



14th Annual Report 2010-2011



BOARD OF DIRECTORS

JK Khaitan	Chairman & Managing Director
Justice (Rtd) S S Sodhi	
D C Mehandru	
U K Khaitan	
Yashovardhan Saboo	
D S Sandhwalia	
Ashutosh Khaitan	
Pavan Khaitan	Managing Director

SENIOR EXECUTIVES

Roshan Garg	Sr. Vice President (Finance)
Somesh Jawa	Sr. Vice President (Marketing)
Jagdeep Hira	Vice President (Operations)
Col (Rtd) Manohar Singh	Vice President (HR & Admn)

COMPANY SECRETARY

Vivek Trehan

AUDITORS

M/s. BSR & Co.
Chartered Accountants
Chandigarh

COST AUDITORS

M/s R.J. Goel & Co.
Cost Accountants
Delhi

PRINCIPAL BANKERS

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

REGISTERED OFFICE & WORKS

Paper Mill
Saila Khurd 144529
Distt. Hoshiarpur, Punjab

HEAD OFFICE

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

CONTENTS	Page
Notice	1
Directors' Report	3
Management Discussion & Analysis	9
Report on Corporate Governance	13
Auditors' Report	24
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30
Schedules & Significant Accounting Policies	31
Balance Sheet Abstract	52

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the members of ABC Paper Limited will be held at Paper Mill, Saila Khurd, Distt. Hoshiarpur, Punjab on Friday the 2nd September, 2011 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, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To declare dividend on the Equity Shares and Preference Shares.
3. To appoint a Director in place of Shri Yashovardhan Saboo, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri D.C. Mehandru, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. 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 mortgage and/or charge 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 Term Loan/Corporate Loan and/or other borrowings lent and advanced by them to the Company aggregating to Rs. 8,200 lacs (i.e. Term Loan/Corporate Loan of Rs. 2750 lacs and working capital of Rs. 5,450 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 and expedient for giving effect to the above resolution.”

By Order of the Board
For ABC PAPER LTD.

Regd. Office:

Paper Mill, Saila Khurd-144 529,
Distt. Hoshiarpur, Punjab
Dated : May 24, 2011

Vivek Trehan
Company Secretary

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 24th August, 2011 to 2nd September, 2011 (both days inclusive).
5. The dividend for the year 2010-11 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 2nd September 2011. 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 23rd August, 2011 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, 2007-08, 2008-09 and 2009-10 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:- 011-26387281/82/83 Fax:- 011-26387384 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 Sr. Vice-President (Finance), by 22nd August, 2011.
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 Registrars and Share 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 its Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on all working days, upto the date of the meeting.

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

Item No. 6

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 sanctioned Term Loan/Corporate Loan and working capital to the Company aggregating to Rs. 8,200 lacs (Term Loan/Corporate Loan of Rs. 2,750 lacs and working capital of Rs. 5,450 lacs).

The creation of mortgage/charge for the above Term loan/Corporate loan and working capital 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.

Regd. Office:
Paper Mill, Saila Khurd-144 529,
Distt. Hoshiarpur, Punjab
Dated : May 24, 2011

Vivek Trehan
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 14th Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2010-11 are given hereunder.

		(Rs. in lacs)
	2010-11	2009-10
Sales & other income	32184.73	22179.10
Operating Profit	4755.71	3914.22
Interest	2265.00	1771.66
Gross Profit	2490.71	2142.56
Depreciation	1464.11	1205.96
Profit before tax	1026.60	936.60
Provision for		
-Current Tax	(178.79)	(159.17)
-Tax Provision for earlier years	(15.09)	-
-Prior period Deferred Tax Adjustment	1083.35	-
-Deferred Tax charge for the year	(285.40)	(2188.92)
-MAT credit entitlement	200.84	159.17
Net Profit after tax	1831.51	(1252.32)
Balance b/f from previous year	922.36	2441.08
Profit available for appropriations	2753.87	1188.76
Appropriations:-		
- Proposed Dividend on		
(a) Equity shares	87.26	87.26
(b) Preference Shares @ Rs. 0.70 Per share	8.71	12.23
(c) Tax on dividend	15.94	16.91
(d) Capital Redemption Reserve	50.00	50.00
(e) General Reserve	100.00	100.00
Balance carried to Balance Sheet	2491.96	922.36

DIVIDEND

Your Directors are pleased to recommend Rs. 0.70 per share (7%) on the Redeemable Preference Shares of Rs.10/- each, on the preference share capital of Rs. 1,00,00,000/- and Rs. 1.00 per share (10%) on the Equity Shares of Rs.10/- each, on the equity share capital of Rs. 8,72,63,630/- for the year ended 31st March, 2011 aggregating to Rs. 95,98,007/- and to pay a dividend tax of Rs. 15,94,133/-.

