



13th Annual Report

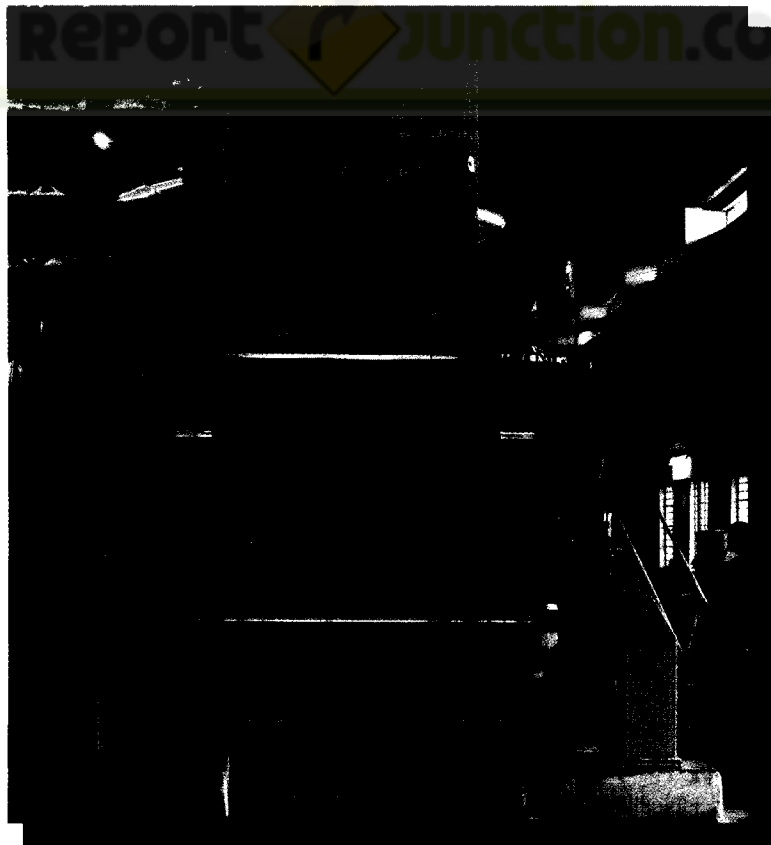
2005-2006



MALU PAPER MILLS LTD.



News Print Machine



Kraft Machine

MALU PAPER MILLS LIMITED

BOARD OF DIRECTORS

Chairman

Shri Bhanwarlal Malu

Non Executive Director

Shri Punamchand Malu

Jt. Managing Director

Shri Banwarilal Malu

Non Executive Directors

Shri Damodarilal Malu

Shri Vasudeo Malu

Shri Purushottam Malu

Shri Ghasiram Malu

Independent Directors

Shri Lalit Singh Mehta

Shri Om Prakash Bhattad

Shri Satyanarayan Rath

Shri Chandrakant J. Thakar

Company Secretary

Shri Gyanesh Verma

Chief Financial Officer

Shri Girish Malpani

Statutory Auditors

Demble Ramani & Co.
Chartered Accountants
Abhyankar Road,
Sitabuldi, Nagpur-440012

Internal Auditors

Samria & Co.
Chartered Accountants
311, Kamdar Complex,
Seva Sadan Sq., Central Avenue,
Nagpur - 440 018.

Registered and Corporate Office :

Malu Paper Mills Ltd.,
Heera Plaza, 4th Floor,
Near Telephone Exchange,
Central Avenue,
Nagpur 440 008.
(M.S.)

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NOTICE

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the 13th Annual General Meeting of the members will be held on Monday, the 28th day of August 2006 at **VIA Hall, Udyog Bhawan, Civil Lines, Nagpur** at 3.00 P.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date along with the reports of Director and Auditors thereon.
2. To appoint Auditors and to fix their remuneration.
3. To re-appoint the retiring Directors, who being eligible, hereby offer themselves for re-election.

