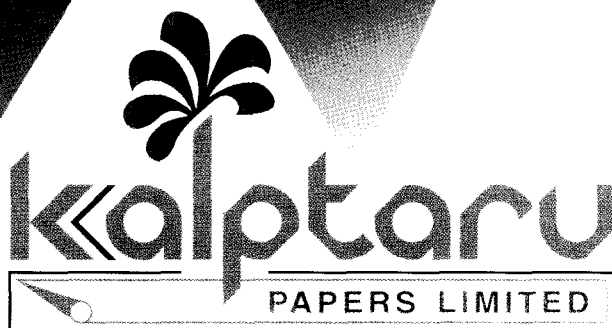


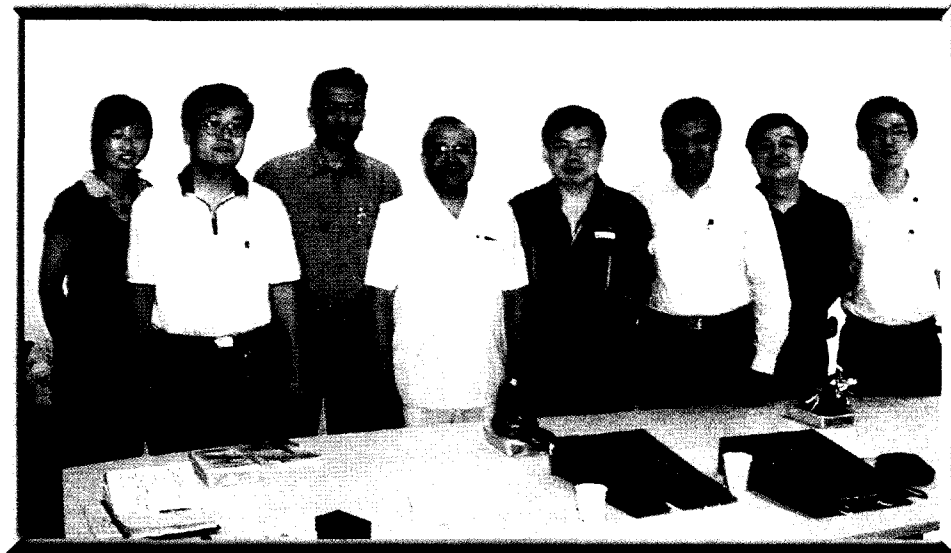
# 18th ANNUAL REPORT 2005 - 2006

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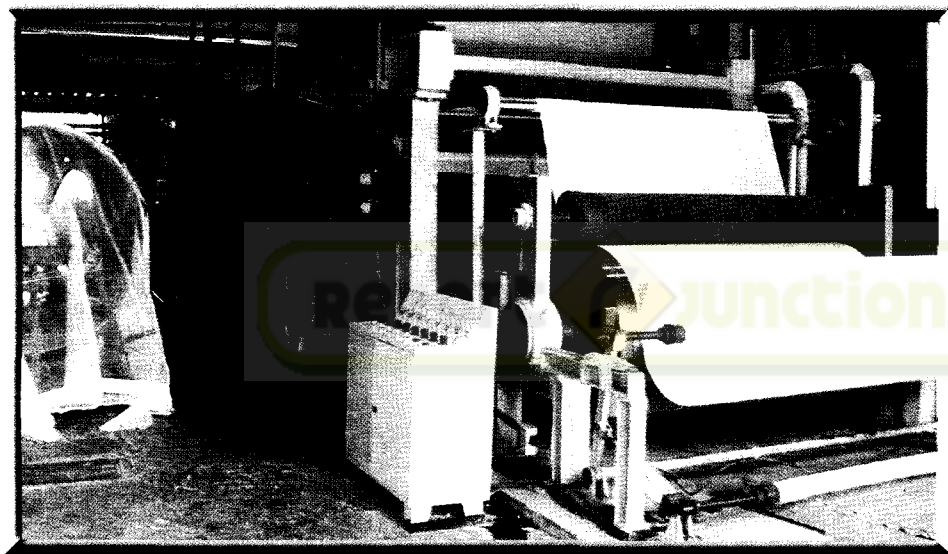


