25	657.68	568.58
Cash in transit	0.00	628.75	138.00	28.00	0.00
TOTAL	139.74	2433.86	3016.25	691.28	590.87
5 OTHER CURRENT ASSETS					
Deposits	49.76	59.25	62.46	74.05	74.05
Advance paid income tax	15.37	369.42	798.51	848.51	1748.51
Interest	0.00	0.00	23.83	56.33	56.33
Prepaid Expenses	14.37	18.23	11.80	0.00	0.00
TOTAL	79.50	446.90	896.60	978.89	1878.89
6 CURRENT LIABILITIES & PROVISIONS					
(a) Liabilities					
Creditor for purchase	481.86	686.65	554.33	1294.94	3842.15
Provident fund	23.06	61.45	59.89	76.03	177.83
Miscellaneous Creditors	0.00	39.70	0.00	1.40	0.00
Dividends	0.00	264.29	237.59	350.42	87.72
Advance for share capital	0.00	50.00	50.00	50.00	50.00

	Income tax	311.99	1139.17	1956.47	2540.30	2513.20
	Dividend	0.00	237.27	593.18	0.00	0.00
	TOTAL	404.03	1376.44	3105.40	3047.25	2737.05
7	OTHER FACTORY OVERHEADS					
	Transportation	501.50	786.14	982.22	952.44	1443.25
	Rent	533.96	660.65	801.43	969.38	904.14
	other	0.00	0.00	0.00	116.30	114.03
	TOTAL	1035.46	1446.79	1783.65	2038.12	2461.42
8	SALARIES AND BENEFITS					
	Staff Salary & Allowances	2248.61	2948.94	4313.52	5873.55	4944.42
	Medical reimbursements	0.00	0.00	2.39	0.82	0.69
	Dress allowance	2.78	3.12	4.53	12.31	8.16
	TOTAL	2251.39	2952.06	4320.44	5886.68	4953.27
9	ADMINISTRATIVE AND OTHER OVERHEADS					
	Printing and Stationary	53.80	75.15	74.27	113.95	203.73
	Travelling Expenses	284.23	365.37	312.60	529.85	635.01
	Fuel	90.22	102.30	106.26	183.87	283.65
	Repair & Maintenance	131.66	159.88	166.73	452.83	610.49
	Donation & Charity	7.61	43.96	29.30	53.24	20.92
	Directors' fee	15.20	18.10	66.90	149.26	99.37
	Auditors' fee	9.70	7.50	28.59	46.23	40.12
	Rates & Taxes	87.33	121.27	43.94	61.54	303.32
	Electricity & Utilities	45.00	47.24	64.00	83.20	104.30
	Postage & Telegrams	125.67	156.57	244.37	308.97	432.73
	Books and periodicals	8.14	11.21	12.26	10.74	12.72
	Insurance Expense	41.35	20.03	29.83	44.80	82.84
	Bank commission	9.33	10.62	8.52	17.68	22.54
	Miscellaneous Expenses	124.64	90.42	82.36	265.88	289.40
	Depreciation	209.67	209.60	312.63	268.39	355.28
	Consultancy fees	0.00	9.08	0.00	36.46	8.00
	TOTAL	1243.55	1448.30	1582.56	2626.89	3504.42
10	SELLING & DISTRIBUTION OVERHEADS					
	Advertisement	8.92	12.53	19.42	34.47	17.99
	Commission, incentives & prizes	30.46	22.06	36.59	190.95	113.14
	Cash discount	0.00	0.00	0.00	13.39	0.00
	TOTAL	39.38	34.59	56.01	238.81	131.13
11	NON OPERATING INCOMES					
	Interest income	0.00	0.00	25.28	65.00	65.77
	Write backs	0.00	11.55	0.00	21.88	0.00
	Miscellaneous	13.95	3.89	2.22	41.76	161.80
	TOTAL	13.95	15.44	27.50	128.64	227.57

DS&A

RHC&DC

OFFICE EQUIPMENTS

S.N.	DESCRIPTION	Q'ty No/Sets	Purchase B Yrs.	R.Cost E NRs	Salv.	T.U.	R.U.	P.Value	
					F X	Life,G Yrs.	Life,H Yrs.	J NRs	
01.	Steel Cupboard	:	13.00	1986	69745	20.00	9.00	2.00	25265
02.	Wooden Cupboard	:	13.00	1986	39000	20.00	9.00	2.00	14128
03.	Fan	:	33.00	1986	82500	20.00	10.00	3.00	35523
04.	Ordinary Chair	:	90.00	1986	45000	20.00	9.00	2.00	16301
05.	Officer's Chair	:	25.00	1986	30000	20.00	7.00	0.00	6000
06.	Revolving Chair	:	5.00	1986	32000	20.00	9.00	2.00	11592
07.	Sofa set	:	18.00	1986	180000	20.00	9.00	2.00	65204
08.	Timber plastic sofa set	:	4.00	1986	24000	20.00	7.00	0.00	4800
09.	Typewriter	:	3.00	1986	12000	20.00	10.00	3.00	5167
10.	Fridge	:	4.00	1986	100000	20.00	10.00	3.00	43058
11.	Telephone	:	18.00	1986	72000	20.00	10.00	3.00	31001
12.	Cooler	:	2.00	1986	24000	20.00	10.00	3.00	10334
13.	Ordinary Table	:	25.00	1986	37500	20.00	7.00	0.00	7500
14.	Officer's Table	:	8.00	1986	24000	20.00	9.00	2.00	8694
15.	Tea Table	:	12.00	1986	7200	20.00	7.00	0.00	1440
TOTAL VALUE OF OFFICE EQUI:					778945				286005

VEHICLES

S.M.	DESCRIPTION	Q'ty No/Sets	Purchase B Yrs.	R.Cost E X1000NRs	Salv. F %	T.O. Life,G Yrs.	R.U. Life,H Yrs.	P.Value J X1000*Ps	
01.	Mini Truck No. A.Ka.514	: 1.00	1988	672.00	20.00	25.00	20.00	616.27	Hetauda
02.	130HP Truck No.A.Gha.464	: 1.00	1991	830.00	20.00	25.00	23.00	781.00	Hetauda
03.	Maruti Gypsy Ba.A.Cha.	: 1.00	1988	724.00	20.00	25.00	20.00	663.96	Hetauda
04.	Motorbike Lu.A.Pa.1040	: 1.00	1986	68.00	20.00	15.00	8.00	46.03	Tribhuvan Nagar
05.	Hero Honda Motorbike	: 1.00	1986	68.00	20.00	15.00	8.00	46.03	Kathmandu
06.	Motorbike Suzuki	: 1.00	1982	80.00	20.00	15.00	4.00	39.33	Hetauda
07.	Rajdoot RX-100 Motorbike	: 1.00	1986	67.10	20.00	15.00	8.00	45.42	Hetauda
08.	Rajdoot RD-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Nepalgunj
09.	Rajdoot XLT-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Dharan
10.	Motorbike TVS Suzuki-100 CC	: 1.00	1986	63.70	20.00	15.00	8.00	43.12	Janakpur
11.	Rajdoot RD-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Lahan
12.	Rajdoot XLT-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Gaur
13.	Rajdoot-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Birgunj
14.	Rajdoot XLT-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Pokhara
15.	Rajdoot XLT-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Butwal
16.	Rajdoot RD-175 Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Dhangadhi
17.	Rajdoot Super-D Motorbike	: 1.00	1986	51.90	20.00	15.00	8.00	35.13	Bharatpur
18.	Bicycle	: 85.00	1990	153.00	10.00	5.00	2.00	43.23	

TOTAL VALUE OF VEHICLE :

3,192.90

2,640.56

SUMMARY OF THE PROPERTY OF RAW HIDE COLLECTION & DEVELOPMENT COPR.

LOCATION	LAND			BUILDING	
	Utilised Land NRs.	Vacant Land NRs.	Potential Value NRs.	Replacement Value NRs.	Rental Value NRs.
01. LALBANDI (SARLAHI)	164546	0	276861	285903	17064
02. BUTWAL W.No.8(Kha)	972875	498454	1128750	14236	0
03. BUTWAL W.No.8(Gha)	160093	160093	160093	0	0
04. TRIBHUVAN NAGAR (DANG)	19938	19938	19938	0	0
05. KATMANDU W.No.14	2218125	1547065	2681250	34921	48429
06. BHAIKAWA (RUPANDEHI)	0	0	0	0	0
07. DHARAN (SUNSAARI)	238155	238155	238155	14236	0
08. ITAHARI (SUNSAARI)	86250	0	86250	131967	105701
09. JALESWOR (MAHOTTARI)	8257	8257	8257	0	0
10. HETAUDA (MAKWANPUR)	286800	144587	318164	324892	328265
11. PALUNG (MAKWANPUR)	8499	4250	10437	162993	152344
12. POKHARA (KASKI)	194833	0	278333	248765	243679
TOTAL IN NRs.	4358371	2620799	5206488	1217913	895482

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : LALBANDI (SARLAHI)

A. LAND

=====

MARKET VALUE

----- NRs.

a. Land Utilised : 164546

b. Unutilised land that can be
divided : 0.00

POTENTIAL VALUE

a. Value of cleared land : 276861

B. BUILDING & CIVIL STRUCTURE

REPLACEMENT VALUE : 285903

RENTAL VALUE : 17064

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : BUTWAL W.No.8(Kha)

A. LAND

MARKET VALUE

NRs.

a. Land Utilised : 972875

b. Unutilised land that can be
divided : 498454

POTENTIAL VALUE

a. Value of cleared land : 1128750

B. BUILDING & CIVIL STRUCTURE

SALVAGE VALUE

! 14236

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : BUTWAL W.No.8(Gha)

A. LAND

MARKET VALUE

NRs.

a. Land Utilised : 160093

b. Unutilised land that can be
divided : 160093

POTENTIAL VALUE

a. Value of cleared land : 160093

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : TRIBHUWAN NAGAR (DANG)

A. LAND

MARKET VALUE

NRs.

a. Land Utilised : 19938

b. Unutilised land that can be
divided : 19938

POTENTIAL VALUE

a. Value of cleared land : 19938

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : KATHMANDU W.No.14

A. LAND

MARKET VALUE

Nrs.

a. Land Utilised : 2218125

b. Unutilised land that can be
divided : 1547065

POTENTIAL VALUE

a. Value of cleared land : 2681250

B. BUILDING & CIVIL STRUCTURE

REPLACEMENT VALUE : 34921

RENTAL VALUE : 48429

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : BHAIRARAWA (ROPANDEHI)

A. LAND

MARKET VALUE

NRs.

a. Land Utilised :

b. Unutilised land that can be
divided :

POTENTIAL VALUE

a. Value of cleared land :

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : ITABARI (SUNSARI)

A. LAND

MARKET VALUE : NRs.

a. Land Utilised : 86250

b. Unutilised land that can be
divided : 0

POTENTIAL VALUE

a. Value of cleared land : 86250

B. BUILDING & CIVIL STRUCTURE

REPLACEMENT VALUE : 131967

RENTAL VALUE : 105701

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : PALUNG (MAKWANPUR)

A. LAND

MARKET VALUE

NRS.

a. Land Utilised : 8499

b. Unutilised land that can be
divided : 4250

POTENTIAL VALUE

a. Value of cleared land : 10437

B. BUILDING & CIVIL STRUCTURE

REPLACEMENT VALUE : 162993

RENTAL VALUE : 152344

OWNER OF THE PROPERTY : RAW HIDE COLLECTION & DEV. CORP.
LOCATION OF THE PROPERTY : POKHARA (KASKI)

A. LAND

MARKET VALUE

Nrs.

a. Land Utilised : 194833

b. Unutilised land that can be
divided : 0

POTENTIAL VALUE

a. Value of cleared land : 278333

B. BUILDING & CIVIL STRUCTURE

REPLACEMENT VALUE : 248765

RENTAL VALUE : 243679

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कार्धी हाला सर्वलन गर्ण विकास संस्थान ति०
कार्यालय तथा गाविसहरूको विवरण
ब।०.१०.०५२।५५

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क्र.सं.	कार्यालय तथा गाविस	जिल्ला	जिल्ला	मासिक मंजुरी	गाविस
१	इटहरी कार्यालय	कोशी	सुनसरी	२५००/-	
२	लुकिदि उपशाखा	००	००	२००/-	
३	मोजपुर	००	मोजपुर	१०५१/-	
४	विराटनगर उपशाखा	००	विराटनगर	५००१/-	
५	हिले उपशाखा	००	बगडेटा	३००१/-	
६	इलाम	मेची	इलाम	३५०१/-	
७	धरान गाविस	कोशी	सुनसरी	-	बाक्य
८	बज्रयट्टी गाविस	००	००	-	
९	विपरी	००	००	७०१/-	
१०	काला बजार गाविस	००	००	१००१/-	
११	डिनिया गाविस	००	००	२२५१/-	
१२	पकली गाविस	००	००	२००१/-	
१३	इटहरी गाविस	००	००	-	बाक्य
१४	बधिया	००	००	१००१/-	
१५	साठेवगढ	००	००	५०१/-	
१६	कवलपुर	००	विराटनगर	२००१/-	
१७	विराटनगर गाविस	००	००	३००१/-	
१८	रंगेलि	००	००	१००१/-	
१९	डिनिया	००	००	१००१/-	
२०	वाउञ्जी गाविस	००	००	१२५१/-	
२१	स्टाडनगर गाविस	००	००	५०१/-	
२२	बनरवह गाविस	००	००	१००१/-	
२३	कवमाह	००	००	१००१/-	
२४	पुथोवीनगर गाविस	मेची	मोरङ	१५०१/-	
२५	गरिबह गाविस	००	००	७५१/-	

२६	गादक (आहतवारी) गावाम	पैची	हलाम	८०।-
२७	फिदिम गावाम	"	"	१००।-
२८	धनकुटा गावाम	फारी	धनकुटा	३००।-
२९	हिले	"	"	२५०।-
३०	वसन्तपुर	"	"	२००।-
३१	दिवतल	सगरमाथा	काटाडो	५०।-
३२	माजपुर	कोशी	माजपुर	१००।-
				<u>७२५।-</u>

लहान कार्यालय

१	लहान कार्यालय	सगरमाथा	सिरहा	१२५०।-
२	मिचीया उपशाखा	"	"	५००।-
३	राजविराज उपशाखा	"	सप्तरी	५००।-
४	लहान गावाम	"	सिरहा	५००।-
५	धनगढी	"	सिरहा	१५०।-
६	गोलवजार गावाम	"	"	२५०।-
७	सिरहा गावाम	"	सिरहा	५५०।-
८	बन्वोपुर गावाम	"	"	५०।-
९	प्रयागपुर (गतिारी) गावाम	"	"	५०।-
१०	कल्याणपुर गावाम	"	"	५०।-
११	मिचीया गावाम	"	"	१००।-
१२	माडर गावाम	"	"	१५०।-
१३	महनौर गावाम	"	"	७५।-
१४	वैजरो (पट्टी) गावाम	"	"	१००।-
१५	छकपारा गावाम	"	"	१५०।-
१६	अरिो गावाम	"	"	७५।-
१७	ट्राडो मरहोगी गावाम	"	"	१५०।-
१८	ससिपुर गावाम	"	"	१५०।-
१९	त्रानघकि गावाम	"	"	१५०।-
२०	प्रयागपुर गावाम	"	"	५०।-
२१	पतिरमिण्डा गावाम	"	"	७५।-
२२	कभनपुर गावाम	"	सप्तरी	१००।-

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पाना १५ ॥३॥

क्र.सं.	गावाम	सगरमाथा	सप्तरी	रुपैया-
२६	मारवठ गावाम	२६	२६	१००/-
२७	फाउपुर गावाम	२७	२७	१००/-
२८	महलि गावाम	२८	२८	५०/-
२९	हनुमाननगर	२९	२९	५०/-
३०	सिम्टार गावाम	३०	३०	५०/-
३१	बेल्टार गावाम	३१	उपयपुर	७५/-
३२	कटारी गावाम	३२	३२	१००/-
३३	गाछिपाट गावाम	३३	३३	१५०/-
३४	सिधाई गावाम	३४	३४	१००/-
३५	रिस्की	३५	३५	७५/-
३६	नेपालटार	३६	३६	७५/-
३७	सुर्खी गावाम	३७	३७	७५/-
३८	मानेमन्जाडोग गावाम	३८	३८	७५/-
३९	अतिलडुडोगा गावाम	३९	वसिलडुडोगा	७५/-
४०	कटन्जे गावाम	४०	४०	७५/-
४१	रामपुर गावाम	४१	४१	५०/-
४२	दुर्गा भाग	४२	४२	७५/-
४३	सुधली कार्यालय	जनकपुर	सिन्धुली	७५/-
४४	गावाम	४४	४४	१००/-
४५	चित्री गावाम	४५	४५	१००/-
४६	दिकतैलगाम	४६	४६	१००/-
४७	बसराइन गावाम	४७	४७	७५/-
				१००/-
				<u>६६५५/-</u>

जनकपुर कार्यालय:-

क्र.सं.	गावाम	जनकपुर	समुदाय	रुपैया-
१	जनकपुर कार्यालय	जनकपुर	समुदाय	२०००/-
२	मलडुडुगा उपशाखा	२२	सलाहि	७५०/-
३	सिन्धुली	३३	सिन्धुली	१५०/-
४	मरीन गावाम	४४	४४	५०/-
५	सिमपाटन गावाम	५५	५५	५०/-
६	मिमान गावाम	६६	६६	१००/-
७	सिन्धुली गावाम	७७	७७	२५०/-
८	भुण्डा गावाम	८८	भुण्डा	५०/-
९	जनकपुर गावाम	९९	९९	५००/-

