

ACTION PLAN

**Revival of
North Eastern Regional Agricultural Marketing Corporation Ltd.
(NERAMAC)**



DRAFT REPORT

**Submitted To
Ministry of Development of North Eastern Region
Government of India**

Prepared By



**North Eastern Development Finance Corporation Ltd.
(NEDFi)**

January 2021

EXECUTIVE SUMMARY

TITLE OF THE STUDY

REVIVAL OF NORTH EASTERN REGIONAL AGRICULTURAL MARKETING CORPORATION LTD (NERAMAC)

The North Eastern Regional Agricultural Marketing Corporation Ltd. (referred to in this report either as 'NERAMAC' or as 'the Corporation') is a Government undertaking under the administrative control of the Ministry of Development of North Eastern Region (DoNER), Government of India. It was established in 1982 to undertake various activities in order to support horticultural growers of the North Eastern (NE) states of India in getting remunerative prices for their produce. Since its inception, NERAMAC has been carrying out in mandate in the different states of the NE Region. However, the Corporation has been posting losses, and it has a negative net worth at present. Now, it has been proposed to revive NERAMAC taking into reference the Techno-Economic Viability Study Report on NERAMAC prepared by the North Eastern Development Finance Corporation Ltd. (NEDFi) and the subsequent observations of the Indian Institute of Management (IIM) Shillong. With a focus on increasing its turnover ten-fold in the next five years while keeping NERAMAC profitable, the above-mentioned revival of the Corporation will involve its corporate restructuring and the infusion of funds.

Accordingly, this Action Plan has been prepared for the revival of NERAMAC. The plan seeks to address the observations and comments received from various Ministries and Departments of the Government of India on the Draft Note for the Cabinet Committee on Economic Affairs (CCEA) for the revival of NERAMAC. These had been communicated to NEDFi and IIM Shillong, vide e-File No: NERAMAC-15/16/2018-O/o DIR (NERAMAC) dated 28th October 2020. The present Action Plan has been prepared based on documents made available by NERAMAC like their Annual Reports (from 2010-11 to 2016-17) and the Financial Statements (from 2017-18 to 2019-20), suggestions and other inputs received from NERAMAC during discussions, and addressing the observations and comments received from various Ministries by the Ministry of DoNER as mentioned at above. In addition, the Techno-Economic Viability Study Report of NEDFi and the Validation Report of IIM Shillong have been revisited for their insights. Further, the Road Map for the next Five Years as prepared by NERAMAC has been consulted.

1. Present Status of NERAMAC

Chapter-2 gives the present status of NERAMAC. The Corporation had been established in order to support the horticultural growers of the NE Region by undertaking various activities like the implementation of projects and programmes for horticultural products, developing and promoting units and agencies for this purpose, marketing of such produce apart from related activities. After focusing its efforts upon establishing and operating processing plants for items like pineapple, cashew nut, ginger etc.; the Corporation is now concentrating its activities for the procurement and sale of agro-horticultural items and undertaking promotional activities, including the 'NE Fresh' and 'Organic North East' (ONE) brands and the registration of items under the Geographical Indication of Goods Act. However, on account of the weak financial position of NERAMAC, the scale of the above activities is limited now, with the revenues being around Rs 1.00 crore in FY 2019-20 from the sale of agro-horticultural items.

The revenues of NERAMAC have been on a sharp decline from 2011-12 onwards. The above fall continued till 2016-17, after which the revenues were around the level of Rs. 4.00 crore for two years, before falling again to about Rs. 1.50 crore in 2018-19. Thereafter, these have recovered somewhat in the following year (FY 2019-20). Similarly, NERAMAC was making profits till 2011-12, after which

it entered into a period of losses. As a result of the continuous losses made by the Corporation in the past eight years since 2012-13, its net worth has been totally eroded. Now, the net worth is in the negative by over Rs 42.00 crore. Further, due to the above losses, the size of the Balance Sheet of NERAMAC has been falling in the recent past.

Further, the liquidity position of NERAMAC had deteriorated, especially from FY 2012-13 onward. The Debt to Equity ratio also rose enormously thereafter. Interest Coverage ratio had fallen over the years. All these indicate the poor solvency of NERAMAC in the period under review. The Turnover ratios for Trade Receivables and Trade Payables had deteriorated in tandem, due to the sharp fall in the operational revenues (and purchases of stock-in-trade) over the years.

It is also analyzed that there is scope for strengthening the systems and processes for the Corporation, including the Internal Financial Controls necessary as per the provisions of the existing statutes and their relevant rules. Further, most of the existing manpower (regular employees and casual staff) are the legacy of an era that sought to rely upon manufacturing led growth. However, none of the factories of NERAMAC could be operated after 2012-13. Still, a large number of regular employees and casual workers remain on the rolls of the Corporation. They are not only relatively aged, but also lack the required skills and academic or professional qualifications matching the job requirements.

