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ANNUAL REPORT 2001-2002



Growing Leadership Benchmarks



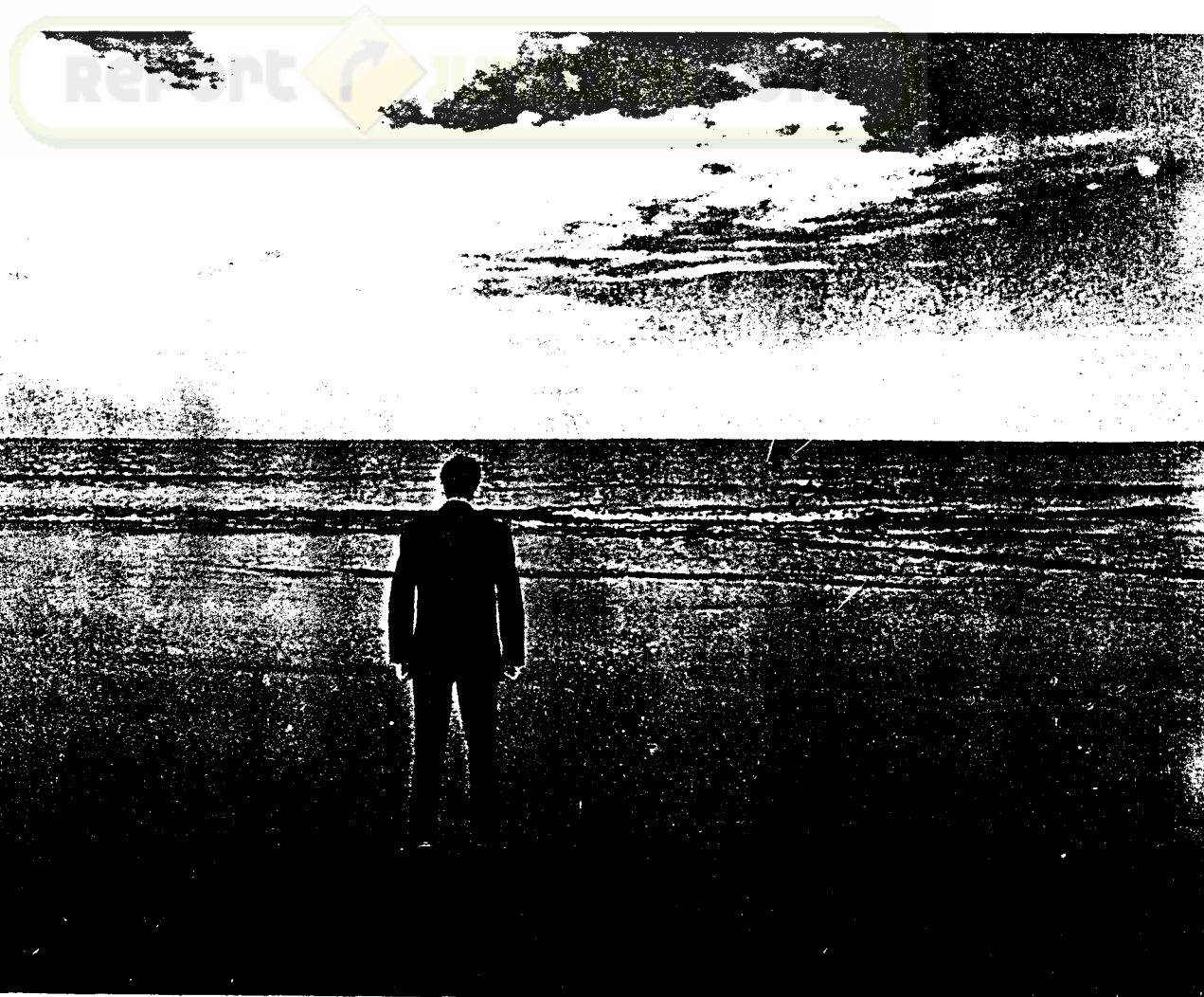
JK PAPER LTD.

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Creating Leadership Benchmarks...