SPECIAL BUSINESS:

To consider and if thought fit to pass with or without modification(s) the following resolution as ordinary resolution:

4. **"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the remuneration payable to Shri Punamchand Malu, Managing Director, as approved by the shareholders at the Extra Ordinary General Meeting of the Company held on April 01, 2005, the Company hereby accords its approval to an increase in the remuneration payable to Shri Punamchand Malu with effect from April 1, 2006 until the expiry of his term of appointment i.e. until March 31, 2010, as contained in the Supplemental Agreement to be entered into between the Company and Shri Punamchand Malu, a draft whereof is placed before the meeting duly initialled for the purpose of identification, which Supplemental Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement as may be agreed to between the Board of Directors and Shri Punamchand Malu;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions."

To consider and if thought fit to pass with or without modification(s) the following resolution as ordinary resolution:

5. **"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the remuneration payable to Shri Banwarilal Malu, Joint Managing Director, as approved by the shareholders at the Extra Ordinary General Meeting of the Company held on April 01, 2005, the Company hereby accords its approval to an increase in the remuneration payable to Shri Banwarilal Malu with effect from April 1, 2006 until the expiry of his term of appointment i.e. until March 31, 2010, as contained in the Supplemental Agreement to be entered into between the Company and Shri Banwarilal Malu, a draft whereof is placed before the meeting duly initialled for the purpose of identification, which Supplemental Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement as may be agreed to between the Board of Directors and Shri Banwarilal Malu;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions."

To consider and if thought fit to pass with or without modification(s) the following resolution as special resolution:

6. **"RESOLVED THAT** pursuant to section 341(1) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), he consent of the members, be and is hereby accorded to the appointment of Shri Venugopal Malu, son of Shri Punamchand Malu, Managing Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Project) (or any other designation which the Board of Directors of the Company may decide from time to time) on the monthly remuneration of Rs.25000/- per month with effect from 01st August, 2006.

MALU PAPER MILLS LIMITED

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to grant annual increments from time to time upto 20% of the last salary drawn and to promote Mr. Venugopal Malu to higher grade as and when required."

To consider and if thought fit to pass with or without modification(s) the following resolution as special resolution:

7. **"RESOLVED THAT** pursuant to section 341(1) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), he consent of the members, be and is hereby accorded to the appointment of Shri Narayan Malu, son of Shri Banwarilal Malu, Joint Managing Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Purchase), (or any other designation which the Board of Directors of the Company may decide from time to time) on the monthly remuneration of Rs.25000/- per month with effect from 01st August, 2006."

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to grant annual increments from time to time upto 20% of the last salary drawn and to promote Mr. Narayan Malu to higher grade as and when required."

**By order of the Board
For MALU PAPER MILLS LIMITED**

**Sd/-
Punamchand Malu
Managing Director**

Registered Office:

Heera Plaza, 4th floor,
Central Avenue
Nagpur- 440008

Date: 1st August, 2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE

INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. **A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.**

2. Register of Members and share transfer books of the Company will remain closed from 20th August, 2006 to 28th August 2006 both days inclusive.
3. 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 unclaimed / unpaid for a period of seven years would be transferred to the Investors Education & Protection Fund constituted by the Central Government and the Shareholders would not be able to claim any amount of the dividend so transferred to the fund. As such, Shareholders who have not encashed their dividend warrants are requested in their own interest to write to the company immediately, claiming dividends declared by the company during the years 1999 and onwards and still remaining outstanding.
4. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in relation to the above items is annexed hereto.
5. Members/Proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
6. Corporate Members are requested to send a duly certified copy of the Board resolution/Power of Attorney authorising their representative to attend and vote at the 13th Annual General Meeting.
7. Documents referred to the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days (Monday to Friday) between 11.00 a.m. and 1.00 p.m. upto the date of meeting and will also be available for inspection at the meeting.
8. **MEMBERS MAY NOTE THAT NO GIFT/GIFT COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING.**
9. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is given hereunder:

EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956)

ITEM NO.4

The terms of appointment of Shri Punamchand Malu, Managing Director as approved by the members at the Extra Ordinary General Meeting of the Company held on April 01, 2005 provide for the payment of salary of Rs.40,000/- per month.