The problems of NERAMAC have been analyzed to have occurred on account of factors like: (a) initial focus on processing units in lieu of agricultural marketing, (b) large manpower, (c) diversion of funds in earlier revival package, and (d) weak control systems of the Corporation.

2. Trends in Agricultural Marketing

Chapter-3 discusses some of the major trends in the area of agricultural marketing. It begins by examining the contribution of agriculture (including horticulture) to the GDP and employment in India. Subsequently, the status of agriculture and horticulture in the NE Region has been analysed. The chapter, along with Annex-5, discusses the surplus (or deficit) position of major crops in the NE Region.

It is seen that the NE Region has a significant surplus in some crops like Mandarin orange, lemon, pineapple, jackfruit, ginger, turmeric, areca nut, kiwi fruit, passion fruit and strawberry; apart from some vegetables like cabbage, cucumber and radish. It also contributes substantially to the national output of these crops. However, the sub-optimal development and operation of suitable value chains in the region has delivered limited benefits to the growers of the region so far. Post harvest handling which are facilitating functions like sorting, grading and standardisation, packaging, post harvest treatments etc. are not commonly practised. All these factors impact the shelf life in storage and long distant transportation. The losses in transit are estimated to be 35-51% in case of fruits and vegetables.

NERAMAC can play an important role in developing value chains for select crops in the NE Region. This can meet the aspirations of farmers and growers for higher prices while delivering added value at the customers' end.

3. Government Policies & Initiatives

The marketing of farm items and processed foods is subjected to the various laws governing commerce in the country, such as The Sale of Goods Act, 1930; The Standards of Weights & Measures Act, 1976; The Consumer Protection Act, 1986; The Food Safety and Standards Act, 2006 etc. Additional details about these acts have been furnished in brief at Annex-6.

In addition, the Government of India has recently enacted three agriculture-related legislations. The intent of these new laws is to enable farmers to sell their produce to private buyers, benefit from contract farming and stock produce to sell at the right time at competitive prices. These have been briefly described below. Annex-6 gives additional details about these reform initiatives. The above chapter discusses the afore-mentioned government initiatives in detail.

On 12th May 2020, the Hon'ble Prime Minister announced a Special Economic & Comprehensive Package of Rs 20 lakh crore (trillion) - equivalent to about 10% of India's estimated GDP for FY19-20. He gave a clarion call for an Aatmanirbhar Bharat Abhiyan or Self-Reliant India Movement. Several of the components of the Aatmanirbhar Bharat stimulus package pertain to the area of agriculture and food processing. The major ones are briefly covered in this chapter, including Additional Credit through KCC, Agriculture Infrastructure Fund, and Formalization of Micro-Food Enterprises (MFE). Additional details of the above initiative have been furnished at Annex-7.

The above chapter also briefly covers the other major initiatives of the Government of India for the agriculture and food processing sectors.

4. Other Inputs for the Action Plan

The other inputs for the preparation of the Action Plan include: (a) Techno-Economic Viability Study of NERAMAC carried out by NEDFi in 2017; (b) Validation Report of IIM Shillong; and (c) NERAMAC's Five Year Action Plan from 2020-21 onwards.

The above chapter covers the salient points of the above report, such as the Executive Summary of the Techno-Economic Viability Study of NERAMAC carried out by NEDFi in 2017, the recommendations made by IIM Shillong in its Validation Report, and the salient features of NERAMAC's Five Year Action Plan. These points have been duly considered while framing the present Action Plan and its components.

5. SWOT Analysis

An examination of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) of an organization constitutes its SWOT analysis. This chapter gives the SWOT Analysis of NERAMAC. It is used as an important input in drawing up the Action Plan for the Corporation.

The strengths of NERAMAC include its knowledge and experience regarding the agro-horticultural scenario of NE Region, its status as a Central Public Sector Enterprise under the Ministry of Development of NE Region, its experience in working as an agency for some Government schemes, as well as the professionally qualified and experienced contractual manpower. The weaknesses of the Corporation are its poor financial status (with the share capital having been wiped out by massive losses), the age and academic or professional profile of the regular employees and casual staff, and the poor internal controls over its operations and finances at present.

The major opportunities for the Corporation arise from the 'Farm laws' enacted in 2020 that have freed up agricultural marketing in India from the restrictions of the past, the growing customer interest on 'organic foods' and the image of NE India as a largely organic area, the fact that the NE Region as an important source of many horticultural items in India, the promotion of FPOs under Government scheme which will provide it with an assured source of items, availability of support for developing post-harvest infrastructure under Government schemes, and the Government focus on the economic development of NE Region, including the fruit and vegetable sub-sector.