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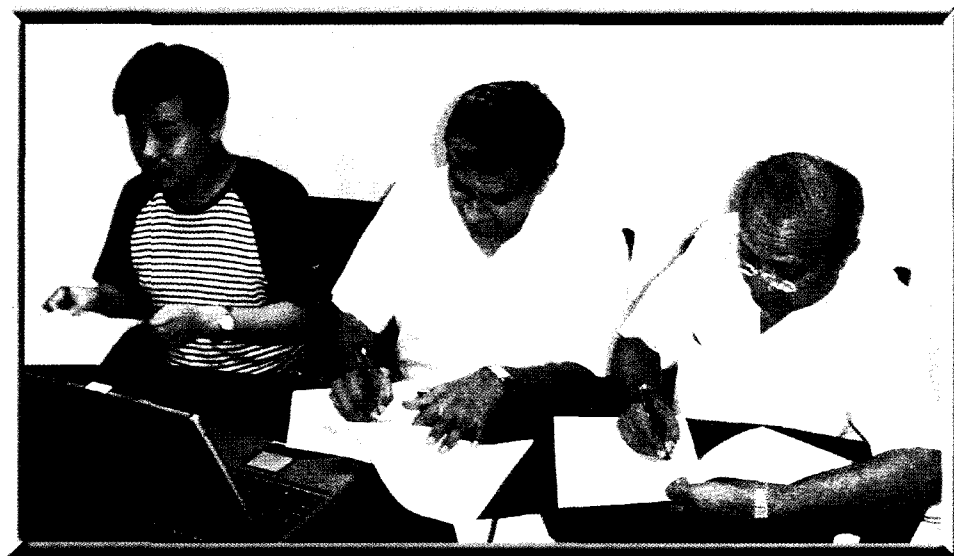


Chairman Shri J. K. Gupta with the supplier of Tissue Paper Machine



Tissue Paper Machine

## Tissue Paper Project



Chairman Shri J. K. Gupta signing contract with suppliers of Tissue Paper Machine

## CHAIRMAN'S STATEMENT



Dear Shareholders.

It is both my privilege and pleasure to present the 18th Annual Report and audited accounts of the Kalptaru Papers Limited for the year ended 31st March.2006.

The year saw mergers and acquisitions of Companies on a large scale to consolidate existing and related line of business. As our Country's economy being opened up it has become the last frontier for all transnational Companies next only to China. The overall macro-economic scenario in 2006-2007 would largely depend on the growth prospects in industrial and agriculture. A growth rate of over 8% in index of industrial production in 2005-06 heralds an impressive future prospect in the industrial sector as borne out by the impressive corporate results. The marketing war which was hitherto read in foreign books and magazines would be witnessed in our Country in the coming years. This means cut-throat competition, better bargaining power and better option for our consumers. The order of the day will be to **INNOVATE OR PERISH** for all the Companies in our Country.

The scenario of paper industry is gradually improving due to increased consumption on all fronts. Industry is subject to tough competition but our Company is positioned well because of its market leadership in manufacturing of Absorbent paper, Company rests on the solid foundation of innovation which includes constant upgradation of existing production facility and launching of new products, market related risk are being hedged by the Company by expansion and diversification.

During the year under review the Company has installed a 12 ton boiler with latest control system to cater to the increasing need of steam which will also bring down the overall cost of steam.

Further existing production facilities at Machine No.1 & 2 are being renovated/upgraded. This will results in to better quality, increased production with reduced cost of the existing products.

I am pleased to inform you that recently the Management have finalised purchase of two Soft Tissue paper manufacturing machines from China with a production capacity of 25 tons per day. This will further boost the turnover and profitability of the Company in the years ahead.

