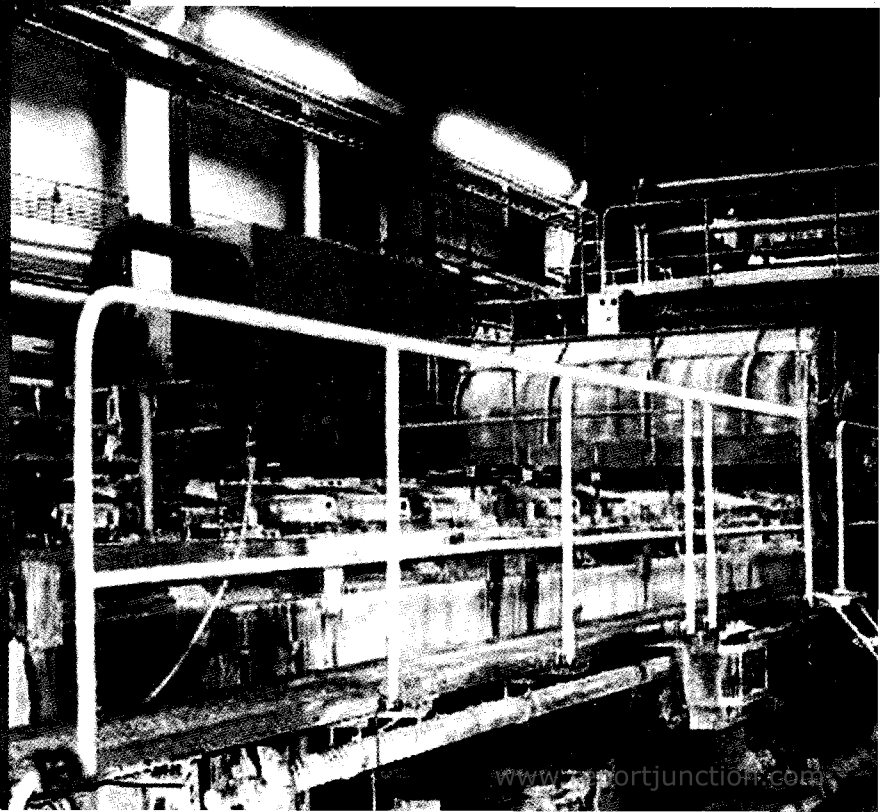




12th Annual Report 2008-2009



BOARD OF DIRECTORS

N K Bajaj, Chairman & Managing Director
 J K Khaitan, Vice Chairman
 G N Mehra
 K R Ramamoorthy
 Mohit Satyanand
 Yashovardhan Saboo
 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 Tripathi & 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 12th Annual General Meeting of the members of **ABC Paper Limited** will be held at National Cooperative Union of India (NCUI) Auditorium, 3, Siri Institutional Area, August Kranti Marg, New Delhi-110 016 on **Friday, the 25th September, 2009 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 31st March, 2009 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 Pavan Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V.K.Bajaj, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Yashovardhan Saboo, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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

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

"RESOLVED that Shri Mohit Satyanand, who was appointed by the Board as Additional Director w.e.f. 26th February, 2009 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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) and State Bank of Patiala (SBOP) to secure the working capital borrowings lent and advanced by the PNB and SBOP to the Company aggregating to Rs. 2350 lacs 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 and SBOP.

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 and SBOP.

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, 2009

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, 2009 to 25th September, 2009 (both days inclusive).
5. The dividend for the year 2008-09 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 2009. 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, 2009 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 years 2006-07 and 2007-08 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, MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph:- 26387281/82/83 Fax:- 26387384 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 Sh. Roshan Garg, Vice-President (Finance), by 14th September, 2009.
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. It may please be noted that pursuant to amendment to the Listing Agreement- Clause 11 vide SEBI's Circular dated May, 20, 2009, it has now become mandatory for the transferee(s) to furnish copy of their PAN card to the Company/RTAs for registration of transfer of shares in physical form.
13. The documents referred to in the proposed resolutions are available for inspection at its 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. 7

Shri Mohit Satyanand was appointed as Additional Director on 26th February, 2009 by the Board of Directors of the Company. Brief profile of the director is given hereunder:

Shri Mohit Satyanand, is M.A. in Economics from Delhi School of Economics, University of Delhi. He has 30 yrs of managerial and entrepreneurial experience in Indian industry and media. Beginning his career in sales & marketing management at M/s Hindustan Lever Ltd., he then set up the country's first successful packaged snack food brand, Crax, in 1984. From 1989 onwards, he played an advisory role in the success of snack food brand, 'Uncle Chipps'. Simultaneously, he spearheaded the establishment of one of the country's first TV production house, Teamwork Films, which was a pioneer in game shows. He continues as Chairman of Teamwork Films, which now creates and manages festivals of Indian performing arts at the most prestigious venues across the world. He helped establish Amrit Learning, which provides quality English language learning through its five centers in Delhi, and is on the Board of the Company. He is also on the Boards of M/s DFM Foods Limited and Amrit Corp. Limited.

