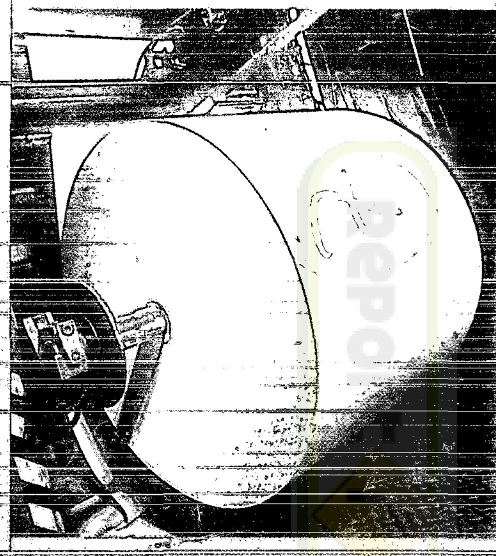
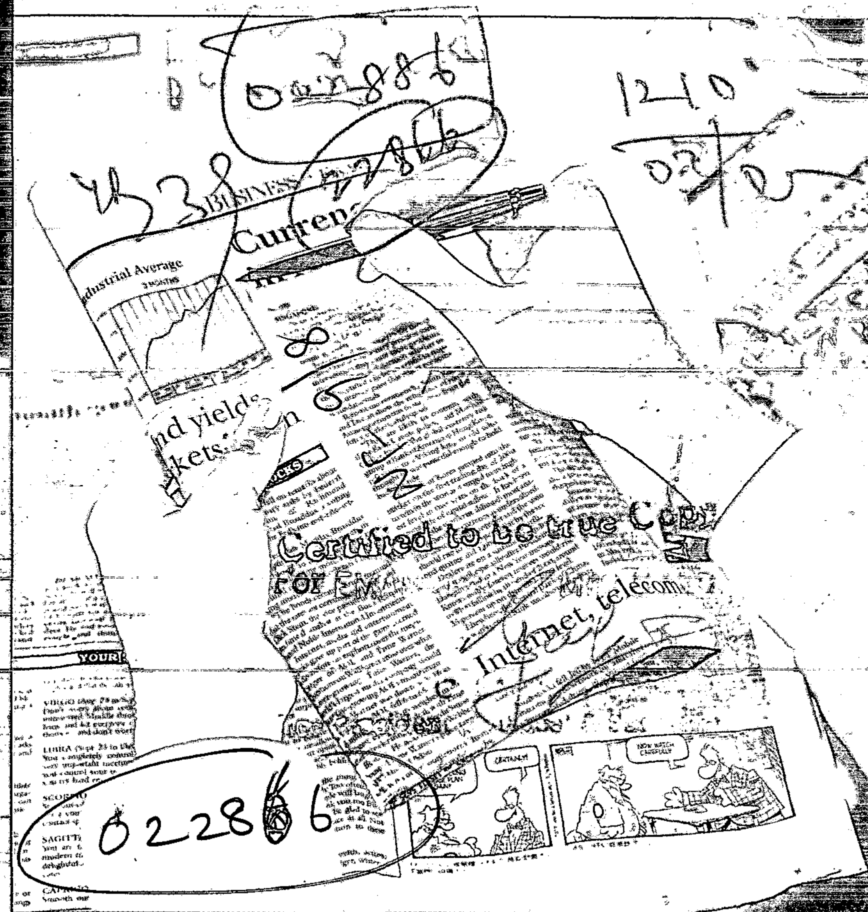
emami

# Driving information growth in the largest democracy of the world





# emami PAPER MILLS LIMITED

Annual report 2004-05

# Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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# CORPORATE INFORMATION

**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
Shri Manish Goenka
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) and secretary**
Shri G. Saraf

**Auditors**
M/s Saxena & Company
Chartered Accountants
4A, Council House Street, Kolkata - 700 001.

**Unit auditors**
M/s Salarpuria Jajodia & Company
Chartered Accountants
7, C.R. Avenue, Kolkata - 700 072.

**Bankers**
State Bank of India
State Bank of Bikaner and 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.

Analysed

# DIRECTORS' REPORT

The members,

**Emami Paper Mills Limited**

Your Directors take pleasure in presenting their 23rd Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2005.