On financial front our Company has posted excellent results for the year ended 31st March.2006. The Sales of 2005-06 stood at Rs. 3613 lacs compared to Rs. 3155 lacs up by 15% over the previous year. The net profit for 2005-06 increased to Rs. 191.09 lacs from Rs. 123.14 lacs up by 55%. EPS on annualised basis stood at Rs. 4.28. Your Directors have recommended dividend @ 7.5% on the equity shares of the Company for the year ended 31.03.2006.

Kalptaru is a growth oriented Company and promises good financial prospects. The primary object of the Management is to offer satisfactory returns to shareholders and constantly build up increasing value of their investment. The Management is confident that present and future industrial expansion plans are right to accomplish our objective. In view of continued expansion and diversification plans, the Management is of the firm opinion that the best is yet to come. The latest developments of the Company will be communicated to you from time to time.

I look forward for your continued support.

Sincerely yours.

( J. K. Gupta )  
Chairman

## ANNUAL REPORT 2005-06

**GROUND REALITY OF CORPORATE GOVERNANCE**

Corporate Governance is the process whereby people in power direct, monitor and lead corporations, and thereby, either create, modify or destroy and structures and systems under which they operate. The term corporate governance can be stretched to include the entire network of formal and information relations involving the corporate sector and its consequence for the society in general. It includes the structure, process, cultures and systems that help in the successful operation of the organisation. It is about value orientation, ethical norms, social accomplishments, performance and practices. It is concerned with holding a balance between economic, social and individual goals. Its framework encourages the efficient use of resources and accountability of those resources. The aim is to align as nearly as possible the interest of individuals, corporations and society. The basic principle is to encourage corporate houses to adopt internationally accepted governance standards which strengthen the economy and discourage fraud and mis-management.

A review of the literature on corporate governance suggests that some of the pre-requisites for it are - a proper system consisting of clearly defined roles, authority and responsibility. It includes vision, principles and norms which promote development. It develops a proper system for guiding, monitoring, reporting and control. It should focus on work ethics based on transparency, accountability and responsibility.

A good corporate governance is considered vital from a medium and long term perspective to enable firms to complete in a sustained way internationally, and to make them flourish and grow. It is not only seen to provide employment, wealth and satisfaction, but also to improve the standard of living and enhance social cohesion. Strong corporate governance is thus indispensable to vibrant capital markets and is an important instrument for investor protection. It is almost a truism that the adequacy and the quality of corporate governance shapes the growth and future of any capital market and economy. In an age where capital flows worldwide, just as quickly as information does, a company that does not promote a culture of strong, independent overseeing, risks its very stability and future health.

## EIGHTEENTH ANNUAL REPORT 2005-06

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### BOARD OF DIRECTORS:

|                     |                          |
|---------------------|--------------------------|
| Shri J. K. Gupta    | <i>Chairman</i>          |
| Shri Naveen Gupta   | <i>Managing Director</i> |
| Smt. Usha Gupta     | <i>Director</i>          |
| Shri Paresh Pandya  | <i>Director</i>          |
| Shri Mitesh S. Shah | <i>Director</i>          |

### AUDITORS:

V. D. Aggarwal & Co.,  
Chartered Accountants,  
New Delhi.

### COMPANY LAW CONSULTANT:

Mehta Hurkat & Associates,  
Company Secretaries,  
Ahmedabad.

### BANKERS:

Indian Overseas Bank,  
Ahmedabad.

### REGISTERED & ADMINISTRATIVE OFFICE:

701, Avdhesh House, Opp. Gurudwara,  
Near Thaltej Cross Roads,  
Ahmedabad 380 054.

### HEAD OFFICE:

C 8/10, Model Town,  
Delhi 110 009.

### WORKS:

Khatraj Chokdi, Village Karoli, Kalol.  
Dist. Gandhinagar, Gujarat.



**ANNUAL REPORT 2005-06****NOTICE**

NOTICE is hereby given that the 18th Annual General Meeting of the Company will be held as under:

|       |   |
|-------|---|
| Day   | : Saturday  |
| Date  | : 23rd September, 2006  |
| Time  | : 10.30 a. m.   |
| Place | : Registered Office of the Company at:<br>701, Avdhesh House, Opp. Gurudwara,<br>Near Thaltej Cross Roads, Ahmedabad-380 054. |

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri J. K. Gupta, who retires by rotation and being eligible offers himself for re appointment.
4. To appoint Auditors and to fix their remuneration.

