



ANNUAL REPORT 2003 - 2004

**emami**  
PAPER MILLS LIMITED



## AN ISO 9001 : 2000 COMPANY

### BOARD OF DIRECTORS

- Shri R. S. Goenka (Executive Chairman)
- Shri R. S. Agarwal
- Shri S. K. Khaitan
- Shri R. K. Agarwal
- Shri A. C. Gupta (Managing Director)
- Shri A. V. Agarwal (Whole Time Director)
- Shri Manish Goenka (Whole Time Director)
- Shri P. S. Patwari (Executive Director)
- Shri S. K. Todi
- Shri M. L. Jain
- Shri U. G. Bhat
- Shri S. C. Saha (IDBI Nominee)

### VICE-PRESIDENT (FINANCE) & SECRETARY

- Shri G. Saraf

### AUDITORS

- Messrs Saxena & Co.
- Chartered Accountants
- 4A, Council House Street, Kolkata-700 001

### UNIT AUDITORS

- Messrs Salarpuria Jajodia & Co.
- Chartered Accountants
- 7, C. R. Avenue, Kolkata-700 072

### BANKERS

- State Bank of India
- State Bank of Bikaner & Jaipur
- Indian Overseas Bank

### WORKS

- Balgopalpur
- Balasore-756 020
- (Orissa)
- R. N. Tagore Road
- Alambazar, Dakhineswar
- Kolkata-700 035 (West Bengal)

### REGISTERED OFFICE

- 8, Bentinck Street, 10th Floor
- Kolkata-700 001



## DIRECTORS' REPORT

To  
The Members of  
**Emami Paper Mills Limited**

Your Directors take pleasure in presenting their Twenty-Second Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2004.

## FINANCIAL RESULTS

	2003-2004 (Rs./Lakhs)	2002-2003 (Rs./Lakhs)
Sales	12549.63	11697.13
Profit before Interest & Depreciation	1343.63	1339.57
Less : Interest (Net)	76.31	284.82
Depreciation	907.91	980.82
<b>Profit Before Tax</b>	359.41	73.93
Less : Provision for current Taxation	27.28	81.66
Provision for deferred Tax	186.21	(82.97)
<b>Profit After Tax</b>	145.92	75.24
Add : Surplus Brought Forward	662.04	586.80
Balance Available for Appropriation	807.96	662.04
<b>Appropriations</b>		
Transfer to General Reserve	401.55	—
Proposed Dividend	121.00	—
Tax on Dividend	15.50	—
Balance Carried Forward	269.91	—
	807.96	662.04

## DIVIDEND

Your Directors are pleased to recommend a dividend of 10% for the financial year ended 31st March, 2004. The dividend, if approved by the shareholders, would absorb Rs. 121.00 lakhs.

## OPERATION AND OUTLOOK

The Company registered an all round growth in production, turnover and capacity utilisation during the year under review. The production of 49901MT achieved during the year is a record for the Company.

Turnover at Rs. 125.50 crores is an improvement of 7.3% over the previous year while Net Profit increased by 94%. The improvement in performance has been achieved as a result of cost control, optimum product mix, enhanced efficiency in operations and better financial management.

Your Company would continue its focus on further improvement in all areas of operations. With the continued demand for the newsprint and upward movement of its international prices, your Company expects better results in the current year.



## CORPORATE GOVERNANCE

Corporate Governance and Management's Discussion & Analysis Report are set out as separate Annexure-III to this Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors have:

1. followed in the preparation of the annual accounts, the applicable accounting standards;
2. selected prudent accounting policies;
3. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
4. prepared the Annual Accounts on a going concern basis.

## DEPOSITS

There were no un-claimed or un-paid deposits at the close of the year.

## DIRECTORS

Sri P.Sitaram who was nominated to the Board by Industrial Development Bank of India (IDBI) was withdrawn with effect from 11.02.2004 and Sri S.C.Saha has been appointed as a Nominee Director in his place.

Sri A.K.Chakravarty resigned from the directorship of the Company with effect from 20.09.2003.

Your Directors wish to place on record their gratitude for the guidance and advice received from Sri P.Sitaram and Sri A.K.Chakravarty during their respective tenures as Directors of the Company.

Shri U.G.Bhat was appointed as an Additional Director of the Company with effect from 26.09.2003 under Section 260 of the Companies Act, 1956 to hold office till the date of ensuing Annual General Meeting.

Notice under Section 257 has been received by the Company from members signifying their intention to

propose Sri U.G.Bhat as candidate for the office of Directors.

Sri R.S.Goenka, Sri R.S.Agarwal, Sri A.C.Gupta and Sri P.S.Patwari retire by rotation and being eligible, offer themselves for re-appointment.

## AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

## AUDITORS

M/s Saxena & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. M/s Salarpuria Jajodia & Co. have expressed their willingness to continue as Unit Auditors for Gulmohar Unit, if so appointed.

## ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in Annexure-I to the Report.

## PERSONNEL

Information pursuant to Section 217(2A) of the Companies Act, 1956 are given in Annexure - II to the Report.

## ACKNOWLEDGEMENT

The Board acknowledges the understanding and support shown by all its Financial Institution, Banks, Distributors, Customers, Suppliers, Employees and other business associates towards the conduct of the efficient operations of the Company. Your Company has been able to operate efficiently because of the culture of professionalism, integrity and continuous improvement in all functions and areas to ensure efficient utilization of the Company's resources for sustainable and profitable growth.

For and on behalf of the Board

Place : Kolkata

Dated : 30th April, 2004

**R. S. GOENKA**  
Executive Chairman



## ANNEXURE – I TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2004.

### A. CONSERVATION OF ENERGY

#### i) Energy Conservation Measures taken

1. Increase in generation of power at the 5 MW co-generation captive power plant at our Balasore unit.
2. Replacement of old pumps and motors by new energy efficient motors.
3. Use of Variable Frequency Drives in higher rated motors.
4. Replacement of high energy consuming air-conditioners and use of energy efficient lighting.
5. Stopping pumps by utilizing gravity flow wherever possible.
6. Inter-locking arrangement of pumps and agitators in the pulpmill.
7. Installation of new vacuum system for reduction of power.
8. Reduction in the consumption of fresh water through optimum recycling.
9. Screening of dust in the coal yard to restrict the running hours of coal crusher.
10. Repositioning of lighting arrangement with reduced points.
11. Elimination of use of gear box to reduce transmission and frictional losses.
12. Replacement of boiler Feed Water Pump with high efficiency pump and motor.
13. Speed reduction of ID Fan to optimum level by changing the Pulley size.
14. Automation of air compressor.

#### ii) Additional Investment and proposal for reduction of energy consumption

To reduce the consumption of energy, continuous studies are going on and suitable investments are being made in these areas as required.

#### iii) Impact of the measures

The above measures have resulted in the reduction of power consumption, cost of production and down time.

#### iv) Power & Fuel Consumption

As per Form "A" annexed.

### FORM – A

Form for Disclosure of Particulars with respect to Conservation of Energy

#### I. POWER & FUEL CONSUMPTION

		2003-2004	2002-2003
<b>1. Electricity :</b>			
(a) Purchased Units (in Lakh)	Kwh	105.79	141.33
Total Amount	Rs. in Lakhs	548.75	612.90
Rate/Unit	Rs. / Kwh	5.19	4.34
(b) Own Generation (through steam turbine) (in Lakh)	Kwh	336.43	284.34
Total Cost	Rs. in Lakhs	588.60	445.09
Rate/Unit	Rs. / Kwh	1.75	1.57



**2. Coal :**

Quantity	MT	62406	54142
Total Cost	Rs. in Lakhs	643.07	559.15
Average rate	Rs./MT	1030	1033

**3. Furnace Oil :**

Ltrs.	—	—
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**II. CONSUMPTION PER UNIT OF PRODUCTION**

		<u>2003-2004</u>	<u>2002-2003</u>
Electricity	Kwh	790	804
Furnace Oil	Ltrs	—	—
Coal	Kgs/MT	1261	1137*

\* Inclusive of consumption by captive power plant

**B. TECHNOLOGICAL ABSORPTION****i) Research & Development****a) Specific areas in which R&D carried out by the Company**

- Evaluation of alternate retention and de-inking chemicals in pulpmill, stock preparation and paper machine.
- Elimination of two-sidedness in newsprint paper by making necessary changes in the process.
- Detailed study for reduction of pollution load and effective treatment of effluent.

**b) Benefits derived as a result of the above**

- Increase in the Yield by fibre recovery.
- Increase in the productivity and reduction in consumption of specific chemicals.

**c) Future Plan of action**

- Continuous improvement in the product quality.
- Continuous efforts on waste minimisation.
- Detailed study for compliance of revised norms of emission required by State Pollution Control Board.
- Exploring the use of cheaper variety of imported waste paper.

**d) Expenditure on R&D**

- No separate accounting for Research & Development activities is made as the same is connected with the Process and Product development.

**ii) Technology Absorption, Adaptation & Innovation****a) Efforts, in brief, made towards technology absorption, adaptation and innovation.**

- Steady progress of Total Productive Maintenance (TPM) at our both the plants.
- Continuous training and Human Resources.
- Improvement in the fibre recovery system and overall quality of newsprint.