Leaders lead by example. It is the power of their vision that forms the core inspiration and strength behind a vibrant enterprise. Leadership throws up a constant urge to excel in all areas of life. It not only sets benchmarks for today, but indeed becomes the driving force for tomorrow and the day after. It is these dynamic benchmarks, which in turn inspire others to achieve higher standards, thereby creating wealth not only for themselves, but also for society.

We, at JK Paper strongly believe that as a leader, we have a responsibility towards not only our stakeholders but also to the entire Industry. The responsibility to give the best that our customers desire and thus the imperative to always excel in whatever we do. It is our vision **'To be a dynamic benchmark and leader in the paper industry'** that drives the entire organisation towards a state of restlessness to achieve what others perhaps, would not dream; by harnessing the creative energies of our human resource – the backbone of JK Paper – we go on Creating Leadership Benchmarks.



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Regd. Office: P.O. Central Pulp Mills – 394 660, Fort Songadh, Distt. Surat, Gujarat



NOTICE

The **Fortyfirst** Annual General Meeting of the Members of JK Paper Limited will be held at the Registered Office of the Company at P.O. Central Pulp Mills – 394 660, Fort Songadh, Distt. Surat (Gujarat), on Thursday, the 19th September 2002 at 10.00 A.M. to transact the following business :

1. To receive, consider and adopt the Audited Accounts for the financial year ended 30th June 2002 and the Reports of Directors and Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of Shri Om Prakash Goyal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in connection therewith to pass, with or without modifications, the following as **Special Resolution** :

“RESOLVED that pursuant to the provisions of Section 224A of the Companies Act 1956, M/s. S. S. Kothari & Co., Chartered Accountants, New Delhi and M/s. Lodha & Co., Chartered Accountants, New Delhi be and are hereby appointed as Auditors of the Company from the conclusion of the 41st Annual General Meeting upto the conclusion of the next Annual General Meeting on a remuneration of Rs. 1,50,000 and Rs. 3,00,000 respectively plus service tax as applicable and reimbursement of travelling and other out-of-pocket expenses actually incurred by the said Auditors in connection with the audit.”

As Special Business

5. To consider and if thought fit to pass, with or without modifications, the following as Ordinary Resolution :
“RESOLVED that Shri P.K. Kaul be and is hereby appointed as a Director of the Company liable to retire by rotation.”
6. To consider and if thought fit to pass, with or without modifications, the following as **Special Resolution** :
“RESOLVED that pursuant to sub-sections (4) and (7) of Section 309 of the Companies Act 1956 or any statutory modification or re-enactment thereof and Article 108 of the Articles of Association of the Company, approval of the Company be and is hereby accorded to payment of commission not exceeding one percent of the annual net profits of the Company computed in the manner referred to in sub-section (1) of Section 198 and other applicable provisions, if any, of the Companies Act 1956, for a period of 5 years from the financial year commencing 1st July 2003 in the manner provided by the Articles, to the Directors other than the Managing or Whole-time Directors of the Company, who may in their discretion accept a lower amount in any year or years.”
7. To consider and if thought fit to pass, with or without modifications, the following as **Special Resolution** :
“RESOLVED that approval of the Company pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the commencement of business of any or all of the activities included in and covered by sub-clauses 5 to 56 and 58 to 63 (to the extent they are not germane to the present business of the Company) of Clause III (Objects Clause) of the Memorandum of Association of the Company.”

By Order of the Board

New Delhi
August 12, 2002

S.C.Gupta
Company Secretary

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Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Registers of Members of the Company will remain closed on 18th September 2002 and 19th September 2002.
3. Dividend @ 8% on 1,62,00,000 8% Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 100 each for the period from 29.11.2001 to 30.6.2002 and of Rs. 1.50 per Equity Share (15%) on 2,75,69,939 Equity Shares of Rs. 10 each for the financial year 2001-2002 shall be paid to the members whose names shall be borne on the respective Registers of Members on 19th September 2002 or to their mandatees, subject to deduction of tax under the provisions of Income-tax Act, 1961.
4. **Resume of Shri Om Prakash Goyal proposed for re-appointment as Director**