Registered Office:

701, Avdhesh House, Opp. Gurudwara,  
Near Thaltej Cross Roads,  
Ahmedabad 380 054.  
Date :28th June, 2006.

By Order of the Board,

**J. K. Gupta**  
Chairman

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE, PROXY MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.
2. Any member requiring information about the accounts etc. should inform at the Registered Office of the Company at least 7 days before the date of the meeting so that the same may be complied in advance.
3. Members are requested to notify immediately the change, if any, in their registered address.
4. The Register of Members and Shares Transfer Books of the Company will remain closed from Tuesday, the 5th September, 2006 to Friday, the 23rd September, 2006 (both days inclusive) for the purpose of deciding the right of entitlement of dividend on Equity Shares for the year 2005-06. The dividend, if declared by the members, will be paid on or after 26th September, 2006.
5. The Equity Shares of the Company are available for dematerialisation, as the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Those shareholders who wish to hold shares in electronic form may approach their Depository Participant. The ISIN No. of the Equity Shares is INE783C01019.

## DIRECTORS' REPORT

Dear Shareholders,

Your directors have pleasure in presenting the 18th Annual Report together with Audited Statement of Accounts for the financial year 2005-06 ended 31st March, 2006.

### 1. FINANCIAL RESULTS:

|   | 2005 – 06 | (Rs. in lacs)<br>2004– 05 |
|---|-----------|---------------------------|
| Particulars                             |           |                           |
| Total Turnover                          | 3612.51   | 3154.83                   |
| Profit before Interest and Depreciation | 487.18    | 339.14                    |
| Less: Interest                          | 107.65    | 62.22                     |
| Profit before Depreciation              | 379.53    | 276.92                    |
| Less: Depreciation                      | 106.20    | 73.96                     |
| Less/Add: Prior period expense/(Income) | (0.81)    | 0.27                      |
| Profit before Tax                       | 274.14    | 202.69                    |
| Less: Provision for: Current Taxation   | 24.91     | 22.25                     |
| : Deferred Taxation                     | 58.14     | 57.30                     |
| Profit after Taxation                   | 191.09    | 123.14                    |
| Balance brought forward from last year  | 210.60    | 125.35                    |
| Profit available for Appropriation      | 401.69    | 248.49                    |
| APPROPRIATION                           |           |                           |
| Dividend                                | 33.51     | 33.51                     |
| Dividend Distribution Tax               | 4.70      | 4.38                      |
| Balance Carried to Balance Sheet        | 363.48    | 210.60                    |
|   | 401.69    | 248.49                    |

### 2. DIVIDEND:

Your Directors recommend dividend @ Re. 0.75 on 44,68,120 Equity Shares of Rs.10/ each fully paid up for the year ended on 31st March, 2006. (Previous Year: Re. 0.75 per Equity Share). The dividend is tax free in the hands of shareholders. The outflow of dividend, if approved by Members would be Rs. 33.51 lacs.

### 3. REVIEW OF OPERATIONS:

During the year under review, the Company produced Kraft paper of 24102 M.T. and Newsprint paper of 3079 M.T. aggregating to 27181 M.T. against 20,291 M.T., 3,685 M.T. and 23,976 M.T. respectively during 2004-05. Thus, the Company has achieved 13% higher production during the year under review compared with production in the year 2004-05.

During the year under review, the Company achieved turnover of Rs.3612.51 lacs as compared to Rs. 3154.83 lacs during 2004-05 registering an increase of 15%. The Profit before Interest and Depreciation increased from Rs. 339.14 lacs in the year 2004-05 to Rs. 487.18 lacs during 2005-06 showing an increase of 44%. The Profit before Tax of the Company has also increased to Rs. 274.14 lacs during the year under review against Rs. 202.69 lacs during 2004-05 registering an increase of 35%.