According to the provisions of Section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company, Shri Mohit Satyanand holds office as Director of the Company up to the date of this Annual General Meeting.

The Board of Directors feels that the experience and knowledge of Shri Mohit Satyanand will be of immense value to the Company in pursuing its growth plans and, therefore, recommends his appointment.

Notice is hereby given to the Members that notice u/s 257 of the Companies Act, 1956 has been received from a member along with a deposit of Rs.500/- intending to propose the name of Shri Mohit Satyanand as Director of the Company at this Annual General Meeting who shall be liable to retire by rotation.

None of the Directors of the Company, except Shri Mohit Satyanand, is concerned or interested in the resolution.

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) and State Bank of Patiala (SBOP) have enhanced working capital borrowings to the Company from Rs. 1850 lacs to Rs. 2350 lacs. The creation of mortgage/charge for the above 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, 2009

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 12th Annual Report on the business and operations together with audited statements of Accounts of your Company for the financial year ended 31st March, 2009.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2008-09 are given hereunder.

	(Rs. in lacs)	
	2008-09	2007-08
Sales & other income	21000.63	18570.46
Operating Profit (EBIDTA)	3935.10	2820.56
Interest	1040.72	452.24
Gross Profit (PBD)	2894.38	2368.32
Depreciation	793.91	524.11
Profit before tax (PBT)	2100.47	1844.21
Provision for		
- Current Tax (incl FBT)	249.57	316.80
- Deferred Tax	575.72	299.67
- Mat credit entitlement	100.43	-
Net Profit after tax (PAT)	1375.61	1227.74
Balance brought forward from previous year	1537.09	780.96
Profit available for appropriations	2912.70	2008.70
Appropriations		
- Proposed Dividend on		
(a) Equity shares @ Rs.2.50 per share	218.16	218.16
(b) Preference Shares @ Rs. 0.70 per share	14.00	14.00
(c) Tax on dividend	39.46	39.46
- General Reserve	200.00	200.00
Balance carried to Balance Sheet	2441.08	1537.08

DIVIDEND

Your Directors are pleased to recommend Rs. 0.70 per share on the Preference Shares of Rs.10/- and Rs. 2.50 per share on the Equity Shares of Rs.10/- each for the year ended 31st March, 2009.

OPERATIONS

The production of paper during the year under review was 54,277 tonnes as against 50,286 tonnes in the previous year. The company recorded gross sales turnover of Rs. 20,917.92 lacs as against Rs. 18,486.21 lacs in the previous year and EBIDTA of Rs. 3,935.10 lacs as against Rs. 2,820.56 lacs in the previous year. Net profit after tax stood at Rs. 1,375.61 lacs as against Rs. 1,227.74 lacs in the previous year.

Despite the slowdown in the industrial activity due to the global economic downturn, your company has recorded higher turnover and EBIDTA under the difficult times. In order to counter the adverse impact in the Indian economy, whereby, the Govt. of India announced financial packages to the industry to stimulate demand, effective from 7th December 2008; they reduced the excise duty from 8% to 4% on paper products.

The members are aware that the company has been implementing Mill Expansion Plan mainly comprising of putting up an additional Paper Machine (PM-4) alongwith pulp street to enhance the manufacturing capacity of paper; and a Chemical Recovery Plant and a Co-generation plant towards cost reduction initiatives in the manufacture of paper. The directors are pleased to report the steady progress of the Mill Expansion and cost optimization measures during the year under review. The Chemical Recovery operations which were commissioned in March, 2008 have stabilized during the year under review. The Co-generation plant was commissioned during the year and has since stabilized and the company is heading towards achieving the benchmark of one of the most cost competitive paper units.

The PM-4 alongwith other remaining projects of the Mill Expansion Plan are at advanced stage of implementation and will be commissioned during current year. The cost of the projects has undergone a revision from Rs. 156.81 crores to Rs. 196.88 crores. The Chemical Recovery and Co-generation plants have been commissioned within the envisaged project cost. The cost of PM-4 has undergone a cost escalation due to up-grading its features, leading to its increased capacity and improved effectiveness of production.

PM-4 will be commissioned during the current year. The commissioning of the Paper Machine would make your company as one of the large capacity paper manufacturer thereby strengthening its market share. Further we will be manufacturing premium quality paper, which is placed in maplitho paper category meeting quality specifications of wood based papers.

