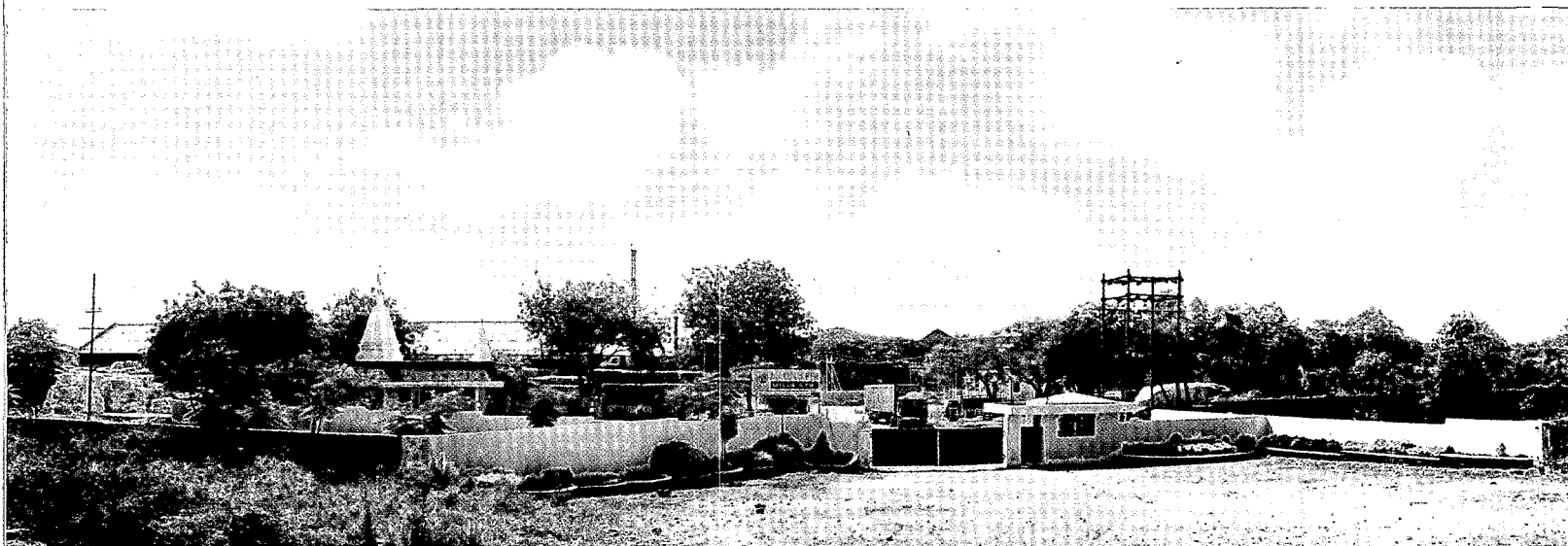




**MALU PAPER
MILLS LTD.**

16th Annual Report

Report 2008-2009.com



MALU PAPER MILLS LTD.



Tribute to Founder Chairman



Late Shri Bhanwarlalji Malu (1924-2007)

MALU PAPER MILLS LIMITED

MALU PAPER MILLS LIMITED

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 Vasudeo Malu
Shri Purushottam Malu *
Shri Ghasiram Malu *

Independent Directors

Shri Chandrakant Thakar
Shri Satyanarayan Rathi
Shri Satyanarayan Nuwal
Shri Anil Rathi
Shri Omprakash Bhattad *
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

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NOTICE

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the 16th Annual General Meeting of the members will be held on Tuesday, the 29th day of September, 2009 at **the registered office of the Company at 'Heera Plaza, 4th Floor, Near Telephone Exchange Square, Central Avenue, 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 2009 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, Shri Damodar Lal Malu who being eligible, hereby offer himself for re-election.
4. To re-appoint the retiring Directors, Shri Chandra Kantbhai Thakar who being eligible, hereby offer himself for re-election.

