

STATEMENT TO SHAREHOLDERS BY CMD

Ladies and Gentlemen,

On behalf of the Board of Directors and on my behalf, I would like to extend a very warm welcome to all of you to the 4th Annual General Meeting of the Security Printing and Minting Corporation of India Ltd. The notice of AGM, Directors Report and Audited Accounts for the year ended 31st March 2009 are already with you and with your permission, I take them as read.

You would be glad to know that your company has been granted Mini-Ratna Category-I CPSE status by Department of Economic Affairs, Ministry of Finance, Government of India. This has been updated on the website of DPE also. Mini-Ratna Category-I CPSE status provides enhanced powers to the Corporation in the field of capital investments, joint ventures and other commercial matters etc.

The company has met maximum of the MoU targets for 2008-09 and its performance is poised for achieving "Excellent" ratings.

Your company's Bank Note Press, Dewas bagged the National Safety Award-2007 (Performance year). It has achieved this feat during previous year also. Another unit of the company, Currency Note Press, has won the 3rd Prize for 5th State Level Award for Excellence in Energy Conservation and Management organized by MEDA (Maharashtra Energy Development Agency, Govt. of Maharashtra Undertaking). This unit has also won the first prize for implementation of Official Languages (Hindi) Award by the Town Official Languages Implementation Committee for the year 2007-08 declared on 19.06.2009.

FINANCIAL PERFORMANCE

Your Company's Gross Turnover for the year grew by 17% to Rs. 2339.03 Crore from Rs. 2004.18 Crore in the FY 2007-08. Similarly, Profit after tax during the year increased to Rs. 433.83 Crore from Rs. 199.71 Crore during the previous year, thereby registering a year-on-year growth of about 117%. The PAT per employee has increased to 2.45 lac as against Rs. 1.13 lac in the year 2007-08. The company has made capital investment of Rs. 86.24 crores in 2008-09 as against Rs. 73.68 crores in 2007-08.

OPERATIONAL PERFORMANCE

It is mentioned that production achieved by IGMs in 2008-09 was the maximum achieved in the last two decades. In the Financial year 2008-09, RBI lifted about 4448 mpcs of coins of different denomination against the 3516 mpcs for the financial year 2007-08. This is an increase of 26.5% over 2007-08.

A new Rs. 5/- coin with Nickle-Brass material was released in the financial year 2008-09 giving a better seignorage to the Government. Rs. 10/- Bi-Metallic coin,

which was initially manufactured in the year 2005 on trial basis, has been released in the financial year 2008-09 after making about 100 million pieces.

There has been an increase in the quantity of medallions and commemorative coins due to new market initiatives. 3,42,704 medallion and commemorative coins were produced during 2008-09 as against 3,05,054 produced in 2007-08.

The two currency presses supplied 6,144 million pieces of bank notes to RBI in 2008-09 against 5120 million pieces in 2007-08. The ink factory at Dewas produced 228 Mt of security ink against 177 MT produced in 2007-08.

ISP, Nasik produced 82.9 lakh passport in 2008-09 against 53.4 lakh during 2007-08. On other security products both ISP and SPP produced 818.9 mpcs of items as against 839 mps in 2007-08. Security Paper Mill, Hoshangabad produced 2032 Mt security paper in 2008-09 as against 2283 MT in 2007-08.

ERP PROJECT IMPLEMENTATION

Your company is implementing SAP, the most widely used ERP solution, across all nine units of SPMCIL. This will help us to integrate all the 9 units of SPMCIL and thus automate all the core processes within each unit, leading to enhancement of efficiency, ease and simplicity of operations. SAP implementation at SPMCIL is planned to be done in six typical phases: Project Preparation, Business Blue Print, Realisation, Cutover, Go live and Sustainance.

As-Is and To-Be studies were conducted and currently we are in the Blue Print Phase. In the Blue Print phase your company is preparing the various business scenarios depicting the way we do business currently and also preparing the process maps that demonstrate the flow of our day to day key processes.

We are also in the process of getting actively involved in the Data Migration activities in this phase. Change Management track will be continued throughout the implementation, ensuring we are taking care of even the minute concerns related to employees and stake holders while we move forward in achieving this challenging goal.

We are also implementing IT Infrastructure for the ERP implementation and will commission the ERP Data Centre and other networking facilities that will ensure smooth functioning of the SAP and ensure interconnectivity amongst all SPMCIL offices across the country.

MODERNISATION

Your company has made 86.24 crores of investment during 2008-09 for modernisation and capacity augmentation. 18 number of new coining presses have been procured and commissioned at all the Mints. Three new blanking lines have been procured for the Mints to enhance in-house production of the coin blanks. Purchase order for six number of pickling and polishing line have been placed for the three Mints at Mumbai, Kolkata and Hyderabad. This will result in better

quality of finished coins. Four Fully Automatic Integrated Sachet Packing lines have been ordered to pack the coins in sachets as per RBI requirements.

