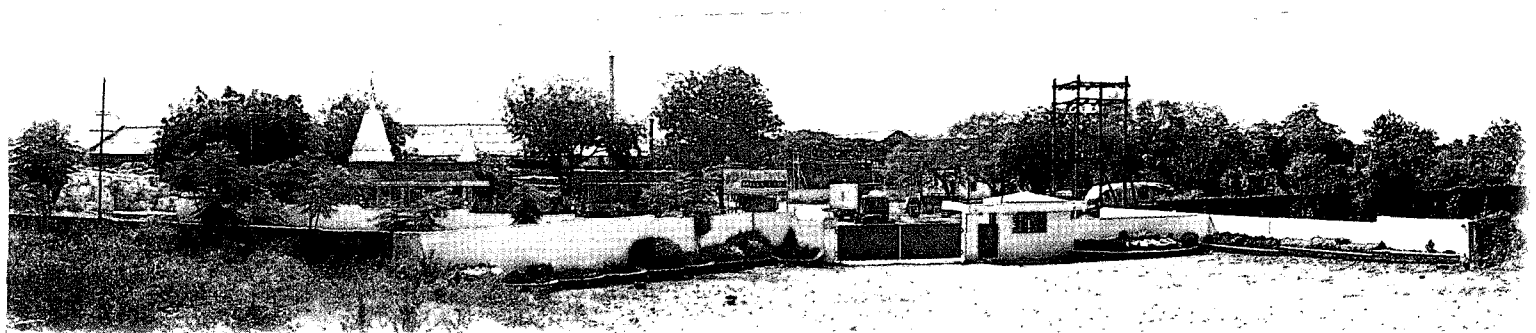


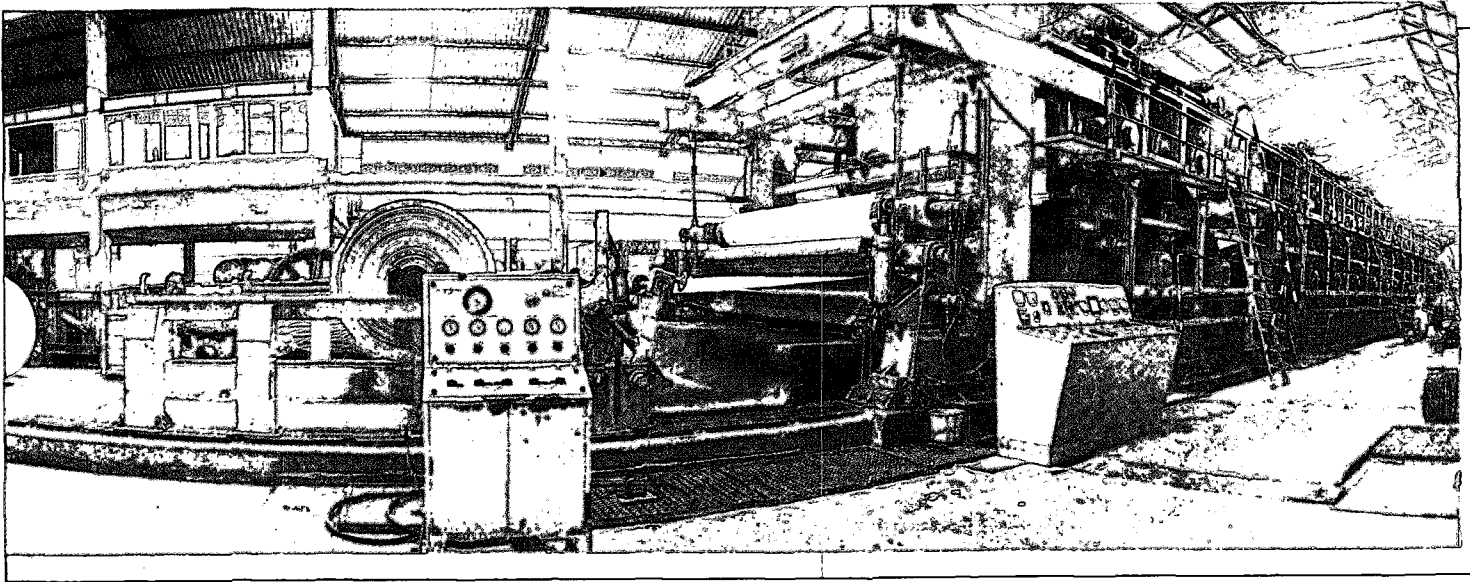


# 14th Annual Report

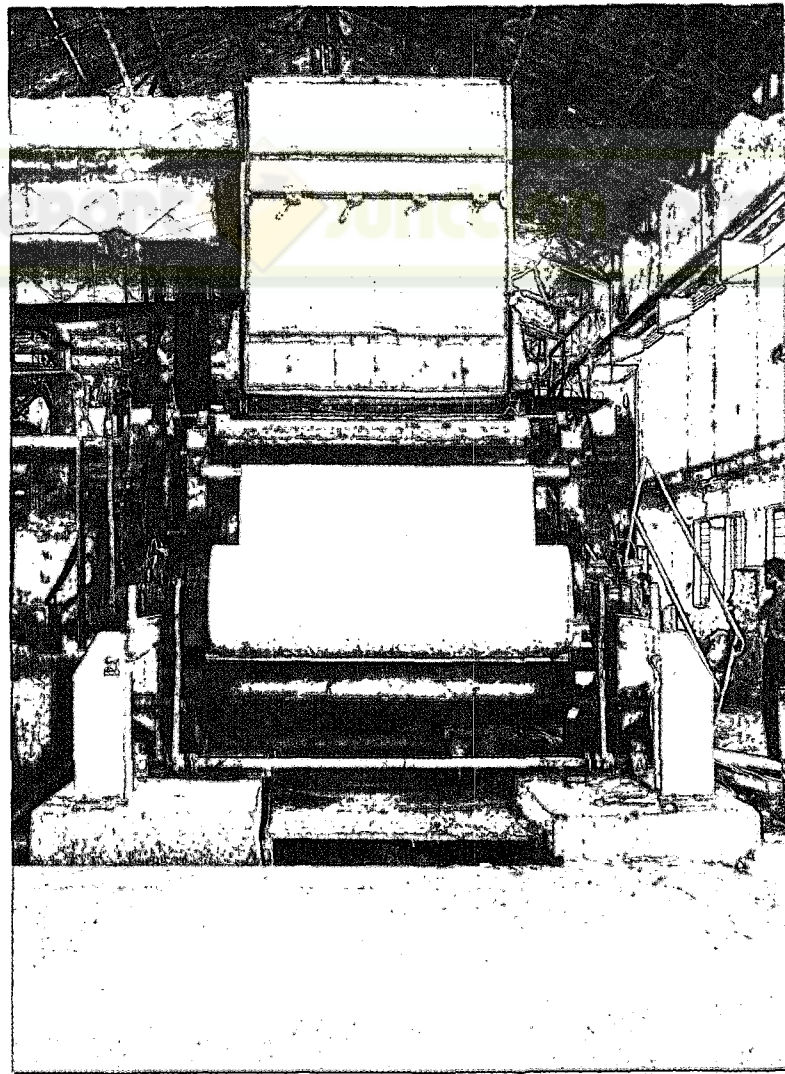
## 2006-2007



# MALU PAPER MILLS LTD.



News Print Machine



Kraft Machine

# MALU PAPER MILLS LIMITED

## BOARD OF DIRECTORS

### Chairman

Shri Damodarlal Malu

### Managing Director

Shri Punamchand Malu

### Jt. Managing Director

Shri Banwarilal Malu

### Non Executive Directors

Shri Purushottam Malu

Shri Vasudeo Malu

Shri Ghasiram Malu

### Independent Directors

Shri Lalit Singh Mehta

Shri Om Prakash Bhattad

Shri Satyanarayan Rathi

Shri Chandrakant J. Thakar

### Chief Financial Officer & Compliance Officer

Shri Girish Malpani

### Statutory Auditors

Demble Ramani & Co.  
Chartered Accountants  
Abhyankar Road,  
Sitabuldi, Nagpur-440 012

### 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.)

### **CONTENTS**

• Notice .....	2
• From the Desk of MD .....	5
• Directors' Report .....	6
• Management Discussions & Analysis .....	9
• Corporate Governance Report .....	10
• Auditors' Report .....	17
• Balance Sheet .....	20
• Profit & Loss Account .....	21
• Cashflow Statement .....	22
• Schedules .....	23
• Balance Sheet Abstract .....	34



## NOTICE

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the 14th Annual General Meeting of the members will be held on Wednesday, the 26<sup>th</sup> day of September, 2007 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 31<sup>st</sup> March 2007 and the Profit and Loss Account for the year ended on that date along with the reports of Directors 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 in partial modification of resolution no. 4 passed by the Members in 13th Annual General Meeting of Members of the Company held on 28<sup>th</sup> August 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration of Shri Punamchand Malu, Managing Director to Rs.150,000/- per month with effect from 1st October, 2007 with an annual increment as the Board may decide time to time."