**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: 28th August, 2009

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 21st September 2009 to 29th September 2009 both days inclusive.
3. Members/Proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
4. 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 16th Annual General Meeting.
5. 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.
6. **MEMBERS MAY NOTE THAT NO GIFT/GIFT COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING.**

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 2009 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

FINANCIAL RESULTS:

Your Directors are also pleased to inform that this was the first full year of the newly commissioned **Unit III** of Newsprint writing and printing plant. The quality of the product was well accepted in the market. Your company has maintained stability and has shown increase in the total sales.

The Newsprint Paper industry is going through tough times as the economic slowdown has drastically affected the newsprint industry. The prices of the newsprint have fallen by about 25 per cent in the last six months of the financial year 2008-09.

However the economic slowdown and the sudden fall in the price of Newsprint had created lot of pressure on the margins.

	(Rs. In Lacs)	
	2008-09	2007-08
SALES & OTHER INCOMES	15192.84	5936.67
PROFIT BEFORE INTEREST AND DEPRECIATION	1634.90	791.97
LESS: FINANCIAL CHARGES	1060.77	123.20
PROFIT BEFORE DEPRECIATION	574.13	668.77
LESS: DEPRECIATION	1316.07	254.32
LESS: PROVISION FOR TAX	(208.37)	161.17
PROFIT / (LOSS) AFTER TAX	(533.57)	253.28
ADD: BALANCE OF PROFIT FROM LAST YEAR	520.56	567.28
PROFIT / (LOSS) AVAILABLE FOR APPORTION	-	820.56
LESS: TRANSFER TO GENERAL RESERVES	-	300.00
BALANCE C/F TO BALANCE SHEET	(13.01)	520.56

DIVIDEND:

Due to losses your Directors do not recommended any dividend during the year under review.



MANAGEMENT REVIEW: 2008-09

INDUSTRY STRUCTURE AND DEVELOPMENTS

There has been noteworthy slump in the global as recession has covered the entire world. The heat of recession can also be felt on Indian Economy. Despite of economic upheaval, credit crisis - the Indian paper and newsprint industry has a huge potentials and prospects in coming future. In our country, demand for paper and newspaper is rapidly increasing. Indian paper industry is one of the underestimated industries, because India's per capita consumption of paper is just about 6 kg. whereas it is 337 kg in North America, 110 kg. in Europe and 30 kg. in China. Compare to this scenario India's per capita consumption is one of the lowest in the World.

The Indian Government has placed a larger emphasis on education as a part of its reforms agenda vide **Sarva Shiksha Abhyan**, which should enhance the off take of printing and writing paper, a segment in which your company belongs.

PERFORMANCE REVIEW

Despite of recession, heavy burden of cost of raw materials due to increase in fuel cost, sudden fall in the price of newsprint in second half and other economic factors your company has achieved turnover of Rs.15,164 Lacs (net of excise duty) as against Rs.5,919 Lacs in the previous year thereby an increase of growth of Rs.9,245 Lacs and the operating profit of the increased to Rs.1635 Lacs compared with the previous year of Rs.792 Lacs thus registered a growth of Rs.1062 Lacs.

However increased cost of borrowing, raw material cost, employee cost as well as manufacturing cost your company has posted Cash profit of Rs.574 Lacs.

The operation of the Company has been progressing satisfactorily. The Company is showing high level of operating performance during the past couple of years in the unit I & II and about 58% capacity utilization in newly commissioned third unit.

The Company's 6MW Co-generation Power plant also helped the Company in becoming self-sustainable in its power needs and considerably reducing its energy cost.

FUTURE OUTLOOK

The Indian paper industry is growing at 8 per cent per annum. It is also, expected to grow by 10 per cent by the year 2010

Going forward, the Company continues its drive for sustainable growth. We are focused on the long term and expect that the current downturn will result in consolidation opportunities. We are adopting to successfully compete in difficult market conditions.

With the rapid rise in demand for newsprint from the print media and for packing containers from the FMCG industry, your company is anticipating strong revenue growth in the future. The increased focus on education by the government, an increase in the general level of literacy and continued demand from user industries will further add to the growth prospects of the Company.