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१०	जदुखुडा गावाम	जमकपुर	धनुषा	१५०१-
११	झमरिया गावाम	"	"	१००१-
१२	ठेढा गावाम	"	"	१००१-
१३	धारापानि गावाम	"	"	५०१-
१४	रुम्पा गावाम	"	"	५०१-
१५	सखुवा गावाम	४५	"	४००१-
१६	विलहा गावाम	"	"	१००१-
१७	कटिया गावाम	"	"	१००१-
१८	लालबन्दी गावाम	"	"	१००१-
१९	परहयावा गावाम	"	बलुषी	-
२०	गरहीका	"	"	-
२१	बमलवास	"	"	-
२२	हरपुरवा	"	"	२७५१-
२३	मल्लठोवा गावाम	"	"	१९०१-
२४	सीपारा गावाम	"	"	२५०१-
२५	सुन्दरपुर गावाम	"	"	५०१-
२६	गीर गावाम	जमकपुर	"	२५०१-
२७	हरिजनि गावाम	"	बलुषी	२००१-
२८	सम्सी गावाम	"	"	७००१-
२९	जलेश्वर गावाम	"	मलुषी	१५०१-
३०	सीतापुर गावाम	"	"	२५०१-
३१	कटिया गावाम	"	"	५०१-
३२	गसिला गावाम	"	"	५०१-
३३	बगाढाक गावाम	"	"	२००१-
३४	अध्यनपुर गावाम	"	"	१५०१-
				५०१-
				७,५५५१-

गरि कायलिय:-

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१	गरि कायलिय	नारायणि	रुसिष्ट	१०५०१-
२	कटरिया (पर)	"	"	१२५१-
३	" (कामवार कस्ती)	"	"	५०१-
४	कटरिया गावाम	"	"	-
५	गरि गावाम	"	"	१००१-
६	वित्त गावाम	"	"	१५०१-
७	पिप्रा गावाम	"	"	२००१-

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८	राज्यीय शक्ति गांवाम	११	११	१७५१-
९	रान्तपुर गांवाम	११	११	२००१-
१०	राजपुर कुडिया	११	११	२००१-
११	समनपुर गांवाम	११	११	१००१-
१२	इनरवारी गांवाम	११	११	-
१३	रुमनिया	११	११	१५०१-
१४	पानिहा गांवाम	११	११	१५०१-
१५	राहगार्ड गांवाम	भारामणी	मन्वानपुर	१००१-
१६	निसगड गांवाम	११	वारा	१००१-
				<u>२,७५०१-</u>

कृषि कायलिय:-

१	कृषि कायलिय	भारामणी	वारा	१,०००१-
२	कृषि गांवाम	११	११	२००१-
३	वारागडो गांवाम	११	११	५०१-
४	शिप्रनिगड गांवाम	११	११	१००१-
५	मिडाहा गांवाम	११	११	५०१-
६	टेडाकट्टि गांवाम	११	११	५०१-
७	हरपुर गांवाम	११	११	५०१-
८	फुरामपुर गांवाम	११	११	५०१-
९	महेन्द्रनगर हा विसार गांवाम	११	११	१२५१-
१०	पसांनि गांवाम	११	११	१००१-
				<u>१,६२५१-</u>

धिरगंज कायलिय:-

१	धिरगंज कायलिय	भारामणी	वारा	११००१-
२	धिरगंज गांवाम	११	११	५००१-
३	सुपलिल गांवाम	११	११	१५०१-
४	वागमोमि गांवाम	११	११	५०१-
५	जानकी टोल गांवाम	११	११	२००१-
६	ठारो गांवाम	११	११	१००१-
७	फुरामपुर गांवाम	११	११	१५०१-

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८ पाकिरिया गांवाम	भारायणी	भारा	२००१-
९ रघुनाथपुर गांवाम	७५१-
१० लखंडी गांवाम	१५०१-
११ जिलापुर गांवाम	..	भारा	२००१-
१२			
			<u>२,८७५१-</u>

परतपुर कार्यालय :-

१ परतपुर कार्यालय	भारायणी	भितावम	१००१-
२ क्वमपुर गांवाम	..	..	३०१-
३ पार्वतिपुर गांवाम	..	..	३०१-
४ बयरपारी गांवाम	..	..	१००१-
५ माडि (कल्याणपुर)	..	..	१००१-
६ टाडि रतनपुर गांवाम	१५०१-
७ मण्डारा गांवाम	१७५१-
८ छुटपानि गांवाम	३०१-
९ रामपुर गा. वि. स.	१००१-
१० कसेमि गांवाम	-
११			वाप-नी
			<u>१,८१५१-</u>

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काठमाण्डौ कार्यालय :-

१ काठमाण्डौ कार्यालय	बागाति	काठमाण्डौ	२,५००१-
२ त्रिभुलि उपशाखा कार्यालय	..	गुणकटि	६००१-
३ वनीपा	पत्रि	४५०१-
४ जि.ए. म सायबकी सवाटर	..	काठमाण्डौ	३००१-
५ छुडिभारा गांवाम	..		३००१-
६ मस्त्रिका गांवाम	..		६००१-
७ साहु गांवाम	..		२००१-
८ डिहरी गांवाम	..	गुणकटि	२५०१-
९ देशावति गांवाम	..		१००१-
१० धिपुर त्रिभुलि गांवाम	..		३००१-
११ वैपिभाट गांवाम	..		२००१-
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संलग्न कार्यालय बाडो परिचाहि:-

१	बाडोग कार्यालय	राप्ती	बाडोग	१४००/-
२	विष्णुवार उपशाखा कार्यालय	११	प्युठान	१४००/-
३	राम्पो कार्यालय	११	बाडो	४००/-
४	सत्यान पाटिचरि गाविस	११	दल्यान	१४००/-
५	पलचरि गाविस	११	११	१०००/-
६	धारमरि गाविस	११	११	१४००/-
७	वरला हाडा गाई	११	११	१०००/-
८	सलगा गाविस	११	११	४००/-
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२८	राजापुर लिकुवा गाविस	११	११	७५०/-
२९	सिमस्टार गाविस	११	११	१०००/-

४,३१००/-

नवलपरासी नगरपालिका :-

१	नवलपरासी नगरपालिका	नदी	बानी	२,०००/-
२	विरेन्द्रनगर नगरपालिका	..	सुती	४००/-
३	बैजा - पत्थर गाविस	..	बानिया	२००/-
४	गरी नापुर गाविस	..	..	८४/-
५	गुलेरिया गाविस	..	..	४००/-
६	बाराबारी गाविस	..	..	२००/-
७	प. ग. टि. सुवा	१५०/-
८	तडुरा गाविस	नदी	बानी	२००/-
९	रुनियापुर गाविस	४०/-
१०	नवलपरासी गाविस	७००/-
११	श्यामपुर गाविस	२००/-
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१३	सुती विरेन्द्रनगर गाविस	..	सुती	२००/-
१४	किन्चु (पैरुवा) गाविस	१५०/-
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१६	गोला गाविस	१५०/-
१७	धोबिनापुर गाविस	२५०/-
				<u>५,८८४/-</u>

धनगढी नगरपालिका :-

१	धनगढी नगरपालिका	सुती	बिलाही जिल्ला	८००/-
२	टिकापुर गाविस	..	बिलाही	३००/-
३	धनगढी गाविस	६५०/-
४	राम जेती गाविस	..	सुती कर्णपुर	२५०/-
५	पद्मेश्वरी गाविस	४०/-
६	बमिला गाविस	२००/-
७	गुलेरिया गाविस	२५०/-
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९	गोलाहारी गाविस	२५०/-

प्रधान कार्यालय, ऐटाहा :-

	गाराबणी	मकवानपुर	४०००/-	
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६ म५म ज्यूनी निवास स्थान	११		३,०००/-	
			<u>७,२००/-</u>	

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HIS MAJESTY'S GOVERNMENT
OF
NEPAL
MINISTRY OF FINANCE
PRIVATIZATION OF PUBLIC ENTERPRISES

Information Memorandum
Relating to the
Shares of IIMGN
In Nepal Film Development Corporation

Date : _____, 1993

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SECTION 1. INTRODUCTION

1.1 Introduction

This information memorandum ("Memorandum") in relation to His Majesty's Government of Nepal's (HMGN) shares ("shares") in Nepal Film Development Corporation ("NFDC" or "the Company") has been prepared by INTRADOS International Management Group of Washington and Deloitte Touche Tohmatsu, chartered accountants of New Zealand (together "Advisors" which expression shall include all other consultants or advisors who have contributed to the information contained in this Memorandum) for HMGN from information provided to the Advisors by the Company and from publicly available information. The Memorandum is for use by those persons who are considering the purchase of the shares in the Company ("Shares"). It has been prepared solely for information purposes in order to assist interested parties in making their own evaluation of the Company and does not purport to contain all of the information that a prospective purchaser may require. In all cases, interested parties will be required to conduct their own investigation and analysis of the Company and the data set out in this Memorandum.

1.2 Confidentiality

This Memorandum is confidential to the person ("Party") who has paid the initial fee and applied for a copy of the Memorandum. So too, all information provided to the Party by HMGN or the Company shall be treated as confidential by the Party. In accepting delivery of the Memorandum, the recipient acknowledges and agrees to observe such confidentiality at all times and undertakes not to use or disclose any such information other than for the sole purpose of enabling the Party to evaluate the Company and make an offer for the acquisition of the Shares. This undertaking is in addition to any separate confidentiality agreement which HMGN or the Company may require the Party to enter into.

1.3 Status of Memorandum

This Memorandum is not an offer by HMGN to sell its shares in the Company. HMGN may at any time negotiate with one or more prospective purchasers and enter into any agreement for the sale of the shares without notice to the Party or any or all interested parties. HMGN reserve the right at any time to terminate further the participation in the investigation and sale process by the Party or by any or all interested persons and to terminate such process or modify the procedures without assigning any reason for such action. HMGN shall be free to conduct the sale of the Shares in their sole and unfettered discretion and may determine procedures relating to the sale of the Shares which may be more or less favorable to any potential purchaser than to other potential purchasers.

1.4 Disclaimer

Neither HMGN nor the Company nor the Advisors have independently verified the information contained in this Memorandum. The Advisors, HMGN and the Company make no representation or warranty as to the accuracy and completeness of the information and projections contained in this Memorandum or provided to any party by HMGN, the Company, the Advisors or any other person and they shall have no liability for any statements, opinions, information or matters (express or implied) arising out of, contained in or derived from, or for any omission from, this Memorandum or any other written or oral communications transmitted to the Party in relation to the business or the Company.

In particular, this Memorandum includes certain statements, estimates and projections with respect to the future performance of the Company. These reflect certain assumptions made by the Company or the Advisors concerning anticipated results which may or may not prove to be accurate. No representations or warranties are made by the Advisors, HMGN or the Company as to the accuracy or

completeness of such assumptions, statements, estimates or projections. The Party must rely solely on its own judgment, knowledge, investigation and assessment of the matters which are the subject of this Memorandum and any other information provided.

Neither the Party nor any other person shall have any claim whatsoever against the Advisors, HMGN, the Company or any of their officers, employees, agents or advisors arising out of or relating to the sale of the Shares or this Memorandum, other than those contained in any formal agreement for sale and purchase entered into between HMGN or the Company and any purchaser. The Party acknowledges and agrees that no contract or agreement of any nature shall exist between the Party and the Advisors, HMGN or the Company and no equitable rights or interest of any nature shall vest in the Party or any other person in relation to the proposal for sale of the Shares unless and until a formal written agreement has been executed. The Party waives all claims in relation to the proposal except those arising pursuant to the terms of such written agreement to which it is a party.

1.5 Shareholding in NFDC

NFDC is a Corporation registered under the Communication Corporation Act, 1971. Before sale HMGN will convert the Corporation to a limited liability company under the Company Act, 1964. HMGN will own 100 % of the Shares in the Company.

SECTION 2. SALE PROCESS

2.1 Introduction

In January 1991 HMGN resolved to encourage greater participation by the private sector in the development of an open and dynamic economy in Nepal. This was to be achieved by the privatization of certain public enterprises.

In accordance with that policy HMGN has decided to sell its shares in NFDC, with a view to completing this sale by October, 1993.

This section of the Memorandum sets out the process by which the sale is to be achieved within that timeframe.

2.2 Nature of Interest Offered

It is intended that the privatization objectives will be achieved by the sale by HMGN of its holding of 100 % of the Shares in the Company.

2.3 Access to Further Information

It is recognized that the information contained in this Memorandum may be inadequate to enable potential purchasers to evaluate the Company and formulate bids. If, after reviewing this Memorandum, prospective purchasers wish to proceed further with a view to making a formal proposal for the Shares, the following procedure must be followed :

- (a) application must be made to: Ministry of Finance, Corporation Coordination Division, Privatization Unit, Bagh Durbar, Kathmandu.
- (b) a confidentiality agreement in the form set out in appendix I must be completed and forwarded to the Ministry of Finance.

On completion of these formalities the Party will be given access to the records and facilities of the Company through Ministry of Finance, Corporation Coordination Division, Privatization Cell to obtain further information that may be available and relevant to a purchaser of the Shares. Interested parties should not make any direct approach to the

Company or its employees without first completing these formalities.

2.4 Bidding Process

- (a) The sale process is public and any person who has purchased a copy of this Memorandum is entitled to bid. However, the sale process differs from the conventional form of public tender. Once bids have been received, HMGN proposes to negotiate with selected bidders with a view to finalizing a sale of the Shares to that Bidder whose proposal is seen by HMGN to best serve the objectives of privatization.
- (b) Bids must be received by the Ministry of Finance, Corporation Coordination Division, Privatization Cell, Bagh Durbar, not later than 5 pm noon on ____ 1993.
- (c) Bids are to be delivered in a sealed envelope marked "NFDC Shares".
- (d) Bids must be made in the form set out in appendix 2 and must contain all of the information required by each part of the bid form.
- (e) All bids should be expressed in Nepalese Rupees.
- (f) HMGN and the Company shall be entitled to enter into correspondence or discussions with any prospective purchaser prior to the final date for receipt of bids and at any time after that date. HMGN and the Company shall be under no obligation to act in a similar manner to any other bidder or potential bidder.
- (g) HMGN and the Company shall not be bound to accept any or the highest bid. Acceptance will be complete on execution by HMGN and the successful purchaser of the written agreement for sale and purchase. Completion of the purchase shall then take place in accordance with the provisions of that agreement.
- (h) If the successful bidder is a company, whether or not a private company or a listed or unlisted public company, HMGN may in their sole discretion require the directors and / or the shareholders or any of them to guarantee the obligations of the purchaser or to provide other security for the performance of the purchaser's obligations.
- (i) If any doubt or obscurity arises as to the sale procedure set out in this Memorandum or any advertisement or in communication relating to the sale process (but not in the agreement for sale and purchase, after it has been signed by the parties thereto) such doubt or obscurity shall be resolved by HMGN in its absolute discretion.

- (j) This Memorandum and any contract for the sale and purchase of the Shares arising therefrom shall be governed by and construed in accordance with the laws of Nepal.
- (k) The sales process is subject to the provisions of paragraph 1.3 of this Memorandum.

2.5 Material issues

In evaluating the proposal and submitting bids, prospective purchasers will need to give consideration to and assess the impact on the bid the following matters :

- (a) **Redundancies :** It is envisaged that, following purchase of the Shares, a purchaser will wish to restructure the Business operation in the interests of efficiency.

Any restructuring will, inevitably, involve redundancy for some employees. Any costs of redundancies will represent a liability of the Company. HMGN accepts no responsibility for any such costs.

- (b) **Business Plans :** Without limiting shareholders freedom to operate the Company following acquisition in such manner as the shareholders consider appropriate, HMGN will take into account, when evaluating competing bids, the following factors (in addition to price) which bidders are asked to address when submitting offers:

- (i) Proposals which will assist in the promotion of Nepalese art and culture.
- (ii) Shareholding participation by Nepalese residents, particularly those with an interest in developing local art and culture.
- (iii) Programmes to develop the level of local expertise and ability at management and worker levels.
- (iv) Ability of the bidder to introduce programmes increasing the quality and quantity of film processing services undertaken by the Company.
- (v) Business plans for the Company including plans to earn foreign currency from foreign film producers.
- (vi) Proposals in relation to anticipated levels of redundancy and improvement of employment conditions and employee welfare.
- (vii) Proposals to provide employees with incentives through share ownership or other steps.

HMGN is concerned to ensure that the Company will be operated properly after sale and will play a part in the economic development of Nepal. These issues will be regarded by HMGN as important in the evaluation process.

- (c) **Ability to Finance Acquisition and Continued Operation of Company :** HMGN will need to be satisfied as to the ability of bidders to finance the acquisition of the Shares and to continue to operate the Company on a viable basis. This aspect should be addressed in the bid form. Although HMGN will provide every assistance to the successful bidder to enable early completion of the sale process (any assistance required should be identified by bidders in the bid form), HMGN/the Company will not provide financial assistance to the purchaser of the Shares, either by way of deferred purchase terms or otherwise.
- (d) **Management Expertise :** Evidence of the bidder's past management experience and ability should be provided in the bid form.
- (e) **Warranties :** HMGN is putting the Shares up for sale on an "as is" basis. It is not proposed that HMGN or the Company will provide any warranties, representations or undertakings in relation to the Company or its Business. Potential purchasers must satisfy themselves as to the assets and operation of the Company and bid for the purchase of the Shares based on their own judgment.
- (f) **Government Consents :** An agreement by HMGN/the Company to sell the Shares to the successful purchaser will constitute approval by all departments of HMGN whose consent is necessary to the acquisition of the Shares by the successful purchaser. No separate applications for other approvals will be necessary.

2.6 Deposit

An amount equal to 90 % of the fee of R. 200,000 paid by the Party to receive a copy of this Memorandum will be refunded (without interest) if the Party is unsuccessful in purchasing the Shares for any reason (other than default in completing the sale and purchase after final agreement has been signed). The fee paid by the successful bidder shall be applied as part payment of the purchase price of the Shares.

A further amount which, together with the initial fee of Rs. 200,000, equals 5 % of the purchase price, is to be paid by the successful bidder at the time when the agreement for sale and purchase is signed. If the total payment is not made within the specified period of time, the deposited amount shall be forfeited.

2.7 Legal Documentation

A draft agreement for sale and purchase of the Shares is set out in appendix 3. This should be regarded as reflecting HMGN's present approach to the terms of the agreement which the successful bidder will be required to sign. However, HMGN reserves the right to change the terms in any way or to adopt a new form entirely. The ultimate form of agreement which embodies the obligations of HMGN and the purchaser will be agreed between those parties.