The threats facing NERAMAC include large scale imports of agro-horticultural items into India, along with improved supply-chain management covering major cities and towns; increased competition from domestic companies; difficulty in sourcing from established production areas due to existing procurement by others; and the weak infrastructure for developing supply chains in the NE Region.

The above chapter also gives the measures for addressing the weaknesses and threats identified under the SWOT analysis.

6. Mission, Vision, Goals & Strategies

Mission Statement: The Mission Statement of NERAMAC is understood as follows: 'To provide a comprehensive marketing solution to the farmers and entrepreneurs associated with agro-horticultural sector of the eight states of the North Eastern Region of India'.

The above mission statement defines the basic reason why the Corporation exists. The vision for the

organization under the present Action Plan, along with the associated goals and strategies, has been set in the above context.

Vision Statement: The Vision Statement of NERAMAC for the present Action Plan (covering the next five years) has been suggested as: ‘To become a preferred and trusted brand in national market for authentic agro-horticultural produce of the North Eastern Region of India’.

In conformance with the Mission Statement, the above statement seeks to serve as the basic guidance of the direction where the Corporation may proceed in the near future. This has been defined to cover a time period of five years after NERAMAC receives funding from the Ministry.

Goals of the Action Plan: The Goals of the present Action Plan have been enunciated as follows: (1) NERAMAC should aspire to become a big organization aiming at least 10 times increase in turnover; (2) NERAMAC should remain profitable; and (3) In the long run, NERAMAC should become self-sustaining. [Source: Letter No: NERAMAC-15/16/2018-O/o DIR (NERAMAC) dated 28th October 2020 from Director, Ministry of Development of North Eastern Region on the subject of ‘Revival of North Eastern Regional Agricultural Marketing Corporation Ltd.’]

Strategies for Achieving the Goals

Under the above Goals, the following strategies have been proposed under the present Action Plan.

Goal No (1): NERAMAC should aspire to become a big organization aiming at least 10 times increase in turnover

Proposed Strategies: As follows:

- Bulk sales of agro-horticultural items produced by members of FPOs, other farmers and entrepreneurs located in the North Eastern states;
- Retail sales of above agro-horticultural items through its own outlets, franchised outlets and other retail outlets;
- Sales of above agro-horticultural items through other channels like e-Commerce and auctions; and
- Continuing its existing activities such as sale of agricultural inputs to Government offices, working as agency for Government supported schemes and undertaking promotional work as needed to fulfil its Mission.

Goal No (2): NERAMAC should remain profitable

Proposed Strategies: As follows:

- Maintaining the gross margins (after accounting for all costs of sale, sales returns and sales commissions) for all types of goods and services sold;
- Containment of all other costs – interest on WC loans, manpower costs (of management, finance and accounts, HR and administration, legal and compliance etc.), office expenses, depreciation on fixed assets etc.; and
- Undertaking promotional activities on behalf of the Government to the extent that funding is available for the same from budgetary sources.

Goal No (3): In the long run, NERAMAC should become self-sustaining

Proposed Strategies: As follows:

- Improving the profitability and thereby the balance sheet of the Corporation, so that it is able to seek working capital loans for its sales expansion from banks; and
- Building up the reserves and surplus position of the balance sheet, so that future fixed investments can be funded out of the same.

The above chapter also gives the various action points that have been proposed under each of the above suggested strategies. These Action Points have been discussed in greater depth in the following chapters titled ‘Business Plan’ and ‘Proposed Support from the Government’, as these aspects have been developed from the above Strategies and the Action Points needed in order to execute the suggested strategies.

7. Business Plan

The present Action Plan develops the roadmap for the revival of NERAMAC, based on a business plan for reorienting the management and operations of NERAMAC. The Business Plan has given in Chapter-8. The plan for reorienting the management and operations of NERAMAC is furnished after the Business Plan. The operations of NERAMAC can be divided into two broad categories – Commercial & Promotional. The activities proposed to be taken up under each of the above categories have been given below.

Table-ES.1: Business Plan of NERAMAC

Category	Activities under Re-oriented Business Plan of NERAMAC
Commercial	CORE BUSINESS
	1. Bulk Sale of Items produced by FPOs and Others 2. Retail Sales of Items produced by Entrepreneurs under NE Fresh & ONE brands 3. Sale through other channels – E-Commerce & Auction Sales
	OTHER BUSINESS
	1. Supply of Seeds, Planting Materials & Other Inputs
Promotional	1. Promotional Events 2. Projects – as agency of Government schemes

The sources of commercial revenues of the Corporation will include bulk sales, retail sales from its own outlets (including franchises) and outlets that carry its brands, e-commerce based sales and auction sales. These will be carried out as per the margins available under different channels. Major part of such sales will be from items produced by FPOs that are being formed and promoted by NERAMAC as an implementing agency of the ‘Formation & Promotion of 10,000 FPOs’ scheme of the Government of India. Annex-8 gives additional details regarding the formation of FPOs by NERAMAC and the targets for their output, surplus and sourcing by the Corporation.

