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# CORPORATE INFORMATION

## Board of Directors

Shri R. S. Goenka (Executive Chairman)  
Shri R. S. Agarwal  
Shri S. K. Khaitan  
Shri Manish Goenka (Whole Time Director)  
Shri A. V. Agarwal  
Shri P. S. Patwari (Executive Director)  
Shri S. K. Todi  
Shri J. N. Godbole  
Shri U. G. Bhat  
Shri N. Mishra  
Shri H. M. Marda  
Shri S. Balasubramanian

## Vice President (Finance) and Secretary

Shri G. Saraf

## Auditors

M/s. S. K. Agrawal & Company,  
Chartered Accountants,  
4A, Council House Street,  
Kolkata 700 001

## Unit Auditors (Kolkata Works)

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  
ICICI Bank Limited  
IDBI Bank Limited  
DBS Bank Limited

## Works

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

## Registered Office

687, Anandapur,  
E. M. Bypass, Kasba Golpark,  
Kolkata 700 107  
Email: [emamipaper@emamipaper.in](mailto:emamipaper@emamipaper.in)

# Management's Discussions and Analysis

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## Industry Scenario

While India accounts for nearly 15 percent of the world population, it consumes only 1 per cent of the global paper production. The country's per capita consumption of paper at about 6-7 kgs is very low as compared to the world average of over 50 kgs.

Domestic paper and paperboard demand expects to grow at a CAGR of 6.8 per cent from 7.7 million tons to 10.7 million tons over 2008-09 to 2013-14, while global demand is likely to grow at a CAGR of 2 percent. With the revival in demand and shortage of capacity, raw material prices are expected to rise over the next 2 years, which will lead to the increase in paperboard and newsprint prices.

Consumption of paper is closely linked to the economic development of a country. In India, though the per capita consumption of paper is low, it is gradually improving with the buoyant economic growth. Industrial production, expenditure incurred on the print media, government spending on education, population growth and literacy levels are the other contributing factors.

In 2008-09, the paper industry's market size (including newsprint) has been estimated at Rs.321 billion. It has grown at a CAGR of 10.5 per cent over the last 5 years from around Rs.195 billion in 2003-04. Writing & printing (W&P) paper is the highest value segment. It accounts for nearly 39 per cent of the total market size. This is followed by paperboard, which accounts for about 37 per cent. Newsprint and specialty segment account for 19 per cent and 5 per cent, respectively.

Considering that an increasing proportion of the raw material requirement is met through imports, the domestic paper industry is affected by fluctuations in global raw material prices. Additionally, domestic wastepaper prices tend to move in line with international wastepaper prices.

## Printing & Writing Paper

Demand for Writing & Printing paper expects to increase from 2.9 million tons in 2008-09 to 4 million tons in 2013-14, a CAGR of 6.5 per cent. This is higher than the increase of 6 per cent CAGR witnessed between 2003-04 and 2008-09.

The factors that affect demand for writing & printing (W&P) paper include printing of books and stationery material for education; usage of office printing and stationery; and printing of company published statutory documents such as annual reports, share issue forms, and other documents. Educational books and materials account for the highest share of demand. As growth in education is fairly insulated from variations in the economic cycle, demand for paper from this segment is, to a large extent, unaffected by slowdown in the economy.

Around 200,000 new schools are expected to be established in the country by 2015, as an outcome of the Indian Government's Right to Education Act (RTE) initiative. In 2009, government had passed the RTE to stimulate growth and development of education in the country. The expected growth in education would translate into a steady growth of 4-5 per cent from cream wove paper, the variety that is mostly used in school textbooks in India. Demand for office stationery and printing will increase as the performance of the Indian economy improves. As a result, demand for maplitho would increase by 5-6 percent and that for copier paper by 15 per cent.

## Newsprint Industry

Demand for newsprint estimates to increase by 8.6 per cent CAGR, from 1.8 million tons in 2008-09 to 2.7 million tons in 2013-14. The increase will be in line with the expected growth in circulation of print media, particularly vernacular newspapers. The increasing level of literacy in the country along with



low penetration of online media is driving circulation growth for print media. Demand for newsprint had increased by about 6 per cent CAGR, from 1.3 million tons in 2003-04 to 1.8 million tons in 2008-09.