2.8 Liaison and Enquiries

All enquiries and requests for information in relation to this Memorandum and the sale process should be directed to:

Mr. Mukunda Prasad Aryal
Joint Secretary
Ministry of Finance, Corporation Coordination Division
Privatization Cell,
His Majesty's Government of Nepal
Bagh Durbar
Nepal.

2.9 Sale Timetable

It is proposed that the following timetable will govern the sale process:

- ___ 1993 Publication of Tender Notice
- ___ 1993 Distribution of Information Memorandum.
- ___ 1993 Last date for receipt of bids.
- ___ 1993 Completion of evaluation by HMGN of bids received.
- ___ 1993 Negotiation with successful bidders,
- ___ 1993 Agreement and Payment of deposit.

HMGN reserves the right to change this timetable at any time.

NEPAL FILM DEVELOPMENT CORPORATION (NFDC)

SECTION 3: BUSINESS INFORMATION

3.1. GENERAL INFORMATION:

NFDC was established in 1971 under the Nepal Communication Corporation Act 1971 in the name of ROYAL NEPAL FILM CORPORATION. Located in Kathmandu, the NFDC was set up to serve the government's objectives of producing feature films and documentaries of national and culture interest as well as commercial films of recreational values.

Since its establishment, NFDC has produced 6 feature films and a significant number of documentaries. Since its inception and until the year 1991/92, documentaries produced by NFDC served the objectives of promoting the political system, and producing newsreels that covered royal palace activities, and other related government priorities. Instead of producing economically viable and commercially competitive feature films and documentaries, it was forced to develop those films and documentaries that would create nationwide support for the PANCHAYAT PHILOSOPHY advocated by the then government.

With the change in the political system, and the government's communication policy in 1992, NFDC was granted autonomy and allowed to operate purely as a commercial business. Recent changes in the corporation's objectives coupled with an appreciable improvement in the management of its operations, has allowed for proper selection of economically viable projects, change in products and services offered, and increased respectability in the developing local film industry.

3.1.1 Economic Significance

NFDC was established with the objective of promoting the development of the film industry in Nepal by producing documentaries of national and cultural interest as well as commercial films of recreational values.

Being the only institution of its kind in Nepal, NFDC has also made significant contributions towards developing the artistic and technical talent required in running this industry. A series of people sent abroad as part of NFDC's developmental initiatives in training, are now leading this industry towards developing in-country expertise in all aspects of film making- production, processing, distribution, and exhibition.

The government envisions a very important role for the NFDC in the development of the film industry in Nepal. The government— in its national communications policy document of 1992— has laid down a series of reasons why it wants to further develop this industry. It hopes, that with NFDC's privatization, a series of benefits could accrue to the country. Among the most important benefits are the reduction of foreign film imports either for television or theatrical release— brought by the production of an increasing number of films in Nepali and national languages in Nepal, and the influx of foreign exchange arising from Nepal being a production location for foreign film producers. This too has implications on Nepal's international visibility for the purposes of tourism and investment. Finally, the production film industry as a whole is considered as a value-added industry contributing to GDP growth.

3.1.2 Capability Profile

Products and Services Offered

A. Film Production and Distribution

Categories of film produced:

- a. Documentaries.
- b. Feature films.

B. Film Processing and Other Services

- a. Processing and developing facilities (includes editing and dubbing)
- b. Raw films & materials supply
- c. Film production equipment rental
- d. Supply of technical expertise

A. Film Production and Distribution

NFDC, since 1991/92, has ceased its feature and documentary film production. Prior to this action, NFDC had produced 6 feature films & documentaries. For distribution of feature films & documentaries produced by NFDC, NFDC established a Business Promotion Section which deals with distribution of all feature films & documentaries except 2 films— Santideep & Maya— for which an independent distributor was appointed. The independent distributor has distribution rights for a period of 5 years that began in 1989.

NFDC also produced a series of films in joint venture agreements with private sector producers. The distribution of these films is being handled by the private sector partner in exchange for a certain royalty to be paid to NFDC.

B. Film Processing and Other Services

i. Processing & Development services:

NFDC, as a promotor of private sector investments, supports private sector producers by providing timely processing & development of films. Laboratory services for processing, editing and dubbing are provided on a first-come-first serve basis with priority given to producers whose targeted completion dates that are very short. For utilizing facilities & services provided by NFDC for processing, the producer has to pay upfront a certain amount of the cost of raw films & raw material to be used in processing. The balance is paid after completion of processing & development of films.

NFDC has started providing these services only this year. Realizing the income generating potential for this part of the business, NFDC began to commission all the equipment— which had been procured earlier but was sparingly being used— required for this function in the last one year, and has been fairly successful in getting this operation going in short time.

Being the only film processing and developing (also providing editing and dubbing services) institution in Nepal, NFDC stands to make this service as the most significant revenue earner for the entire business. More and more local producers are beginning to appreciate this capability, and are preferring to wait for their turn, rather than making the trip to India— which involves passing through Indian customs, the Indian Censor Board, delays at processing labs, and a myriad of other authorities and clearances that make it very difficult for the producers.

ii. Supply of raw films & other materials:

NFDC procures and ensures the timely supply of raw films & materials required by private sector producers for film production.

NFDC makes this service available to its customers on the payment of an initial deposit which is 33% of the total cost of materials ordered by the particular client. The remaining amount is paid in pre-defined installments. NFDC charges a 5% service charge if the client chooses to follow the installment plan, and a 1% service charge if the client chooses to pay all the costs of the raw materials upfront.

NFDC also provides free storage facilities for materials earmarked for a client that is paying & utilizing them on an instalment basis as well as those procuring on a cash basis.

Supply of raw films and materials, is at present, the most profitable part of NFDC's business. The success of this service has also been brought about by the ability of NFDC to order in bulk, its knowledge of technical specifications of raw stock and ready access to suppliers. A very nominal custom duty & low sales taxes levied by the government and other inducements— pertaining to concessional terms for clients procuring these products— being given by NFDC have made this business very successful. Even though raw film supply is still a significant revenue earner, the processing and development part of the business is growing faster, and is likely to exceed revenues made through this service.

iii. Rental of equipment:

NFDC also provides film production equipment on rent. This service is rendered on a first-come-first serve basis. New customers have to deposit 50% of the total amount of rental charges prior to the usage of the material, where as permanent clients don't have to pay any deposit. Settlement of bills is made after the completion of shootings.

Revenues generated through the rental of equipment have not been that significant. This is due to the quality of the equipment which is old and obsolete, and also very unreliable.

iv. Supply of technical expertise:

NFDC has invested a great deal in promoting the development of skilled professionals required for the process of film production. Most of the private sector technicians available in market, were in one way or another, benefitted from fellowships provided by NFDC. Though it has lost a number of its skilled professionals to the private sector, NFDC is still a good source for hiring technicians for shooting of films. NFDC provides these technicians to producers at very nominal charges compared to those available in the market.

3.1.3 Sources of Information

The information for this appraisal has been obtained from interviews with the General Manager, NFDC, Company management, major producers, and representatives of the Ministry of Communications.

Additionally, an extensive number of independent reports were reviewed as well as reports prepared by the General Manager of the Company.

The organizational and engineering appraisal was necessarily limited in scope and depth. It was based on:

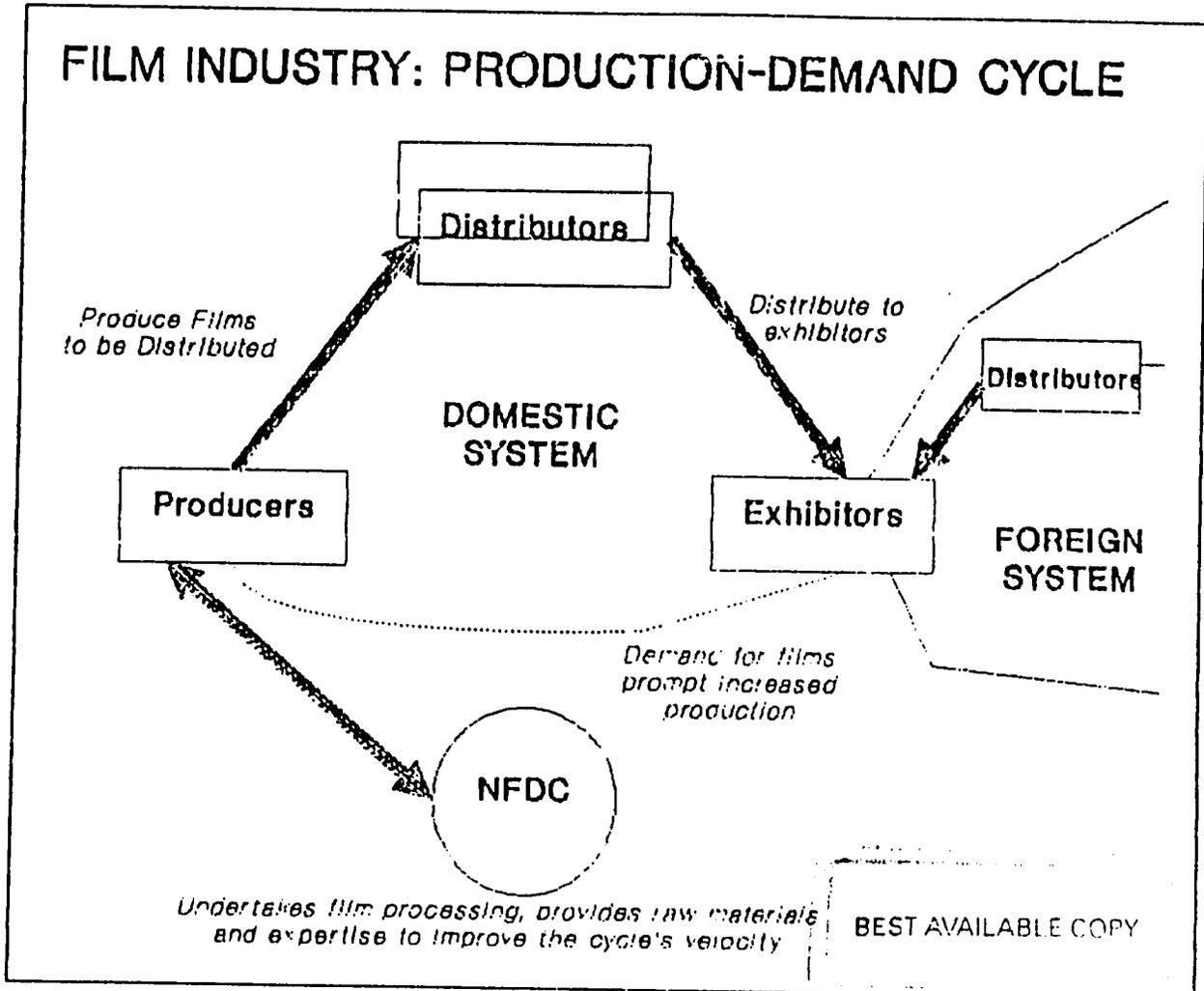
- * Interviews with company management.
- * Visits by the advisors to the NFDC premises to view all film production & processing operations including the editing and dubbing functions.
- * An inspection by the advisors of all major assets including plant, equipment, and the building.
- * A review by the advisors of the processes and methods for film production, processing, editing and dubbing; maintenance; quality control; and inventory and stores management.
- * Review of all the documents and information provided by the company.
- * An assessment of the organization structure and arrangements as well as the management information systems and the human resources available to the factory.
- * Data provided by the factory management.

Because of limitations in the time available the information provided by NFDC management has been taken at face value. Some independent checks of the data were made and are commented on.

3.2 MARKET INFORMATION

3.2.1 Organization of the Industry

The film industry in Nepal is generally categorized into 4 sub-industries, the Production, Processing, Distribution, and exhibition sub-industries, as depicted in the chart below:



The flow of these activities form a production-demand cycle where all these sub-industries form a symbiotic relationship, one dependent on the other. The exhibition of films is dependent on production of films, and the production of films requires distributors and outlets for exhibition.

In Nepal this cycle consists of 2 systems, the domestic film system and the foreign film system, both systems converging at the exhibition phase.

The exhibition phase includes both the cinema circuits and the television networks. For the television networks, the films are on a video format rather than strictly celluloid as with cinema releases; in addition, the television networks may often deal directly with the local producers thereby by-passing the distributor stage.

End Users

The end-users of the products and services provided by NFDC— as seen from the above chart— are the producers themselves. However, the quantity of NFDC products and

services used by the producers will depend on government policies that provide incentives for them to produce films at low cost, and also government initiatives to increase and expand the exhibition of films, that translate into generating further demand for films that will prompt increase production.

3.2.2 Film Industry Trends

3.2.2.a. Increase in Exhibition of Films

Due to the liberal communications policy of the present government, the number of theaters in the country is increasing substantially. This is evident from the increasing numbers of permanent theaters in the country. In addition to these permanent theaters, there are several mobile theaters that can be found all over Nepal. Changes in population demographics, coupled with the increase in cinema theaters in the country, is positively impacting the growth of the Nepalese film industry. In addition to the rapidly growing domestic market, Nepalese films also have a market in the Indian states of West Bengal, Assam & Sikkim- due to a sizable number of Nepalese people residing there.

The total number of theaters in Nepal as of June 1993 are indicated in the following table:

S.No	ZONE	Type A	Type B	Type C	VIDEO	TOTAL	No. of Seats
1.	Mechi	3	2	3	3	11	5768
2.	Koshi	4	5	2	-	11	7816
3.	Sagarmatha	2	3	4	-	9	5142
4.	Janakpur	-	3	6	3	12	5194
5.	Narayani	3	7	3	1	14	8674
6.	Bagmati	5	2	-	-	7	6323
7.	Gandaki	3	3	2	1	9	5674
8.	Lumbini	4	4	4	1	13	7891
9.	Dhaulagiri	-	1	-	-	1	524
10.	Rapti	-	2	1	-	3	1499
11.	Bheri	1	1	1	-	3	1732
12.	Seti	1	-	1	-	2	1309
13.	Mahakali	-	-	2	-	2	855
14.	Total	26	33	29	9	97	58401

Source: Ministry of Information and Communication

Note: Type A- theaters with 800 seats and above
 Type B- theaters with seats from 500-800
 Type C- theaters with seats below 500

BEST AVAILABLE COPY

As indicated above, there are 88 permanent theaters & 9 video theaters in Nepal representing a total seating capacity of 58401. Though there is no historical data available the increasing trend in the construction of theaters, video halls & no. of seats available can be explained by the increase in the number of licenses granted by the government for new theaters in the last 4 years.

The table below summarizes the licenses issued.

Description	89/90	90/91	91/92	92/93
1. License Issued for				
i. Mobile theaters	83	89	101	137
ii. Exhibition in video halls duly constructed	-	-	-	5
iii. Exhibition in permanent theaters duly constructed	4	-	-	16
iv. Video hall construction	-	7	-	4
v. Permanent theater construction	9	2	5	18
TOTAL	76	78	106	180

Source: Ministry of Information and Communication

As seen from the above table, there has been a dramatic increase in the number of licenses granted for different modes of film exhibition as well as stages of licensing required for construction and display of films in video halls and permanent theaters. This increasing trend in the issuance of licenses for theaters confirms increasing number of movie viewers.

Though there are no updated records of the number of new theater openings, film industry experts claim an average of 15-20 new ones have opened each year for exhibition in the last 2 years. Such an upsurge in the number of licenses approved, and the number of theaters opened in 1991/92 and 1992/93 have been brought about by the 5-year income tax holiday granted by the government to all new theaters opened since 1991/92 for exhibiting films in the national language. Further, the government has also announced that 40% of the entertainment tax collected at the box office will go to the new theater owner for a period of 5 years after establishment, which is significantly higher than the 10% tax rate allowed for old theater owners.

3.2.2.b. Increase in Film Production

In its effort to promote films of Nepalese culture, the government, as part of its new communications policy, has made significant efforts to encourage film making in the country. In the past, government's policy did not provide the conducive environment for private sector producers to produce commercially viable films. The tax structure and import duty levied on film equipment literally made it impossible for a producer to generate income streams that would translate into acceptable profitability levels.

The table given below illustrates the number of feature films produced in Nepalese language in the last decade.

S.N.	FISCAL YEAR	FILM BY NFDC	JOINT VENTURE FILM WITH NFDC	FILMS COMMISSIONED BY PRIVATE SECTOR	TOTAL	FILM PROCESSED BY NFDC
1.	Up to 1980/81	6	--	1	7	
2.	1981/82 -- 1985/86	2	2	5	9	
3.	1986/87 -- 1990/91	1	2	22	25	
4.	1991/92	--	--	10	10	8
5.	1992/93	--	--	14+20 14 are being shot on location	34	11 completed as of June 1993

Source: Ministry of Information and Communication & NFDC

The table above illustrates an increasing trend in the production of films which confirms investment in the film industry becoming an increasingly profitable proposition. Several producers are now trying to cash on to the attractive incentives being given by the government to promote the industry. Producers making feature films and video films in the Nepalese language within the country and making them available for exhibition locally, can claim 65% of the total entertainment tax collected as part of the box office proceeds for 5 years. The amount of entertainment tax collected is put into a deposit account of the tax office, and the same is then released to the producers on a grant basis. In the case of a film being showed in a newly constructed theater, the producer is entitled to 50% of the total collected entertainment tax.

The interest on the part of more and more individuals to produce films can be gauged by the increase in the number of producers who are now registered with the Producers Committee formed under the Nepal Motion Pictures Association. The table below shows an increasing trend in their number.

Year	Number of Registered Producers
Before 1973	2
1973-1983	3
1983-1988	17
1989-1990	25
1991-to date	48

Source: Nepal Motion Pictures Association

An increase in the number of films produced, and their future production, can also be gauged by the increase in the number of licenses issued to producers for making new films. The table below gives such an indication.

Description	89/90	90/91	91/92	92/93
1. License Issued for Production of:				
i. Advertisement films	15	56	46	37
ii. Video films	13	10	8	20
iii. Feature films	13	11	18	19
iv. Documentary & films by non-Nepalese producer	53	52	54	57
TOTAL	94	129	126	133

Source: Ministry of Information and Communication

The information provided in the table above gives an indication of the increasing number of interest from producers to produce various types of films. The interest from foreign producers to make films in Nepal has also been increasing, thereby generating the need for additional pre-editing type of work that could be handled for them in Nepal.