The promotional activities of NERAMAC will focus on activities that promote and popularise priorities set by the Central Government e.g. making NER as an organic hub, bamboo mission, acting as an implementation agency for the ‘Scheme for formation and promotion of FPOs’, organizing events including buyer seller meets, expo etc., apart from acting as an agency for Government schemes. NERAMAC will include a mark-up on the costs to meet its manpower and other costs for such events. Annex-9 furnishes further information regarding the promotional activities of the Corporation.

The details of the Business Plan for re-orientation of the Corporation have been given in the above chapter, with this being done separately for the Commercial and Promotional activities. The revenues and margins from the above activities are tabulated below.

TOTAL REVENUES

As tabulated below.

Table-ES.2: Total Revenues (All figures are Rs. in Crore)

Year →	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10
COMMERCIAL										
Bulk Sales	15.77	38.28	69.72	112.98	143.63	182.59	232.11	295.07	375.12	476.87

Year →	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10
Retail Sales	0.90	2.07	3.57	5.48	7.87	10.86	14.57	19.15	24.78	31.66
E-Commerce	0.16	0.38	0.69	1.11	1.41	1.79	2.28	2.90	3.69	4.69
Auction Sales	0.48	1.18	2.14	3.47	4.41	5.61	7.13	9.06	11.52	14.65
Input Supply	15.00	15.75	16.54	17.36	18.23	19.14	20.10	21.11	22.16	23.27
Sub-Total (A)	32.31	57.65	92.66	140.40	175.55	219.99	276.20	347.30	437.26	551.13
PROMOTIONAL										
Projects	5.00	5.25	5.51	5.79	6.08	6.38	6.70	7.04	7.39	7.76
Events Management	1.25	1.28	1.31	1.35	1.38	1.41	1.45	1.49	1.52	1.56
Sub-Total (B)	6.25	6.53	6.83	7.13	7.46	7.80	8.15	8.52	8.91	9.32
Total Revenues	38.56	64.18	99.48	147.53	183.01	227.79	284.35	355.82	446.17	560.45

TOTAL MARGINS

Table-ES.3: Total Margins (All figures are Rs. in Crore)

Year →	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10
COMMERCIAL										
Bulk Sales	1.97	4.88	9.06	14.97	19.39	25.11	32.50	42.05	54.39	70.34
Retail Sales	0.18	0.41	0.71	1.10	1.57	2.17	2.91	3.83	4.96	6.33
E-Commerce	0.02	0.06	0.10	0.17	0.21	0.27	0.34	0.43	0.55	0.70
Auction Sales	0.01	0.02	0.04	0.07	0.09	0.11	0.14	0.18	0.23	0.29
Input Supply	0.60	0.63	0.66	0.69	0.73	0.77	0.80	0.84	0.89	0.93
Sub-Total (A)	2.78	6.00	10.59	17.00	21.99	28.42	36.70	47.34	61.02	78.60
PROMOTIONAL										
Projects	0.25	0.26	0.28	0.29	0.30	0.32	0.34	0.35	0.37	0.39
Events Management	0.13	0.13	0.13	0.13	0.14	0.14	0.14	0.15	0.15	0.16
Sub-Total (B)	0.38	0.39	0.41	0.42	0.44	0.46	0.48	0.50	0.52	0.54
Total Margins	3.16	6.39	10.99	17.42	22.43	28.89	37.18	47.84	61.54	79.14

The above chapter also discusses the steps for re-orienting the business of the Corporation, covering areas like Management of the Corporation, Operational Focus, Marketing, Systems & Controls, and Human Resources. In addition, the chapter gives the points for ensuring the proper implementation of the plan. As the above measures have been drawn up after carefully considering the lessons of the past, it is possible to ensure that the past problems of NERAMAC do not recur

8. Proposed Support from the Government

The present proposal for the revival of NERAMAC is aimed at increasing the turnover of the Corporation many-fold in the next ten years, apart from keeping it profitable. This will not only improve its balance sheet, but also enable NERAMAC in meeting its core objective of helping the farmers in NE Region by marketing their surplus products. The proposal is summarized as follows.

Fund Based Support

The components of Fresh Fund infusion have been reworked. These are given below.

Table-ES.4: Proposed Fund Based Support

	Head	Rs. in Lakh
	FUND-BASED SUPPORT	
1	Funds for VRS for Regular Employees	496.26
2	Working Capital Support	636.00
3	Supporting the Operations	220.00

4	MCA Fees	37.50
5	Computer Systems	53.81
6	ERP System & E-Commerce Portal	170.00
7	Payment of Statutory Dues	5.80
8	Payment of Other Committed Liabilities	26.69
9	Payment of Provisions under 'Other Current Liabilities'	40.00
	TOTAL: FUND BASED SUPPORT	1686.06

The details regarding the computation of the above fund-based support are available as Notes in the above chapter.