In recognition of invaluable contribution to the Company's growth and implementation of investment plans and business strategies by Shri Punamchand Malu, the Board of Directors of the Company at its meeting held on July 28, 2006, increased the salary payable to Shri Punamchand Malu, Managing Director from Rs.40,000 per month to Rs.75,000 per month in the scale of Rs.75,000 – 1,60,000 with authority to the Board to grant such increments within the said scale as it may determine from time to time, with effect from April 1, 2006, until the expiry of his term of appointment on March 31, 2010 subject to the approval of the members at the ensuing Annual General Meeting.

All other terms and conditions of the appointment of Shri Punamchand Malu as Managing Director remains unchanged.

The Directors commend the Resolution for the approval of the members.

Except for Shri Punamchand Malu, Shri Damodarilal Malu and Shri Purushottam Malu, no Director of the Company is concerned or interested in the said resolution.

This Explanatory Statement together with the accompanying Notice should be treated as an abstract of the Terms and Memorandum of Interest under Section 302 of the Act.

ITEM NO.5

At the Extra-ordinary General Meeting of the Company held on April 01, 2005, the members approved the payment of salary to Shri Banwarilal Malu, Joint Managing Director of Rs.40,000 per month, with effect from March, 31, 2010 until the expiry of his term of appointment on April 01, 2010.

In recognition of invaluable contribution to the Company's growth and implementation of investment plans and business strategies by Shri Banwarilal Malu, the Board of Directors of the Company at its meeting held on July 28, 2006, on the recommendation of the Board, increased the salary payable to Shri Banwarilal Malu, Joint Managing Director from Rs.40,000 per month to Rs.75,000 per month in the scale of Rs. 75,000 – 1,20,000 with authority to Board to grant such increments within the said scale as it may determine from time to time, with effect from April 1, 2006, until the expiry of his term of appointment on March, 31, 2010, subject to the approval of the members at the ensuing Annual General Meeting.

All other terms and conditions of the appointment of Shri Banwarilal Malu, as Joint Managing Director remains unchanged.

The Directors commend the Resolution for the approval of the members.

Except for Shri Banwarilal Malu, Bhanwarlal Malu and Vasudeo Malu no Director of the Company is concerned or interested in the said resolution.

This Explanatory Statement together with the accompanying Notice should be treated as an abstract of the Terms and Memorandum of Interest under Section 302 of the Act.

ITEM NO.6

The members are aware that the company's third unit is under process and the expansion of company's operation requires a full time senior executive for the company.

Shri Venugopal Malu, 23, PGDFMB from S. P. Jain Institute of Management Studies, is young, dynamic and having experience of paper industry. He will be part of the team to execute Company's upcoming project (newsprint & writing) and designated as Vice President (Project).

The Board feels that his appointment would be in the interest of the company and recommends the resolution for approval of members. The resolution also seeks authority to grant increments from time to time.

No Director, except Shri Punamchand Malu, Managing Director is in any way concerned or interested in the resolution.

ITEM NO.7

The members are aware that the company's existing Kraft and Newsprint unit requires a full time executive for the company.

Shri Narayan Malu, 22, Bachelor of Commerce and undergoing Management course from S. P. Jain Institute of Management Studies, is young and dynamic. He will be in-charge of existing operation of Companies as Vice President (purchase).

The Board recommends his appointment by proposing the Special resolution for approval of members and authority to grant increments from time to time.

No Director, except Shri Banwarilal Malu, Managing Director, Bhanwarlal Malu and Shri Vasudeo Malu, relative the relative (as defined under section 6 of the Act), are in any way concerned or interested in the resolution.

