



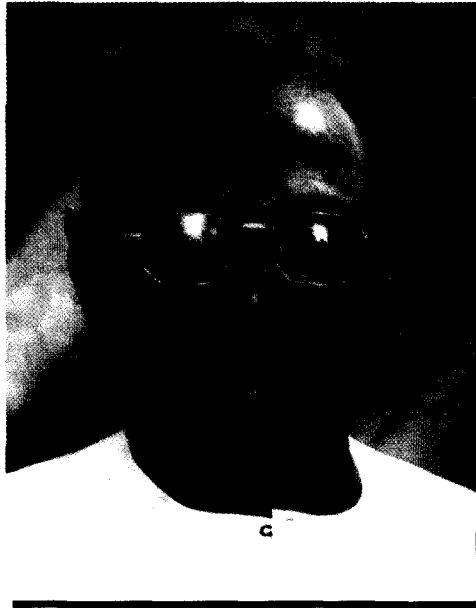
15th Annual Report

2007-2008



MALU PAPER MILLS LTD.

Tribute to Founder Chairman



Late Shri Bhanwarlalji Malu (1924-2007)



**MOU signed on 15-03-2008 between
Malu Paper Mills Ltd. and Government of Maharashtra.**

MALU PAPER MILLS LIMITED

BOARD OF DIRECTORS

Founder

Late Shri Bhanwarlal Malu
(1924 - 2007)

Chairman

Shri Damodarlal Malu

Managing Director

Shri Punamchand Malu

Joint Managing Director

Shri Banwarilal Malu

Non Executive Directors

Shri Purushottam Malu

Shri Vasudeo Malu

Shri Ghasiram Malu

Independent Directors

Shri Omprakash Bhattad

Shri Chandrakant Thakar

Shri Satyanarayan Rathi

Shri Lalit singh Mehta

Bankers

State Bank of India

Axis Bank Ltd

Bank of Baroda

Bank of India

Jammu & Kashmir Bank

Statutory Auditors

M/s. Demble Ramani & Co.

Internal Auditors

M/s. Samria & Co.

CFO & Compliance Officer

Shri Girish Malpani

Registered and Corporate Office

Heera Plaza, 4th Floor, Near Telephone

Exchange, Central Avenue, Nagpur 440008

Plants

Unit I & II

Village Borujwada, Nagpur Saoner Road,

Taluka: Saoner, District: Nagpur

Unit III

Village Hetti Surla, Nagpur Bhopal Road,

Taluka: Saoner, District: Nagpur

CONTENTS

• Notice	2
• Directors' Report	4
• Corporate Governance Report	8
• Auditors' Report	15
• Balance Sheet	18
• Profit & Loss Account	19
• Cashflow Statement	20
• Schedules	21
• Balance Sheet Abstract	34



NOTICE

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the 15th Annual General Meeting of the members will be held on Monday, the 29th day of September, 2008 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 2008 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 Director, Mr. L. S. Mehta who being eligible, hereby offer himself for re-election.
4. To re-appoint the retiring Director, Mr. Satyanarayan Rathie who being eligible, hereby offer himself for re-election.

SPECIAL BUSINESS:

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

5. "Resolved that pursuant to provisions of section 257 of the Companies Act, 1956 and pursuant to amended clause 49 of Listing Agreement Shri Satyanarayan Nuwal, notice in respect of his appointment has been received, be and is hereby appointed as Director of the company, liable to retire by rotation."

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

6. "Resolved that pursuant to provisions section of 257 of the Companies Act, 1956 and pursuant to amended clause 49 of Listing Agreement Shri Anil Rathie, notice in respect of his appointment has been received, be and is hereby appointed as Director of the company, liable to retire by rotation."

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: 22nd August, 2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND 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 22nd September 2008 to 29th September 2008 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 15th 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 Statement pursuant to Section 173(2) of the Companies Act, 1956 is given hereunder:

MALU PAPER MILLS LIMITED

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

ITEM NO.5 & 6

The SEBI has issued revised clause 49 of the Listing Agreement and according to the said revised clause if the non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of Independent Directors.

In order to comply with the requirements of revised clause 49 Shri Satyanarayan Nuwal, Industrialist having vast business experience and Shri Anil Rathi, Chartered Accountant were proposed to be appointed as an Independent Directors.

Your Directors recommend the said Resolutions for the approval of the members.