Shri Om Prakash Goyal retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment. Shri Goyal, aged 59 years is, a Chartered Accountant and has 36 years of experience as a senior executive/Director of Companies. Shri Goyal joined JK Corp Limited as General Manager in the year 1987. He was transferred to this Company in 1992 and continued as its President till 1996 and as its President & Director during the years 1996-99. On 31st December 1999, Shri Goyal relinquished the position of President of the Company but continued to be a non-executive Director on its Board. He is the Whole-time Director of the Company since September 7, 2001. Shri Goyal has contributed immensely in the rehabilitation and progress of this Company after its acquisition through BIFR. He has wide ranging experience in various functional areas.

Shri Goyal is Director of Terrestrial Finance Ltd., Nav Bharat Vanijya Ltd., Pranav Investment (M.P.) Company Ltd., Bengal & Assam Company Ltd., and JKCL Employees Welfare Association Ltd. He is member of Audit Committee of Pranav Investment (M.P.) Company Ltd. and Terrestrial Finance Ltd. He is also member of Shareholders/Investors Grievance Committee of Pranav Investment (M.P.) Company Ltd.

FOR ATTENTION OF THE SHAREHOLDERS

1. For prompt response, please address all correspondence relating to shares held in the Company including share transfer documents to **JK Paper Limited (Secretarial Department) Gulab Bhawan (Rear Block – 3rd Floor) 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002**, quoting the relevant Folio No(s).
2. Those Shareholders who have so far not surrendered the old certificates for exchange with new share certificates issued by the Company in June 1996 consequent upon reduction of its Equity Shares of Rs. 100 each, may do so now as the old certificates in respect of Equity Shares of Rs. 100 each of the Company are no longer valid documents.
3. Please check the address including the Pin code in the address slip pasted on the envelope and advise correction, if any, therein. Also please do indicate the pin code number of your delivery post office while notifying change in your address to the Company.
4. The Company's Equity Shares of Rs. 10 each are listed on Vadodara Stock Exchange Limited and The Stock Exchange, Mumbai and the listing fee for the financial year 2002- 2003 has since been paid to the said Exchanges.
5. **Nomination** : Pursuant to Section 109A of the Companies Act 1956, individual Shareholders holding Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole/all joint-holders.

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Board of Directors

Hari Shankar Singhania
Chairman

Harsh Pati Singhania
Managing Director

Om Prakash Goyal
Whole-time Director

Dhirendra Kumar

Gajanan Khaitan

P.K. Kaul

Shailendra Swarup

Offices

Registered Office

P.O. Central Pulp Mills
Fort Songadh- 394 660
Dist. Surat (Gujarat)

Administrative Office

Nehru House,
4, Bahadur Shah Zafar Marg,
New Delhi- 110 002

Bankers

State Bank of India
Bank of Maharashtra
Canara Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills

Jaykaypur- 765 017,
Rayagada (Orissa)

Central Pulp Mills

P. O. Central Pulp Mills
Fort Songadh- 394 660
Dist. Surat (Gujarat)

Auditors

S. S. Kothari & Co.,
Chartered Accountants
New Delhi

Lodha & Co.

Chartered Accountants
New Delhi

Company Secretary

S. C. Gupta

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Chairman's Review



Dear Shareholder,

As the Indian markets continue to open up to global competition, there will be increasing challenges for the Indian Industry. We have witnessed a decade of economic liberalisation during which several leading domestic producers from a cross-section of industry have been tested to their limits. Many have emerged stronger while there were some others who could not face up to the pressures exerted by an emerging market-led economy.

The difference between the two, to my mind, can be traced to the fundamentals of business in a competitive environment. These are Organisational Vision, Quality of Management, Technology, Productivity and last but not the least caring for the Stakeholders, especially the shareholders and customers.

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The Paper industry too has faced its own share of challenges, which in the years ahead will become even more formidable. Without a doubt, the most serious issues relate to technology, product quality, raw material, scale and productivity across the total organisation. Because of the enormous capital intensity, long gestation and raw material issues, the paper industry in India has not been able to attract the much-needed investments to achieve international competitiveness and also to meet the growing demand for quality papers and boards.