**Financial results**

Rs./Lakhs

| Financial year | | 2004-05 | 2003-04 |
|---|---|---|---|
| Sales | | 14651.78 | 12549.62 |
| Profit before interest and depreciation | | 2390.47 | 1343.63 |
| Less: Interest (net) | | 254.91 | 76.31 |
| | | 2135.56 | 1267.32 |
| Depreciation | 2041.23 | | 907.91 |
| Less: Transfer from revaluation reserve | 173.12 | 1868.11 | – |
| Profit before tax | | 267.45 | 359.41 |
| Less: Provision for current taxation | 20.50 | | 27.28 |
| Provision for deferred tax | 13.37 | 33.87 | 186.21 |
| **Profit after tax** | | **233.58** | **145.92** |
| Add : Surplus brought forward | | 269.91 | 662.04 |
| Balance available for appropriation | | **503.49** | **807.96** |
| Appropriations | | | |
| Transfer to general reserve | | 181.05 | 401.55 |
| Proposed dividend | | 181.50 | 121.00 |
| Tax on dividend | | 25.77 | 15.50 |
| Balance carried forward | | 115.17 | 269.91 |
| | | **503.49** | **807.96** |

## Dividend

Your Directors are pleased to recommend a dividend of 15% for the financial year ended 31st March 2005. The dividend, if approved by the shareholders, would absorb Rs.181.50 lakhs.

## Operation and outlook

The company has recorded all-round growth in the company's production, turnover and capacity utilisation during the year under review. The company achieved a record production of 51917 MT. Turnover for the year at Rs. 146.52 crores reflects an increase of 16.75%. Profit before depreciation and tax has recorded an impressive growth of 68.51% to Rs. 21.36 crores as a result of better realisations, cost reduction, higher operating efficiency and better financial management.

The company is planning to set up another paper manufacturing plant, along with co-generation system at Balasore for enhancing its production capacity by 75,000 TPA. The company's plan for expansion of its capacity and improvement in the quality of its products at its Kolkata unit is under implementation.

With a positive trend in the prices of newsprint, writing and printing paper, current year is expected to be a better year for your company.

## Corporate Governance

Corporate Governance and Management's Discussion and Analysis are set out in 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 unclaimed or unpaid deposits at the close of the year.

## Directors

Sri M.L. Jain, Sri S.K. Todi, Sri S.K. Khaitan and Sri Manish Goenka retire by rotation and being eligible, offer themselves for re-appointment.

## Auditor's Report

The observations made in the Auditors' Report are self-explanatory and therefore do not call for any 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 of 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 utilisation of the company's resources for sustainable and profitable growth.

For and on behalf of the Board

Place: Kolkata
Date: 4th May, 2005

**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 2005.

**A. Conservation of energy**

**i) Energy conservation measures taken:**

1. Increase in the generation of power at the 5 MW co-generation captive power plant at our Balasore unit.
2. Replacement of old pumps with more efficient pumps and motors by new energy efficient motors.
3. Use of Variable Frequency Drives at various locations.
4. Replacement of inefficient air-conditioners having higher EER.
5. Replacement of 500W Mercury vapour lamps with 4 x 24W CFL.
6. Replacement of magnetic chokes with electronic ballast.
7. Replacement of 40W tube lights with new generation tri-phosphor powder-coated lamps of 28W.
8. Inter-locking of pumps and agitators in the pulp mill to ensure that the agitators run only when the pumps are ON.
9. Installation of new energy efficient vacuum pump for reduction of power.
10. Reduction in the consumption of fresh water through optimum recycling.
11. Pre-screening of coal in the coal handling to restrict the load on coal crusher.
12. Repositioning of lights to reduce the number of lights.
13. Resizing of ID Fan and FD Fan to suit lower steam generation requirement.
14. Installation of voltage regulation system in LDB to control the voltage in the lighting system.

