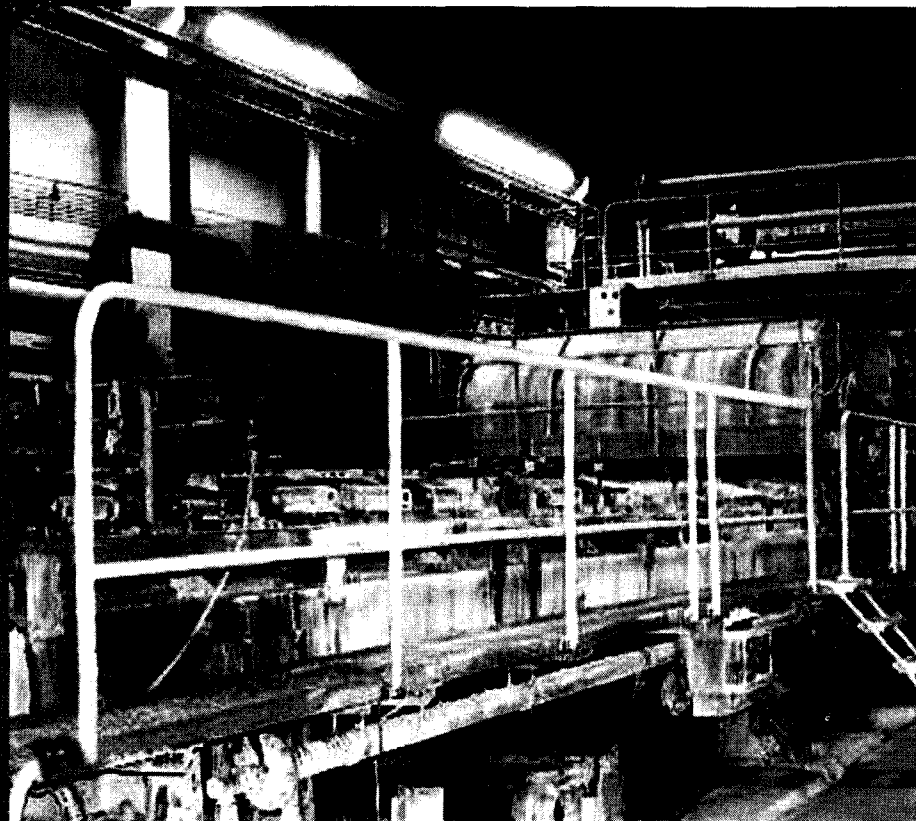


# 11th Annual Report 2007-2008

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**BOARD OF DIRECTORS**

N K Bajaj, Chairman & Managing Director  
 J K Khaitan, Vice Chairman  
 G N Mehra  
 K R Ramamoorthy  
 Prasanna Hota  
 Yashovardhan Saboo  
 Lalit Chainwala  
 A K Bajaj  
 V K Bajaj  
 Ashutosh Khaitan  
 J C Rana  
 Pavan Khaitan, Managing Director

**SENIOR EXECUTIVES**

Manjit Singh, Sr President (Operation)  
 T Kathirvelu, President (Production)  
 Roshan Garg, Vice President (Finance)  
 PK Garg, Vice President (Commercial)  
 Somesh Jawa, Vice President (Marketing)

**COMPANY SECRETARY**

Vivek Trehan

**AUDITORS**

M/s V Sahai & Co  
 Chartered Accountants  
 New Delhi

**PRINCIPAL BANKERS**

State Bank of India  
 State Bank of Patiala  
 State Bank of Bikaner and Jaipur  
 Punjab National Bank

**REGISTERED OFFICE**

M-2, Akarshan Bhawan,  
 4754/23, Ansari Road, Darya Ganj,  
 New Delhi - 110 002

**HEAD OFFICE**

SCO 18-19, First Floor,  
 Sector 8-C, Madhya Marg,  
 Chandigarh - 160 009

**WORKS**

Saila Khurd 144 529  
 Distt Hoshiarpur (Punjab)