The procurement of one new printing line in place of the existing old line has been taken up at BNP Dewas. This will lead to increase in the printing capacity and also quality of the Bank Notes. Installation of new pulping unit at SPM, Hoshangabad is at advanced stage. Procurement of one line CWBN Paper machine for production of about 4000 MT of CWBN paper has been initiated for SPM Hoshangabad. In addition, Government has approved a joint venture company between SPMCIL and BRBNMPL on 50:50 equity basis for setting up of 2 lines of CWBN paper at Mysore. This is an important step towards indigenisation of bank note paper production.

In order to enhance the production of indigenous ink for the security product, modernisation and expansion of the ink factory at Dewas has been sanctioned. With this, the requirement of CNP and BNP for the offset and intaglio ink will be taken care of. In addition, installation of the on line and off line quality improvement systems in all the presses and mints have been taken up to reduce wastage and enhance the quality of the end products.

Retrofitting of the existing machines for production of E-passport is at advanced stage of commissioning. Procurement of one new line for manufacture of E-passport has been taken up at Nashik.

With these modernisation and further planned during the coming year your corporation is poised to meet domestic and international requirements of security products competitively.

HUMAN RESOURCE MANAGEMENT

In an epoch making development in your Company during the year 2008-09, a tripartite agreement was arrived at during the course of conciliation proceedings before the Chief Labour Commissioner (C) on 15.09.2008, wherein the Union Office-Bearers in the presence of their central Trade Union Leaders agreed for en-masse transfer of Govt. employees to the rolls of the Company w.e.f. 01.11.2008. As a sequel to the above agreement, approximately 90% of the Government Employees decided to join the Company, out of which, 11144 have opted for pro-rata pension and 3112 opted for pension on Superannuation from the Pension Fund.

Having signed the Settlement with the representatives of Trade Unions of all nine Units coming under the umbrella of SPMCIL, the Pension Fund as per the proviso 12 of 37(A) of CCS Pension Rules which holds good for employees of Govt. departments converted to Public Sector Enterprises has become an accepted reality and your Company has set the pace for future course of events for Govt. Departments being considered for corporatization at a later date.

Your Company is committed to skill-development of available manpower and demonstration of potential and talent in shouldering multifarious job responsibility and in the process, the Company shall leverage the available human resource potential to optimum level.

It is our endeavour to identify the skill-gap and knowledge level in designing the Training programmes of the Units and Corporate Office. During the year 2008-09, your Company has trained 1179 man-days, which is a significant contribution towards the development of human resource after corporatization of SPMCIL.

Your Company has gone through a critical and volatile phase during the year 2008-09 because of uncertainties prevailing over the issue of en-masse transfer of the Govt. employees to the rolls of the Company. Even under the adverse circumstances, harmony has prevailed in all the 9 Units of SPMCIL.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is running schools, hospitals, dispensaries, clubs / institutes for the welfare of the employees, retired employees, their families and also people in and around the Units. Security Paper Mill, Hoshangabad has been developed to a green field because of growing horticulture initiatives. BNP is practicing extensive tree plantation at the rate of 2000 trees every year by using recycled water from ETP/STPs. At present 60,000 trees are existing in well developed condition. Total 1365 trees have been planted in the premises of nearly 140 Hectares by CNP .

One Ambulance is being provided by ISP Nasik to NAME Foundation with the aim of providing speedy evacuation of accident/ medical emergency patients to the nearest affiliated hospital free of Cost. ISP has given extensive services for provision of Hearse van to the families of employees and others. Further, Fire brigade Service is provided to help local people as and when required by local administration by BNP, Dewas, ISP & CNP, Nashik Road , and SPP, Hyderabad especially.

Training to the Children of employees in different sports such as Cricket, Skating, Football through U.S. Gymkhana, Nasik is being done. Tournaments were organized on Carom, Table Tennis, Chess and cricket with consultation of District Cricket Association on 26-01-2008 and 15-08-2008 by BNP, Dewas.

CUSTOMER SATISFACTION

In pursuit of achieving excellence in the delivery of its product and services, your company has got conducted customer satisfaction survey through independent consultant in year 2007-08 which was also one of the target parameter of Memorandum of Understanding (MOU) between SPMCIL and MOF. In the year under review, the report is submitted and overall customer satisfaction rating calculated for the five major product categories indicates favourable customer preference for your Company's products and it shall be our endeavour to improve favourable customer preference in years to come.