After providing for Taxation of Rs. 24.91 lacs and Deferred Taxation of Rs. 58.14 lacs, the Net Profit of the Company stood at Rs. 191.09 lacs during the year under review which is higher by 55% when compared to Rs. 123.14 lacs during 2004-05. No material changes have occurred during the date of Balance Sheet and this Report which has any adverse impact on the working of the Company. Your Directors are hopeful to achieve better results during 2006-07.

### 4. KEEPING UP WITH THE TIMES

With opening up of Country's economy, demand for quality products with most competitive rates have increased. With a view to meet the requirements, one has to ponder over bringing down the cost on all possible fronts. The Management has taken the following steps:

- Installation of 12 ton Boiler with latest control system
- Upgradation/ renovation of Machine No.1 & 2

**ANNUAL REPORT 2005-06**

- Finalised purchase of two Soft Tissue paper manufacturing machines from China with a production capacity of 25 tons per day.

The Company has almost completed installation of Effluent Treatment Plant (ETP) having primary and secondary clarifiers. The manufacturing unit of your Company was already a Zero Discharge unit and there will not be discharge of water even after installation of ETP. ETP will help to improve the quality of the products because treated water is being used in the process.

The above measures will lead to better quality and improved production which will generate more profits. The Management is confident that with all these improvement, your Company will be able to keep pace with the coming times.

**5. FINANCE:**

- 5.1 During the year under review, the Company regularly paid the principal and interest to the Bank.
- 5.2 The Company is at present enjoying Financial Assistance in the form of Working Capital facilities and Term Loan from Indian Overseas Bank, Stadium Road Branch, Ahmedabad.

**6. CORPORATE GOVERNANCE:**

As per Clause 49 of the Listing Agreement with the Stock Exchange/s, a Management Discussion & Analysis Statement, a Report on Corporate Governance together with Auditors' Certificate regarding compliance of conditions of Corporate Governance form part of the Annual Report.

**7. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of the Annual Accounts, all the applicable accounting standards have been followed;
- ii) that the accounting policies are adopted and consistently followed 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 the Financial Year;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities;
- iv) that the Directors have prepared the Annual Accounts on going concern basis.

**8. DIRECTORATE:**

One of your Directors viz. Shri J. K. Gupta retires by rotation in terms of Article 146 and 147 of the Articles of Association of the Company. He, however, being eligible, offers himself for reappointment.

**9. LISTING:**

The Equity Shares of the Company are listed at Ahmedabad, Delhi, Jaipur and Mumbai Stock Exchanges. The Company has paid Annual Listing Fees to all the Stock Exchanges for the year 2006-07.

**10. DEMATERIALISATION OF EQUITY SHARES:**

As informed to you earlier, the Company has entered into an agreement with the NSDL and CDSL to facilitate the holding and settlement of trades in the Equity Shares of the Company in electronic form. All those shareholders who have not got their share certificates demated are requested to get in touch with any of the depository participants and take the benefits of the depository system.

**11. GENERAL:****11.1 INSURANCE:**

The Company's properties including Plant, Machinery, Stock, Store etc., continue to be adequately insured against risks, such as fire, riot, strikes, earthquake etc.

**11.2 AUDITORS:**

The present Auditors of the Company M/s. V. D. Aggarwal & Co., Chartered Accountants, Delhi will retire at the ensuing Annual General Meeting of the Company. They have submitted Certificate for their eligibility for re appointment under Section 224 (1-B) of the Companies Act, 1956.

The notes of the Auditors to the accounts are self explanatory.



**11.3 PARTICULARS OF EMPLOYEES:**

There is no employee drawing remuneration for which information is required to be submitted under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**11.4 DONATIONS:**

During the year under report, the Company has donated Rs. 0.23 lacs for religious/ charitable purposes.

**11.5 DEPOSITS:**

The Company has not invited/accepted any Deposits from the Public within the meaning of Section 58 A of the Companies Act, 1956 and Rules made there under.