- b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
- Improved product leading to increased market share.
  - Enabled the Company to increase its productivity, improve the overall quality, reduce the specific chemicals consumption, minimise utilities to economise the cost of production.

Particulars of technology imported during the last 5 years – Nil

### C. FOREIGN EXCHANGE EARNING AND OUTGO.

	(Rs./Lakhs) 2003-2004	(Rs./Lakhs) 2002-2003
i) Export	4.26	14.57
ii) Total Foreign Exchange used	2309.92	2427.10
iii) Total Foreign Exchange earned	4.26	14.57

### ANNEXURE – II

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2004.

#### PART I

Sl. No.	Name & Age	Qualification	Designation	Date Joining	Experience (in years)	Remuneration (Rs.)	Previous Employment
A	Employment-throughout the year						
1	R. S. Goneka (57)	M. Com. LLB	Executive Chairman	01.09.94	34	2974361/-	Advisor Kemco Chemicals



## ANNEXURE – III

### REPORT ON CORPORATE GOVERNANCE

#### 1. Company's philosophy on Code of Governance

The Company's philosophy on Corporate Governance refers to a Professional System of

management for the efficient conduct of its business and attainment of high levels of transparency, accountability and business prosperity with the ultimate objective of achieving long term values to serve the best interest of all the stakeholders – shareholders, customers, lenders, employees, the Government and society at large.

#### 2. Board of Directors

##### ● Composition

The composition of Board of Directors and other details are as under :

Name of the Director	Executive/ Independent/ Non executive	No. of Board Meetings attended	Attendance at previous AGM on 11.08.2003	No. of outside Directorship held	No. of membership/ chairmanship in other Board Committee
Mr. R.S.Goenka	Chairman Executive	7	No	10	3
Mr. A.C.Gupta	Managing Director Executive	7	Yes	1	–
Mr. R.S.Agarwal	Non-Executive	7	No	9	1
Mr. R.K.Agarwal	Non-Executive Independent	–	No	3	1
Mr. S.K.Khaitan	Non-Executive Independent	5	No	7	4
Mr. S.K.Todi	Non-Executive Independent	7	No	22	–
Mr. P.S.Patwari	Executive	7	Yes	2	3
Mr. Manish Goenka	Executive	7	Yes	5	–
Mr. A.V.Agarwal	Executive	6	No	6	–
Mr. P.Sitaram*	Nominee of IDBI Independent	1	No	4	–
Mr. M.L.Jain	Non-Executive Independent	7	Yes	7	3
Mr. A.K.Chakraborty+	Non-Executive Independent	1	No	9	–
Mr. U. G. Bhat @	Non-Executive Independent	1	N.A.	1	–
Mr. S. C. Saha #	Nominee of IDBI Independent	1	N.A.	2	–

\* Withdrawn by IDBI w.e.f.11th February, 2004

+ Resigned with effect from 26th September, 2003

@ Appointed as an Additional Director w.e.f.26th September, 2003

# Appointed by IDBI as Nominee Director w.e.f.11th February, 2004





During the year, 7 (seven) Board Meetings were held on 5th April, 2003, 30th May, 2003, 30th July, 2003, 26th September, 2003, 30th October, 2003, 31st January, 2004 and 23rd March, 2004.

### 3. Audit Committee

The Company constituted an Audit Committee to comply with the requirement of Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of Listing Agreement of Corporate Governance. The Committee was reconstituted at the Board meeting held on 5th April, 2003, when Sri S. K. Todi was inducted as a member. The present Audit Committee consists of Sri M. L. Jain, as Chairman, Sri R. S. Agrawal, and Sri S. K. Todi, as other Members. All of them are Non-Executive Director and two of them are Independent Directors.

#### a) Brief Description of Terms of Reference

The role of the Audit Committee and its Terms of Reference include review of the operations, Financial Management, Audit Plan, audited Half-yearly/Annual Returns, Findings of Internal/Statutory Auditors and Compliance of the Policy Decisions of the Company with all the powers and authorities as mentioned in Clause 49 of Listing Agreement with the Stock Exchanges and / or SEBI guidelines from time to time. The Audit Committee also acts as a link between the Board of Directors and the Statutory / Internal Auditors.

#### b) Composition, Name of Members and Chairman

The attendance of each Member directors at the Audit Committee Meeting held during the Financial Year 2003-04 is furnished hereunder :

Sr. No.	Name of Directors	Position	Audit Committee Meeting	
			Held	Attended
01.	Mr. M. L. Jain	Chairman Non-Executive Independent	5	5
02.	Mr. R. S. Agarwal	Non-Executive Director	5	5
03.	Mr. S. K. Todi	Non-Executive Independent Director	5	5

The Chairman of the Audit Committee, Mr. M.L.Jain, was present at the Annual General Meeting of the Company held on 11th August, 2003. The Audit Committee meetings are also attended by Mr. P. S. Patwari, Director Incharge of Finance. The Company Secretary acts as the Secretary of the Audit Committee.