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## NOTICE

NOTICE is hereby given that the 11<sup>th</sup> Annual General Meeting of the members of **ABC Paper Limited** will be held at Sirifort Auditorium Complex, Auditorium - II, August Kranti Marg, New Delhi - 110 049 on **Thursday, the 25<sup>th</sup> September, 2008** at 11.30 am to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2008 and the Profit & Loss Account for the year ended on that date together with the reports of the Auditors & Directors thereon.
2. To declare dividend on the Equity Shares and Preference Shares.
3. To appoint a Director in place of Shri G N Mehra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K R Ramamoorthy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri A K Bajaj, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Ashutosh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

8. To consider and if thought fit, to pass with or without modifications, the following resolution as **ORDINARY RESOLUTION**:

**"RESOLVED** that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors/ Finance Committee of Directors of the Company to mortgaging and/or charging all the immovable and movable properties of the Company wheresoever situate present or future and the whole or substantially the whole of the undertaking of the Company together with the power to enter upon and take possession of certain assets of the Company in certain events of default in favour of Punjab National

Bank (PNB), State Bank of India(SBI), State Bank of Patiala (SBOP) and State Bank of Bikaner & Jaipur(SBBJ) to secure the Term Loan and/or other borrowings lent and advanced by the PNB, SBI, SBOP and SBBJ to the Company aggregating to Rs. 13050 lacs (ie working capital borrowings of Rs.1850 lacs from PNB and SBOP and Term Loans of Rs.11200 lacs from SBI, SBOP and SBBJ) together with interest, additional interest, compound interest, liquidated damages/penal interest, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to secure the said financial assistance/borrowings availed/to be availed by the Company from PNB, SBI, SBOP and SBBJ.

**RESOLVED FURTHER** that the mortgage/charges created/to be created and/or all agreements/ documents executed/to be executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified.

**RESOLVED FURTHER** that the Board of Directors/ Finance Committee of Directors be and is hereby authorized to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgages/charges in favour of PNB, SBI, SBOP and SBBJ.

**RESOLVED FURTHER** that the Board of Directors/ Finance Committee of Directors of the Company be and is hereby authorized to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such things, deeds, matters as may be necessary, desirable, expedient for giving effect to the above resolution."

By Order of the Board  
For **ABC PAPER LTD**

**Vivek Trehan**  
Company Secretary

**Regd Office**  
M-2, Akarshan Bhawan,  
4754/23, Ansari Road,  
Darya Ganj, New Delhi - 110002

Dated : July 30, 2008

## NOTES

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. 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. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DEPOSITED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. Information required under Clause 49 IVG(i) of the Listing Agreement (relating to Corporate Governance) with respect to the Directors retiring by rotation and, being eligible, seeking re-appointment is given in the Corporate Governance Report annexed to this Annual Report.
4. The Registers of Members and Share Transfer Books of the Company will remain closed from 16th September, 2008 to 25th September, 2008 (both days inclusive).
5. The dividend for the year 2007-08 on the equity and preference shares will be paid to those members whose names appear in the Registers of Members of the Company as on 25th September 2008. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership position as at the end of the day on 15th September, 2008 as per data to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Shareholders who have not encashed their dividend warrant(s) for the year 2006-07 are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.
7. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, M/s MAS Services Ltd, AB-4, Safdarjung Enclave, New Delhi-110 029 quoting registered Folio No. (a) details of their bank account/change in bank account, if any, to enable the Company to print these details on the dividend warrants; and (b) change in their address, if any, with pin code number. The following information to be incorporated on the dividend warrants may be furnished:
  - i) Name of Sole/First joint holder and the folio number.
  - ii) Particulars of Bank Account, viz
    - (a) Name of the Bank
    - (b) Name of the Branch
    - (c) Complete address of the Bank with Pin Code number
    - (d) Bank Account Number allotted by the Bank and nature of the Account (Savings/Current etc)
8. In terms of Section 109A of the Companies Act, 1956, the shareholders of the Company may nominate a person on whom the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit nomination in Form 2B.
9. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to Vice-President (Finance), by 13<sup>th</sup> September, 2008.
10. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
11. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc, the members are requested to approach the Company's Registrar and Shares Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to

quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

12. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company between 11.00 am and 2.00 pm on any working day, except Saturdays and holidays upto the date of the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No. 8**

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Ltd Company shall not, except with the consent of the members in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole of each such undertaking.