**"RESOLVED FURTHER THAT** perquisites and other benefits to Shri Punamchand Malu, as approved by the Shareholders in the 13th Annual General Meeting held on 28<sup>th</sup> August 2006, shall be payable in consonance with the revised salary, wherever applicable."

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

5. "RESOLVED THAT in partial modification of resolution no. 5 passed by the Members in 13th Annual General Meeting of Members of the Company held on 28<sup>th</sup> August 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration of Shri

Banwarilal Malu Joint Managing Director to Rs.150,000/- per month with effect from 1st October, 2007 with an annual increment as the Board may decide time to time."

**"RESOLVED FURTHER THAT** perquisites and other benefits to Shri Banwarilal Malu, as approved by the Shareholders in the 13th Annual General Meeting held on 28<sup>th</sup> August 2006, shall be payable in consonance with the revised salary, wherever applicable."

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 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors to borrow such sums of money (including by way of debentures secured or unsecured, loans, bonds or otherwise), at any time or from time to time as may be required for the purpose of the business of the Company in excess of the aggregate of the paid up Share Capital of the Company and its free Reserves i.e. to say, Reserves not set apart for any specific purpose, subject to the condition that such borrowing together with the money which is already borrowed (apart from temporary loans obtained by the Company from its bankers/other entities in the ordinary course of business) shall not at any time exceed Rs. 500 crores."

**"RESOLVED FURTHER THAT** for the purpose of giving affect to this resolution, the Board be and is hereby authorized to finalize, settle and execute such documents/ deeds/writings/ papers/agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard to borrowing as aforesaid."

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

7. "RESOLVED THAT in partial modification of resolution no. 6 passed by the Members in 13th Annual General Meeting of Members of the Company held on 28<sup>th</sup> August 2006 and pursuant to the provisions of Section 314(2) 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), the consent of the members, be and is hereby accorded to increase the remuneration of Shri Venugopal Malu, holding and

# MALU PAPER MILLS LIMITED

continue to hold an office or place of profit as Vice President (Project), to Rs.50,000/- per month with effect from 1st October, 2007 with an annual increment as the Board may decided time to time."

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

8. "RESOLVED THAT in partial modification of resolution no. 7 passed by the Members in 13th Annual General Meeting of Members of the Company held on 28<sup>th</sup> August 2006 and pursuant to the provisions of Section 314(2) 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), the consent of the members, be and is hereby accorded to increase the remuneration of Shri Narayan Malu, holding and continue to hold an office or place of profit as Vice President (Purchase), to Rs.50,000/- per month with effect from 1st October, 2007 with an annual increment as the Board may decided time to time."

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

Sd/-  
**Punamchand Malu**  
Managing Director

**Registered Office:**

Heera Plaza, 4<sup>th</sup> floor,  
Central Avenue  
Nagpur- 440008

Date: 28<sup>th</sup> July, 2007

**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 close from 17<sup>th</sup> September 2007 to 21<sup>st</sup> September 2007 both days inclusive.
3. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in relation to the above items is annexed hereto.
4. Members/Proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
5. 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 14th Annual General Meeting.
6. 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.
7. **MEMBERS MAY NOTE THAT NO GIFT/GIFT COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING.**
8. Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 are given hereunder:



## EXPLANATORY STATEMENT

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

### ITEM NO.4

Shri Punamchand Malu was appointed Managing Director for a period of five year from 01<sup>st</sup> April 2005. The remuneration (including increased remuneration) payable to Managing Director was approved by the members in the Extra ordinary General Meeting on 01<sup>st</sup> April, 2005 and Annual General Meeting on 28<sup>th</sup> August 2006 respectively.

Taking into consideration the invaluable contribution and strategies implemented by Shri Punamchand Malu in the growth of the Company, the Board of Directors increased the salary payable to Shri Punamchand Malu, Managing Director from Rs.75,000/- per month to Rs. 150,000/- per month with the authority to the Board to grant such increments, upto Rs.500,000/- per month, as it may determine from time to time until the expiry of his term of appointment.

The proposed increase in remuneration of Shri Punamchand Malu is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

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 Damodarlal 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

Shri Banwarilal Malu, Joint Managing Director of the Company, appointed for a period of five year from 01<sup>st</sup> April 2005. The remuneration (including increased remuneration) payable to Joint Managing Director was approved by the members in the Extra ordinary General Meeting on 01<sup>st</sup> April, 2005 and Annual General Meeting on 28<sup>th</sup> August 2006 respectively.