Non Fund Support

	Head	Rs. in Lakh
1	Conversion into Equity (Long Term Loan)	2623.00
2	Write off (Interest & Penal Interest)	2710.13
	TOTAL: NON-FUND BASED SUPPORT	5333.13

Table-ES.5: Proposed Non-Fund Support

The computation of the above non-fund support is available as Notes in Chapter-9.

Contingent Liabilities of the Corporation: In addition, NERAMAC has the following total amount of Contingent Liabilities as per details furnished at Note-L (available at Section-3 of Chapter-9).

Total of Contingent Liabilities (as on 1st January 2021) ... Rs. 1483.35 lakh

The justification of above support (both fund and non-fund based support) is given below.

TYPE OF SUPPORT	JUSTIFICATION
FUND-BASED SUPPORT	
Funds for VRS for Regular Employees	To implement the VRS package for regular employees as per DPE Guidelines (Gujarat Model) as there are no alternative avenues for funding the VRS compensation and other admissible payables These payables include Gratuity & Leave Encashment for Regular Employees (both under 'Other Current Liabilities' and 'Long Term Provision')
Working Capital Support	For enabling the Corporation to carry out business in the first two years, when its low profitability may preclude it from getting bank loan for financing working capital needed for its planned sales growth
Supporting the Operations	To off-set the losses in Year-1, after which the Corporation can give profits based on achievement of sales growth and expense containment targets
MCA Fees	For increasing the authorized share capital in order to convert the outstanding long-term borrowings from Ministry of DoNER and NEDFi into equity
Computer Systems	To enable the smooth operation of ERP system & E-commerce portal which are needed as justified at below
ERP System & E-Commerce Portal	ERP System: In order to manage the supply chain (including procurement, logistics, warehousing etc.),

TYPE OF SUPPORT	JUSTIFICATION
	invoicing, management of payables and receivables etc. to prevent losses, fraud, lack of operational control etc. E-Commerce Portal: For e-commerce based sales
Payment of Statutory Dues	Payable on account of VAT dues
Payment of Other Committed Liabilities	Rent payable by Agartala Office
Provisions under 'Other Current Liabilities'	Payment of 'Other Current Liabilities' for Gratuity and Leave Encashment of Regular Employees retiring soon (and not covered under VRS package)
NON-FUND BASED SUPPORT	
Conversion into Equity of Long Term Loan	In order to increase the net worth (which is fully eroded), and in order to improve the Balance Sheet in order to enable the Corporation to approach banks for Working Capital loans
Write off (Interest & Penal Interest)	-Do- To remove the burden of past interest accrued and to ensure the viability and long-term sustainability of the Corporation

Chapter-9 also furnishes the impact of the above support on the Balance Sheet of NERAMAC, apart from its impact upon the shareholding of the Corporation. It may be noted that as a result of the proposed support, **the net worth of NERAMAC will become positive in the first year of operations. The Corporation will start showing profits from Year-2 onward. It will become sustainable.**

Monitoring of the Revival Plan: The Ministry of Development of North Eastern Region (DoNER) may call for periodic reports (on monthly and quarterly basis) from NERAMAC for monitoring its performance under the proposed Revival Plan. These reports may be based on the major parameters like deployment of funds provided by the Government for the revival of the Corporation, sales and sales growth, gross margins, position of trade receivables and inventories (in terms of days of sales), cost containment, numbers of farmers and growers benefitted by NERAMAC procurement etc.

The critical parameters like sales, margins, procurement, trade receivables, and inventory can be reviewed on monthly basis; while the other parameters can be monitored on a quarterly basis. If need be an Independent Agency can be utilized to carry out Third Party Monitoring of the implementation of the package.

9. Projected Balance Sheet and Profit & Loss Statement

This Chapter gives the projected Balance Sheet and Profit & Loss Statement of the Corporation for a period of ten years. The projected P&L Statement has been developed considering the impact of the Business Plan, including the targets for revenues and margins as detailed therein, upon the future streams of earnings and expenses of the Corporation. In addition, the projected Balance Sheet has been developed by considering such impacts along with the proposed support from the Government. The projected Balance Sheet and the projected Profit & Loss Statement have been both furnished at the following two pages. **The Schedules to the Balance Sheet and the Profit & Loss Statement are available at Chapter-10**, and may be referred to therein, along with the assumptions on which these financial projections have been prepared.