Punjab National Bank (PNB), State Bank of India(SBI), State Bank of Patiala (SBOP) and State Bank of Bikaner & Jaipur(SBBJ) have sanctioned Term Loans and working capital borrowings to the Company aggregating

to Rs. 13050 lacs (Term Loans of Rs.11200 lacs from SBI, SBOP and SBBJ and working capital borrowings of Rs.1850 lacs from PNB and SBOP).

The creation of mortgage/charge for the above loan and working capital borrowings to the Company requires approval of the members under section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board  
For **ABC PAPER LTD**

**Vivek Trehan**  
Company Secretary

**Regd Office**

M-2, Akarshan Bhawan,  
4754/23, Ansari Road,  
Darya Ganj, New Delhi - 110002

Dated : July 30, 2008



## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 11<sup>th</sup> Annual Report on the business and operations of the Company together with Audited Statements of Accounts of your Company for the financial year ended 31<sup>st</sup> March, 2008.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2007-08 are given hereunder.

	(Rs. in lacs)	
	2007-08	2006-07
Sales & other income	18570.46	16743.92
Operating Profit (EBIDTA)	2820.56	2523.50
Interest	452.24	403.15
Gross Profit (PBD)	2368.32	2120.35
Depreciation	524.11	476.47
Profit before tax (PBT)	1844.21	1643.88
Provision for		
- Current Tax (incl FBT)	316.80	386.81
- Deferred Tax	299.67	105.98
Net Profit after tax (PAT)	1227.74	1151.09
Prior period adjustments	-	0.09
Balance brought forward from previous year	780.96	(27.06)
Profit available for appropriations	2008.70	1124.12
<b>Appropriations</b>		
- Proposed Dividend on		
(a) Equity shares @ 25%	218.16	115.23
(b) Preference Shares @ 7%	14.00	7.13
(c) Tax on dividend	39.46	20.80
- General Reserve	200.00	200.00
Balance carried to Balance Sheet	1537.08	780.96

### DIVIDEND

Your Directors are pleased to recommend dividend @ 7% on the Preference Shares of Rs.10/- and @ 25% on the Equity Shares of Rs.10/- each for the year ended 31<sup>st</sup> March, 2008.

### OPERATIONS

The production of paper during the year under review was 50,286 tonnes as against 47,821 tonnes in the previous year. The gross sales turnover of the Company was Rs. 18486.21 lacs as against Rs. 16644.79 lacs in the previous year. EBIDTA of Rs. 2820.56 lacs was achieved as against Rs.2523.50 lacs in the previous year. Net profit after tax

stood at Rs. 1227.74 lacs as against Rs. 1151.09 lacs in the previous year.

The directors are pleased to report that the expansion and cost optimization schemes as envisaged in the Mill Expansion Plan are progressing well. The Chemical Recovery Plant has already been commissioned and getting stabilized. The Co-generation Power Plant is expected to be commissioned in August, 2008 and the remaining projects, barring unforeseen circumstances, will be commenced before the close of the current financial year. Upon completion of the Mill Expansion Plan, the existing production capacity of 50,000 MTPA will go up to 1,05,000 MTPA. Further, this initiative will not only provide us with higher value add both in terms of production of maplitho grade paper and inputs cost optimization leading to quantum jump in turnover & profitability; but will also establish our brand in the maplitho/copier segments for long term growth. The Company is also evaluating further addition of production capacity and to become the most cost-competitive paper unit in the country. Efforts are also being made towards enhancing our environmental contribution by adoption of appropriate technologies and processes.