It is in this context that I would view JK Paper's performance as most reassuring. The investment of over Rs. 250 crores in the modernisation and setting up of a state-of-the-art Pulp Mill at JK Paper Mills nearly 4 years back, together with continuous technological upgradation resulting in enhanced production, productivity and quality are ample testimony to our commitment to employ technology as a prime mover of growth. Production in both the plants during the year at 1.65 lakh tonnes is 20% higher than levels achieved 3 years back. Without doubt, JK Paper Mills is **no.1** in Product Quality and Brands in all the segments in which it operates. What is significant is that the productivity improvements have also led to reduced costs and better quality, apart from higher production.

The consolidation of JK Paper Mills and Central Pulp Mills into one focussed company has yielded substantial benefits of synergy, both in manufacturing and distribution.

On the raw material front also, JK Paper has taken aggressive initiatives with its Social & Farm forestry programme. During the year the company distributed around 27 million saplings, covering over 5,200 hectares under plantation in Orissa, Andhra Pradesh, Gujarat and Maharashtra. To date the company has supplied in excess of 90 million saplings and has covered over 27,000 hectares under plantation. JK Paper has focussed on technology-based plantations, having developed and supplied 4,00,000 plants of JK Super clones to farmers in 2001-02. These clones give 2 to 3 times higher yield. All these efforts have ensured a substantial and sustainable base for our present and future raw material needs.

The present Management team led by your Managing Director, Shri Harsh Pati Singhania is all fired up and aggressively pursuing the company's vision through innovative strategies, 'Outsourcing' being one of them. This is the 'first' endeavour undertaken by any paper company in India on a scale like this. I am sure that with a fundamentally sound long-term business approach, outsourcing will prove to be an effective growth strategy for JK Paper.

Last year I had mentioned that our vision is *'to be a dynamic benchmark and leader in the Indian Paper Industry'*. I am happy to note that we have moved well ahead in this direction.

With best wishes,

HARI SHANKAR SINGHANIA

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Managing Director's Review



Dear Shareholder,

It gives me immense pleasure to address you for the first time in my capacity as Managing Director of JK Paper Ltd. I would like to take this opportunity to highlight some important milestones achieved by your Company during the year in extremely tough market conditions.

Your Company achieved its highest ever sales of 1,72,594 tonnes and operated both its plants at a high capacity utilisation of 110%. Operating efficiencies were improved and Coal & Power consumption reduced. Turnover was up by 13% and Profitability could be maintained inspite of reduction in selling prices during the year. The volume growth of the Company's key brands – JK Copier and JK Easy Copier was 29% and 72% respectively, resulting in substantial increase in their market shares. These products are the

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undisputed brand leaders in the Indian Paper market and continue to outstrip the market growth rate. In the premium Bond category, the increase in market share of JK Excel Bond gives me confidence of the future growth potential of this value added brand. It is also very satisfying that sales of premium Writing & Printing papers like JK Maplitho SHB, JK Evervite and JK Pulp Board grew by 16%. These products have been the mainstay of the Company for long and are synonymous with JK Paper's name in the market place.

During the year, the Company also successfully launched two new value added products – MICR Cheque Paper and Cup-Stock Board, which found ready customer acceptance. Both these products hold considerable promise for future growth.

Your Company has been able to reinforce its position as a “brand driven” company during the last financial year, because of which, it has been able to deliver superior business results in an adverse and competitive market environment.

As part of its growth strategy, JK Paper has commenced outsourcing of Paper from both overseas and domestic producers. With a view to expand the product range and increase volumes, the Company has initiated outsourcing of Creamwove Paper in the high volume segment from domestic mills and high value Coated Papers in the premium category, from a European producer.

Outsourcing is a relatively new concept in the paper industry, which we are seriously pursuing as a market expansion strategy, given the company's strong distribution network and high brand equity. This has been recently started and I am confident that with a strong business model, we can successfully implement this activity on a larger scale. Fundamentally, the success of this initiative will hinge on a partnership spirit, where it results in a ‘win-win’ for both the companies.