**12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

In accordance with the requirement of 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, with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo are given in Annexure 'A' annexed hereto and forming part of this report.

**13. INDUSTRIAL RELATIONS:**

The Directors are happy to note that Industrial Relations continued to remain cordial during the year. The directors express their appreciation towards the workers, staff and executive staff for their co-operation and hope for a continued harmonious relations.

**14. ACKNOWLEDGEMENT:**

Your Directors are pleased to take opportunity to express sincere gratitude for assistance and continued co operation extended by Promoters, Financial Institutions, Banks, Government Authorities, Shareholders, Suppliers and Customers.

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for and on behalf of the Board,

Place : Ahmedabad  
Date : 28th June, 2006.

**J. K. Gupta**  
Chairman

**ANNEXURE 'A'**

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006.

**I. Energy Conservation measures:**

Energy conservation is the most essential part in today's working. It is the duty of every individual at all levels to save energy as far as possible. Saving energy is not one time job but constant efforts are required for the same. The Management has formed Committee to look into the matter and suggest latest measures to save steam and power.

AC Variable Drives have been installed to save energy. Energy efficient Motors/ Pumps are being introduced to achieve energy savings.

**II. Technology Absorption, Adoption and Innovation:**

Use of the latest technology is the dire need of the industry if it has to survive and keep pace with others in the changed environment.

Keeping in view the above, a new boiler has been installed with latest automation instruments to save power and fuel.

## ANNUAL REPORT 2005-06

## FORM A

## (Disclosure of Particulars with respect to Conservation of Energy)

| Particulars   | 2005-06     | 2004-05     |
|---|-------------|-------------|
| <b>(A) Power and fuel consumption:</b>                                    |             |             |
| <b>1. Electricity</b>   |             |             |
| (a) Purchased Power(units)  | 2416280     | 5444548     |
| Total Amount  | 12134688.96 | 27226299.30 |
| Rate (unit)   | 5.02        | 5.00        |
| <b>2. Boiler Fuel</b>   |             |             |
| Quantity (kg)   | 13343600    | 13002565    |
| Total Amount  | 21081188.12 | 19366762.88 |
| Average Rate (kg)   | 1.58        | 1.49        |
| <b>3. (a) LNG Gas</b>   |             |             |
| In SCM  | 1901056.00  | —           |
| In Rs.  | 20686146.00 | —           |
| Average Rate  | 10.88       | —           |
| Total Units   | 7577000     | —           |
| Rate per Unit   | 2.73        | —           |
| <b>(b) L.D.O.</b>   |             |             |
| In Litres   | 33160       | 130408      |
| In Rs.  | 795969.46   | 2540359.80  |
| Average Rate  | 24.00       | 19.48       |
| Total Units   | 108970      | 428547      |
| Rate per Unit   | 7.30        | 5.93        |
| <b>(c) Furnace Oil</b>  |             |             |
| In Litres   | 179403      | 1416407     |
| In Rs.  | 2039536.40  | 14369650.30 |
| Average Rate  | 11.37       | 10.15       |
| Total Units   | 494075      | 3900643     |
| Rate per Unit   | 4.13        | 3.68        |
| <b>(d) Diesel</b>   |             |             |
| In Litres   | —           | 2082        |
| In Rs.  | —           | 61658       |
| Average Rate  | —           | 29.61       |
| Total Units   | —           | 6920        |
| Rate per Unit   | —           | 8.91        |
| <b>(B) Consumption per unit of production:</b>                            |             |             |
| Electricity (unit)  | 0.39        | 0.36        |
| Coal (kg)   | 0.491       | 0.542       |
| <b>III. Foreign Exchange Earnings and Outgo :</b>                         |             |             |
| (a) Foreign Exchange Earnings :   | Nil         | Nil         |
| (b) Foreign Exchange Outgo :<br>(For import of raw materials and travel). | 430.32 Lacs | 311.80 Lacs |

for and on behalf of the Board,

Place : Ahmedabad  
Date : 28th June, 2006.

**J. K. Gupta**  
Chairman