3.2.2.c. Increases in Distributorship

Distributors play an important role in the demand cycle for films. An increase in their number is an indication of the demand expressed by theaters for films produced. In Nepal, distributors are organized in the following way:

- i. Distributors that distribute only Nepalese films
- ii. Distributors that distribute only Indian films
- iii. Distributors that distribute Nepalese as well as Indian films, and
- iv. Certain producers that have their own distribution network which distributes their own films as well as other films that could be Nepalese and/or Indian

The increase in the number of distributorship in Nepal can be seen by the number of licenses issued for distribution in the last 3 years.

Description	89/90	90/91	91/92	92/93
1. License Issued for:				
i. New distributorship	--	21	47	58

Source: Ministry of Information and Communication

The above mentioned table clearly suggests the significant increase in the number of new distributors over the last 3 years.

3.2.3 Future Trends and the Potential for NFDC

An analysis of the production demand cycle in this industry suggests a modest growth for film production in Nepal. This growth has been propelled— to a major extent— by the liberalization of the government's communication policy, and the increase in the number of incentives to all its major players.

3.2.4 Growth for NFDC Products and Services

The table below highlights the sources of income for NFDC in the past 5 years.

NFDC: SOURCES OF INCOME
(in thousands)

SOURCES OF INCOME	88/89	89/90	90/91	91/92
1. Documentary & news reel sales	1419	4630	1768	920
2. Film exhibitions and distributions	553	1673	2624	13
3. Machine and equipment rental	488	446	326	738
4. Theater and studio rental	44	152	192	229
5. Technical fees	349	104	107	273
6. Film Processing				231
7. Raw films sales	--	--	--	347
8. Miscellaneous	99	146	186	21

Source: NFDC Records

3.2.4.a. Documentary, newsreel, songs and dialog sales

NFDC has moved out of the documentary and newsreel production business. Therefore, income generated in the last 3 years has decreased significantly. Revenues declined by over 49% in 1991/92 as compared to 1990/91. The year 1992/93 will see little generation of revenues through this source, as the NFDC presently has limited interests in this business. More and more of film production is now being handled in the private sector.

Similarly, NFDC is no longer engaged in the distribution of films. Previously, it used to distribute films produced by it on its own. With regards to films produced in a joint venture with the private sector, NFDC sold its distribution rights to the private sector partner. The revenues generated in the last 2 years, are those derived from royalty payments that are likely to accrue until the end of 1995. Therefore, this part of the business has not been a revenue earner for the company.

However, demand for documentary films produced by NFDC is still quite high. At the present time, NFDC is producing 2 documentaries for the Department of Tourism and an Austrian group, both of which are likely to be good revenue earners for the organization. NFDC is no longer obliged to make films for any government agency if the venture is not financially viable for the company.

Revenues accrued through songs and dialog sales ceased 2 years ago.

3.2.4.b. Machine & Equipment Rental, and Technical Services

Machines, equipment rental and technical services side of the business has been a sizable revenue generator for the company. The revenues generated in 1992/93 by this component are expected to modestly increase in the next 3-4 years. Revenues from studio rental are likely to increase further as increasing number of producers begin to make use of the existing facilities. However, this increase will also depend on the quantity of investment that will be made in editing and dubbing equipment to enhance the number of films that could be edited at one time. The likelihood of an increase in rental revenues is low since the equipment available with NFDC is old and obsolete, and has limited use. However, a collective effort on part of the private sector owners to acquire new equipment will not only increase revenues, but will also enable the individual producers to gain access to the broad range of film equipment required for varied types of productions.

3.2.4.c. Film Processing

Film processing has now become an important service offered by NFDC, and will be the major source of the organizations's revenues in the future. Being the only film processing unit, NFDC has an invincible position in the marketplace. More and more producers are willing to wait their turn for using NFDC's processing facilities, rather than making the arduous trip to India. Also, the potential for offering foreign films being shot in Kathmandu, a processing facility for pre-editing purposes, is also likely to be a big source of revenue for the company. The rapid increase in the number of licenses granted for the production of Nepalese films is yet another indicator of the growth in the demand for film processing. As seen from the production-demand cycle, the growth in the number of producers seeking to produce films, is a function of the increase in the number of exhibition theaters and distribution outlets all over the country.

Though it is difficult to accurately project the total number of films that will be processed in the next few years, due to this service being recently introduced in Nepal, and the recent change in the Nepalese communications policy, however, some constructive assessment could be made as seen in the following table.

	91/92	92/93	93/94	94/95	95/96	96/97
1. No. of scripts approved for film making	15	41	52	65	81	101
2. No. of films produced locally for review of censors	9	20	26	33	41	51
3. No. of Nepalese films processed by NFDC up to the dubbing stage	--	15	20	25	30	35
4. No. of foreign producers filming in Nepal using NFDC processing facilities		--	5	5	5	5
5. Total number of films processed by NFDC	8	15	25	30	35	40

Note:

1. There was a dramatic increase in the number of scripts submitted to the relevant authorities for approval in 1992/93 as compared to 1991/92. This has been brought about by the liberal communications policy that encourages the development of the film industry.

NFDC, which also acts in an advisory capacity to make recommendations to the government on the scripts to be approved, envisions a high growth in the number of scripts that will be received in the next few years. It is estimated that scripts submitted for approval will increase by 25% a year.

2. Based on an analysis of historic data, and interviews with film experts, about 60% of the scripts submitted are approved by the government for production. For the purpose of this analysis, an approval rate of 50% has been taken as over the course of the next few years, the government may enforce certain stipulations to ensure the development of good quality films.

3. NFDC produced 8 films in 1991/92 and is likely to do 15 in 1992/93. With the full commissioning of equipment and investment in key machines, the organization should be able to produce 40 films a year by 1996/97. This number could be increased further if rapid investments are made in the desired equipment, however, due to the high costs of these equipments and the inability of the private sector to make such quick investments at an early stage, the target of 40 films is considered as attainable. This number also includes processing of foreign films, a segment that has not been tapped until now. It is not only the number of films that should be looked at as a measure of NFDC's capability, but also the overall extent to which processing can be carried out. In less than 2 years, NFDC has now developed the capability to provide 16mm-35mm blow up prints, and also a fair level of sophistication in the editing and dubbing process. The capability to provide blow up prints was only commissioned in June 1993. This will come as a big relief to producers as they can avoid the time and money spent in getting this service done in India. However, NFDC still lacks an optical camera— used for transferring magnetic sound to optical sound— which could complete the entire process, thereby making possible the release of a film fully processed in Nepal. It is anticipated that in the coming years, a privatized NFDC will have all these capabilities.

3.2.4.d. Raw Films

Sale of raw films—a service started in 1991/92— has also been a major source of the organization's revenues. In its efforts to promote film production, NFDC has been readily making available raw films and materials required by the producer community. Flexible terms and conditions have been granted by NFDC for the payment of the required raw material. These have also been made possible through incentives given by the government for importing these materials.

A nominal custom duty of 15 paise per metre of raw film imported from abroad is now being charged by the government. Translated into a percentage basis, this duty comes to about 1% of the total value of the film imported. A sales tax of 5% is also levied over the total value of the consignment. As part of its policy to develop this industry, the government has cut down these levels drastically from what they were prior to the new communications policy of 1992. A customs duty of 55% and a sales tax 20% were being charged for raw film import, thereby making it impossible for the growth of this sector.

The low price of this commodity has dramatically spurred up producer interest. They have been approaching NFDC for all their raw film needs. NFDC charges a processing fee of 1% from producers if they pay upfront for all their requirement of raw film. A processing fee of 7% is charged if the producers pay in installments for the raw film ordered. However, they have to pay 1/3 of the total amount of the film ordered upfront before they can avail this facility.

3.2.5 Competition

In the area of feature film production and distribution, NFDC has had to face strong competition with producers and distributors inside Nepal as well as those from India. Indian films have been popular in Nepal, and distributors and exhibition theaters prefer to deal with Indian films due to better margins of profitability available. Also, the absence of a significant number of theaters in Nepal has made it difficult for Nepalese producers to exhibit their films. NFDC and other producers in Nepal have also competed with producers in India who produce films in Nepalese languages targeted for the market in

Nepal.

Due to the nature of competition in this line of business, NFDC has since changed its business activities as a producer of feature films to a facilitator of film industries in Nepal by providing the logistic support to private sector at their request.

In the area of film processing, which is now the main emphasis of NFDC, the company has made significant investments the establishment of a processing laboratory and upgrading of inventories for raw materials required for the film processing function. Such a significant investment will not be possible for any other local private sector individual or group to make in the coming years. This strengthens NFDC's position in film processing, however, competition for this function comes from processing laboratories located in India. Before NFDC started its processing function, Nepalese producers had all their processing work done in India. Some of these still go to India due to unavailability of facilities for converting magnetic sound into optical sound- a concluding stage of the film processing function. However, an increasing number are now hoping that NFDC will be able to satisfy their needs.

3.2.6 Marketing Analysis

3.2.6.a. Strengths

NFDC possesses a number of strengths that makes it a very attractive proposition for investment. These are:

- a. Its established history: Over 22 years in operation and a pioneer in the development of the film industry in Nepal.
- b. Extensive array of services offered: NFDC possesses the capabilities to offer all the services required for film production in one location. Producers can get access to rental equipment, technical advisory services, raw materials, film processing facilities, dubbing and editing from NFDC. There is also a site within the NFDC premises for a film production studio, the structural foundations for which are already in place.
- c. Film Processing: NFDC is the only institution having the entire range of film processing equipment required for film production. It enjoys a monopoly status in film processing, and therefore stands to earn considerable revenues in this business.
- d. Availability & Storage of Raw Film: As part of its promotion activities, NFDC has endeavored to ensure a steady supply of raw film required by producers. It also stores these raw films and other materials for producers who can collect them periodically after making payments for the amount needed in phases.
- e. Obsolescence factors: The film production industry is a highly dynamic industry with innovations in film processing taking place on a continuous basis. Therefore, some degree of functional obsolescence is bound to be present in any film development & processing operation. For the kind of needs in Nepal, and the level of sophistication of the industry in the country, the condition of the machines and equipment can be deemed as appropriate.

3.2.6.b. Weaknesses

- a. Lack of an effective marketing capability: NFDC could offer a very useful pre-processing service to all the foreign film makers filming in Nepal. However, due to lack of resources and the required skills, the company has been unable to attract these very important clients. With privatization, the new owners could target this client aggressively by introducing a marketing program aimed at creating awareness of NFDC's expertise and capabilities.
- b. Equipment: To ensure a steady flow of work carried out as part of the processing operation, and to double the company's processing outputs, certain key equipment are essential. Lack of capital to invest in such equipment has impeded on the quantity of the

output, thereby leading to loss of extra revenues that would have otherwise been generated.

3.2.6.c. Opportunities

There are a number of opportunities for NFDC that can be capitalized to the company's advantage:

- a. Investment in essentially needed equipment will significantly increase processing capacity and quality.
- b. Aggressively marketing services of NFDC to foreign producers— shooting in Nepal— will result in an increase in foreign exchange earnings for the corporation and increased international visibility for the country for the purposes of tourism and investment.
- c. Continuity of the government's policies to provide incentives for setting up an increasing number exhibition theaters, and further inculcating producer interest; will accelerate the production—demand cycle, thereby increasing the number of films made and processed in the country.

3.2.6.d. Threats

There are certain threats that the company faces while in its efforts to increase its revenues.

- a. Competition from film processing studios in India is likely to impact upon the quantity of films processed in the country. This will translate into NFDC's processing revenues. However, such a threat could be removed if NFDC is able to expand its processing capacity, thereby decreasing the waiting period for producers to process their films through NFDC.
- b. The government has stated its continuous support for the growth of this industry as part of the incentives offered to film production. Government's renewed support for this sector for the next few years is very important, however, it is not possible to draw any conclusions of the government's position in the long run.

3.2.6.e. Critical Success Factors

The factors critical to NFDC's future marketing success are:

- its capability to further increase the processing capacity of films,
- investment in equipment and processes that can enhance and streamline processing capacity, and
- Government's continued commitment to this industry through ongoing incentives for encouraging further establishment of exhibition theaters, incentives to producers, and relaxation of duties for importing raw films and other material.

3.2.7 Conclusions

NFDC is well established to serve the needs of the film producers in Nepal. It provides a complete array of services required of any film production operation. With significant investments in processing operations, NFDC is the only operation of its kind with the capability to undertake processing, editing and dubbing of films in 18 mm as well as 35 mm. Therefore, there are no marketing reasons as to why the company should not continue to be competitive.

3.3 ORGANIZATION AND ENGINEERING APPRAISAL

3.3.1 General Comment

NFDC was established in 1971 under the Nepal Communication Corporation Act 1971 in the name of ROYAL NEPAL FILM CORPORATION. Located in Kathmandu, the NFDC was set up to serve the government's objectives of producing feature films and documentaries of national and culture interest as well as commercial films of recreational values.

The company has played an important role in facilitating the development and promotion of the film industry in Nepal. It is the only institution in Nepal that offers a comprehensive array of services pertaining to provision of technical expertise in the area of film production, machine and equipment rental, theater and studio rental, film processing that also includes editing and dubbing facilities, and sale of raw films.

- * It demonstrated a capacity in 1991/92 to process a total of 8 films only after 3 months of commission of processing equipment.
- * Expected to process a minimum of 15 films in 1992/93.
- * With significant investments in its processing laboratory, the organization is able to address all the processing needs of the film industry at the present time.
- * There is significant potential for increasing both processing capacity and productivity, but this will require further investments.
- * It can be expanded to have a processing capacity of 40 films a year once investment in some essential equipment has been made.
- * It has the capacity to provide on rental all the necessary machines and equipment required by producers while filming on location.
- * It has assisted in developing the technical capability of a number of individuals who are now considered as experts in this industry. Though, it has lost a number of skilled technicians to the private sector, it still has access to an adequately skilled workforce for its administrative and operational requirements.
- * Is able to provide ready access to raw materials and their storage to the producer community
- * Enjoys the patronage of all the interest groups in the film industry
- * Has a facility that could be developed into a film production studio for the benefit of the film producers.

3.3.2 Land, Buildings and General Facilities

NFDC occupies a site in the Balaju industrial area which is on lease from the Industrial District Management Company Limited (a 100% government-owned enterprise), Kathmandu. The corporation recently renewed its lease for a further period of 20 years that will extend up to the year 2013.

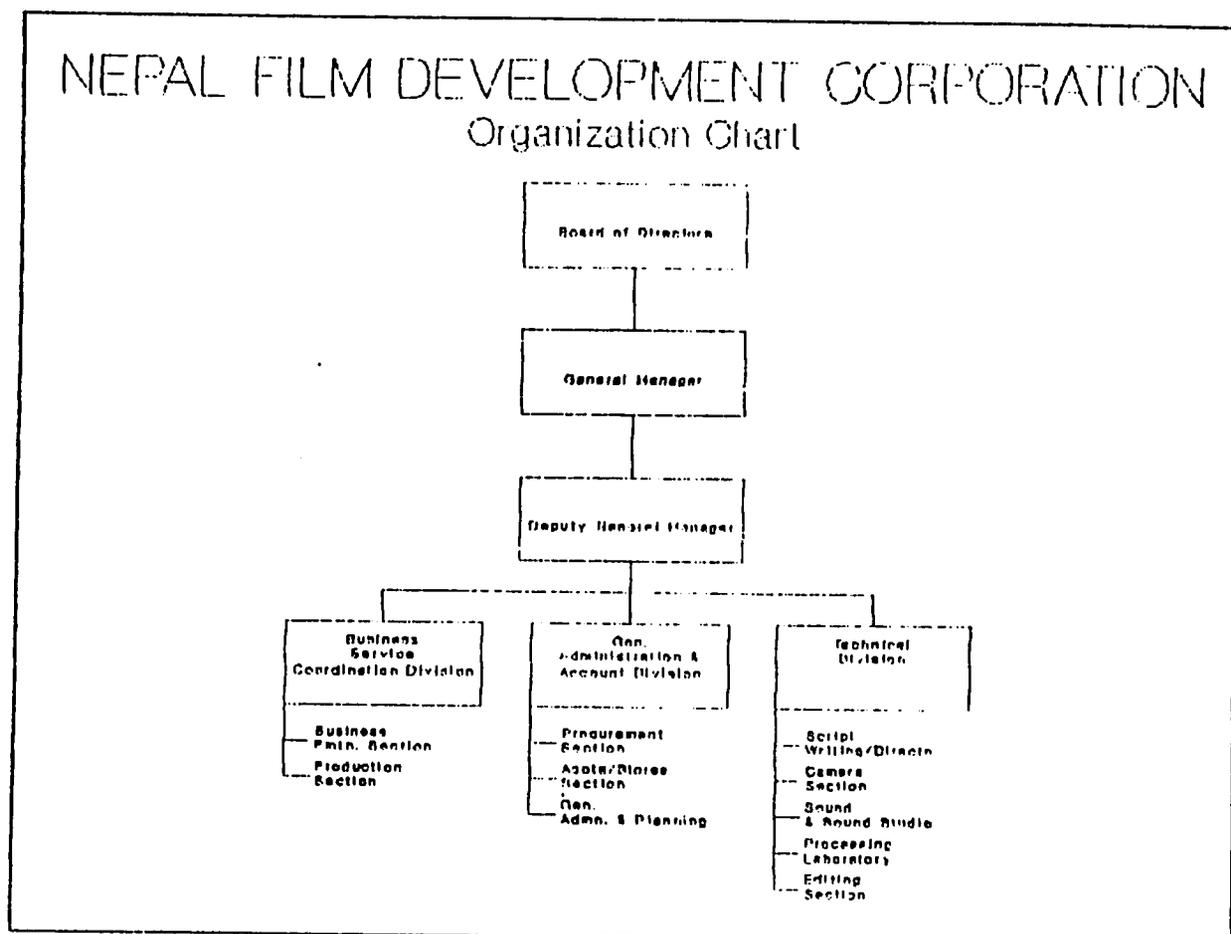
The Corporation has its head office in the city of Kathmandu, however, the same will be returned back to the government before the sale of the company. Due to the vacant space available in the NFDC complex, the head office could be moved there, thereby consolidating all the activities of the company in one place.