The vision and mission of Shri Banwarilal Malu helped the Company strategically in its development. In order to recognize his services the Board increased the salary payable to Shri Banwarilal Malu, Joint Managing Director from Rs.75,000/- per month to Rs. 150,000/- per month with the authority to the Board to grant such increments, upto Rs.500,000/- per month, as it may determine from time to time until the expiry of his term of appointment.

The proposed increase in remuneration of Shri Banwarilal Malu is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

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 and Shri 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 Company is under consideration for expansion of its business activity and the Company needs to borrow money from banks/ financial Institutions in the years to come.

Since Company would need additional borrowing it is proposed that the borrowing limits be increased to Rs. 500 crores. In terms of the provisions of Section 293 (1) (d) of the Companies Act, 1956, approval of Shareholders is needed to enhance the borrowing limits by way of Ordinary Resolution.

Hence, your Directors recommend the resolution at Item No.6 for approval of the Shareholders as an Ordinary Resolution.

No Director of the Company is in any way concerned or interested in the proposed resolution.

### ITEM NO.7

Shri Venugopal Malu was appointed as Vice President (Project) at an Annual General Meeting held on 28<sup>th</sup> August 2006. He is working as a team member to execute company's project. In recognition of his services for the speedy work of the project and to continue to avail his services in the best interest of the company the Board increased his monthly remuneration from Rs.25,000/- to Rs.50,000/ effective from 01<sup>st</sup> October, 2007. All other terms and conditions of his appointment remain same.

Your Directors recommend the resolution at item no.7 for approval of shareholders as Special Resolution.

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

### ITEM NO.8

Shri Narayan Malu, Vice President (Purchase) appointed at the Thirteenth Annual general meeting looking after existing operation of the company. The Board appreciated his policies and decision-making quality. In order to recognize his services and to retain him for the company's interest the Board increased his monthly remuneration to Rs.50,000/- from the existing remuneration of Rs.25,000/- w.e.f 01<sup>st</sup> October, 2007. All other terms and conditions of his appointment remain same.

Your Directors recommend this Special resolution for your approval.

No Director, except Shri Banwarilal Malu is 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, 4<sup>th</sup> floor,  
Central Avenue  
Nagpur- 440008

Date: 28<sup>th</sup> July, 2007

# MALU PAPER MILLS LIMITED

## FROM THE DESK OF MANAGING DIRECTOR

Dear Shareholders,



I am very pleased to inform you on the latest results of our business activities for the year under review. Our Company, MPML, holds the last financial year 2006-07 very successful. Our company achieved the

turnover of Rs.5732.9 Lacs and EBIT of Rs.793.91 Lacs. Our goals for current financial year are even higher. We can foresee an increase of earnings and profits as a result of Greenfield expansion cum modernisation of plants.

### MARKET REVIEW

The paper industry is cyclical in nature and is sensitive to changes. Each cycle has its lessons to offer and all changes are inherent with both problems and opportunities. MPML has utilized these opportunities and learnt to ride the cycle of changes, with the result that the company's operations have been profitable throughout.

The paper industry has been growing at a steady rate of 6 per cent over the last few years and expected to grow at around 7-8 percent over the next 5 years.

Most players are expected to witness increased turnover with the expected growth in demand. Our Company, MPML currently undertaking capacity expansion will be in a position to cater to the huge demand generated by steady growth due to its capacity additions and benefited with better operating efficiency and higher operating margins.

### DEMAND & SUPPLY

The overall demand growth in the paper industry is pegged to grow at a CAGR of around 7-8 percent over the next 5 years. Amongst the different segment, demand for newsprint and the industrial paper is slated to grow at a faster rate followed by writing & printing (W & P) paper.

The W & P segment moves in line with the GDP growth due to its strong correlation to population, literacy and other

demographics. With a strong growth in GDP over the medium term we expect demand for W & P paper to grow at a CAGR of 6 per cent.

The demand for Company's products is increasing due to its better quality i.e. smooth runability and printability, which is high in demand. Presently the company is working at its full capacity i.e at 100% capacity utilization to cater the demand uninterruptedly.

### STEADY GROWTH IN REVENUES

Over the last few years, the paper industry has witnessed stability in revenue growth on the back of growth in consumption of paper. The domestic paper industry witnessed a healthy demand growth resulting in stability in margins at the operating and net levels. An increase in paper prices also added to a stable financial performance. In 2006-07 paper prices continued on an uptrend and with that the industry's margins have shown a marginal improvement.