OPERATIONS

The production of paper during the year under review was 79,980 metric tonnes as against 60,553 metric tonnes in the previous year. The sale of paper was 80,119 metric tonnes as against 60,304 metric tonnes in the previous year. The figures given in the Financial Highlights for the current year under review show the following trends over the previous year;

Gross sales turnover and other income is up by 45.1% at Rs. 32184.73 Lacs, operating profit is up by 21.5% at Rs. 4755.71 Lacs, Profit before Tax is up by 9.6% at Rs. 1026.60 Lacs. Net profit after tax stood at Rs. 1831.51 Lacs after deferred tax adjustment of Rs. 1083.35 Lacs accrued on the unabsorbed depreciation for the previous year.

The previous two years has been a period of ever increasing capacities in the paper industry. It has been a situation of oversupply in the market, wherein demand is gradually catching up. The indelible mark on reduced price lines of paper products is very visible. Despite this trend, we have been able to operate at higher levels of production and sale, and have been able to offset the negatives to a large extent.

Robust growth and steady fiscal consolidation have been the hallmark of the Indian economy in 2010-11. The growth has been broad based and has been 8.6% in 2010-11 and is expected to be around 9% in 2011-12. However higher inflation rate, higher input prices and volatility in global markets have been a cause of concern which may impact the projected growth.

In line with the economy growth recovery in 2010-11, the Govt. has implemented gradual exit from stimulus package extended to the industry in the previous years. In the budget for the year 2011-12, the Govt has enhanced the excise duty applicable to the paper industry from 4% to 5% and has also withdrawn the excise duty exemption provided to the state textbooks corporations as also the exemption on the first clearance of 3500 MT which has been hitherto available to Agro paper mills.

As part of the Mill Expansion Plan, the Chemical Recovery Plant, the Co-generation plant and Paper Machine had already been commissioned in the previous year(s). The operations of Paper Machine-4, which were under stabilization in the previous year, have since been stabilized during the year under review which is visible from the improved operational performance. The results of enhanced capacity operations will be further visible in the current financial year 2011-12 as your company further endeavors to optimize capacity utilization in view of the stabilization of PM-4 and to achieve optimum capacity utilization during 2011-12.

The members were informed in the last annual report that pulp mill is at advanced stage of implementation. The Directors are pleased to inform that pulp street which was the remaining project of the Mill Expansion Plan, has also been commissioned during the year under review.

Furthermore, during the year under review the company has also taken up projects for debottlenecking the constraints and putting up balancing equipment/ equipments towards the cost reduction initiatives and to improve the quality of its product. To this end, the Banks have sanctioned a term loan of Rs. 1250 lacs for the purpose. Your company has further conceived few projects in its pursuit to continue with cost reduction initiatives in 2011-12.

The detailed performance of Company's operations for the year ended 31st March, 2011 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

FINANCE

(a) Project finance

Punjab National Bank has sanctioned a Term Loan of Rs. 1250 lacs, for putting up the balancing equipments. Of this, an amount of Rs. 846.89 lacs has been disbursed during the year under review and the balance will be disbursed in the current year 2011-12.

(b) Working capital

The enhanced working capital limits amounting to Rs. 5,450 lacs (fund based Rs. 2,850 lacs & non-fund based Rs. 2,600 lacs) have been appraised by Punjab National Bank. Punjab National Bank has sanctioned their share and sanction by State Bank of Patiala, the consortium of banker, is in process.

(c) Fixed Deposits

As on 31st March, 2011, your Company had Fixed Deposits of Rs. 1413.90 lacs. There were no overdue deposits as on 31st March, 2011; nor was there 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.

SHIFTING THE REGISTERED OFFICE FROM THE NATIONAL CAPITAL TERRITORY OF DELHI TO THE STATE OF PUNJAB

Consequent to the Special Resolution dated January 25, 2011 passed by the shareholders through Postal Ballot, the company filed a petition with the Company Law Board (CLB). CLB vide its order dated May 11, 2011 has confirmed and approved the shifting of Registered Office from the National Capital Territory of Delhi to the State of Punjab. The necessary forms pursuant to the Companies Act, 1956 are being filed.

DELISTING OF EQUITY SHARES FROM U.P. STOCK EXCHANGE

The Company was listed on Bombay Stock Exchange and U.P. Stock exchange, Kanpur. Since the trading at Kanpur Exchange was almost inactive, the Company voluntarily delisted itself from the Kanpur Stock Exchange with effect from 14th March 2011. However, the company continues to be listed on Bombay Stock Exchange, which has nationwide trading terminals.