**ii) Additional investment and proposal for reduction of energy consumption**

1. Complete revamp of steam and condensate system in the paper machine to reduce specific energy consumption and achieve higher condensate recovery.
2. Installation of on-line scanner to regulate basis weight and moisture for achieving better quality and energy efficiency.
3. Water conservation schemes to reduce fresh water and energy consumption.

Suitable investments are being made in these areas as and when required.

**iii) Impact of the measures**

The above measures have resulted in the reduction of power consumption,cost of production and increase in the profitability of the company.

**iv) Power and fuel consumption**

As per Form 'A' annexed.

## FORM 'A'

Form for Disclosure of Particulars with respect to the conservation of energy

### I. Power and fuel consumption

| | Units | 2004-05 | 2003-04 |
|---|---|---|---|
| 1. Electricity: | | | |
| (a) Purchased units (in lakh) | Kwh | 104.92 | 105.79 |
| Total amount | Rs.in lakhs | 516.33 | 548.75 |
| Rate/unit | Rs./Kwh | 4.92 | 5.19 |
| (b) Own Generation through steam turbine (in lakhs) | Kwh | 338.06 | 336.43 |
| Total cost | Rs.in lakhs | 626.03 | 588.60 |
| Rate/unit | Rs./Kwh | 1.85 * | 1.75 |
| 2 Coal: | | | |
| Quantity | MT | 63811 | 62406 |
| Total cost | Rs. in lakhs | 720.68 | 643.07 |
| Average rate | Rs./MT | 1129 | 1030 |
| 3. Furnace oil | Ltrs | – | – |

* Including cost of coal for process steam

### II. Consumption per unit of production

| | Units | 2004-05 | 2003-04 |
|---|---|---|---|
| Electricity | Kwh | 758 | 790 |
| Furnace oil | Ltrs | – | – |
| Coal | Kgs/MT | 1229 | 1261 |

### B. Technological absorption

**i) Research and Development**

a) Specific areas in which R&D has been carried out by the company.

- Alkaline and AKD sizing trials were conducted in newsprint to study its impact on elimination of lint on the blanket of printing machine.
- Detailed study is continuing to explore the possibility of using primary sludge from ETP as fuel in boiler after thickening the same to 50% levels.
- Detailed study is continuing to further reduce the overall water consumption so as to reduce pollution load and improve the effluent treatment system.

b) Benefit derived as a result of the above:

- Improved product qualities.
- Reduction in the cost of production.
- Improvement in the overall process economy.

c) Future plan of action

- Continuous improvement in the product quality.
- Continuous efforts on waste minimisation.
- Exploring the use of cheaper variety of imported waste paper
- Implementation of Floatation De-inking and Hot dispersion processes in the stock preparation area.

d) Expenditure on R&D

- No separate accounting for Research and

Development activities is made as the same is connected with the process and product development.

**ii) Technology absorption, adaptation and innovation**

(a) Efforts in brief, made towards technology absorption, adaptation and innovation:

- Use of fly ash of the boiler for making bricks for construction.
- Implementation of Total Productive Maintenance (TPM) at both the units is at an advanced stage.
- Continuous training and Human Resource Development.
- 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 earnings and outgo**

Rs. in lakhs

| Details | 2004-05 | 2003-04 |
|---|---|---|
| i) Export | 89.22 | 4.26 |
| ii) Total foreign exchange used | 2800.77 | 2309.92 |
| iii) Total foreign exchange earned | 89.22 | 4.26 |

# ANNEXURE- II to the Directors' Report

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, 2005.

**PART- I**

| Sl. no | Name & age | Qualification | Designation | Date of joining | Experience (in years) | Remuneration (Rs) | Previous employment |
|---|---|---|---|---|---|---|---|
| A | Employment throughout the year | | | | | | |
| 1 | R.S. Goenka (58) | M.Com.LLB | Executive chairman | 01.09.94 | 35 | 3375000 | Advisor, Kemco Chemicals |

# ANNEXURE- III

# Report on CORPORATE GOVERNANCE