For any business enterprise, it is essential to continuously grow through capacity creation and/or value addition. Growth is perhaps the only way to ensure long term survival and prosperity. Clearly, we at JK Paper need to take full advantage of our existing infrastructure at both JK Paper Mills and Central Pulp Mills for future expansion. We are closely examining a number of options and expect to firm up our plans in the near future. Acquisition of existing potentially viable companies/ manufacturing units is also a strategic growth alternative. However, the Management has to carefully weigh the pros & cons in each case and see where maximum value can be created.

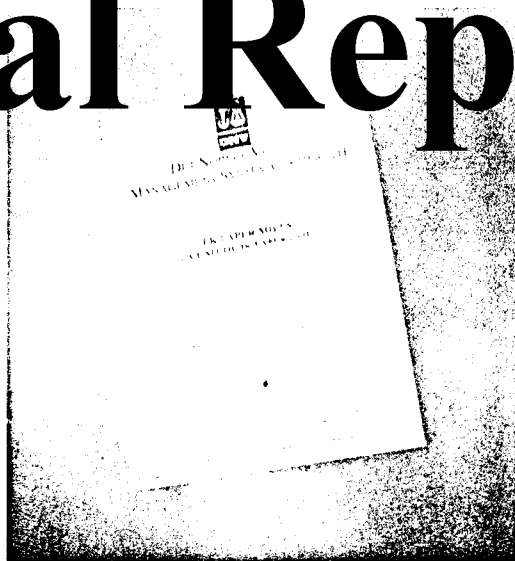
Today, JK Paper is a much more customer-centric company than before. Several of the gains that have accrued in recent years have been due to this approach. We believe that customers' current and emerging needs require to be fulfilled in a proactive manner. Only then can a company attain sustainable competitive advantage. Several new initiatives are being taken to enhance the level of customer service including IT-led support.

Behind all our endeavours and achievements is a highly dedicated and motivated team of people, who have worked tirelessly towards attaining the Company's goals. It is our committed employees who form the core strength of the organisation and convert every adversity into an opportunity for growth, innovation and value addition. I am therefore confident of JK Paper's success in being able to face the future challenges in an increasingly competitive business environment.

With Best Wishes,

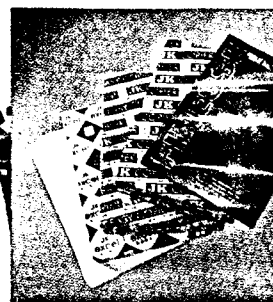
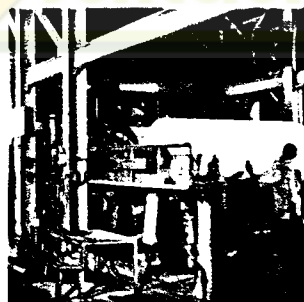
HARSH PATI SINGHANIA

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Leadership through Quality...

Report



Quality Policy

To provide 'Customer Delight' – Both internal and external through our products and services at lowest cost by continuous improvement in processes, productivity, quality and management systems.

Photographs (from left to right)

- Paper Roll at CPM
- Quality Assurance
- JK Paper's Leading Brands

Since inception, the Management of JK Paper Ltd. has measured success with the customer's barometer. Even when India was a seller's market in the pre 1991 protected environment, the company was a quality-obsessed enterprise, having established an R & D institute – The Pulp & Paper Research Institute at Jaykaypur.

With change came new challenges – and JK Paper was ready, with a clearly defined policy of adopting and constantly upgrading cutting edge technologies. It became the country's first paper company to install a state-of-the-art pulp mill to produce international quality pulp for manufacture of premium grades of papers and boards.

The company's commitment to continuously raise quality benchmarks resulted in JK Paper Mills becoming the first integrated pulp and paper plant in India to receive the ISO 9001 Certification and is now aiming at attaining the

TPM Award.

Today, JK Paper is poised to take quality leadership to new heights, with the recent consolidation in operations and management. With nearly 40% of the company's turnover coming from the branded segment, it is significantly ahead of the industry in terms of branded market share.

And, this is just the beginning of JK Paper's new aggressive leadership thrust as a value creator in the paper market.