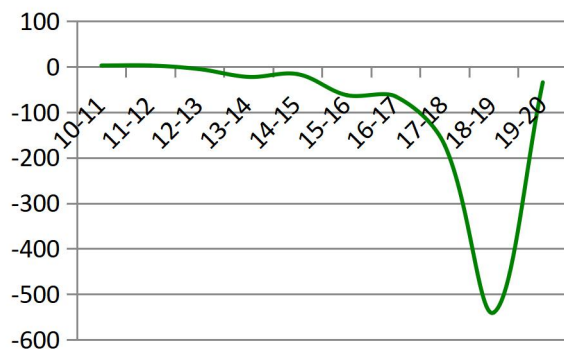
Impact of the proposed Support upon the P&L Statement: The projected Profit & Loss Statement indicates that the Corporation is headed towards sustainability after the implementation of the proposed Action Plan. The following table summarizes the comparison of the existing operations with

the projections.

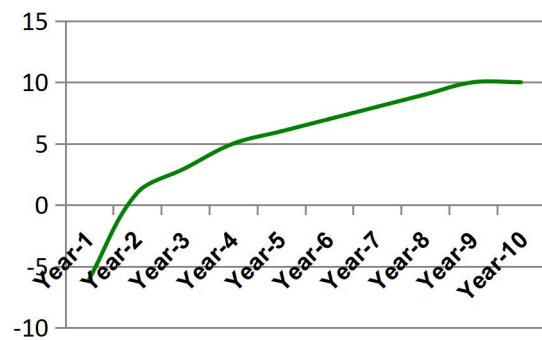
Table-ES.6: Comparison of Existing Operations with Projected P&L Statement

REVENUES	Operational Revenues									
Past Revenues	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
	99.91	96.04	43.71	54.69	37.76	20.05	4.04	4.79	1.51	20.65
Projected Revenues	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
	38.56	64.18	99.48	147.53	183.01	227.79	284.35	355.82	446.17	560.45
PBT	Profits Before Taxes									
Past Profits Before Taxes	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
	2.07	1.49	-2.82	-12.80	-6.56	-12.61	-2.65	-8.28	-8.15	-7.17
Projected PBT	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
	-2.20	0.83	2.55	7.60	11.63	16.80	23.41	31.95	43.00	57.29
PROFITABILITY	Profits Before Taxes / Operational Revenues									
Past 10 Years	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
	2	2	-6	-23	-17	-63	-66	-173	-540	-35
Projected for Next 10 Years	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
	-6	1	3	5	6	7	8	9	10	10

Profitability



Past Performance (Past 10 Years)



Projected Performance (Next 10 Years)

NOTE: Y-axis of Graph on the left side is much larger in range compared to the graph on the right side

Head of Account	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Remarks
Expenditures											
	2.30	2.71	3.06	2.88	2.80	2.81	2.90	3.06	3.28	3.58	
Current Assets											
Inventory	2.43	4.46	7.26	11.08	13.89	17.45	21.94	27.63	34.83	43.94	Schedule-6
Trade Receivables	15.57	18.10	21.60	26.38	29.89	34.33	39.96	47.07	56.06	67.45	Schedule-7
Cash & Bank Balance	24.18	25.36	28.62	37.81	50.22	67.86	92.21	125.27	169.65	228.65	Schedule-8
Short Term Loans & Advances	3.84	4.61	5.53	6.64	7.97	9.56	11.47	13.76	16.52	19.82	Increased by 20% per year
Other Current Assets	0.64	0.77	0.92	1.11	1.33	1.59	1.91	2.30	2.76	3.31	Increased by 20% per year
	46.66	53.30	63.93	83.02	103.30	130.79	167.49	216.03	279.82	363.17	
TOTAL	48.96	56.01	66.99	85.90	106.10	133.60	170.39	219.09	283.10	366.75	

NOTE: The Schedules to the Balance Sheet are available at Chapter-10, and may be referred to therein, along with the assumptions on which it has been prepared

Table-ES.8: PROJECTED PROFIT & LOSS STATEMENT (All figures are Rs in Crore)

Year	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Remarks
REVENUES											
COMMERCIAL											
Bulk Sales	15.77	38.28	69.72	112.9 8	143.6 3	182.5 9	232.1 1	295.0 7	375.1 2	476.8 7	Sales in Wholesale and to parties in bulk
Retail Sales	0.90	2.07	3.57	5.48	7.87	10.86	14.57	19.15	24.78	31.66	Sales through outlets of own brands
E-Commerce	0.16	0.38	0.69	1.11	1.41	1.79	2.28	2.90	3.69	4.69	
Auction Sales	0.48	1.18	2.14	3.47	4.41	5.61	7.13	9.06	11.52	14.65	
Input Supply	15.00	15.75	16.54	17.36	18.23	19.14	20.10	21.11	22.16	23.27	Supply to Governments and Govt. agencies
Sub-Total (A)	32.31	57.65	92.66	140.4 0	175.5 5	219.9 9	276.2 0	347.3 0	437.2 6	551.1 3	Sum of all Commercial Sales
PROMOTIONAL											
Projects	5.00	5.25	5.51	5.79	6.08	6.38	6.70	7.04	7.39	7.76	As agency of Government for schemes
Events Management	1.25	1.28	1.31	1.35	1.38	1.41	1.45	1.49	1.52	1.56	Promotional events only
Sub-Total (B)	6.25	6.53	6.83	7.13	7.46	7.80	8.15	8.52	8.91	9.32	
Total Operational Revenues	38.56	64.18	99.48	147.5 3	183.0 1	227.7 9	284.3 5	355.8 2	446.1 7	560.4 5	Commercial + Promotional Roles