Circulation of vernacular print media expects to increase by 5.5 per cent CAGR over 2008 to 2013, and reach around 68.2 million copies. The circulation of English print media will increase by 2 percent CAGR, to around 11.2 million copies. The growth in circulation of vernacular newspapers has been providing an impetus to the domestic newsprint industry. Vernacular newspapers meet 70 per cent of their requirement using domestic newsprint, and the balance through imports. For English newspapers, the mix of domestic and imported newsprint is 30:70.

On an average, imports have been accounting for 50-55 per cent of total newsprint consumption, as domestic newsprint is considered to be lower in quality on account of the raw material mix and level of technology in domestic newsprint capacities. Moreover, import duties on newsprint have historically been low (5 percent, reduced to 0 per cent since July 2009) on account of strong bargaining power of large media companies.

## Corporate Overview

Emami Paper Mills Limited has a place of pride in the manufacture of newsprint with a capacity of 1,45,000 Tons per annum, the largest in India. The quality of newsprint manufactured by the company has always got excellent customers' response.

During the year, the Company has registered total sales volume of 147900 MT as against 130637 MT in 2008-09 and has become the largest manufacturer of newsprint in India. The production during the year was 142494 MT as against 136869 MT during 2008-09 and achieved capacity utilization of 98.27%.

Despite sluggish economic and recessionary market conditions, your Company has posted reasonably satisfactory performance. Emami continued to offer quality newsprint products with the adoption of modern manufacturing technology.

However, keeping in view the steady trend of the market demand and upward momentum in prices of newsprint and writing & printing paper, a dynamic management team and aggressive business approach, your Company looks for significant improvement in the performance for the current financial year.

## Competitive advantage

The company enjoys a locational edge over the other industrial players owing to its proximity to the Haldia Port (200 kms) and coal availability within 250 km ensuring lower logistics cost. Its captive power plant generates power at Rs.2.61 per unit and also utilizes a dedicated feeder of 132 KV EHT line to ensure uninterrupted supply of power. 80 percent of its newsprint is marketed within 750 km radius.

## Product mix

The Company has a total installed capacity of 1,45,000 TPA, of which 1,30,000 TPA is for newsprint and 15,000 TPA for Writing & Printing paper. The Company's Balasore unit has an installed capacity of 1,13,500 TPA for newsprint and 15,000 TPA for Writing & Printing paper. Additionally, the Kolkata unit has an installed capacity of 16,500 TPA for the newsprint production. The Balasore unit is also supported by 20 MW captive power plant and is fully self sufficient.

## Clients

The Company supplies newsprint to some of the largest dailies like The Times of India, Anandabazar Patrika, The Telegraph, Hindusthan Times, The Hindu, Prabhat Khabar, Samaj, Bartaman, Dainik Bhaskar, Dainik Jagaran, Malayam Manorama and Deccan Herald. Its Writing & Printing papers are distributed through dealers and also directly supplied to Govt. Printing Presses / Text Book Presses.

## Strength

- Strategic location of the plant, good proximity to both market for its finished product and source of its raw material i.e. waste paper and chemicals.
- Customers' appreciation of Company's products.

- Country wide customer base and Dealer/ Distributors Network.
- Swing facility on the Paper Machine to produce Newsprint / Writing and Printing grades of paper as the market situation may demand.
- Relatively low employee cost.
- Well established Research and Development (R&D) facilities / activities encouraging innovation.
- Government's thrust for improving literacy in the country.

### Weakness

- The Company manufactures its products by 100% recycled fibre which is perceived a shade below high end products manufactured from virgin pulp.

However continuous Research & Development and Technological improvement has helped the Company to improve the quality of its products to compete with products manufactured from virgin pulp.

## Internal Control System and their Adequacy

**Emami Paper Mills continues its efforts to ensure proper and adequate systems and procedures commensurate with its size and nature of business. This control system ensures that:**

- All assets are safeguarded and protected against any loss, wastage and unauthorized usage or disposition.
- All transactions are authorized, recorded and reported correctly.
- Accounting records are properly maintained with an adequate internal control system which is properly documented with policy guidelines, authorization and approval procedures.
- Reliable financial statements are prepared according to Management Information System (MIS).