None of the Directors of the Company is concerned or interested in the said 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: 22nd August, 2008

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REPORT OF BOARD OF DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Annual Report for the year ended 31st March 2008 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

FINANCIAL RESULTS:

	(Rs. In Lacs)	
	<u>2007-08</u>	<u>2006-07</u>
Sales & Other Incomes	5936.67	5,774.32
Profit Before Depreciation & Financial Charges	780.50	793.92
Less: Financial Charges	123.19	87.72
Profit Before Depreciation	657.30	706.19
Less: Depreciation	254.32	165.97
Less: Provision For Tax	149.70	183.61
Profit After Tax	253.28	356.60
Add: Balance Of Profit From Last Year	567.28	710.67
Profit Available For Apportion	820.56	867.28
Less: Transfer To General Reserves	300.00	300.00
Balance C/F To Balance Sheet	520.56	567.28

DIVIDEND:

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

MANAGEMENT REVIEW: 2007-08

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian paper industry is the 15th largest in the world and contributes Rs25bn to the government. The industry has recorded a volume growth of CAGR of 5.5% over the last 3 years. The industry has a 1:1 correlation with the economy. With the expected GDP growth of 7-8%, the paper sector is also expected to record a similar growth rate. India's per capita consumption of paper is at 6kgs compared to the global level of 52kgs. However, with the expected increase in literacy rate and growth of the economy the per capita consumption of paper is expected to increase going forward.

PERFORMANCE REVIEW:

During the year under review the Company has undertaken various strategic measures to streamline and optimize its operations, which have yielded desired results. The healthy growth of Indian economy helped in continuing buoyancy in the

demand for the newsprint as a result of which the Company was able to increase its sales and operational margins. However increased cost of borrowing affected the net margin. The Company has successfully commissioned 6MW Co-generation Power plant during the year, which has helped the Company in becoming self-sustainable in its power needs and considerably reducing its energy cost.

The Company has registered total production of 28854.401MT during the year as compared to 27523.73 MT in the previous year.

The Company has registered sales volume of 19216.371MT Newsprint and 8966.140 MT Kraft.

The over all sales was 28182.511 MT as compared to 27988.219 MT in the year ended 31st March 2008.

The Company has achieved turnover of Rs. 5919.36lacs (net of Excise Duty) as compared with turnover of Rs. 5732.90 Lacs in the year 2006-07.

EXPANSION:

The Company has signed MOU with the Government of Maharashtra on 15-03-2008 for setting up Green field projects termed as Mega Expansion Project at Saoner Taluka in Nagpur District. The Mega Project consists of setting up two paper-manufacturing units at its site at Saoner in Nagpur District along with two Captive Power plants. The project will be set up at an estimated cost of Rs. 290 Crores.

The Company's new Plant (Unit III) has become operational at Nagpur to produce 150 TPD of Newsprint/Writing, Printing paper along with 6MW captive Co-generation Power plant to mitigate power crisis.

With this expansion MPML now becomes one of the three units with a capacity to produce newsprint of over 200TPD in Central & Western India. The economies of scale and larger production will offer it better scope of rate negotiations with current customers. With this expansion MPML now be able to explore new customers especially in the premium grade newsprint.

The Company has also taken various forward-looking measures like increasing plant efficiency, improving product quality, bettering procurement practices, strengthening sales & marketing chain, streamlining internal control systems coupled with building cordial human relations and is looking for substantial growth in its capacity by way of expansion.

The company has been coping with competitions in the past by focusing its products, routing its sales through dedicated

MALU PAPER MILLS LIMITED

dealers, managing raw materials, fuel and technological changes. With this expansion, the company can take advantage of the swing capacity to manufacture either newsprint or writing & printing paper.

INTERNAL CONTROL SYSTEMS:

The company's internal control procedures are tailored to match the organization's pace of growth and increasing complexity of operations. These ensure compliance with various policies, practices and statutes. MPML's internal audit team carries out extensive audits throughout the year, across all functional areas and submits its report to the Audit Committee of Board of Directors.

THREATS, RISKS AND CONCERNS

- Since energy cost accounts nearly 25 per cent of cost of production there is an urgency to further improve energy management and energy consumption.
- The increased prices and shortages of raw materials will affect the production schedules and overall margins on the company's product.

OPPORTUNITIES

- The Indian Economy is progressing well and targeting 8%+ growth. The economic reforms coupled with the liberalized Government Policies, India today offers excellent business opportunity for investments.
- 20% hike in Education budget this year which will result in increased expenditure on education.
- The government has earmarked Rs. 13,100 Crore for Sarva Shiksha Abhyas which in turn expected to result in a rise in the circulation of newspapers and an increase in the number of newspaper and magazines, which will in turn boost the demand for newsprint.
- Excise duty on writing paper, printing paper and packaging paper has been reduced from 12% to 8%.
- Paper prices are on an up trend globally since 2003, but progressive custom duties and an appreciating rupee have kept the domestic prices controlled. The prices are expected to remain at high levels for atleast next one year as capacity utilization has peaked and the proposed expansions won't be able to meet the growing demand.