The detailed performance of Company's operations for the year ended 31st March, 2009 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 had

sanctioned Term Loan of Rs. 11,200 lacs, for the Mill Expansion Plan of the Company and the same has been disbursed by them.

(b) Working capital

The enhanced working capital limits (fund & non-fund based) amounting to Rs. 2,350 lacs were sanctioned by the consortium of bankers, comprising of Punjab National Bank and State Bank of Patiala.

(c) Fixed Deposits

As on 31st March, 2009, your Company had Fixed Deposits of Rs. 439.66 lacs. There were no overdue deposits as on 31st March, 2009; 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.

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 to be 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

Shri Prasanna Hota and Shri Lalit Chainwala resigned from the Board of Directors of the Company on 21st January, 2009 and 26th February, 2009 respectively. The Board places on record its appreciation of the valuable contribution made by Shri Prasanna Hota and Shri Lalit Chainwala. Shri Mohit Satyanand was appointed as Additional Director on 26th February, 2009. He retires at the ensuing general meeting of the Company and being eligible offers himself for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Pavan Khaitan, Shri V.K.Bajaj and Shri Yashovardhan Saboo retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

AUDITORS

M/s V.Sahai Tripathi & Co. (formerly known as V.Sahai & Co.), Chartered Accountants, Statutory Auditors, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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 judgments 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 Statutory 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, 2009

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. The commissioning of Co-generation plant during the year has removed the inefficiencies and bottlenecks of external sourcing power thereby increasing substantially the operational efficiencies.
- (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 reduction of cost.
- (d) Total energy consumption and energy consumption per unit of Production of paper for the year 2008-09 is given in the table below :

POWER & FUEL CONSUMPTION

	2008-09	2007-08
1 ELECTRICITY		
(a) Purchased		
Unit (lacs KWH)	225.88	253.56
Total amount (Rs.lacs)	932.12	1087.95
Rate/Unit (Rs./KWH)	4.13	4.29
(b) Own generation		
Through Steam Turbine/Generator		
Unit (lacs KWH)	351.05	253.11
Cost/Unit (Rs./KWH)	4.84	4.03
2 COAL (for Boiler)		
Quantity (Tonnes)	7594	7254
Total cost (Rs.lacs)	297.96	203.19
Average rate (Rs.)	3924	2801
3 OTHERS		
(a) Rice Husk (for Boiler)		
Quantity (Tonnes)	50965	36596
Total cost (Rs.lacs)	1745.62	1016.27
Rate/Unit (Rs.MT)	3425	2777

4 CONSUMPTION/TONNE OF PRODUCTION

Production (Tonnes)	54277	50286
Electricity/Tonnes (KWH)	1063	1008
Furnace Oil/tonne (KL)	-	-
Coal/Tonne (MT)	0.377	0.144
Others Rice husk (MT)	0.367	0.728

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)

	2008-09	2007-08
(i) Capital	-	-
(ii) Recurring	35.05	26.53
(iii) Total	35.05	26.53
(iv) Total R&D expenditure as a percentage of turnover	0.17%	0.14%

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 42 of the Annual Report.

For and on behalf of the Board

New Delhi
July 30, 2009

N K BAJAJ
Chairman & Managing Director
www.reportjunction.com

MANAGEMENT DISCUSSION & ANALYSIS

1. An overview of the Economy and Business Environment

The industrial activity in India has been adversely affected post the global financial crisis and economic slowdown. This has affected Indian economy through credit squeeze, Rupee volatility, reduction in exports, climbing prices of crude oil, contraction in consumer demand, slowdown in flow of capital inflows and deferment of capex investments by the Corporates. The growth projections have been revised down to 6.5% for 2009-10; while the growth of real GDP in 2008-09 is at 7.10% as against 9% during 2007-08. However with stable political government and its resolve to accelerate the reforms process and push for more investments to maintain steady growth rates in the face of the global meltdown, the growth rate is expected to exceed the projected growth of 6.5%.

2. Industry structure and Development

Till late 2008 the overall paper demand in India reached 9 million tonnes. Writing and printing segment accounts for 3 million tonnes and the balance is packaging, news print and other grades of paper. Writing & printing paper consumption grew at a healthy rate of 8.5% per annum in the past. In India the per capita consumption of paper is low; but it is gradually increasing and directly linked to economic growth, industrial production, print media expenditure, population growth and literacy levels. The impact of the global slow down has been unabated and has affected the demand. In order to counter the adverse impact in the Indian economy, the Govt. of India announced relief to the industry to stimulate demand, when they reduced the excise duty from 8% to 4% on paper products effective 7th December 2008.