JOINT VENTURE WITH GRANIT RECHERCHE DEVELOPPEMENT S.A.

The Company had a joint venture with Granit Recherche Developpement S.A. of Switzerland for treatment of black liquor through the "Lignin Precipitation System (LPS)" plant in joint venture Company (JV) under the name of "Greencone Environs Private Limited". The Company had invested a sum of Rs. 1,29,83,000 in equity shares (49.62%) which has been sold at par value during the year under review. The operations of Greencone will continue as it is.

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, at all levels, 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 Sr. Vice-President (Finance) & CFO/ 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 Yashovardhan Saboo and Sh. D.C. Mehandru retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

AUDITORS & AUDITOR'S REPORT

M/s B S R & Co., Chartered Accountants, Statutory Auditors of the company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

The company has received a certificate from the auditors to the effect that their reappointment, if made, would be within the prescribed limit under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Annexure to the Auditor's Report are self-explanatory and do not call for any comments.

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 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 along with a Certificate from the Practicing Company Secretary 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 assistance and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the vendors, suppliers, dealers, customers, 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

Place: Chandigarh
Dated: May 24, 2011

J.K. Khaitan
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

1. CONSERVATION OF ENERGY

- (a) Energy conservation continues to be an important thrust area for the Company and is regularly monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting by installing CFLs and better use of natural lighting, (ii) reduction of energy loss by installing capacitors, (iii) replacement of outdated high power and energy intensive equipments, (iv) installing solar street lights and solar water heating system, (v) installation of VFDs (AC drives), (vi) automation/interlocking of motors and other equipments, and (vii) revamping of steam lines to reduce leakages. The pulp mill has been automated by installing state of the art instruments for better control of process thereby making it energy efficient. Further, the Co-generation plant has in effect removed the inefficiencies and bottlenecks of external sourcing power thereby increasing 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 production costs.
- (d) Total energy consumption and energy consumption per unit of Production of paper for the year 2010-11 is given in the table below.

POWER & FUEL CONSUMPTION

1 ELECTRICITY

(a) Purchased		
Units (lacs KWH)	204.53	112.09
Total amount (Rs. lacs)	1059.73	590.27
Rate/Unit (Rs./KWH)	5.18	5.27
(b) Own generation		
Through Steam Turbine/ Generator		
Units (lacs KWH)	776.76	633.31
Cost/Unit (Rs./KWH)	2.86	3.43

2 COAL (for Boiler)

Quantity (Tonnes)	67,736	34,802
Total cost (Rs. lacs)	2,594.88	1,354.19
Average rate (Rs.)	3,831	3,891

3 OTHERS

(a) Rice Husk (for Boiler)		
Quantity (Tonnes)	65,391	74,528
Total cost (Rs. lacs)	2,373.42	2,554.44
Rate/Unit (Rs. MT)	3,630	3,427

4 CONSUMPTION/TONNE OF PRODUCTION

Production (Tonnes)	79,980	60,553
Electricity/Tonnes (KWH)	1,227	1,231
Furnace Oil/tonne (KL)	0.003	0.006
Coal/Tonne (MT)	0.847	0.575
Others Rice husk (MT)	0.818	1.231

II. TECHNOLOGY ABSORPTION

Research and Development

Specific areas in which R&D efforts have been made by the company are:

- (a) Developing surface sized paper suitable for multi colour printing.

- (b) Use of precipitated calcium carbonate instead of ground calcium carbonate to produce industrial grade value added paper.
- (c) Cost reduction in color printing paper by identifying and using more efficient dye. Re-use of secondary fibre in second grade quality.
- (d) Identification of alternate raw materials. The Company continues to carry out research and development in several areas including raw 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 to supplement the quality.
- (e) Preservation of agro raw material for longer duration, by specially designed storage tools to minimize degradation of agro material resulting in better yield and strength properties of pulp.
- (f) Conducted wheat straw de-dusting trials and fine fraction diverted to boiler house for use as fuel. This resulted in improved pulp yield.
- (g) The Company has derived benefits of product diversification, cost optimization as well as cost reduction and better quality as a result of the ongoing efforts.
- (h) The research and development is an on-going exercise and efforts will continue to be made in future.
- (i) The expenditure on R & D has been as follows:

	(Rs. in lacs)	
	2010-11	2009-10
(i) Capital	4.60	7.49
(ii) Recurring	43.33	40.14
(iii) Total	47.93	47.63
(iv) Total R&D expenditure as a percentage of turnover	0.15	0.22

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 49 of the Annual Report.

For and on behalf of the Board

Place: Chandigarh
Dated: May 24, 2011

J.K. Khaitan
Chairman & Managing Director