By order of the Board

For MALU PAPER MILLS LIMITED

Sd/-

Punamchand Malu
Managing Director

Registered Office:

Heera Plaza, 4th floor,
Central Avenue
Nagpur- 440008

Date: 1st August, 2006

MALU PAPER MILLS LIMITED

REPORT OF BOARD OF DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Annual Report for the year ended 31st March 2006 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

FINANCIAL RESULTS:

	(Rs. In Lacs)	
	2005-06	2004-05
Sales & Other Incomes	5334.19	4825.30
Profit Before Depreciation & Financial Charges	773.81	765.76
Less: Financial Charges	107.69	146.94
Profit Before Depreciation	666.12	618.82
Less: Depreciation	169.78	179.79
Profit Before Tax	496.34	439.03
Less: Provision for Tax	88.96	174.37
Profit After Tax	407.39	264.66
Add: Balance of Profit/ (Loss) from last year	303.29	38.63
Balance Available for appropriation	710.67	303.29
Less : General Reserve	200.00	0.00
Balance C/F to Balance Sheet	510.67	303.29

BUSINESS REVIEW:

The performance of the Company during the year under review has been encouraging. You will be please to note that during the year, your company has achieved turnover of Rs.5334.19 Lacs and after Tax profit of Rs.407.39 Lacs as against Turnover of Rs.4825.30 Lacs and Profit after tax of Rs.264.66 thus recording increase of 11% and 54% respectively.

DIVIDEND:

In order to conserve the resources of the Company your Directors do not recommended any dividend during the year.

PUBLIC OFFER:

During the year under review the company has invited public for Equity participation. The Company came with Public issue of 83,34,000 Equity shares and the issue has received overwhelming response and the Shareholders are exchanging hand in the Bombay and National Stock Exchange respectively w.e.f. 05th April, 2006.

CORPORATE GOVERNANCE:

As per the Listing Agreement with the Stock Exchanges, your company has complied with the requirement of Corporate Governance. A report in Corporate Governance is attached to this report.

DIRECTOR:

Shri Lalitsingh Mehta, Mr. Satyanarayan Rathi, Mr. Omprakash Bhattad and Mr. Chandrakant Thakar were appointed as an Independent Directors w.e.f. 11th Novemeber, 2005.

Shri Bhanwarlal Malu and Shri Purushottam Malu, Directors retire by rotation at the ensuing annual general meeting and being eligible offers themselves for re-appointment.

AUDIT COMMITTEE:

As per the provisions of the Listing Agreement and pursuant to Section 292A of the Companies Act, 1956, the Audit committee have been reconstituted w.e.f. 11th November, 2005. The new Committee consists of Mr. Omprakash Bhattad Chairman, Mr. Satyanarayan Rathi and Mr. Chandrakant Thakar.

DIRECTORS RESPONSIBILITY STATEMENT FORMING PART OF DIRECTORS REPORT:

As required under Section 217(2AA) Director's confirm that:

1. In the preparation of the annual accounts, the applicable accounting standard has been followed.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimate that are reasonable and prudent so as to give a true and fair view of the state of affairs of Company as on 31st March 2006 and of the profit or loss of the company for the year ended 31st March 2006.
3. The Directors have taken proper and sufficient care 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.
4. The directors have prepared the annual accounts on a going concern basis.

**AUDITORS REPORT:**

The notes to the accounts to the comments made by the Auditors in their Report are self-explanatory.

AUDITORS:

M/S Demble Ramani & Co., Chartered Accountants, the Auditors of the company, who retire at this Annual General Meeting, being eligible are willing for reappointment. They have given information to the effect that their appointment, if made, will be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 OF COMPANIES ACT:

The particulars required under section 217 (2A) of the Companies Act 1956 read with the provisions contained in companies (Particulars of Employees) Rule 1975 as amended to date are not applicable to your Company.

energy consumption to reduce cost per unit of goods. Details as attached herewith as per Annexure A.

The Company imports some portion of its raw material requirement. The foreign exchange earnings and outgo are as mentioned in the reports of the auditor of the Company.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their gratitude and appreciation for the co-operation and support received from the Bankers of the Company, Govt. Departments and esteemed clients. The Directors wish to thank all the employees of the company for their valuable contribution for the growth of the Company.