There is a building located towards the middle of the site (total built up area of 20106 sq feet) which houses all the functions and facilities of the NFDC. Adjacent to the building— and within the site— is a land area (built up area-3440 sq. feet) that has been earmarked for the construction of a film studio. The structural foundations for this proposed unit are already in place.

3.3.3 Organization And Staffing

3.3.3.a. Organization

The general manager reports to a board of directors comprising government officials from the ministries of finance and communication. The general manager acts as member secretary of the board. All senior officials in-charge of the respective departments report to the General Manager through a Deputy General Manager.



Functionally, the organization is divided into 3 departments responsible for undertaking all the required activities. The 3 departments along with the sections under each are shown below:

i. Business Service Coordination Division

The business service coordination division comprises the following:

- i.a. Production Section
- i.b. Business Promotion Section

The business promotion section is responsible for the overall promotion of NFDCC's products and services offered, and the production section has been responsible for timely processing and development of films.

ii. General Administration and Accounts Division

The General Administration and Accounts Division comprises the following:

- ii.a. Procurement Section
- ii.b. Account and Stores Section
- ii.c. General Administration and Planning Section

The procurement section is responsible for the procurement of all the raw materials, chemicals, machinery and film equipment required for developing NFDC's products and services offered. The accounts and stores section is responsible for administering the accounting systems, as well as storage of all the inventories of the organization. The General Administration and Planning Section deals with all the administrative and future manpower planning related tasks.

iii. Technical Division

The Technical Division comprises the following:

- iii.a. Script Writing and Direction Section
- iii.b. Camera Section
- iii.c. Sound and Sound Studio Section
- iii.d. Processing Laboratory Section
- iii.e. Editing and Dubbing Section

The Script Writing and Direction Section writes scripts for documentary films (used to write scripts for feature films before this activity was stopped), assists producers and others in script writing, identifies directors for undertaking the direction of films, and offers any other assistance related to these 2 function areas. The Camera Section provides camera equipment on rental as well cameramen to help producers in shooting of films. The Sound and Sound Studio section provides assistance in the recording of sound and its synchronization with the picture as well as transfer of sound to magnetic film. The processing laboratory undertakes the processing of all negative films obtained from the producer after the completion of shooting on location. The Editing and Dubbing Section is responsible for coordinating the recorded pilot sound with the film picture.

3.3.3.b. Current Employee Levels

The current employee levels in the company are:
MANPOWER GRADES AND NUMBERS

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POST	GRADE	NUMBER APPROVED	PRESENT NUMBER
GENERAL MANAGER	SPECIAL	1	1
DEPUTY GEN MANAGER	10TH	2	1
DEPARTMENTAL CHIEF	9TH	2	-
SENIOR OFFICER	8TH	11	8
OFFICER	7TH	15	9
OFFICER	6TH	8	9
ASSISTANT	5TH	25	12
ASSISTANT	4TH	20	28
ASSISTANT	3RD	5	3
ASSISTANT	2ND	23	12
ASSISTANT	1ST	8	16
TOTAL		120	99

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The allocation of this manpower by department is as follows:

DEPARTMENT/UNIT	OFFICER LEVEL	NON-OFFICER LEVEL	TOTAL
GENERAL MANAGER	1		1
DEPUTY GENERAL MANAGER	1		1
INTERNAL AUDITOR	1		1
LEGAL ADVISOR	1		1
Sub Total			4
BUSINESS SERVICE COORDINATION			
a. Production	4	5	9
b. Business Promotion	2		2
Sub Total			11
GENERAL ADMINISTRATIVE AND ACCOUNTS DIVISION			
a. Procurement	1	-	1
b. Accounts and Stores	1	7	8
c. General Admn. & Planning	3	26	29
Sub Total			38
TECHNICAL DIVISION			
a. Script Writing & Direction	3	-	3
b. Camera	4	3	7
c. Sound and Sound Studio	4	9	13
d. Processing Laboratory	2	14	16
e. Editing	2	5	7
Sub Total			46
GRAND TOTAL			99

A detailed list of employees with the requisite skills can be found in Appendices

3.3.3.c. Opportunities for Improvement

It is considered that total manpower authorized for NFDC as it is operated at present is acceptable. There are opportunities for decreasing some people from the production unit of the business coordination division— due to little business generated from this unit presently— however, as documentary production once again becomes profitable, some of the people may be utilized. Therefore, redundancies could be very minor. There may be a few non-officer staff redundant in the General Administration and Planning division, however, some of these could be utilized elsewhere, with expansion in business operations. The technical division has an adequate number of employees. A total of 99 employees compared to 120 that were officially sanctioned by the government is modest for the size and operation of NFDC.

Depending on the thrust of NFDC after it is privatized, it may have to attract more technically competent staff in the processing function. This should not be difficult as the new private sector owners will provide attractive remuneration packages to these people.

3.3.4 NFDC: Production of Film

Typically the process of film production— until the time it is released— involves the following steps:

- a. Preparation of script by the writer/producer
- b. Approval of the script by relevant approving authority
- c. Acquisition of all the required material for film shooting by the producer
- d. Commencement and completion of shooting on location/studio
- e. Film processing (also involves editing and dubbing)
- f. Initial screening
- g. Approval from the relevant censor authority
- h. Film handed over to distributors
- i. Distribution of film to exhibition theaters by distributors
- j. Film Exhibition

NFDC is involved in steps a,c,d,e, and f of the entire film production process described above. NFDC's capabilities and capacities for each of the steps is described below.

Step a: Preparation of Script

This function involves provision of assistance to producers, writers, etc., in script writing. This function does not involve any equipment or machinery but entails manpower expertise towards the writing of high quality scripts. Due to the change in focus of NFDC's line of business, and with the ceasing of film production activity, this area has not been of much significance. The prevailing staff of 2 personnel have been used occasionally on the script writing for a few documentary films.

Step c,d: Acquisition of all the required material for film shooting by the producer and commencement and completion of shooting on location/studio

As part of its endeavors to promote the development of the film industry, NFDC provides raw films to producers who can procure these at concessional terms based on their ongoing needs. The total requirement of raw film indicated by the producer is procured by the NFDC and is kept in its storage facilities. This is then sold to the producer on a as-and-when-needed basis. The corporation charges a nominal fee from the producer for film ordered in advance but procured in phases, and no fee if the producer pays for all his requirement upfront.

The total amount of raw material procured by NFDC for 1992/93 as of end of June is shown below:

MATERIAL	COST (IN RS)
1. Raw Stock	40,22,793.22
2. Chemical	3,64,263.16
3. Apparatus	6,484.50
2. Others	2,48,838.50
TOTAL	95,59,593.20

Source NFDC records

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The total amount sold in 1992/93 as of end of June being the following:

MATERIAL	COST (IN RS)
1. Raw Stock:	55,01,499.11
2. Chemical	3,64,263.16
3. Apparatus	6,484.50
2. Others	2,43,838.50
TOTAL	61,21,085.27

Over and above the inventory of raw materials available after the amount sold in this year, an order for the supply of Rs.4,24,535.76 worth of raw stock from Kodak arrived recently.

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As part of its rental services offered to clients, NFDC assists producers in all their material requirements for shooting of films. The material, manpower, and equipment available on rental basis from NFDC is as follows:

EQUIPMENT RENTAL

S.No	Name of Equipment	Number	Rental Charges per day in Rupees
1.	35 mm camera & nagra equipment	set	Offered in a package deal at the rate Rs1700 if rented for a week
2.	16 mm camera & nagra equipment	set	Offered in a package deal at the rate Rs1700 if rented for a week
3.	Lighting equipment (20-25 kw)	40-50 kv capacity	20-500
4.	35 mm camera	3	750
5.	16 mm Alton camera	3	750
6.	Ari B.L. camera (16 mm)	1	750
6.	Camera Tripods	3- 35mm 3- 16 mm	75-200
7.	Camera motor	one for each camera	100-150
8.	Light exposure meter	one for each camera	50- 275
9.	Camera batteries	more than 20	50
10.	Camera stool set	30-40	50
11.	Mobile crab dolly	1	300
16.	Camera film magazine	13	75-100

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STUDIO RENTAL

S.N.	DESCRIPTION OF EQUIPMENT	RATE
1.	Dubbing/shift	3000.00
2.	Projector rent with projectionist .	3000.00
3.	Feature films show	2500.00
4.	Feature films other/reel	100.00
5.	film show- mini theater	75.00
6.	Censor/films	750.00
7.	Censor Nepali or other lan.	675.00
8.	Audio recording & mixing/hr	350.00
9.	Commentary & other recording/hr	250.00
10.	Nagra/day	400.00

EDITING FACILITIES RENTAL

S.N.	DESCRIPTION	RATE	
		PER HOUR	PER SHIFT
1.	Stain wake	150	1000
2.	Mobiyala	60	400
3.	siki 16mm.	50	300
4.	Table	40	250
5.	Negative cut 16mm		100-500/feet
6.	Negative cut 35 mm		500-1000/feet
7.	Care taker		150
8.	Eclipser		20

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TECHNICAL EXPERTS

S.N.	DESCRIPTION	RATE/DAY
1.	Director	300
2.	Asst. Director	225
3.	Camera man	225
4.	Asst. Camera man	150
5.	Sound controller	225
6.	Asst. Sound Controller	125
7.	Production Manager	225
8.	Asst. Production Manager	125
9.	Accountant	125
10.	Light man	100
11.	Projectionist	85
12.	Asst. make-up man	85
13.	Asst. Dress man	85
14.	Light boy	85
15.	Camera boy	85
16.	Boom boy	85
17.	Joiner	85
18.	Care Taker	150
19.	Editor	225
20.	Asst. Editor	125
21.	Liaison Officer	225

With regards to the rental services provided, a major part of the equipment owned by NFDC and provided to producers on rent is old and would need to be replaced as the level of sophistication increases in the industry.

Studio rental and editing services provided by NFDC have been very much in demand and have been utilized to their capacity. However, the equipment available for editing can only edit one film at a time, thereby leading to waiting periods for producers that could become longer with increase in film production.

NFDC has a number of technical experts that provide technical assistance in all aspects of film production. Rates charged for their service have been deemed nominal by the producers, and the level of expertise provided has been highly satisfactory.

3.2.4.d. Film Processing (includes editing and dubbing)

NFDC started its film processing facility only a year ago. The film processing equipment had been lying in the premises for quite a while until the time the present management decided to assemble these for performing the processing function.

The processing service carried out by the NFDC comprises of the following steps along with the major types of equipment used for each step. (For a detailed list of equipments and machines used by NFDC, please refer to the appendices at the end of this memorandum.)

Broadly there are 2 sides to the film processing function. These are: a) the film side and the b) sound side. Both these functions are carried out independently but are briefly combined at the rush print assembling stage, becoming independent thereafter until the time when processing of the positive print is carried out.

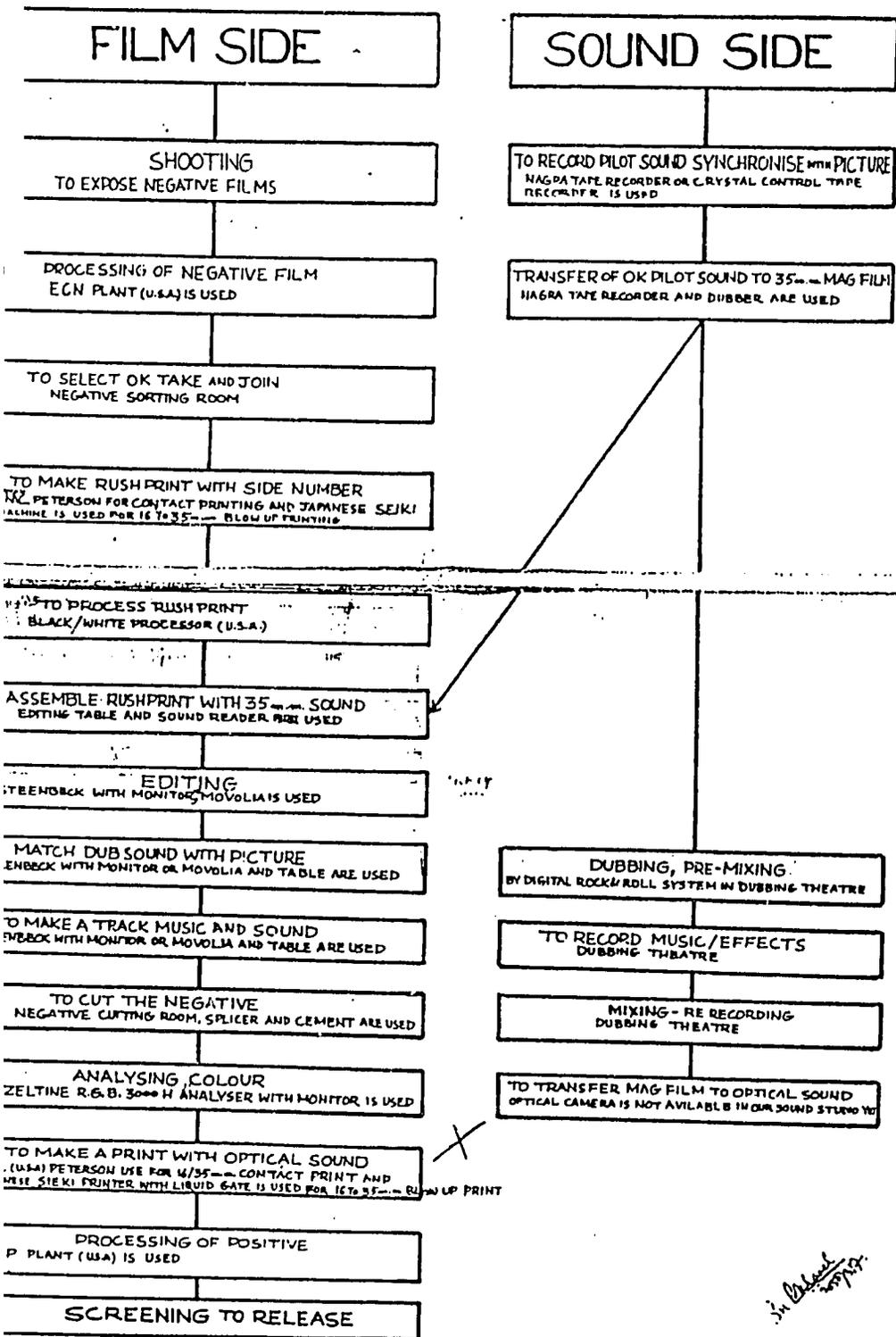
i. Film Side

The steps carried out as part of this side of processing along with major equipment and facilities used is as follows:

STEPS	MACHINE AND EQUIPMENT USED
FILM SIDE	
1. Shooting -exposure of negative films	Producer's equipment or equipment rented from NFDC
2. Negative Film Processing	Type- ECN Plant Make- U.S.A.
3. Selection of OK Take and joining of film	Only a negative sorting room required
4. Making of Rush Print with Side Number	Type- LMC Peterson for contact printing Make- U.S.A. Type- Seiki machine for 16-35mm blow-up printing Make- Japan
5. Processing of Rush Print	Type- Black/White processor Make- U.S.A.
6. Assembling rush print with 35 mm sound transferred from the SOUND SIDE (happens in conjunction with step 2 of sound side)	Type- Editing table and sound reader
7. Editing	Type- Steenbeck Machine with monitor or Movolia and table are used Make- Germany
8. Matching Dub Sound with Picture	Type- Steenbeck Machine with monitor or Movolia and table are used Make- Germany
9. Producing Track Music and Sound	Type- Steenbeck Machine with monitor or Movolia and table are used Make- Germany
10. Negative Cutting Process	Type- Negative cutting room, splicer and cement are used
11. Colour Analyzing	Type- Hazeltine R.G.B. 3000H analyser used with monitor Make- U.S.A.

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STEPS IN FILM MAKING



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In Colour 35mm

u. Sound Side

The steps carried out as part of this side of processing along with major equipment and facilities used is as follows:

STEPS	MAJOR MACHINES AND EQUIPMENT USED
1. Recording Pilot Sound and Synchronizing with Picture	Type- NAGRA tape recorder or crystal control tape recorder
2. Transfer of OK Pilot Sound to 35mm Magnetic Film on the FILM SIDE (happens in conjunction with step 6 of film side)	Type- NAGRA tape recorder and dubber are used
3. Dubbing, Pre-Mixing	Type- Digital rock & roll system in dubbing theater
4. Mixing/Re-recording	Type- Dubbing Theater
5. Transfer of Magnetic Film to Optical Sound	Undertaken in India due to non-availability of optical camera

iii. Combination Step

After the completion of steps 11 and 5 in the sound and film side, the 2 functions are merged and the steps carried out before the film is ready for screening are as follows:

STEPS	MAJOR MACHINES AND EQUIPMENT USED
12. Print Making with Optical Sound	Type- LMC Peterson used for 16/35mm contact print and Seiki printer with liquid gate is used for 16 to 35mm blow up print Make- U.S.A. & Japan
13. Processing of Positive Film	Type- ECP plant is used Make- U.S.A.

3.2.5 Comments on Production and other Areas of Importance for NFDC

3.2.5.a. Script Preparation

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This particular function of NFDC has been ignored for over a year, especially after the loss of revenues from this line of business. In the last one year, the processing part of the business took precedence over all other activities, and therefore, not enough attention was paid to this lines of business. Script writing for documentary films and helping in their direction offers a lot of potential for NFDC. The organization is no longer forced to produce documentaries and/or films that are not financially feasible. It has now been turning down requests from government offices for assisting in this function owing to non-payment of revenues owed to the corporation & non-viability of these films.

NFDC is at present working on 2 documentary films— one for the Ministry of Tourism and the other for an Austrian group— that are profitable ventures and are likely to earn significant revenues for the organization. Due to its reputation as a pioneer in film making, NFDC still attracts a lot of interest from government offices and private sector for film production. With a little more aggressive marketing, and no investment, the company could earn sizable revenues from this line of business.