These Internal Control Systems are subject to review by the Audit Committee and Board of Directors. The Company's Statutory Auditors, in their report, confirmed the adequacy of the Internal Control Procedure adopted by the Company.

### EPML's extensive system of internal controls comprises of the following features:

- Clearly defined organizational structure.
- Transparency in all spheres of activities as per the Quality Management System.
- Adherence and monitoring of Internal Control System through independent Internal Auditors reporting directly to the Audit Committee, which reviews the functioning and findings of the Audit Department.
- The Company is in the implementation of ERP (SAP) System to achieve better operational efficiency at all levels of its activities.

## Human Resource Development

Human Resource is the key to the success of an organization. It is through their sincere efforts put in by the employees that the Company is able to best exploit all other key resources. Therefore, in order to nurture human resource and to improve the talents to improve productivity, the Company continuously organizes various training programme both in-house and also by deputing the employees to outside forums. Safety, health and welfare of the employees have all along remained the concern of the Management. The Company continues its efforts for improving the quality of education in schools within its vicinity and imparts regular health checkup facilities for all employees including community in the nearby villages.

## AWARDS

- Your company started Total Productive Maintenance (TPM) at both its plant – Balasore, Orissa and Kolkata in 2001. After achieving TPM Excellence 1st Category Award in 2006, we continued with the TPM practices and

achieved EXCELLENCE IN CONSISTENT TPM COMMITMENT AWARD in 2008 and look forward to achieve the WORLD CLASS AWARD from JIPM (Japan Institute of Plant Maintenance) Japan.

- Emami Paper Mills Ltd. also upgraded its Integrated Management Systems(IMS) covering ISO 9001 : 2008; ISO 14001 : 2004 and OHSAS 18001 : 2007 in February, 2010, duly Audited and Certified by DNV (Det Norske Veritas, Netherland) the certifying authority.
- "2nd Best Paper Award" from IPPTA for the paper entitled "Technological Advancement in Environment Friendly De-inking Process for Quality Improvement and Cost Optimisation".
- 2nd Best Presentation certificate from KITA (Kitakushu International Techno-cooperative Association) on the subject of "Measures and steps to introduce the new knowledge from JICA for Energy Conservation in their Organization".
- "1st Best Paper Award" from IPPTA for the paper entitled "Cost effectiveness of Machine Clothing by paper Selection & Optimisation".
- Emami Paper Mills received the "1st Runner-Up" trophy from "EMAMI 1st KAIZEN CONVENTION 2009" in January, 2010 at our Corporate Office, Kolkata.
- 2nd Best Paper Award from IPPTA for the paper entitled "Preparedness of Indian Industry for the Decade – steps taken at Emami".
- Emami Paper Mills received the "BEST PUBLIC MESSAGE" in view of our CSR activities from EXPO Orissa 2010.
- Further, employees are rewarded through recognition and award. Key performance indicators by all Heads of Departments are subjected to a management review at the Management Review Meeting.

the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and global and other factors such as litigation, and industrial relations.

## Cautionary Statement

Statement in this "Management's Discussion and Analysis" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within

# Directors' Report

Your Directors take pleasure in presenting their Twenty-eighth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2010.

## FINANCIAL RESULTS

		Rs./Lakhs	
		2009-10	2008-09
<b>Net Sales</b>		<b>38577.60</b>	<b>43497.45</b>
Profit before interest, depreciation and exceptional items		6512.20	8665.75
Less: Interest (net)		2393.45	2929.34
<b>Profit Before Depreciation &amp; Tax</b>		<b>4118.75</b>	<b>5736.41</b>
Depreciation	3017.22		
Less: Transfer from Revaluation Reserve	76.32	2940.90	2458.09
<b>Profit Before Taxation</b>		<b>1177.85</b>	<b>3278.32</b>
Less : Provision for Current taxation	200.03		
Income tax for earlier years	0.82		
Provision for deferred tax	477.05		
MAT Credit entitlement	(198.99)	478.91	1070.07
<b>Profit after Tax</b>		<b>698.94</b>	<b>2208.25</b>
Add : Surplus brought forward		793.88	10.32
Balance available for appropriation		1492.82	2218.57
<b>Appropriations</b>			
Proposed Dividend		363.00	363.00
Tax on Dividend		61.69	61.69
Transfer to General Reserve		500.00	1000.00
Balance carried forward		568.13	793.88
		<b>1492.82</b>	<b>2218.57</b>

## DIVIDEND

Your Directors are pleased to recommend a dividend of 30% for the financial year ended March 31, 2010.