ECO FRIENDLY OPERATION AND ENERGY CONSERVATION

In pursuance to the Government Policies & Guidelines to reduce expenditure and promote new and renewal energy resources, SPMCIL engaged National Productivity

Council (NPC) to carry out an exhaustive energy audit at all the Units. Majority of the recommendations have been implemented and a few are under implementation. There is a significant reduction in energy consumption in all the Units. There has been a saving of about 66 lakh Kwh (Units) in 2008-09 vis-à-vis 2007-08 despite increase in sales by 17%. On Comparison of this notional consumption with the actual consumption of electricity in 2008-09, there is a saving of around Rs. 5.7 Crores. Further your company is also exploring the possibility of installation of wind mills for captive power generation as has been done by many PSUs. This shall not only reduce the electricity bill substantially but will also be a step towards clean and green energy.

Our three units namely CNP, Nashik, BNP, Dewas & IGM, Noida are ISO 14001:2004 certified in Environment Management System and their operation are with compliance to the International Standards ISO 14001:2004 for better environmental management. IGM, Noida has obtained ISO 14001:2004 Certification in the year under review.

Improvement in ground water table is achieved by practicing ground water recharging technique for the tube wells and by extending the existing pond at BNP, Dewas.

NOVEL BUSINESS DEVELOPMENT INITIATIVES

The year gone by was momentous for your company and very significant for sustaining growth in the years to come. Your company has taken various business development initiatives to realise its vision of being a leader in currency and security printing business. Following milestones are worth mentioning:-

The company is poised to tap different global tender opportunities especially in South East Asia and actively tapping opportunities for printing currency and minting coins of neighbouring countries. In the year under review, in the field of coins; an export order of 10 mpcs of 25 peso coin for Dominican Republic & in Bank Note Printing; an export order of Nepal Rasthra Bank (NRB) for supply of 50 mpcs of Rs. 10/- denomination was successfully executed.

This year IGMs have issued five commemorative coins which is significant, especially, so since generally in the past two or three commemorative coins were issued in a year.

As a strategic initiative, the non-coinage business of IGMs was also strengthened & toward this requirement of various PSUs, institutions and Temples bodies were explored to supply medallions of varying metal composition. The execution /receipt of order of Commonwealth Youth Games, Pune, Shipping Corporation India Ltd., South Eastern Central Railways, Copper Dollars for Sri Thirumala Thirupati Devasthanams, National Youth Award Medals, etc are worth mentioning.

As a new product development initiative, development & supply of E-passports to Ministry of External Affairs is significant achievement. Besides this ISP Nashik has

printed University degrees for IIT Guwahati, Tejpur University, National Permit and Authorization Certificate for Punjab Government, SPP, Hyderabad has printed MICR Cheques for LIC among others. We are also in the process of filing patent for QS Intaglio Ink & Bi fluorescent Ink developed by the Ink factory, BNP Dewas.

ISO certification of three units & renewal for another two SPMCIL unit is another milestone which SPMCIL has marched past in the year under review.

FUTURE OUTLOOK

Diversification in relevant areas & expansion of product line is critical for your company's growth & your company is aggressively pursuing this objective & offering customized products to variety of customers with value added features. Your company has recently bagged a Global tender for printing Nepalese banknote of Rs 100/- and is likely to qualify in another Nepalese Circulation coin tender. The coin manufacturing tender is yet to be announced. Our proposal for developing security features based warehouse receipts for Warehousing Development and Regulatory Authority (WDRA), sports & commemorative medallions for Commonwealth Games, 2010, medallions on Delhi heritage for Delhi Government, Indian Railways etc. are under advanced stage of consideration.

The proposal for selling of un-circulated variety of commemorative coins in single coin set packing is also under pipeline.

We have the confidence to rise to many challenges and to improve our operational & corporate performance with competitiveness. We are committed to enhance the scale, competitiveness, efficiency and productivity of our business, benchmarked to Global, world Class standards. We believe these commitment & belief will continue to the successful accomplishment of all our future growth Endeavour.

ACKNOWLEDGEMENTS

I would like to acknowledge with deep sense of appreciation the cooperation received from the Govt. of India, particularly the Ministry of Finance, Reserve Bank of India, Ministry of External Affairs, Department of Post, Department of Public Enterprises, Ministry of Labour, Department of Pension and Family Welfare and various State Govts. I would also like to show appreciation to our Directors for their important inputs and laudable support. I would also like to acknowledge with thanks the constructive suggestions received from C&AG and the Statutory Auditors. I would also like to place on record the sincere appreciation of the devotion and commitment of every employee of the Company.

Thank you,

Place: New Delhi
Date: 15th September, 2009

Sd/-
(M.S. Rana)
Chairman & Managing Director