BY ORDER OF BOARD OF DIRECTORS

Sd/-	Sd/-
PUNAMCHAND MALU	BANWARILAL MALU
Managing Director	Jt. Managing Director

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

As regards disclosure of particulars relating to conservation of energy, great emphasis has been given for reduction of

Place : Nagpur
Date : 01st August, 2006

MALU PAPER MILLS LIMITED**ANNEXURE TO DIRECTORS' REPORT-2006****ANNEXURE A**

FORM A: FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A POWER AND FUEL CONSUMPTION

1	ELECTRICITY :	Current year	Previous year
	(a) Purchased		
	Unit	15355991	15137898
	Total amount (Rs)	48,861,069	48,079,007
	Rate/ unit	3.182	3.176
	(b) Own generation	N.A.	N.A.
	(i) Through diesel generator		
	Unit		
	Units per litre of diesel oil		
	Cost/ unit		
	(ii) Through steam turbine/ generator	N.A.	N.A.
	Unit		
	Units per litre of fuel oil / gas		
	Cost/ unit		
2	COAL :		
	Quantity (Metric Tonnes)	18339.56	16060.34
	Total cost (Rs.)	26,968,763	22,832,976
	Average rate	1470.52	1421.70
3	FURNANCE OIL:	N.A.	N.A.
	Quantity (k. ltrs.)		
	Total amount		
	Average rate		
4	OTHERS:	N.A.	N.A.
	Quantity		
	Total cost		
	Rate/ unit		

B CONSUMPTION PER UNIT OF PRODUCTION

	Current year	Current year
Standards (if any)		
Products unit (MT)	27150.53	26116.86
(Kraft & News print)		
1 Electricity	565.59	579.62
2 Furnace oil	N.A	N.A
3 CD Mix Coal	0.675	0.615
4 Others (Specify)	N.A	N.A

FOR MALU PAPER MILLS LTD.

Sd/-

DIRECTOR

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Your company believes that good Corporate Governance brings about sustained growth and long term benefits for shareholders. The Company's broad policies of Corporate Governance viz. transferability, professionalism and accountability are the guiding principles of management of the company aiming to the aspiration of the stakeholders.

2. BOARD OF DIRECTORS:

The Board of Directors comprises of Nine Non-executive Directors and two Executive Directors as on 31st March. The Board monitors performance of the Company, approves and receives policies / strategies and evaluate management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

i) Non-Executive Promoter Directors:

1. Shri Bhanwarlal Malu, Chairman
2. Shri Damodarlal Malu
3. Shri Purushottam Malu
4. Shri Vasudeo Malu
5. Shri Ghasiram Malu

ii) Non-Executive Independent Directors:

1. Shri Satyanarayan Rathi
2. Shri Omprakash Bhattad
3. Shri Chandrakant Thakar
4. Shri Omprakash Bhattad

The Chairman of the Board is Non-executive Chairman.

The Board of Directors meets at least once a quarter to review the Company's performance and financial results and more often, if necessary, to transact other business. 14 (Fourteen) meetings of Board of Directors were held on 22-04-2005, 23-07-2005, 27-08-2005, 01-09-2005, 30-09-2005, 17-10-2005, 08-11-2005, 11-11-2005, 12-12-2005, 07-01-2006, 14-02-2006, 11-03-2006, 16-03-2006 and 29-03-2006 during the financial year.

Attendance of each Director at the meetings of Board of Directors held during the financial year 2005-06, last Annual General Meeting and the Number of Directorships and memberships of Committees of each Director in various Companies.

	Name of Director	Attendance particulars		No. of Other Directorships @		
		No. of Board Meetings	Last AGM	Committee	Board	Chairmanship
1.	Shri Bhanwarlal Malu	10	YES	-	-	-
2.	Shri Damodarlal Malu	7	YES	-	-	-
3.	Shri Purushottam Malu	12	YES	-	-	-
4.	Shri Vasudeo Malu	12	YES	-	-	-
5.	Shri Ghasiram Malu	11	YES	-	-	-
6.	Shri Punamchand Malu	14	YES	-	-	-
7.	Shri Banwarilal Malu	14	YES	-	-	-
8*	Shri Satyanarayan Rathi	3	-	-	-	-