The detailed performance of Company's operations for the year ended 31<sup>st</sup> March, 2008 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

### FINANCE

#### (a) Project finance

State Bank of India in consortium with State Bank of Patiala and State Bank of Bikaner and Jaipur have sanctioned Term Loan of Rs. 11200 lacs, for the Mill Expansion Plan of the Company, which is being disbursed. The Company is in discussion with various equity funds and other investors for financing the equity component of the Mill Expansion Plan. However, looking to the volatile capital markets, as an interim measure, the promoters have injected funds as unsecured loan and the internal resources have been utilized to make up additional contribution towards project funding to ensure timely implementation of the projects.

#### (b) Working capital

The working capital limits (fund & non-fund based) of the Company were enhanced during the year from

Rs.1275 lacs to Rs.1850 lacs by the consortium of bankers, comprising of Punjab National Bank and State Bank of Patiala.

### (c) Fixed Deposits

As on 31st March, 2008, your Company had Fixed Deposits of Rs. 1850 lacs. There were no overdue deposits as on 31st March, 2008; nor there was any failure in making repayment of the fixed deposits on maturity, including interest due thereon, in terms of the conditions of your Company's Fixed Deposits Scheme.

### LISTING

Upon implementation of the Scheme of Arrangement and allotment of equity shares in terms thereof, the equity shares of the Company were listed and permitted for trading at the Stock Exchange, Mumbai and U P Stock Exchange Association Ltd, Kanpur, wef 21st January, 2008.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure which forms part of this Report.

### PERSONNEL

Cordial employee relations were maintained throughout the year in the Company. The Directors express their appreciation for the contribution made by the employees to the operations of the Company during the year.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are set out in the Annexure which forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. This statement shall be made available for inspection by any member during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining such particulars may write to the Vice-President (Finance)/ Company Secretary at the Registered Office of the Company.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri G N Mehra, Shri K R Ramamoorthy, Shri A K Bajaj and Shri Ashutosh Khaitan retire by rotation at the forthcoming

Annual General Meeting and are eligible for re-appointment.

### AUDITORS

M/s V Sahai & Co, Chartered Accountants, Statutory Auditors, retire at the forthcoming Annual General Meeting **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

### CORPORATE GOVERNANCE

A Report on Corporate Governance alongwith a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the listing agreement with stock exchanges is annexed and forms part of the Annual Report.

### ACKNOWLEDGMENT

Your Directors convey their sincere thanks to the various agencies of the Central Government, State Governments, Banks and other concerned agencies for all the help and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the shareholders and investors have placed in the Company. Your Directors also record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

New Delhi  
July 30, 2008

**N K BAJAJ**  
Chairman & Managing Director

## ANNEXURE

### STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

#### I. CONSERVATION OF ENERGY

- (a) Energy conservation has been an important thrust area for the Company and is continuously monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting and better use of natural lighting, (ii) reduction of energy loss, (iii) replacement of outdated energy intensive equipment and (iv) revamping of steam lines to reduce leakages.
- (b) The Company has devised a system of regular energy audit. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.
- (c) The adoption of energy conservation measures has helped the Company in optimisation of cost.
- (d) Total energy consumption and energy consumption per unit of production for the year 2007-08 is given in the table below :

#### POWER & FUEL CONSUMPTION

	2007-2008	2006-07
<b>1 ELECTRICITY</b>		
(a) Purchased		
Unit (lacs KWH)	253.56	143.95
Total amount (Rs. lacs)	1087.95	636.33
Rate/Unit (Rs./KWH)	4.29	4.42
(b) Own generation		
Through Steam Turbine/Generator		
Unit (lacs KWH)	253.11	332.47
Cost/Unit (Rs./KWH)	4.03	3.94
<b>2 COAL (for Boiler)</b>		
Quantity (Tonnes)	7254	-
Total cost (Rs.lacs)	203.19	-
Average rate (Rs.)	2801	-
<b>3 OTHERS</b>		
Rice Husk (for Boiler)		
Quantity (Tonnes)	36596	40334
Total cost (Rs.lacs)	1016.27	977.69
Rate/Unit (Rs.MT)	2777	2424
<b>4 CONSUMPTION/TONNE OF PRODUCTION</b>		
Production (Tonnes)	50286	47821