Further, large scale mills are upgrading their production capacities with cleaner technology and few medium scale mills are also expanding their production capacities. Most of the capacities currently being added are expected to be operational in 2009-10 and this will result in supply exceeding demand. It is being forecasted that the demand for paper will grow at 6.5% in 2009-10 and incremental demand shall be 3.4 million tonnes whereas the

incremental production capacities will be over 4.5 million tonnes, resulting in excessive supply over demand resulting in dip in the operating rates. However, focused efforts being made by the government to promote literacy and education may result in a steady growth in the writing and printing sector.

Availability of adequate good quality raw materials, higher capital outlay, and stringent environment regulations are the major entry barriers for the Greenfield projects. The agro waste raw material prices are also increasing very rapidly.

3. Opportunities and Threats

The 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 year 2009-10 will see large capacities being added resulting in imbalance in demand and supply. As per the estimates the demand for paper shall be 3.4 million tonnes whereas the production capacities will be 4.5 million tonnes thus creating the gap in demand and supply. With the slowdown in global demand, pulp mills have shut down leading to an upward trend in their prices.

Your company has implemented and commissioned Chemical Recovery plant and Co-generation plant. The installation of paper machine with higher capacity is in the advanced stage and will be commissioned during the year. With the commissioning of the up-graded paper machine, we will be able to manufacture coated and copier paper and move to higher segment of the industry. Coated paper demand in India is only 10% of the Indian writing & printing paper demand compared to 40% to 50% in the developed countries. The copier segment is the fastest growing segment amongst the writing and printing paper. Also the demand for writing & printing paper is driven by the Govt.'s commitment to education sector, GDP growth and the increasing presence of modern retail formats and convenience stores. The expansion plan will benefit the company by improved product quality, enhanced product range, increase in production capacity, higher operational efficiencies coupled with economies of

scale and cost reductions. Your company will be poised to become among the lowest cost paper manufacturer, which will improve its operating margins.

4. Risks and Management Perception

The paper industry is capital intensive and is exposed to several risks including changes in the government policies, duties and taxes, technological obsolescence 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.

Though annual availability of agro residues is large, yet this may not be able to sustain the future growth of the Industry, taking due account of quality of paper required, environmental issues involved, etc. Moreover, materials like bagasse are increasingly being used by sugar mills for co-generation of power and are no longer easily available to the paper mills as raw material. The continuous increase in prices of raw material and other cost of inputs continues to be a matter of concern for the industry. Locational advantage of your Company's paper mill provides easy access to the major raw material sources and insulates the Company, to a large extent on this front.

Cost of fuel i.e. coal and rice husk is escalating and prospect of availability of quality fuel is diminishing. The imported coal price had crossed USD 100/MT; such a steep price rise had resulted in escalation of cost of production of those mills which happened to be dependent on imported coal for generation of steam/power. Also, power purchased from the grid is proving expensive for the industry.

India's wood resources are limited; therefore cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favouring industrial plantation, securing future wood supplies will be Industry's biggest challenge. Wood based segment of the paper industry meets its current wood requirements mainly through social/farm forestry and supplements it with purchases made from the State Forest Development Corporations.

The Government of India has recently withdrawn core sector status hitherto enjoyed by the paper industry.

Your Company continues to focus its efforts at cost reduction and control and product mix optimization. The chemical recovery and co-generation plant commissioned by the company will significantly increase the cost competitiveness of the Company.

5. Outlook

The Indian paper and paperboards industry has the potential and also the capabilities to service the demand in domestic and international market; and also to create huge employment avenues in the rural-India through agro production and forestry; provided the competitiveness of the value chain is encouraged by the government.

The state of growth for paper and paperboards is expected to be uncertain over the next 2 years, post the global economic slowdown and due to new capacities by large and medium scale paper mills becoming operational in 2009-10. Although, not all varieties of paper will be affected by this slowdown, certain varieties which have close relationship with industrial production will register lower growth. It is expected that overall paper demand to grow at a CAGR of 6.5 per cent and demand for newsprint to grow at a CAGR of 7.0 per cent. However in the interim 2 years, demand growth will be slower in the paper and paperboard segment, growing at 6.5 per cent in 2009-10. With the expected easing in the economic scenario, demand for both paper and paperboard and newsprint is expected to pick-up. Steps taken by your company in the last several years to continue up-gradation of technology, improve working parameters and to reduce its operational and add value to its products for its customers will enable the company to face global challenges in coming times.

6. Company's Financial Performance & Analysis

The production of paper during the year under review was 54,277 tonnes as against 50,286 tonnes in the previous year. The company recorded gross sales turnover of Rs. 20,917.92 lacs as against Rs. 18,486.21 lacs in the previous year and EBIDTA of Rs. 3,935.10 lacs as against Rs. 2,820.56 lacs in the previous year.