Total Revenue	38.56	64.18	99.48	147.53	183.01	227.79	284.35	355.82	446.17	560.45	
EXPENSES											
Purchase of Stock-in-Trade	28.74	46.73	71.39	104.82	129.21	159.89	198.55	247.25	308.63	386.07	Schedule-1
Changes in Stock-in-Trade	0.73	1.75	3.18	5.12	6.53	8.31	10.56	13.42	17.03	21.59	Schedule-2
Employee Benefit Expenses	3.68	3.66	3.68	3.74	3.83	3.95	4.10	4.28	4.50	4.73	Schedule-3
Finance Costs	0.00	0.00	1.48	2.39	3.06	3.90	4.98	6.34	8.07	10.26	Schedule-4 (Working Capital amount in first two years is being proposed through Ministry support)
Depreciation	0.42	0.38	1.68	1.71	1.60	1.53	1.47	1.44	1.42	1.43	Schedule-5
Other Expenses	7.18	10.83	15.52	22.15	27.15	33.41	41.28	51.14	63.52	79.08	Schedule-6
Total Expenses	40.76	63.35	96.93	139.93	171.38	210.99	260.94	323.87	403.17	503.16	
Profit before Tax	-2.20	0.83	2.55	7.60	11.63	16.80	23.41	31.95	43.00	57.29	

NOTE:

The Schedules to the Profit & Loss Statement are available at Chapter-10, and may be referred to therein, along with the assumptions on which the above projections have been prepared

10. Project Outputs & Outcomes

Project Outputs: The project outputs (of the present project for the ‘Revival of NERAMAC’) have been summarized below for a period of five years.

Table-ES.9: Project Outputs (Project ‘Revival of NERAMAC’)

Output	Indicator	Unit	Year-1	Year-2	Year-3	Year-4	Year-5
Procurement from Growers	Growers covered	Nos.	5,000	10,500	16,550	23,205	25,526
Sales of Agro-Horticultural Items from NE Region	Bulk Sales	Rs.	15.77	38.28	69.72	112.98	143.63
	Retail Sales	Rs.	0.90	2.07	3.57	5.48	7.87
	E-Commerce Sales	Rs.	0.16	0.38	0.69	1.11	1.41
	Auction Sales	Rs.	0.48	1.18	2.14	3.47	4.41
	Total Sales	Rs.	17.31	41.91	76.12	123.04	157.32
Supply of Quality Agricultural Inputs to State Governments	Sales of Agricultural Inputs	Rs.	15.00	15.75	16.54	17.36	18.23

Source: Proposed Business Plan given at Chapter-8. Details have been reproduced at Chapter-11 for ease of reference.

Project Outcomes: The project outcomes have been tabulated below. These have been defined in terms of indicators that can track the numbers of members benefitted, percentage of their output procured by NERAMAC, value of crops procured, and the procurement per member; besides indicators that can be used to understand the profitability and sustainability of NERAMAC.

Table-ES.10: Project Outcomes (Project ‘Revival of NERAMAC’)

Outcome	Indicator	Unit	Year-1	Year-2	Year-3	Year-4	Year-5
FPOs and members are benefitted	Members covered by Procurement	Nos.	5,000	10,500	16,550	23,205	25,526
	Percent of their crop procured by NERAMAC	%	10	11	13	14	16
	Value of crops procured	Rs. crore	13.56	32.82	59.61	96.33	122.10
	Procurement / member	Rs.	27,125	31,260	36,020	41,511	47,835
NERAMAC stays profitable	Profits before taxes	Rs. crore	-2.20	0.83	2.55	7.60	11.63
NERAMAC is sustainable	Shareholder Funds	Rs crore	23.54	24.37	26.92	34.52	46.15

Source: As per calculations in the Notes given under Table-11.2 in Chapter-12

11. Recommended Action Points

On the basis of the inputs received and the study thereof, the present Action Plan has been drawn up. The following recommendations are made in connection with its implementation.