3.2.5.b Acquisition of all the required material, equipment and expertise for film production

Equipment provided by NFDC on rental basis has been a sizable revenue earner, however, the NFDC needs to invest some capital to increase and improve the quantity and quality of equipment provided to producers. With the addition of this equipment, NFDC could successfully market itself as a comprehensive provider of all the needs of the producers once they decide to begin shooting for a film. Producers prefer to acquire all their material and equipment from one single source rather than a series of vendors.

Even though some of the rental equipment is old, it is still good enough for the prevailing needs of the producers. An extra amount of investment needs to be made in procuring more lighting equipment, as this would help NFDC meet present demand. About Rs 3,00,000 were spent last year on maintenance and lighting equipment; investment of a similar amount would satisfy total demand.

With regards to providing technical expertise to the producers, revenues accrued through this activity have also begun to fall drastically. There is enough expertise in the private sector that can provide this kind of service, therefore, concentration on this line of activity should be minimum at best.

3.2.5.c. Film Processing

This area will be the most significant revenue earner for NFDC in the coming years. With commissioning of processing machines and equipment still being completed, NFDC should be able to process 15 films in 1992/93. With a fully operational processing unit, the organization should be able to process more than 40 films a year by 1996 with the present equipment. However, there is certain equipment that is still needed to cater to the growing demand for processing, as well as offer complete processing facilities in Nepal, thereby eliminating the need of sending films to India. For example, producers have to go to India to transfer a magnetic film to optical sound as the optical camera required for this purpose is not available in Nepal. This step in film processing comes towards the far end, and therefore precludes NFDC from providing the producer with a fully processed film ready for screening and release.

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The private sector could stand to gain tremendously if it gradually moves to install the following to facilitate the processing function.

S.No	DEFICIENCY	REQUIRED EQUIPMENT	ESTIMATED COST (Rupees)	ORDER OF PRIORITY
1.	Only one driving motor (out of 2) operational to run 2 LMC Peterson contact printing machines— for making 16&35mm contact films— and the analyser	Need for a LMC 4100 card/diskette to set the other motor operational	1,00,000	Important as 3 machines now dependent on one motor
2.	Difficulty in meeting increased demand for editing services with only one editing machine	Need for an another editing machine preferably of Steenbeck type	15,00,000 to 25,00,000 for a good second hand machine	Not a very important priority but to be sourced in the coming year
3.	Inability to transfer magnetic film to optical sound	Need for an optical camera	15,00,000 to 25,00,000 for a reliable second hand one	If the time and money invested in getting the same done in India outweigh the costs of the equipment in the next few years, then it would be advisable if one is purchased for the benefit of the industry
4.	Inability to commission a/c plant and also take precaution against power fluctuations that are common	Need for a power transformer	4,00,000 to 5,00,000	Crucial to protect expensive equipment from getting damaged

3.2.6 Conclusion

NFDC presents a very attractive proposition for investment. It provides a comprehensive range of products and services to cater to the entire needs of the film industry. It guarantees the supply of raw materials— at affordable prices— and equipment required for film production. It also provides complete facilities for processing, editing and dubbing of films. It has the capability to produce 16mm as well as 35mm film along with blow up printing facilities if needed. It does not have the capacity to transfer magnetic film to optical sound at the present time, however, this service could be acquired as the organization begins to earn more revenues through increased business.

With a sizable workforce that is technically qualified, and wide acceptability of its products and services among its clients, NFDC could be a very profitable and effective operation in the future. It would contribute tremendously to the development of the film industry in Nepal under a communication policy that fully encourages the growth of this vital industry.

3.4 FINANCIAL INFORMATION

Historical Trading Results

The Company's trading results before tax for the four years ended 15 July 1992 are summarized below. The results and the balance sheet figures shown below are taken from the audited accounts for the 1989, 1990 and 1991 years and provisional and unaudited accounts for the years 1992. Provisional Accounts for the period ending 10 months i.e. 13 May 1993 are also shown in the summary. The figures in the schedules are in NRS 000 s'.

	1989	1990	1991	1992	1993
Sales	<u>2,851</u>	<u>7,056</u>	<u>5,029</u>	<u>2,550</u>	<u>845</u>
Gross profit	<u>1,998</u>	<u>5,202</u>	<u>3,371</u>	<u>1,228</u>	<u>696</u>
Depreciation	1,007	1,108	1,389	1,300	998
Other Overhead and Expenses	<u>2,785</u>	<u>2,540</u>	<u>3,586</u>	<u>4,666</u>	<u>3,030</u>
Sub-Total:	<u>3,792</u>	<u>3,648</u>	<u>4,975</u>	<u>5,966</u>	<u>4,028</u>
Operating profit (Loss)	(1,794)	1,554	(1,604)	(4,738)	(1,107)
Misc. Income	99	146	186	16	17
Non-operating Expenses	(12)	(8)	-	-	-
Profit(Loss) Before Interest	(1,107)	(1,692)	(1,418)	(4,722)	(3,315)
Interest Expense	-	-	-	-	-
Profit(Loss) after Interest	<u>=====</u> (1,707)	<u>=====</u> 1,692	<u>=====</u> (1,418)	<u>=====</u> (4,722)	<u>=====</u> (3,315)

Balance Sheet

The Company's balance sheet position is summarized below.

Sources of Funds	1989	1990	1991	1992	1993
Capital	55,423	57,423	60,000	60,000	60,000
Reserves & Surplus	(12,154)	(11,285)	(12,715)	(17,570)	(20,884)
HMG/N Investment	-	-	3,869	3,869	7,201
Total	42,678	46,138	51,154	46,299	46,317
Application of Funds					
Fixed Assets	28,001	29,648	31,931	32,586	32,927
Less Depreciation	13,435	14,537	15,847	17,170	18,168
Net Fixed Assets	14,566	15,111	16,084	15,416	14,759
Capital work in progress	266	593	205	190	199
Current Assets	3,029	31,974	38,291	35,809	43,125
Less Current Liabilities	(2,683)	(1,540)	(3,426)	(5,116)	(11,765)
TOTAL:	42,678	46,138	51,154	46,299	46,317

As a result of an appraisal of vehicles and equipment, the valuation of land and buildings and a review of other major balance sheet items the Advisors consider that a number of adjustments are required to more accurately reflect the value of assets employed by the Company. The following table and notes show the value and general nature of the adjustments.

Sources of Funds	At 13 May 1993	Adjustments	Note	Adjusted Position
Capital	60,000		(1)	60,000
Reserves & Surplus	(20,884)	-		(17,806)
HMG/N Investment	7,201	-		7,201
Total	46,317	3,078		49,395
Application of Funds				
Fixed Assets (net of depreciation)	14,759	9,437	(2)	24,196
Capital work in progress	199	----		199
Current Assets	46,125	(1,722)	(3)	41,403
Less Current Liabilities	(11,766)	(4,637)	(4)	(16,403)
TOTAL	46,317	3,078		49,395

Notes

(1) Reserves and Surplus Adjustment of R. 3,078 is the surplus amount of various adjustments effected in the assets and liabilities of the Company.

(2) Fixed Assets: (a) Adjustment of R. 9,437 represents the increase in the existing use value of the assets of the Company as per the valuation reports:

Lab Building has been revalued to its market value at R. 9,533. Plant, Machinery Vehicles, & other Equipment have been revalued to their existing use value, R. 9,922. Land and Office building have been taken at book value, of R. 665 since the corporation does not own its land in plaza, HMG does not intend to sell the office building.

(b) The corporation has adopted an accounting policy of capitalizing films & documentaries produced in fixed assets and depreciating at 10 % per annum. Only those features films which have some commercial value have been carried forward at book value. Cost of all documentaries has also been carried forward at book value.

(3) Current Assets: Adjustment of R. 1,722 is the aggregate of the following:

- unrecoverable staff loans & Advances	Rs. 98
- bad/doubtful debts as per auditors report	1304
- obsolete stock items as stated by Management	320
	=====
	1,722
	=====

(4) Current Liabilities: Increase in current liabilities, represents following adjustments:

	<u>Rs.</u>
- Estimated amount of gratuity not provided in the accounts	4,637
	=====
	4,637
	=====

CONFIDENTIALITY AGREEMENT

Private and confidential

To: His Majesty's Government of Nepal
Ministry of Finance
Kathmandu

And To Nepal Film Development Corporation (NFDC)

In consideration of your agreeing to provide us with the Information Memorandum(s) dated _____, 1993 relating to the sale of HMGN's Shares in NFDC we hereby agree to as follows:

1. We have read and acknowledges the disclaimer forming part of the Introduction Section in the Information Memorandum(s).
2. We will hold and keep strictly confidential all information, statements, opinions, projections, forecasts and other matters of whatsoever nature ("the Contents") contained in the Information Memorandum(s) or otherwise provided to us in respect of the Proposals, except insofar as the same may be or become information in the public domain, and we will only use the Contents and other information as necessary to consider the Proposal.
3. If it is necessary to make any such disclosure to any employee or third party, we will prior to making such disclosure procure that such employee or third party unconditionally agrees to be bound by the terms of this letter. We agree that we are and will be responsible for all the acts and omissions of such persons insofar as they relate to or affect any matter with which this letter or the Information Memorandum is concerned, or may do so.
4. On completion of the sale process, we will return the Information Memorandum, any copies thereof or of any parts thereof and any papers containing extracts from the same or based upon the Contents, in such case within our possession or disposition to you promptly upon your request, but in such case we recognize that we will be entitled to a refund of 90 % of the charge levied for provision of the Memorandum.
5. We will do and take all lawful things and actions as you may request to procure that the undertakings set out in this letter are fully and properly complied with and performed at all times.
6. We agree that the undertakings set out above will continue in full force and effect notwithstanding any omission, event and/or matter, except with respect to any interest we purchase.

As a separate and independent undertaking we will indemnify His Majesty Government of Nepal, NFDC and their respective officers, employees, advisors and agents against any loss, cost, claim, damage, expense, liability, proceeding or demand which they or their respective officers employees or agents may incur or suffer in consequence of any breach on our part, or on the part of any persons for whom we are responsible, of the undertakings herein contained, and that we unconditionally consent to submit to the non-exclusive jurisdiction of the courts of Nepal.

Your faithfully

Name : _____
Company : _____
Date : _____
Position : _____

Form of Bid

PRIVATIZATION OF MANUFACTURING PUBLIC ENTERPRISES

HIS MAJESTY'S GOVERNMENT OF NEPAL

BID FORM IN RESPECT OF THE BUSINESS OF

NEPAL FILM DEVELOPMENT CORPORATION

To: His Majesty's Government of Nepal
Ministry of Finance
Corporation Coordination Division,
Privatization Unit, Kathmandu, Nepal

1. This bid is submitted pursuant to the invitation by His Majesty's Government of Nepal (HMGN) for offers to purchase 100 % of the Shares in Nepal Film Development Corporation Limited ("Company") in accordance with the provisions of the information memorandum dated ____ 1993.

2. The full names and the addresses of the bidder ("Bidder") is:

Name : _____

Address : _____

3. The full names and addresses of the shareholders and the directors of the Bidder (if a company) are as follows :

4. The Bidder confirms that it is acting as :

* (a) principal for its own account; or

* (b) agent for the following principal(s) :

* [delete as in applicable]

5. The value which the Bidder ascribes to the Shares is Nrs [].

6. * The Bidder does not have any unresolved questions in relation to the purchase of the Shares. or
- * The Bidder has the following unresolved issues in relation to the purchase of the Shares.

* [delete as inapplicable]

7. Set out in the schedule to this form are the following :

- (a) A brief outline of the Bidder's plans for the Company, proposals in relation to estimated redundancy numbers, employee welfare, further capital investment in the Business, introduction of technical expertise, improvement of management and employee skills, development of the quality and quantity of services provides, promotion of Nepalese Arts and Culture and Proposed local shareholding (refer 2.5 of the Information Memorandum).
- (c) Details of the commercial experience of the Bidder.
- (d) The advantages/benefits to the economy and development of Nepal which the Bidder considers will accrue as a result of its acquisition of the Shares.
- (e) Any amendments proposed by the Bidder to the draft form of agreement for sale and purchase set out in the information memorandum.
- (f) Any special conditions attaching to the bid.

8. The Bidder proposes to finance the purchase of the Shares in the following manner.

The Bidder confirms that it can complete the purchase in accordance with the timetable set out in the information memorandum.

9. The Bidder : (a) acknowledges that neither HMGN nor the Company will have any obligation to the Bidder (except as to return of 90 % of the fee paid for the Information Memorandum) nor will the Bidder have any obligation to HMGN or the Company until HMGN and the Bidder have signed a written agreement for sale and purchase in respect of the Shares. (b) acknowledges that it is bound by the provisions of the information memorandum in relation to the sale process, confidentiality and disclaimer of responsibility.

10. The Bidder offers the following as referees in respect of the business skills, integrity and financial standing of the Bidder :

DATE : 1993

SIGNED BY OR
ON BEHALF OF BIDDER : _____
Name and position held

Note : The Bidder must set out in a separate schedule the matters referred to in paragraph 7 of this form.

His Majesty's Government of Nepal

(HMGN)

(Purchaser)

(Guarantor)

AGREEMENT FOR SALE AND PURCHASE
OF 100 % OF THE SHARES
IN NEPAL FILM DEVELOPMENT CORPORATION

CONTENTS

<u>Section</u>	<u>Heading</u>
1.	Interpretation
2.	Sale and Purchase of Shares
3.	Purchase Price
4.	Payment
5.	Completion
6.	Information etc
7.	Warranties and Undertakings
8.	Employees
9.	Right of Repurchase
10.	Rights of Vendor
11.	Announcements
12.	Notices
13.	No Waiver
14.	Costs
15.	Guarantee
16.	Governing Law

AGREEMENT dated the

day of

1993

PARTIES

1. His Majesty's Government of Nepal ("HMGN")
2. [] ("the Purchaser")
3. [] ("the Guarantor")

INTRODUCTION

- A. HMGN owns or controls 100 % of the Shares ("Shares") in Balaju Textile Industry Limited a Company registered under the Company Act 1964.
- B. HMGN has agreed to sell and the Purchaser has agreed to purchase the Shares on the terms and conditions contained in this agreement.
- C. The Guarantor has agreed to guarantee the obligations of the Purchaser under this agreement.

AGREEMENT

I. INTERPRETATION

1.1 In this agreement, unless the context otherwise requires:

"Advisors" means INTRADOS International Management Group/ International Privatization Group (IPG), Washington, D.C., Sanli Pastore & Hill, business valuers, Los Angeles, Anup Raj Sharma, Legal Advisor, Nepal and Devendra Shrestha & Associates, registered valuers of Nepal.

"Completion" means completion of the sale and purchase of the Shares in accordance with clause 5.2 or, as the context may require, the point in time at which such completion takes place.

"Completion Date" means _____ 1993 or such other date as the Vendor and the Purchaser may agree.

1.2 In this agreement, unless the context otherwise requires:

- a) Words importing one gender include the other gender;
- b) The singular includes the plural and vice versa;
- c) References to a month or a year are references to a calendar month or year, as the case may be.

1.3 In this agreement:

- (a) A reference to the HMGN, the Guarantor or the Purchaser is a reference also to their respective executors, administrators or successors.
- (b) A reference to a "person" includes an individual, firm, company, corporation or unincorporated body of persons, or any state or government or any agency thereof (in each case, whether or not having separate legal personality) and a reference to a "company" includes a person.

- (c) Headings are for convenience only and shall not affect interpretation;
- (d) References to sections, clauses and schedules are references to sections, clauses and schedules of this agreement unless specifically stated otherwise.

2. SALE AND PURCHASE OF THE SHARES

- 2.1 HMGN agrees to sell and the Purchaser agrees to purchase the Shares at the price specified, and upon the other terms and conditions in this agreement.

3. PURCHASE PRICE

- 3.1 The purchase price for the Shares shall be an aggregate amount of NR

4. PAYMENT

- 4.1 The Purchaser shall pay the purchase price for the Shares in the following manner:

- (a) By a deposit of Nrs.[] upon the execution of this Agreement.
- (b) The balance of the purchase price shall be paid in cash on the Completion Date.

- 4.2 If from any cause whatever (excluding the default of HMGN under, or failure by the HMGN to comply with, any provision of this agreement) any portion of the purchase price for the Shares is not paid on the due date, the Purchaser shall pay to HMGN interest and surcharge at the rate of 25% per annum on the portion of the purchase price so unpaid, such interest to be payable from the due date for payment until actual payment thereof but this stipulation is without prejudice to any of HMGN's rights or remedies under this agreement.

5. COMPLETION

- 5.1 Completion of the sale and purchase of the Shares shall take place not later than 12 noon on the Completion Date at the offices of the Ministry of Finance, Bagh Durbar Kathmandu.

5.2 At Completion;

- (a) Title to the Shares and possession of the Shares shall be given by HMGN and NFDC accepted by the Purchaser;
- (b) HMGN shall ensure that the [] Directors which it has appointed to the Board of Directors of NFDC shall resign.
- (c) HMGN shall deliver to the Purchaser:
 - (i) A memorandum of transfer of the Shares;
 - (ii) All other documents and things reasonably necessary to transfer to the Purchaser full and unencumbered title to and possession of the Shares.

All such documents referred to in clauses 5.2 (c) (i) and (ii) to be prepared by the Purchaser and submitted to the Vendor in sufficient time prior to the Completion Date to enable execution by HMGN.

- (d) The Purchaser shall pay or satisfy the purchase price for the Shares in the manner specified in clause 4.1.

6. INFORMATION ETC

- 6.1 In the period prior to Completion, HMGN and NFDC shall provide the Purchaser and its duly authorized representatives with access during the NFDC's normal operating hours to the Business Records and the Business Premises to enable the Purchaser to familiarize itself with the affairs of the Company.