### 4. Remuneration Committee

The Company has a Remuneration Committee comprising of the following Non-Executive Independent Directors :

i)	Mr. M. L. Jain	Chairman
ii)	Mr. S. K. Khaitan	Member
iii)	Mr. S. K. Todi	Member

#### a) Remuneration Policy

The Remuneration Policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis. The Remuneration Policy is in conformity with the existing industry practice.

The remuneration of the Executive Directors is governed by the terms and conditions approved by the Remuneration Committee, the Board of Directors, the Shareholders and the Central Government, if required. The remuneration structure comprises of salary and commission linked to profits, perquisites and allowances, contribution of Provident Fund, super annuity and gratuity as per Schedule XIII of the Companies Act, 1956.

b) Name of the Directors of the Company with whom transaction has taken place during the year ended 31-03-2004.

(Amount in Rs.)

Name of Directors	Salary	Provident Fund	Perquisites & Allowances	Total
Mr. R.S.Goenka	26,50,000/-	3,18,000/-	6,361/-	29,74,361/-
Mr. A.C.Gupta	6,05,000/-	72,000/-	2,58,163/-	9,35,163/-
Mr. A.V.Agarwal	8,15,000/-	97,200/-	1,51,197/-	10,63,397/-
Mr. Manish Goenka	8,15,000/-	97,200/-	1,72,045/-	10,84,245/-
Mr.P.S.Patwari	3,65,000/-	43,200/-	60,000/-	4,68,200/-

# Emami\* PAPER MILLS LIMITED



\*Perquisites include Leave Travel Assistance, reimbursement of Medical Expenses, Cost of accommodation including rent, maintenance, electricity etc.

## • Remuneration to Non-Executive Directors:

- i) They are paid only sitting fees for attending Board / Committee meetings.
- ii) Directors who are in whole-time employments of the Company, are not paid any sitting fees.

Sitting fees paid to each of them for attending Board / Committee Meeting as follows :

Name of the Directors	Total Rupees
Mr. R. S. Agarwal	12000/-
Mr. M. L. Jain	13000/-
Mr. S. K. Khaitan	6000/-
Mr. A. K. Chakraborty	1000/-
Mr. U. G. Bhat	1000/-
Mr. S. K. Todi	12000/-

## 5. Shareholders' Committee

The Committee was constituted in the year 1989 to deal with matters relating to transfers/transmissions of shares and monitor redressal of complaints from shareholders. In view of better corporate governance, Mr. M. L. Jain, an Independent non-executive director was assigned to head the committee w.e.f. 30th April, 2001.

There was no complaint from any of the shareholders during the year.

Mr. G. Saraf, Vice President(Finance) & Secretary is the Compliance Officer of the Company.

## 6. General Body Meeting

- a) Location and time where the last three Annual General Meetings were held

Venue	Date	Time
8 Bentinck Street 10th Floor Kolkata-700 001	20.08.2001	11.00 a.m.
- do -	16.08.2002	11.00 a.m.
- do -	11.08.2003	11.00 a.m.

- b) No special resolutions were required to be put through postal ballot last three years.

No special resolutions on matters requiring postal ballot as recommended under Clause 49 of the Listing Agreement of the Stock Exchanges, are placed for shareholders' approval at these meeting.

## 7. Other Disclosures

### A. Related party transactions :

The Company has not entered into any transactions of material nature with the promoters, directors or the management, the subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company.

### B. Compliances by the Company :

There have been no cases of non-compliance by the Company or penalties / strictures imposed on the Company by the Stock Exchanges or SEBI or any other authority on any matter relating to capital markets during the last three years. The Company has made representation to SEBI regarding relaxation of Rule 19(2)(b) of Securities Contracts (Regulation) Rule, 1997 in order to get Listing of 78,87,600 Equity Shares allotted on amalgamation and 21,50,000 Equity Shares allotted on Preferential basis in the year 2001.

## 8. Means of Communication

The un-audited quarterly and half-yearly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are generally published in the "Financial Express" in English and in the "Pratidin" in Bengali. The Company presently doesn't have any website. However, the quarterly results are suitably provided to the Stock Exchanges so that the same can be put on the website of the Stock Exchanges. Half-yearly reports are not sent to the shareholders.

The Management's Discussion and Analysis is a part of Directors' Report to the shareholders.

## 9. Shareholders' Information

### a) 22nd Annual General Meeting

Date : 15th June, 2004

Time : 11.00 a.m.

Venue : 8, Bentinck Street, 10th Floor  
Kolkata-700 001