1. Fund Based Support to NERAMAC

The Government may extend a fund-based support of Rs. 1629.97 lakh as per the details furnished at Chapter-9 and the justification furnished therein. The support may be utilized for funding the following components:

- Funds for the VRS Package for Regular Employees;
- Working Capital Support for the Sales targets in Year-1 and Year-2;
- Supporting the Operations of NERAMAC in the first year;
- Payment of MCA Fees for increasing the authorized share capital;
- Purchase of Computer Systems for use by NERAMAC;
- Development of an ERP System and E-Commerce Portal for the Corporation;
- Payment of Statutory Dues;
- Payment of Other Committed Liabilities; and
- Payment on account of the Provisions under 'Other Current Liabilities.

In case any component requires lesser amount, then the balance of the funds may be utilized as deemed fit by the Corporation and the Government.

2. Increasing the authorized Share Capital of NERAMAC

In order to be able to accommodate the conversion of the outstanding long-term borrowings into equity as suggested at above, it is necessary that the authorised share capital be raised suitably. The present level is Rs 10.00 crore. The same may be increased to Rs 60.00 crore by approaching the Registrar of Companies, Assam and carrying out the procedures necessary for increasing the authorized share capital of a company.

3. Non Fund Support

It is proposed to convert the long-term borrowings from the Ministry (including through NEDFi) amounting to Rs 26.23 crore (as on 31st March 2020) into the equity of NERAMAC to increase the net worth of the Corporation which has been fully eroded. This will facilitate the rehabilitation of the Corporation and ensure its long-term viability and sustainability.

In addition, the accrued interest and penal interest due amounting to Rs 27.10 crore (as on 31st March 2020) may be written off, as the Corporation is not in a position to repay the sums in the foreseeable future. This will improve the Balance Sheet of NERAMAC and will enable the Corporation in the near future to approach banks for working capital for its sales growth.

4. Strengthening the Human Resources

The human resource base of the Corporation needs to be strengthened. The business of NERAMAC requires that experienced professionals be recruited on contract to perform the following roles in a target driven environment – General Manager (Marketing), Manager (Bulk Sales), Manager (Retail Sales), and Manager (Logistics & Supply Chain Management). The other roles may be filled up from amongst the existing contractual employees. The existing work-force of regular employees and casual staff will have to be reduced or phased out. In this regard, NERAMAC must impress upon its regular employees to accept the VRS package. As the matter of the casual employees is sub-judice, decision of the Hon'ble High Court is necessary in order to plan measures for their rationalization.

5. Focussing upon the Core Businesses

It is necessary that NERAMAC focus its attention upon the proper formation of FPOs in the next four years and build up the surplus production of saleable items by their members. Since support from the Government scheme ('Formation and Promotion of 10,000 FPOs') is being made available, the capacities of the FPO members need to be developed to handle the targeted crops. In addition, the supply chain has to be developed along with sales channels to handle the targeted volumes. As the above activities are crucial, the Corporation may focus its orientation accordingly.

6. Non-Fund Support for securing Bank Loan for Working Capital

NERAMAC has to boost its sales in order to ensure its profitability and sustainability. This will require larger amounts of working capital from banks. The latter may be hesitant to loan monies to the Corporation due to its past track record. Hence, the Government may have to extend guarantee to the efforts of NERAMAC to secure working capital. This is provided for under the General Finance Rules, 2017 [vide Rule 277 (i)], wherein it is stated that 'A proposal for guarantee by Government must be justified in public interest such as in the case of borrowings by central public sector institutions for approved development purposes or **borrowings by central public sector undertakings from Banks for working capital** and other purposes'. Such guarantees may be furnished for the working capital loan taken from Year-3 onward, as Government funding is being sought for the working capital required in the first two years.

7. Addressing the Financial & Operational Controls

The Corporation must improve its internal control systems - both financial and operational. This is needed to prevent the build-up of inventory and trade receivables, which can block working capital, increase the operational costs, create inefficiencies in the operations and prevent the realization of the sales targets. In order to achieve this, the proposed ERP system must be developed in a phase-wise manner. In this regard, the Corporation will need to develop and prepare operational manuals for all its activities to enable its employees to perform their functions correctly, efficiently and effectively.

8. Deploying the ERP Software & E-Commerce Portal

In order to improve the quality of its financial and operational controls, it is necessary that NERAMAC needs to deploy in a phase-wise manner, Enterprise Resources Planning (ERP) software. Initially, it may cover its core functions like supply chain management, sales invoicing, inventory control, trade receivables, etc. Later on, this system can be deployed to cover the other corporate functions such as all remaining finance and accounts functions, payroll, HR and administration, marketing etc. This will assist the Corporation to maintain operational and financial control over its business, in order to maintain the corporate sustainability and profitability. Further, an E-Commerce portal has to be developed for meeting the e-commerce based sales targets of NERAMAC.