However in the immediate short term the industry is likely to be impacted by the worldwide recession in paper industry. The medium to long term prospectus of Indian paper industry are positive.

The future is unpredictable. Market sentiments are unpleasant. In spite of unforeseen circumstances your company will endeavour to revitalize in the near future and are preparing the company for growth.

However, the first quarter of the current financial year has been a sobering experience for the company as we saw a build-up in stocks, slow demand and fall in prices across segments.

INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control procedures commensurate with the size and nature of business. There is a periodical review mechanism for ensuring the sustenance and upgradation of these systems.

THREATS, RISKS AND CONCERNS

- Fall in prices of imported Newsprint.
- Heavy burden of depreciation.
- The dollar-rupee movement has been a discouraging factor.

MALU PAPER MILLS LIMITED

- Rising crude price also affect on freight rates. Recently, crude prices breached the mark \$140, as a result pulp prices increased substantially.
- The economic downtrun will have negative effect on demand as well as profitability of paper industry in short term.

OPPORTUNITIES & STRENGTHS

- Self reliance for its power requirements.
- Steady growth in the number of local dailies thereby increase in demand for newsprint.
- The growing Indian economy will create more demand for paper. More offices and more jobs will create higher demand for paper.
- Increasing literacy level will lead to higher demand of circulation / readership of newspapers and increasing higher prevalence of using packed products.
- The industry has a strong and proportionate link with the national GDP, with GDP expected to grow in double digits over the foreseeable future, the demand and consumption of paper is expected to record a CAGR in excess of 6 per cent.
- The environment is becoming a key focus area in business today and we are proud to do our bit in saving environment from crisis by trading in waste paper

CORPORATE SOCIAL RESPONSIBILITY

Malu paper is committed to actively involve to the social and economic development of the communities located close to its operations. The Company has taken up health check up camps, tree plantations in the factory premises and in the vicinity of factory.

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 2009 and of the profit of the company for the year ended 31st March 2009.
- 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 Purushottam Malu, Shri Ghasiram Malu, Non Executive Promoter Directors and Shri Lalit Singh Mehta, Shri Omprakash Bhattad, Independent Directors resigned w.e.f. 30-07-2009.

Shri Damodar Lal Malu and Shri Chandrakantbhai Thakar, 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 constituted to review compliances with internal control systems and other various functions of the Company. Shri Anil Rathi, Independent Director has been appointed as the Chairman of the



Committee w.e.f 30-07-2009 in place of Shri Omprakash Bhattad.

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, will retire at ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. 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

Pursuant to the provisions of the Clause 49 of the Listing Agreement a report on Corporate Governance are annexed to and form part of this 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

Your Directors wish to place on record their appreciation for the co-operation and support of Bankers, Customers, Business Associates, Shareholders, dealers and suppliers who are enabling the company to achieve its goals. The Directors also place on record their appreciation made by the employees at all levels.

BY ORDER OF BOARD OF DIRECTORS

Sd/-

PUNAMCHAND MALU

Managing Director

Sd/-

BANWARILAL MALU

Jt. Managing Director

NAGPUR

DATE: 28-08-2009.

MALU PAPER MILLS LIMITED

Annexure to Directors' Report - 2009

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	17,025,347	15,981,450
	Total amount (Rs)	74,665,100	61,711,811
	Rate/ unit	4.386	3.861
	(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.
	Unit	35,201,500	
	Units per litre of fuel oil / gas	—	
	Cost/ unit	3.205	
2	COAL & BIO MASS:		
	Quantity (Metric Tonnes)	74,480.15	20,032.10
	Total cost (Rs.)	148,436,685	29,527,360
	Average rate	1,992.97	1,474.00
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)	57,004.02	28,854.40
(Kraft & News print)		
1 Electricity	916.20	553.87
2 Furnace oil	N.A.	N.A.
3 Coal	1.307	0.694
4 Others (Specify)	N.A.	N.A.

FOR MALU PAPER MILLS LTD.

Sd/-
DIRECTOR