7. WARRANTIES AND UNDERTAKINGS

- 7.1 In consideration of the Purchaser entering into this agreement, HMGN warrants that the Shares are not now, nor will on Completion be subject to any option, mortgage, charge, lien, encumbrance, security interest or other adverse interest of any nature whatsoever.
- 7.2 The Purchaser acknowledges that it is entering into this agreement, and agreeing to purchase the Shares pursuant to this agreement, solely in reliance on its own judgment and inspection of the NFDC Business and assets and not in reliance on any statements, warranties or representations made to the Purchaser or to any other person by or on behalf of HMGN and, save for clause 7.1, all express or implied or other representations and warranties are hereby expressly excluded to the maximum extent permitted by law. Without limiting the foregoing, the Purchaser acknowledges that (save as is expressed in clause 7.1):
- (a) none of HMGN, the Advisors, NFDC or any person on behalf of any of them has made, or is making, any representation or warranty, express or implied, as to the accuracy or completeness of, or otherwise in relation to, the Evaluation Material;
 - (b) none of HMGN, the Advisors, NFDC or any person on behalf of any of them has given, or will give, any representation or warranty as to the future prospects of the business of NFDC;
 - (c) none of HMGN, the Advisors, NFDC or any of their respective officers, directors, employees, shareholders, affiliates or agents has any liability to the Purchaser, or to any other person, resulting from the use of any Evaluation Material by the Purchaser;
 - (d) neither the provision of any Evaluation Material, nor the entry by the Vendor into this agreement constitutes any representation, warranty or undertaking (express or implied) that the Evaluation Material was or is correct or that there has been no change in the business, affairs or financial state of NFDC either before or after the date of the provision of the Evaluation Material to the Purchaser or its agents or advisors;
 - (e) the Purchaser has made its own enquiries and satisfied itself (after taking all such independent advice as it has considered necessary or desirable) as to all matters which are relevant (whether material or not) to its decision to enter into, and perform its obligations under, this agreement.

For the purposes of this clause 7.3 the expression "Evaluation Material" means all information (whether written or oral and held in any medium) statements, projections, records, valuations, appraisals, forecasts, estimates and opinions relating directly to the business and the assets of NFDC or the employees of the

Business and provided by HMGN or any department of HMGN, the Advisors, NFDC or any of their respective officers, directors, employees, shareholders, affiliates, agents or advisors.

8. EMPLOYEES

8.1 The Purchaser shall ensure that NFDC shall continue to employ such of the employees of the Vendor as are engaged in NFDC on the Completion Date as desire to continue employment with NFDC on terms and conditions no less favorable (including terms relating to provident fund, leave compensation and gratuity) than those at present enjoyed by such employees, but subject to the provisions of clause 8.2.

8.2 (Notes

1. This clause will contain provisions relating to entitlements of employees who remain in the employment of NFDC.
2. The specific entitlements will be negotiated with the successful bidder and inserted in the final agreement.
3. HMGN's present intention is that redundancy costs will be met by NFDC, that HMGN will accept responsibility for agreeing any redundancy package with employees and that NFDC will retain liability for payment to employees of accrued gratuity and leave compensation at Completion Date).

9. RIGHTS OF VENDOR

9.1 If the Purchaser defaults in the performance of any of its obligations under this agreement then HMGN may, after giving to the Purchaser 3 days' notice in writing of such default requiring the Purchaser to remedy the same and such default not having been remedied within that period, exercise all or any of the following, without prejudice to any other rights, powers, authorities or remedies which the Vendor may have:

- a) Cancel this agreement and in that event any moneys paid by way of deposit or installments of purchase price shall be absolutely forfeited to the Vendor;
- b) Re-sell the Shares either by public auction or private contract for cash or on credit, and upon such other terms and conditions as HMGN may think proper, with power to vary any contract for sale, buy in at any auction and re-sell, and any deficiency in price which may result and all expenses in attending a resale or attempted resale shall be made good by the Purchaser and shall be recoverable by HMGN as liquidated damages, the Purchaser receiving credit for any payments made in reduction of the purchase price but any increase in price on resale after deduction of expenses belonging to HMGN;
- c) Sue the Purchaser for specific performance.

10. ANNOUNCEMENTS

10.1 Except as may be required by law the Purchaser shall not make any announcements or disclosures as to the subject matter or any of the terms of this agreement except in such form and manner, and at such time, as may be approved by HMGN.

11. NOTICES

11.1 If any party wishes to give to or serve on another party any notice, claim, demand or other communication (a "notice") under or in connection with this agreement, the notice shall be sufficiently given or served (but without prejudice to any other mode of service) if addressed to that party and delivered to the address of that party stated below.

The Vendor and HMGN: His Majesty's Government of Nepal
Ministry of Finance, Privatization Unit,
Kathmandu, Nepal

The Purchaser and the Guarantor:

12. NO WAIVER

12.1 No waiver of any breach, or failure to enforce any provision, of this agreement at any time by any party shall in any way affect, limit or waive the right of such party thereafter to enforce and compel strict compliance with the provisions of this agreement.

13. COSTS

13.1 The parties shall each bear their own costs and expenses incurred in connection with the preparation and implementation of this agreement. Any fees taxes or stamp duty payable of transfer of the shares shall be borne by the purchaser.

14. GUARANTEE

14.1 The Guarantor unconditionally and irrevocably guarantees to HMGN the due and punctual payment by the Purchaser of all moneys from time to time payable by the Purchaser under this agreement and the due, punctual and proper performance and observance by the Purchaser of all its other obligations under this agreement.

14.2 The liability of the Guarantor under this guarantee shall constitute a principal obligation of the Guarantor and such liability shall not be relieved or in any way affected in a manner prejudicial to HMGN by any granting of time, waiver or forbearance to sue by HMGN or by any other act, omission, matter, circumstance or law whereby the Guarantor as a surety only would but for the provisions of this clause have been released from liability hereunder.

15. GOVERNING LAW

15.1 This agreement shall be governed by, and construed in accordance with, the laws of Nepal.

15.2 The Purchaser submits to the non-exclusive jurisdiction of the courts of Nepal in respect of all matters arising out of this agreement.

EXECUTION BY THE PARTIES

Signed for and on behalf of IIMGN _____
(Name) (Position)

Signed by or on behalf of the Purchaser _____
(Name) (Position)

Signed by the Guarantor in the
presence of _____

Signature of Witness

Occupation

Address

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COMPANY: NEPAL FILM DEVELOPMENT CORPORATION
BALANCE SHEET

	Schedule	1988/89	1989/90	1990/91	1991/92	1992/93
I SOURCES OF FUNDS						
(1) Share holds fund						
(a) Capital	1	55422.89	57422.89	60000.00	60000.00	60000.00
(b) Reserves and Surplus	2	-12744.86	-11284.96	-12714.85	-17569.56	-20834.00
(2) LOAN FUNDS						
(a) Secured Loans		0.00	0.00	0.00	0.00	0.00
(b) Unsecured Loans		0.00	0.00	0.00	0.00	0.00
(3) Other fund (HMGW Investment)		0.00	0.00	3868.89	3868.89	7201.00
TOTAL:		42678.03	46137.93	51154.04	46299.33	46317.00
II APPLICATION OF FUNDS						
(1) FIXED ASSETS						
(a) Gross Block Value		28000.76	29648.32	31931.47	32586.37	32927.00
(b) Less: Depreciation		13435.66	14537.92	15847.64	17169.39	18168.00
(c) Net Block		14565.10	15110.40	16083.83	15416.98	14759.00
(d) Capital work in progress		266.48	593.12	204.83	189.93	199.00
(2) CURRENT ASSETS LOANS AND ADVANCES						
(a) Inventories	3	2498.58	2303.09	2363.36	2518.46	4686.00
(b) Sundry Debtors	4	508.03	1637.51	4615.04	3215.95	2993.00
(c) Cash and Bank Balance	5	23622.63	1583.01	3800.71	3406.36	2879.00
(d) Other Current Assets	6	202.42	22932.42	22768.72	21798.09	23106.00
(e) Loans and Advances	7	819.77	968.47	2776.20	2539.90	5721.00
(f) Work in progress		2877.97	2549.75	1966.97	2329.83	3740.00
Less: CURRENT LIABILITIES AND PROVISIONS	8	2682.97	1539.84	3425.62	5115.83	11766.00
(a) Liabilities		2682.97	1539.84	2646.49	4659.59	11310.00
(b) Provisions		0.00	0.00	779.13	456.24	456.00
Net Current Assets		27846.45	30434.41	34865.38	30672.76	31359.00
TOTAL:		42678.03	46137.93	51154.04	46299.67	46317.00

COMPANY: NEPAL FILM DEVELOPMENT CORPORATION
PROFIT & LOSS ACCOUNT

	Schedule	1988/1989	%	1989/1990	%	1990/1991	%	1991/1992	%	1992/93
Sales:										
Local Sales		2851.23		7046.38		5029.15		2550.04		845.00
Export Sales		0.00		0.00		0.00		0.00		0.00
Government Sales		0.00		0.00		0.00		0.00		0.00
A. TOTAL SALES		<u>2851.23</u>	<u>100.00</u>	<u>7046.38</u>	<u>100.00</u>	<u>5029.15</u>	<u>100.00</u>	<u>2550.04</u>	<u>100</u>	<u>845.00</u> <u>100</u>
Direct Costs										
Materials		2510.07	88.03	2328.91	33.05	2400.36	47.73	3177.99	124.63	4597.00 544.02
Depreciation plant & machinery		1006.87	35.31	1109.33	15.73	1389.27	27.62	1299.50	50.96	998.00 118.11
Other factory overheads		74.11	2.60	37.28	0.53	116.45	2.32	116.33	4.56	177.00 20.95
Film production, show & dist.		767.66	26.92	1780.82	25.27	1503.99	29.91	547.27	21.46	61.00 7.22
less: Closing Stock		-2498.58	-87.63	-2303.10	-32.68	-2363.35	-46.99	-2518.47	-98.76	-4686.00 -554.56
B. TOTAL DIRECT COSTS		<u>1860.13</u>	<u>65.24</u>	<u>2952.24</u>	<u>41.90</u>	<u>3046.72</u>	<u>60.58</u>	<u>2622.62</u>	<u>102.85</u>	<u>1147.00</u> <u>135.74</u>
C. GROSS PROFIT (A-B)		<u>991.10</u>	<u>34.76</u>	<u>4094.14</u>	<u>58.10</u>	<u>1982.43</u>	<u>39.42</u>	<u>-72.58</u>	<u>-2.85</u>	<u>-302.00</u>
Administrative and Other Overheads										
Salaries & Benefits	9	2355.78	82.62	2559.89	0.00	3131.78	62.27	3782.03	148.31	2230.00
Administration & Other Overhea	10	428.80	15.04	-19.50	-0.28	454.27	9.03	883.63	34.65	800.00
G. Total Administration & Other Overheads		<u>2784.58</u>	<u>97.66</u>	<u>2540.39</u>	<u>35.05</u>	<u>3586.05</u>	<u>71.31</u>	<u>4665.66</u>	<u>182.96</u>	<u>3030.00</u>
H. Operating profits (C-G)		<u>-1793.48</u>	<u>-62.90</u>	<u>1553.75</u>	<u>22.95</u>	<u>-1603.62</u>	<u>-31.89</u>	<u>-4738.24</u>	<u>-185.81</u>	<u>-3332.00</u>
Non-operating Income and Expenses										
Non-operating Income		99.01		145.77		185.88		16.53		17.00
Non-operating Expenses		-12.01		-7.90		0.00		0.00		0.00
Interest Expense		0.00		0.00		0.00		0.00		0.00
Exceptional Items (prior period Expenses)		0.00		0.00		0.00		0.00		0.00
Profit Before Tax		<u>-1706.48</u>		<u>1691.62</u>		<u>-1417.74</u>		<u>-4721.71</u>		<u>-3315.00</u>
Tax		0.00		0.00		0.00		0.00		0.00
Net Profit		<u>-1706.48</u>		<u>1691.62</u>		<u>-1417.74</u>		<u>-4721.71</u>		<u>-3315.00</u>
Dividends		0.00		0.00		0.00		0.00		0.00
Retained profits		<u>-1706.48</u>		<u>1691.62</u>		<u>-1417.74</u>		<u>-4721.71</u>		<u>-3315.00</u>

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COMPANY: NEPAL FILM DEVELOPMENT CORPORATION
 SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE: CAPITAL		1988/89	1989/90	1990/91	1991/92	1992/93
1	Authorized Capital	60000.00	60000.00	60000.00	60000.00	60000.00
	Issued Capital	0.00	0.00	0.00	0.00	0.00
	Paid up Capital	55422.90	57422.89	60000.00	60000.00	60000.00
2	Reserves and Surplus					
	Capital Reserve	0.00	0.00	0.00	0.00	0.00
	General Reserve	0.00	0.00	0.00	0.00	0.00
	Profit & Loss A/C:					
	Profit (Loss) up to previous year	-11179.77	-12744.29	-11284.96	-12714.85	-17569.00
	Profit (Loss) this year	-1706.33	1691.31	-1417.78	-4721.71	-3315.00
	Profit & loss adjustment	141.81	-231.98	-12.11	-133.00	0.00
	TOTAL:	-12744.29	-11284.96	-12714.85	-17569.56	-20884.00
3	INVENTORIES					
	Petroleum products	0.07	0.58	0.76	1.14	1.00
	Semi-finished film	1418.81	1461.42	1434.30	1363.09	1663.00
	Miscellaneous stores	1079.70	841.09	928.30	1154.23	3022.00
	TOTAL:	2498.58	2303.09	2363.36	2518.46	4686.00
4	SUNDRY DEBTORS					
	HMG	233.87	224.67	224.67	192.17	192.00
	OTHER FES	12.31	12.26	12.26	12.26	12.00
	OTHERS	261.85	1400.58	4378.11	3011.52	2789.00
	TOTAL:	508.03	1637.51	4615.04	3215.95	2993.00
5	Cash & Bank Balance					
	Cash-In-Hand	17.83	560.60	0.13	0.00	0.00
	Cash-at-Bank	23604.82	1024.41	3800.58	3406.34	2879.00
	TOTAL:	23622.65	1585.01	3800.71	3406.34	2879.00
6	OTHER CURRENT ASSETS					
	Deposits	57.42	57.42	68.72	67.72	69.00
	I.C.	145.00	22875.00	22700.00	21734.37	20917.00
	TOTAL:	202.42	22932.42	22768.72	21702.09	21086.00

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7 LOANS & ADVANCES

Staff Advances	944.55	706.54	2113.62	2074.56	4342.00
Other advances	-119.28	267.43	668.08	465.34	1379.00
Suspense A/C	-5.50	-5.50	-5.50	0.00	0.00

TOTAL: 819.77 968.47 2776.20 2539.90 5721.00

8 CURRENT LIABILITIES & PROVISIONS

(a) Liabilities

Deposit from Customers	2554.45	707.38	1873.76	2685.98	7509.00
Other Deposits	36.93	636.34	333.79	1145.81	2976.00
Miscellaneous Creditors	27.32	112.52	7.33	347.63	12.00
Staff welfare & gratuity	37.74	50.56	45.78	0.00	60.00
Income Tax	26.53	33.04	0.00	67.28	10.00
Other liabilities	0.00	0.00	385.83	385.83	743.00

TOTAL: 2682.97 1539.84 2646.49 4632.53 11310.00

(b) Provisions

Provision for expenses	0.00	0.00	779.13	456.24	456.00
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9 SALARIES AND BENEFITS

Staff Salary & Allowances	2209.23	2322.25	2976.04	2726.43	
Medical reimbursements	112.71	137.64	158.74	131.83	
Staff Gratuity & Welfare Expenses	33.84	0.00	0.00	923.77	
TOTAL:	2355.78	2459.89	3134.78	3782.03	2220.00

10 ADMINISTRATIVE AND OTHER OVERHEADS

Printing and Stationary	49.93	36.46	27.96	50.72	
Travelling Allowance	81.25	110.94	236.92	212.50	
Vehicle fuel Expense	72.75	30.53	42.37	50.15	
Vehicle Maintenance & Repair	46.77	9.51	39.17	34.72	
Repairs & Maintenance Others	78.23	48.65	97.41	43.25	
Local Travelling Expenses	10.26	14.79	20.60	99.33	
Entertainment Expenses	0.00	0.00	0.00	0.00	
Advertisement	17.35	31.85	9.32	14.78	
Donation and Charity	6.02	13.00	12.60	6.50	
Directors' fee	20.62	20.02	25.85	26.79	
Auditors' fee	15.10	15.50	2.45	18.65	
Rates & Taxes	35.73	35.11	35.29	33.09	
Electricity & Utilities	43.62	76.00	70.66	122.51	
Postage & Telegrams	70.83	57.32	91.37	104.53	
Books and periodicals	4.36	5.00	4.95	3.52	
Insurance Expense	0.00	0.00	0.00	0.00	
Legal Expenses	1.17	0.80	0.00	0.00	
Bank Commission	0.19	0.01	0.00	0.31	
Miscellaneous Expenses	74.26	44.20	136.29	97.32	
Expenses included in film production	193.77	-569.10	-398.94	-55.04	

TOTAL: 428.68 -19.50 454.27 283.63

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S.N.	DESCRIPTION	Q'ty No/Sets	Purchase Yr B Yrs.	R.Cost E X1000NRs	Salv. F %	T.U. Life,G Yrs.	R.U. Life,H Yrs.	P.Value J X1000NRs
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STUDIO & SOUND EQUIPMENTS (Code No. 0114)

			B.F.	7,154.99				719.26	
†	Carrying strap	:	1.00						
†	Cable 7ft. Pilot	:	1.00						
†	Tape counter graduated in minute	:	1.00						
†	5' Empty rooll	:	1.00						
†	Hul rep retaining	:	5.00	1988	776	10.00	10.00	5.00	379.63
†	Pre- amplifier internal unisrel (input -1)	:	1.00	1988	29.54	10.00	10.00	5.00	14.45
†	Beyer dynamic microphone wit clamp	:	2.00	1988	61.21	10.00	10.00	5.00	29.95
†	Wingshield foam type	:	2.00	1988	2.70	10.00	10.00	5.00	1.32
†	Table stand light	:	2.00	1988	2.14	10.00	10.00	5.00	1.04
†	Elastic suspension	:	2.00	1988	21.07	10.00	10.00	5.00	10.31
†	Light telescopic Boom ARM 5 Elements	:	2.00	1988	25.05	10.00	10.00	5.00	12.26
†	Extension for boom arm 2 Element	:	2.00	1988	11.39	10.00	10.00	5.00	5.57
Sub Total of Sound equipment				8,083.94				1,173.81	

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Valuation Table of Machinery contd..