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 2008 and of the profit of the company for the year ended 31st March 2008.
- 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.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from public during the year under review.

LISTING OF SHARES:

Equity Shares of Company are listed on The Stock Exchange, Mumbai (BSE) and The National Stock Exchange (NSE). The Company has duly paid listing fees to stock exchanges.

DIRECTOR:

Shri Satanarayan Nuwal & Shri Anil Rathi be and are proposed to be appointed as Directors of the Company at the ensuing Annual General Meeting.

Shri L.S. Mehta and Shri Satyanarayan Rathi, Directors retire by rotation at the ensuing annual general meeting and being eligible offers themselves for re-appointment. Except this there has been no change in the composition of the Board of Directors.

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 and 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.

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:

The Directors place on record their sincere gratitude for guidance and co-operation extended by the Regulatory Bodies, participating Financial Institutions and Banks, Shareholders, Customers, Suppliers and Dealers. The Directors take this opportunity to express their appreciation towards the dedication, commitment and teamwork shown by employees, which has contributed in taking the Company of path of prosperity.

BY ORDER OF BOARD OF DIRECTORS

Sd/-

PUNAMCHAND MALU
Managing Director

Sd/-

BANWARILAL MALU
Jt. Managing Director

Place : Nagpur

Date : 22nd August, 2008

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MALU PAPER MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT-2007-08

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	5,981,450	15,792,049
	Total amount (Rs)	61,711,811	61,766,444
	Rate/ unit	3.861	3.911
	(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	Nil	N.A.
	Unit		
	Units per litre of fuel oil / gas		
	Cost/ unit		
2	COAL :		
	Quantity (Metric Tonnes)	20,032.10	19,601.10
	Total cost (Rs.)	29,527,360	27,524,056
	Average rate	1,474.00	1,404.21
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

Standards (if any)	Current year	Previous year
Products unit (MT) (Kraft & News print)	28,854.40	27,973.73
1 Electricity	553.87	564.53
2 Furnace oil	N.A.	N.A.
3 Coal	0.694	0.701
4 Others (Specify)	N.A.	N.A.

FOR MALU PAPER MILLS LTD.

Sd/-

DIRECTOR



CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance is the application of best management practice, compliance of law and adherence to the ethical standards to achieve company's objective of maximizing shareholders value and discharge social responsibility.

The essential character of corporate governance revolves around values based on high standard of professionalism, integrity, accountability, fairness, disclosure and transparency, social responsiveness, business ethics in its dealings and compliance to the spirit of the law and the Board of Directors and the Management of Malu Paper Mills Limited (MPML) are committed themselves to enhance and retain investor confidence.

2. BOARD OF DIRECTORS:

The Company is managed and controlled through a professional Board of Directors comprising of an optimum combination of Executive and Non-executive Independent Directors. The present strength comprises of Eight Non-executive Directors and two Executive Directors as on 31st March 2008. The SEBI has revised clause 49 of the Listing Agreement and in order to comply with the said clause the Board proposes to appoint two Independent Directors on Board.

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 Directors:

a) Promoter Group

- 1 Shri Damodarlal Malu, Chairman
- 2 Shri Purushottam Malu
- 3 Shri Vasudeo Malu
- 4 Shri Ghasiram Malu

b) Independent

- 1 Shri Satyanarayan Rathi
- 2 Shri Omprakash Bhattad
- 3 Shri Chandrakant Thakar
- 4 Shri Lalitsingh Mehta
- * 5 Shri Satyanarayan Nuwal
- * 6 Shri Anil Rathi

ii) Executive Directors:

- 1 Punamchand Malu
- 2 Banwarilal Malu

* Propose to be appointed at the ensuing Annual General Meeting.

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. 06 (Six) meetings of Board of Directors were held on 27-04-2007, 28-07-2007, 11-08-2007, 03-9-2007, 29-10-2007 and 30-01-2008 during the financial year.

Attendance of each Director at the meetings of Board of Directors held during the financial year 2007-08, 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 Damodarlal Malu	5	YES	-	-	-
2 Shri Purushottam Malu	6	YES	-	-	-
3 Shri Vasudeo Malu	6	YES	-	-	-