Electricity/Tonnes (KWH)	1008	996
Furnace Oil/tonne (KL)	-	-
Coal/Tonne (MT)	0.144	-
Others Rice husk (MT)	0.728	0.843

#### II. TECHNOLOGY ABSORPTION

##### Research and Development

- (a) The Company carries out research and development in several areas including material & process developments towards efficiency improvements, quality improvements, waste reduction etc. Apart from process improvements, the research and development also aims at finding equivalent substitutes of various inputs to have cost savings without compromising quality.
- (b) The Company has derived benefits of product diversification, cost reduction and better quality as a result of the above efforts.
- (c) The research and development is an on-going exercise and suitable efforts will continue to be made in future.
- (d) The expenditure on R & D has been as follows:

	(Rs. in lacs)	
	2007-08	2006-07
(i) Capital	-	-
(ii) Recurring	26.53	1.84
(iii) Total	26.53	1.84
(iv) Total R&D expenditure as a percentage of turnover	0.14%	0.01%

##### Technology absorption, adaptation and innovation

The Company has not imported any technology for its products.

#### III. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars with regard to foreign exchange earnings & outgo appear on page 38 of the Annual Report and Accounts.

For and on behalf of the Board

New Delhi  
July 30, 2008

**N K BAJAJ**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. Business Environment

The Indian economy continues to grow strongly in 2007-08. GDP is estimated to have grown by nearly 9% during the year, driven by 2.60% growth in agriculture, 8.60% in manufacturing and 10.60% in services. Until recently, there was a growing optimism towards a double-digit growth in the near future. However, there are now concerns about the country's ability to sustain a very high growth rate in the future without substantial reforms. Higher interest rates, rupee volatility and unprecedented high price for crude oil will impact consumer demand leading to slow-down in corporate investments; and volatility in rupee as well as financial crisis in other countries will impact the services sector. The inflation has been steadily rising and is expected to remain high on the back of high crude, food and metal prices. Though it is difficult to predict how the financial crisis and the slow-down in some major economies will play-out in the short-term, the medium and long-term growth fundamentals of the Indian economy, however, are strong. The Indian economy is expected to continue to grow through expanding domestic demands. Thus, while periods of uncertainty and turbulence in the global economies could, in the short-term, affect the expansion plans of corporates, the economy is expected to maintain a high rate of growth in the medium and long term. The worries about inflation and consequent changes in the monetary policies could tighten money supply and increase the cost of credit in the short-term.

### 2. Industry Structure and Development

The global paper market is dominated by North America, Europe and Asia. Asia's principal markets are China, Japan, India, Malaysia, Singapore and Thailand. Broadly, the industry is classified into two segments - paper and paperboard (writing & printing, tissue/speciality and packaging) and newsprint. The writing & printing paper market is further divided into coated and uncoated segments, each with their own market characteristics. ABC Paper operates for the present only in the writing & printing paper segment.

While the global paper and paperboard industry grew by about 2%, the industry in India witnessed 9%

growth during the year under review. This momentum in the growth of demand for paper is expected to be maintained in future as well. With the rapid growth of the economy during the last few years, India is going through structural changes with greater urbanization, rise in household income, better penetration of education, changes in consumption patterns and lifestyle. All these factors will have bearing on the paper demand. The population growth too provides a huge potential for accelerating the demand growth for paper.

The domestic paper industry, sized at over 8 million MTPA, is characterized by fragmented capacities with over 500 mills servicing the market. The top five producers account for over 15% of the total paper capacity. This structure of the industry may compel consolidation in the near term, thereby making the industry more stable and disciplined. The inflationary cost structure will expose inefficiencies and make the companies vulnerable to mergers & acquisitions.