S.N.	DESCRIPTION	Q'ty No/Sets	Purchase Yr B Yrs.	R.Cost E X1000Rs	Salv. F %	T.U. Life,G Yrs.	R.U. Life,R Yrs.	P.Value J X1000Rs
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STUDIO & SOUND EQUIPMENTS (Code No. 0114)

		B.F.	8,083.94					1,173.81
* Light foldable floor stand for boom	:	2.00	1988	11.39	10.00	10.00	5.00	5.57
* Pre amplifier internal universal (input - 2)	:	1.00	1988	14.59	10.00	10.00	5.00	7.14
* Cable 5 ft. ccir microphone & line input & output(B-3B)	:	2.00	1988	6.41	10.00	10.00	5.00	3.13
* Extension Cable (3) ft.) microphone & line input output	:	2.00	1988	9.25	10.00	10.00	5.00	4.53
* Cable (10 ft.) line input output (3B-3B)	:	1.00	1988	3.91	10.00	10.00	5.00	1.92
* Powersupply multivoltage main with battery charger	:	1.00	1988	56.94	10.00	10.00	5.00	27.86
* Main cable with one plug	:	1.00						
* Batteries 2.5 Amp recharge 3	:	1.00	1988	24.91	10.00	10.00	5.00	12.19
* Crystal pilot generator internal	:	1.00	1988	2.71	10.00	10.00	5.00	1.32
* Playback synchroniser (intenal)	:	1.00	1988	156.59	10.00	10.00	5.00	76.62
* Frequency meter	:	1.00	1988.00	14.24	10.00	10.00	5.00	6.97
* Cable (33 ft) AR RI SF BL & bolex 16 procamera	:	1.00	1988	3.09	10.00	10.00	5.00	1.95
* Tape clearing blade	:	1.00	1988	4.98	10.00	10.00	5.00	2.44
Sub Total of Sound equipment				8,393.84				1,325.45

Valuation Table of Machinery contd..

S.N.	DESCRIPTION	Q'ty	Purchase Yr	R.Cost	Salv.	T.U.	R.U.	P.Value
		No/Sets	B Yrs.	E X1000RS	F %	Life,G Yrs.	Life,H Yrs.	J X1000RS

STUDIO & SOUND EQUIPMENTS (Code No. 0114)

		B.F.	8,393.84					1,325.45
†	Credibility bag (Frontpacket) :	1.00	1988	12.13	10.00	10.00	5.00	5.93
†	Head Phone Beyer 500 ms :	1.00	1988	17.79	10.00	10.00	5.00	8.71
†	Magnetic Tape agfa 528 :	5.00	1988	7.83	10.00	10.00	5.00	3.83
†	Speed wreator N. 4.2 (17 M) :	1.00	1988	29.18	10.00	10.00	5.00	14.28
†	Cable (7ft.) Star Stpp :	1.00	1988	3.77	10.00	10.00	5.00	1.85
†	Lid with loric :	1.00	1988	11.82	10.00	10.00	5.00	5.78
†	Tape counter graduated in minutes :	1.00	1988	4.98	10.00	10.00	5.00	2.44

12. As per the list of 1989

a.	Film Loop box plate assy complete with front plate :	1.00						
b.	64 leeth steel sprorbet :	1.00						
c.	Shoft with uonospad Arm :	2.00	1989	13.04	10.00	10.00	6.00	7.10
d.	Roller Assenbly :	2.00						
e.	Rovey 2 Channel- echounit operating on AC/DC :	1.00	1989	15.00	10.00	10.00	6.00	8.16
f.	Roxy make 2 channel Echo Uni:	1.00	1,989.00	15.00	10.00	10.00	6.00	8.16
g.	User Tape recorder 4400 Report Sterio :	1.00	1,989.00	19.39	10.00	10.00	6.00	10.55
h.	Uher power pock with charger:	1.00	1,989.00	3.88	10.00	10.00	6.00	2.11

Total of Sound equipment

8,547.66

1,404.35

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GENERAL USE MACHINERIES

S.N.	DESCRIPTION	Q'ty No/Sets	Purchase Yr B Yrs.	R.Cost E X1000NRs	Salv. F %	T.U. Life,G Yrs.	R.U. Life,H Yrs.	P.Value J X1000NRs
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PROJECTION & OTHER ACCESSORIES (Code No. 0119)

a.	16 MM photo phone sound projector	:	2	1984	227.95	10.00	10	1	44.78
d.	Ahuja amplifier (Ampli)	:	2	1984	11.97	10.00	10	1	2.35
09. As per the list of 1986									
a.	Magnetic bright, pri ampli- fier two way switch	:	2	1986	82.13	10.00	10	3	29.52
a.	16mm Eleno Projector No. 7885	:	1	1989	35.72	10.00	10	6	19.43
b.	Duka 35 W Amplifier	:	1	1989	7.14	10.00	10	6	3.89
Total General Use Projection Equipn.					364.92				99.96

CAMERA EQUIPMENT

c.	16mm Aston Camera	:	1	1988	3,580.92	5.00	10	5	1650.61
d.	Yashica Camera	:	1	1988	49.82	5.00	10	5	22.96
Total General Use Camera Equipn.					3,630.74				1,673.57

EDITING EQUIPMENTS

a.	Stavol 1000 W Voltage stabilize:	:	1	1988	17.15	10.00	10	5	8.39
Total General Use Editing Equipn.					17.15				8.39

ELECTRICAL EQUIPMENTS

a.	Step down transformer	:	1	1984	4.83	10.00	10	1	0.95
b.	3 K. W. Voltage staplizer	:	1	1984	13.83	10.00	10	1	2.72

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10. As per the list of 1991

a. Shree Ram Honda Jenerator	:	1	1991	144.48	20.00	10	8	97.80
b. J.K.V.A. Stamol staplizer (Japan)	:	1	1991	52.91	10.00	10	8	33.68

Total General Use Electrical Equipm.				216.05				135.14
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STUDIO & SOUND EQUIPMENTS

g. User Tape recorder 4400 Report Sterio	:	1.00	1989	19.39	10.00	10.00	6.00	10.55
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Total General Use Studio & Sound Equipm.				19.39				10.55
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UNUTILISED MACHINERIES

S.N.	DESCRIPTION	Q'ty	Purchase Yr	R.Cost	Salv.	T.U.	R.U.	P.Value
		No/Sets	B Yrs.	E X1000NRs	F %	Life,G Yrs.	Life,H Yrs.	J X1000NRs

ELECTRICAL EQUIPMENTS

c.	(National) air conditioner No. CW 1200 B.T.V. F & T wind type	:	1	1992	10.07	20.00	10	9	7.16
d.	(National) air conditioner split type No. 2000 K.H.	:	1	1992	417.54	20.00	10	9	297.08
Total Unutilised Electrical Equipm.					427.61				304.25

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SUMMARY OF MACHINERIESSPECIFIC USE MACHINERIES

	Replacement Net Present	
	Value	Value
	NRs.	NRs.
01. PROJECTION & OTHER ACCESSO:	408.97	209.44
02. PROCESSING EQUIPMENTS :	3,747.67	2,596.82
03. CAMERA EQUIPMENTS :	294.15	161.33
04. EDITING EQUIPMENTS :	2,530.36	415.02
05. ELECTRICAL EQUIPMENTS :	122.25	84.44
06. SHOOTING EQUIPMENTS :	362.15	244.52
07. LIGHTING EQUIPMENTS :	949.24	550.57
08. STUDIO & SOUND EQUIPMENTS :	1,393.45	680.31
Total Specific Use Machineries	9,808.23	4,942.46

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SUMMARY OF MACHINERIESGENERAL USE MACHINERIES

	NRs.	NRs.
01. PROJECTION & OTHER ACCESSO:	364.92	99.96
02. PROCESSING EQUIPMENTS :	0.00	0.00
03. CAMERA EQUIPMENTS :	3,630.74	1,673.57
04. EDITING EQUIPMENTS :	17.15	8.39
05. ELECTRICAL EQUIPMENTS :	216.05	135.14
06. SHOOTING EQUIPMENTS :	0.00	0.00
07. LIGHTING EQUIPMENTS :	0.00	0.00
08. STUDIO & SOUND EQUIPMENTS :	19.39	10.55
Total General Use Machineries	4,248.25	1,927.62

UNUTILISED MACHINERIES

	NRs.	NRs.
01. PROJECTION & OTHER ACCESSO:	0.00	0.00
02. PROCESSING EQUIPMENTS :	0.00	0.00
03. CAMERA EQUIPMENTS :	0.00	0.00
04. EDITING EQUIPMENTS :	0.00	0.00
05. ELECTRICAL EQUIPMENTS :	427.61	304.25
06. SHOOTING EQUIPMENTS :	0.00	0.00
07. LIGHTING EQUIPMENTS :	0.00	0.00
08. STUDIO & SOUND EQUIPMENTS :	0.00	0.00
Total Unutilised Machineries	427.61	304.25

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OBSOLETE MACHINERIES

	NRs.	NRs.
01. PROJECTION & OTHER ACCESSO:	916.41	45.82
02. PROCESSING EQUIPMENTS :	9,983.15	499.16
03. CAMERA EQUIPMENTS :	12,086.55	604.33
04. EDITING EQUIPMENTS :	1,052.21	52.61
05. ELECTRICAL EQUIPMENTS :	638.93	31.95
06. SHOOTING EQUIPMENTS :	552.03	27.86
07. LIGHTING EQUIPMENTS :	1,410.11	70.51
08. STUDIO & SOUND EQUIPMENTS :	7,134.82	713.48
Total Obsolate Machineries	33,774.21	2,045.71
Total Value of Machineries	48258.30	9220.04

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Appendix - 6

S.N.	DESCRIPTION	Q'ty No/Sets	Purchase B Yrs.	R.Cost E NRs	Salv. F %	T.U. Life,G Yrs.	R.U. Life,H Yrs.	P.Value J NRs
01.	Car Ba. A. Yna 452	1	1984	600000	20.00	20	11	462011.5
02.	Bicycle	3	1976	6000	10.00	0	0	600
03.	Bicycle	5	1978	6000	10.00	0	0	600
04.	125 C.C. Motorbike	1	1981	125000	20.00	15	3	53821.98
05.	Bicycle	1	1986	2000	20.00	0	0	400
06.	Bicycle	1	1993	2200	20.00	5	5	1201.329
TOTAL VALUE OF VEHICLE :				741200				518634.8

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OFFICE EQUIPMENTS

S.N.	DESCRIPTION	Q'ty Purchase	R.Cost	Salv. T.U.	R.U.	P.Value	
		B No/Se	E Yrs.	F NRs	Life,G Yrs.	Life,H Yrs.	J NRs
01.	As per list of 1972 purchase	66	1972	33475	30	0 0	10042
02.	As per list of 1973 purchase	221	1973	62657	30	0 0	18797
03.	As per list of 1974 purchase	10	1974	8953	29	0 0	2596
04.	As per list of 1975 purchase	31	1975	14916	28	0 0	4176
05.	As per list of 1976 purchase	28	1976	23343	27	0 0	6303
06.	As per list of 1977 purchase	15	1977	14302	26	0 0	3719
07.	As per list of 1978 purchase	69	1978	59751	25	0 0	14938
08.	As per list of 1979 purchase	11	1979	4173	24	0 0	1002
09.	As per list of 1980 purchase	4	1980	7665	23	0 0	1763
10.	As per list of 1981 purchase	4	1981	3720	22	0 0	819
11.	As per list of 1982 purchase	50	1982	25010	21	0 0	5252
12.	As per list of 1983 purchase	18	1983	24702	20	0 0	4940
13.	As per list of 1984 purchase						
	8'x3'x12" open rack	8	1984	10000	20	0 0	2000
	4'x6'x15" open rack	2	1984	2000	20	0 0	400
	Big stool	1	1984	550	20	0 0	110
	Dunlop chair with arm	2	1984	3500	20	0 0	700
	Steel revolving chair	1	1984	3200	20	0 0	640
	Cushion chair with arm	3	1984	2550	20	0 0	510
	18.5"x15.5"x26" table	1	1984	300	20	0 0	60
Sub Total of Office equip.				304766			78766

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Office equipment contd ...

S.N.	DESCRIPTION	Q'ty Purchase		R.Cost		Salv. T.U.		R.U.		P.Value	
		No/Se	Yrs.	B	E	F	Life,G	Life,H	J		

		B.F.	304766							78766	
--	--	------	--------	--	--	--	--	--	--	-------	--

14. As per list of 1985 purchase

Tea table	1	1985	300	20	0	0	60
78"x19"x36" steel almirah	3	1985	18000	20	10	2	6520
Steel almirah	1	1985	10000	20	10	2	3622
3 drawer filing cabinet	1	1985	3200	20	10	2	1159
Office chair with Resin cover	1	1985	1000	20	0	0	200

15. As per list of 1986 purchase

78"x36"x19" steel almirah	3	1986	18000	20	10	3	7750
60"x36"x30" office table							
with sunnica	1	1986	6000	20	7	0	1200
Revolving chair	1	1986	3200	20	9	2	1159
3 pc. sofa set	1	1986	4500	20	7	0	900
42"x18" tea table	1	1986	900	20	7	0	180
96"x36" steel rack	2	1986	5400	20	10	3	2325

16. As per list of 1987 purchase

66"x36"x19" steel almirah	1	1987	5100	20	10	4	2507
66"x36"x17" steel almirah	1	1987	5000	20	10	4	2458
Revolving chair	1	1987	3200	20	9	3	1378
Chair with wooden foam	4	1987	3400	20	7	1	971
96"x36"x12" steel rack	2	1987	5400	20	10	4	2655
Single bed	1	1987	1000	20	7	1	286

17. As per list of 1988 purchase

66"x36"x19" steel almirah	1	1988	5100	20	10	5	2785
Chair with cushion	9	1988	5100	20	7	2	1847
Chair with dunlop	1	1988	1750	20	7	2	634

Sub Total of Office equip.

410316

119364

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Office equipment contd ...

S.N.	DESCRIPTION	Q'ty	Purchase	R.Cost	Salv.	T.U.	R.U.	P.Value
		B	E	F	Life,G	Life,R	J	
		Mo/Se	Yrs.	NRs	%	Yrs.	Yrs.	NRs
		B.F.		410316				119364
18. As per list of 1989 purchase								
	96"x37"x12" steel angle rack with 7 layers Pannel board	2 5	1989 1989	5400 8750	20 20	10 10	6 6	3211 5204
19. As per list of 1990 purchase								
	Steel almirah Office chair Telephone box Sunmica table Wheel chair with dunlop	2 1 1 1 3	1990 1990 1990 1990 1990	10200 850 400 4000 6000	20 20 20 20 20	10 7 7 7 7	7 4 4 4 4	6509 418 197 1966 2950
20. As per list of 1991 purchase								
	Complaint box Steel almirah Registered counter table Sofa set with resin cover 96" steel rack 72"x36"x19" steel almirah	2 1 1 1 2 2	1991 1991 1991 1991 1991 1991	600 5100 8000 4000 5400 11800	20 20 20 20 20 20	7 10 7 7 10 10	5 8 5 5 8 8	328 3452 4368 2184 3655 7937
21. As per list of 1992 purchase								
	96"x36"x12" Steel rack 96"x36"x15" steel skelton rack Table Sunmica top centre table 66" steel almirah	3 2 4 2 1	1992 1992 1992 1992 1992	9350 7250 7363 1750 4900	20 20 20 20 20	10 10 7 7 10	9 9 6 6 9	6653 5158 4378 1041 3486

TOTAL VALUE OF OFFICE EQUI:

511428

182510

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OWNER OF THE PROPERTY : NEPAL FILM DEV. CORP.
LOCATION OF THE PROPERTY : BALAJU
NAME OF THE BUILDING : LAB BUILDING

NRs.
REPLACEMENT VALUE OF BUIL : 7480225.68
RENTAL VALUE OF BUILDING : 9532840.76

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List of Employees

NFDC

<u>Title Of Post</u>	<u>Category</u>	<u>Level</u>	<u>Number</u>		<u>Total</u>
			<u>Per.</u>	<u>Temp.</u>	
General Manager	Man.	Special	1	-	1
Deputy General Manager	Man	10	1		1
Senior Production Officer	Tec.	8	2		2
Senior Film Director	Tec.	8	2		2
Senior Adm. Officer	Adm.	8	1		1
Senior Business Promotion Officer	Adm.	8	1		1
Senior Film Editor	Tec.	8	1		1
Senior Lab Studio Officer	Tec.	8	1		1
Lab Officer	Tec	7	1		1
Camera man	Tec.	7	3		3
Film Director	Tec.	7	1		1
Editor	Tec.	7	1		1
Business Prom. Officer	Tec.	7	1		1
Store Officer	Adm.	7	1		1
Asst. Production Officer	Tech	6	1		1
Asst. Sound Officer	Tec.	6	2		2
Asst. Exhibition Officer	Tec.	6	1		1
Camera men	Tec.	6	1		1

Asst. Planning Officer	adm.	6	1		1
Ast.Account Officer	adm.	6	1		1
Asst.Adm.& Account Officer	adm.	6		1	1
Artist	Tec.	5	1		1
Exhibition Asst.	Tec.	5	2		2
Senior Asst.	Adm.	5	6		6
Tech. Asst. 4	Tech.	4	4		4
Adm. Asst. 4	Adm.	4	2	8	10
Tech. Asst. 3	Tech.	3	1		1
Adm. Asst. 3	Adm.	3	1	2	3
Tech. Asst. 2	Tech	2	9		9
Adm. Asst. 2	Adm.	2	2		2
Support Staffs		1	8	9	17
Driver	Tec.			1	1
Officers in Contract Service				4	4
Tech . Asst. Of Different Category on Contract Service	Tec.			11	11
Adm. Asst. On Contract Service	Adm.			3	3