The Dividend, if approved by the shareholders, will absorb Rs.424.69 lac (including the dividend tax of Rs.61.69 lac).



## OPERATIONS AND OUTLOOK

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However, keeping in view the steady trend of the market demand and upward momentum in prices of newsprint and writing & printing paper, a dynamic management team and aggressive business approach, your Company looks for significant improvement in the performance for the current financial year.

## ENVIRONMENT MANAGEMENT

Emami Paper Mills Limited continues to attach a high importance of clean production in paper manufacturing. The management is committed to save the Environment, uphold Human Safety and Health. EPML has implemented its policies and focus on Environment, Health and Safety, Quality and Energy as under:

- Compliance with all relevant legislative requirements.
- Reducing Pollution Load in terms of Liquid Discharge, Air Emission and Land Conservation.
- Saving Energy & preserving natural resources like Water, Raw material, Fuels.
- Generating Human Awareness in Environment, Safety and Health.
- Minimising the Unsafe Acts & Unsafe working conditions.
- Promoting comprehensive programs to propagate Health and Environmental Safety.

M/s DNV (M/s Det Norske Veritas AS, Netherland) has renewed its Certification for the following Integrated Management System (IMS) in February

2010 and regularly visiting both the plants at Balasore – Orissa and Kolkata to conduct their Surveillance Audit twice in a year:

- 1) ISO 9001:2008 – Quality Management System
- 2) ISO 14001:2004 - Environment Management System - EMS
- 3) OHSAS 18001:2007 - Occupational Health & Safety Management System.

The Company continues its round the clock efforts to operate as the most environment friendly paper mills in India. It has initiated several steps for upgradation of effluent treatment plant including sludge dewatering system, management of solid wastes through recycling, feeding of ETP sludge to Boiler and rain water harvesting, etc.

The aforesaid steps have resulted in declining water consumption and energy consumption, which is reflected in the data submitted for Energy Conservation in this report.

## EXPANSION PLANS

The Company has taken necessary steps to set up 400 TPD (132000 TPA) Newsprint project at a project cost of Rs.500 crores. The project is likely to be set up in South India or at existing location at Balasore.

The Company is also in the process of setting up 600 TPD (200000 TPA) wood based integrated pulp and paper mill in Orissa along with necessary infrastructural facilities and ancillaries. Steps are being taken for evaluation of all parameters including land acquisition, utility feasibilities, cultivation of plantation, discharge of water etc. The project will be set up in 2 phases and 1st phase of 300 TPD (100000 TPA) at a project cost of Rs.1000 crores is likely to be completed in the year 2013-14.

## GROUP FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(1)(e) of the Securities

and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure IV attached herewith and forms part of this Annual Report.

## **CORPORATE GOVERNANCE**

The sections of Corporate Governance and Management's Discussion & Analysis are set out as Annexure-III in this Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

**Your Directors have:-**

1. Followed the applicable accounting standards in the preparation of the Annual Accounts;
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 as well as preventing 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 under review.

## **DIRECTORS**

Shri S.K.Khaitan, Shri J.Godbole, Shri R.S.Agarwal and Shri 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 S. K. Agrawal & 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 the Gulmohar unit, if 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 is given in Annexure-II attached to this Report.

## **ACKNOWLEDGEMENT**

The Board acknowledges the understanding and support shown by its lending financial institutions, banks, distributors, customers, suppliers, employees and other business associates. Your Company operated efficiently due to a culture of professionalism, integrity and continuous improvement leading to sustainable and profitable growth.

**For and on behalf of the Board**

Place: Kolkata  
Date: May,5 ,2010

**R. S. GOENKA**  
**Executive Chairman**