According to the financial results of the company, operating margins increased from 9.32% in 2005-06 to 9.42% in 2006-07. Similarly, EBIT comes to 12.31%. On the basis of the results we can clearly see that there has been an improvement in performance.

### ONGOING EXPANSION

The project of 150 TPD Newsprint & Writing printing Paper Plant and 6MW Power Plant is in advance stage of completion and is likely to commence production shortly. On addition of this new capacity your Company will be catering to niche market in the newsprint segment. MPML has been able to execute the project at a reasonable project cost compared to the cost of implementation of similar project today. This Greenfield venture will catapult MPML to small league of large paper manufacturing companies.

I look forward to the future with confidence and support of all the members, employees, associates and well wishers of the Company.

**Punamchand Malu**  
Managing Director

Date : 28<sup>th</sup> July, 2007

Place : Nagpur



## REPORT OF BOARD OF DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Annual Report for the year ended 31st March 2007 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

### FINANCIAL RESULTS:

	(Rs. In Lacs)	
	<u>2006-07</u>	<u>2005-06</u>
Sales & Other Incomes	5,774.32	5,334.19
Profit Before Depreciation & Financial Charges	793.92	773.81
Less: Financial Charges	87.72	107.69
Profit Before Depreciation	706.19	666.12
Less: Depreciation	165.97	169.78
Less: Provision For Tax	183.61	88.96
Profit After Tax	356.60	407.39
Add: Balance Of Profit From Last Year	710.67	303.29
Profit Available For Apportion	867.28	710.67
Less: Transfer To General Reserves	300.00	200.00
Balance C/F To Balance Sheet	567.28	510.67

### REVIEW OF BUSINESS OPERATIONS:

Your Company has posted another year of impressive results when viewed in the light of the challenging business environment. For the year under review the Company recorded total income of Rs.5774 Lacs. The revenue from operations stood at Rs.5733 lacs, while the profit before taxes was Rs. 540 Lacs.

### DIVIDEND:

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

### 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 standards have 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 2007 and of the profit of the company for the year ended 31st March 2007.

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.

### DIRECTOR:

Shri Bhanwarlal Malu, Promoter-Director, ceased to be Director due to death w.e.f. 19<sup>th</sup> October, 2006.

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

### MANAGEMENT'S DISCUSSION & ANALYSIS REPORT:

A detailed review of the progress of the project and the future outlook of the company and its business is presented in a separate section and forming part of the Annual Report.

### AUDIT COMMITTEE:

As per the provisions of the Listing Agreement and pursuant to Section 292A of the Companies Act, 1956, the Audit committee consists of Mr. Omprakash Bhattad Chairman, Mr. Satyanarayan Rathi and Mr. Chandrakant Thakar.

### 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.

### CORPORATE GOVERNANCE:

A report on Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

## MALU PAPER MILLS LIMITED

### 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, TECHNOLOGY AND FOREIGN EXCHANGE:

As regards disclosure of particulars relating to conservation of energy, great emphasis has been given for reduction of energy consumption to reduce cost per unit of goods. Details are 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 appreciation of the dedication and commitment of your company's employees to the growth of the company. Your Directors also wish to thank for the assistance and co-operation received from the Bankers, Government Authorities, Vendors and members during the year under review.

### BY ORDER OF BOARD OF DIRECTORS

Sd/-

**PUNAMCHAND MALU**  
Managing Director

Sd/-

**BANWARILAL MALU**  
Jt. Managing Director

Date : 28<sup>th</sup> July, 2007

Place : Nagpur

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## ANNEXURE TO DIRECTORS' REPORT-2007

### 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	15,792,049	15,355,991
Total amount (Rs)	61,766,444	48,861,069
Rate/ unit	3.911	3.182
(b) Own generation		
(i) Through diesel generator	N.A.	N.A.
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)	19,601.10	18,339.56
Total cost (Rs.)	27,524,056	26,968,763
Average rate	1,404.21	1,470.52
3 FURNACE 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

Standards (if any)	Current year	Previous year
Products unit (MT)	27,973.73	27,150.53
(Kraft & News print)		
1 Electricity	564.53	565.59
2 Furnace oil	N.A.	N.A.
3 Coal	0.701	0.675
4 Others (Specify)	N.A.	N.A.

FOR MALU PAPER MILLS LTD.

Sd/-

DIRECTOR