The reduction in the excise duty on paper by Government in the last budget is a welcome step and will go a long way in helping the industry.

### 3. Opportunities and Threats

Among the Asian markets, Japan enjoys the highest per capita consumption of over 250 kgs, followed closely by Singapore. China's per capita consumption at 45 kgs is close to the world average of 56 kgs, whereas India with a per capita consumption of as low as 7 kgs clearly has a long way to go. Sustained economic growth will progressively bridge this gap, resulting in a consequent surge in demand. With social development in terms of increased education levels coupled with the positive initiatives of the Govt. of India in the area of education, "Sewa Siksha Abhiyan", etc, there is considerable head-room for increasing paper consumption in India.

The robust growth in the value-added printing & writing paper segment in India presents an attractive opportunity which your Company plans to leverage by tapping its institutional strengths in distribution and reinforced brand positioning. The Company is in advanced stage of commissioning another paper

machine to service this additional demand effective April, 2009.

The industry is expected to add nearly 2.6 million MTPA to its existing capacity during the next 3-4 years. While there could be marginal drop in capacity utilization levels as a result of these additional capacities, utilization will soon catch-up as incremental demand will outpace additional supplies.

#### 4. Risks and Concerns

In a capital intensive and production driven industry like paper, your Company is exposed to several risks. These are related to market dynamics, production costs, risks associated with expansion plans and external economic factors. The Company follows a structured approach to managing risks. Proper risk management measures have been formulated which are documented, followed and reviewed.

Availability of raw material at affordable cost continues to be a matter of concern for the industry. The location of your Company's paper mill provides easy access to the major raw material sources and insulates the Company, to a large extent, from the vagaries of raw materials availability and cost. The chemicals and energy cost continue to go up. The spurt in interest rates in the garb of containing inflation will impact the cost of on-going projects and operating margins. Your Company continues to focus its efforts at cost compression and product mix optimization. The implementation of the Chemical Recovery System and Co-Generation Power Plant during the current year will significantly increase the cost competitiveness of the Company leading to improved operating performance.

#### 5. Outlook

Driven by macro economic factors, the outlook for the industry in India remains positive on the demand side. If the economy continues to traverse the current high growth path, it will further reinforce the structural changes we are witnessing today, such as increased spend on education and wider spread of the print and media. This will mean even greater paper demand in the country - possibly well beyond the current growth rates.

During the year, the paper industry witnessed steady

growth in demand and higher operating rates. A tight demand-supply situation resulted in an uptrend in prices. This situation is likely to continue in the near term. Your Company believes that the paper prices will remain firm given the strong domestic and international paper demand. Due to this favourable business scenario coupled with operational efficiencies, your Company did well in the year under review and hopes to improve its performance in the years to come.

#### 6. Company's Financial Performance & Analysis

The gross turnover during the year was Rs.18486.21 lacs and EBIDTA of Rs.2820.56 lacs as against Rs.16644.79 lacs and Rs.2523.50 lacs in the previous year representing growth of 11.06% and 11.77% respectively. Your Company has taken-up Mill Expansion Plan which will be implemented fully during the current financial year. Your Company is poised for a quantum jump in turnover and profitability upon implementation of the Mill Expansion Plan.

#### 7. Internal Control Systems

Your Company has evolved a system of internal controls to ensure that the assets are safeguarded and transactions are authorised, recorded and correctly reported. The internal control system is supplemented by management reviews and independent periodical reviews by the outside chartered accountancy firms which evaluate the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness. The scope of internal audit covers a wide variety of operational methods and, as a minimum, ensures compliance with specified standards with regard to availability and suitability of policies and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The Reports of internal audit are placed before Audit Committee of the Directors. Audit Committee reviews such audit findings and the adequacy of internal control systems. The Statutory Auditors, Internal Auditors and the Cost Auditors of the Company also interact with the Audit Committee to share their findings and the status of corrective actions under implementation.