



**MALU PAPER  
MILLS LTD.**

**ANNUAL REPORT  
FOR THE YEAR  
2010-11**

Heera Plaza, 4<sup>th</sup> Floor,  
Near Telephone Exchange,  
Central Avenue,  
**Nagpur – 440 008**  
Phones : 0712-2760308, 2778506, 2733100  
Fax : 0712- 2760310  
Email : [info@malupaper.com](mailto:info@malupaper.com)

## 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

### **Independent Directors**

Shri Chandrakant Thakar  
Shri Satyanarayan Rathi  
Shri Satyanarayan Nuwal\*  
Shri Anil Rathi

\* Resigned

### **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, 4<sup>th</sup> 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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**MALU PAPER MILLS LIMITED**

Regd. Office: Heera Plaza, 4<sup>th</sup> floor, Near Telephone Exchange, Nagpur -400008

**NOTICE**

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the Annual General Meeting of the members will be held on Thursday, the 29<sup>th</sup> day of September, 2011 at the **registered office of the Company at 'Heera Plaza, 4<sup>th</sup> 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 31<sup>st</sup> March 2011 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 retire by rotation and being eligible, offer themselves for re-appointment.

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

**Registered Office:**

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

Nagpur- 440008

Date: 01<sup>st</sup> September, 2011

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

**Sd/-**

**Punamchand Malu**  
Managing Director

**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 19<sup>th</sup> September 2011 to 29<sup>th</sup> September 2011 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 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.**
7. 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**

In order to fill up the casual vacancy caused by the resignation of Shri Satyanarayan Nuwal, Shri Shyamsunder Satyanarayan Sarda, Industrialist having vast business experience is 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.

#### **Registered Office:**

Heera Plaza, 4<sup>th</sup> floor,

Central Avenue

Nagpur- 440008

Date: 01<sup>st</sup> September, 2011

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

**Sd/-**

**Punamchand Malu  
Managing Director**

## **MALU PAPER MILLS LIMITED**

### **REPORT OF BOARD OF DIRECTORS.**

The Directors have pleasure in presenting the Annual Report for the year ended 31st March 2011 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

#### **FINANCIAL RESULTS:**

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 Company achieved Gross Sales of Rs.17298 Lacs as against Rs.12364 Lacs in the previous year. Net loss after tax is lower to Rs.298 Lacs as compared to net loss after tax of Rs.772 Lacs in the previous year. The financial results are as under:

		(Rs. In Lacs)
	2010-2011	2009-2010
Sales & Other Incomes	17193.21	12492.10
Profit Before Interest & Depreciation	1420.01	931.33
Less: Financial Charges	1254.59	909.43
Profit Before Depreciation	165.42	21.90
Less: Depreciation	596.18	477.53
Less: Provisional For Tax	(132.67)	317.30
Profit/(Loss) After Tax	(298.09)	(772.93)

#### **DIVIDEND:**

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

#### **PERFORMANCE REVIEW:**

During the year under review the turnover of the company increased by 38% as against the previous year figures whereas the Operating Profit of the Company increased by 52% amounting to Rs.1420 Lacs compared to previous year and posted cash profit of Rs.165 Lacs which is 7.5 times higher than the previous year. Though the volumes and performance improved compared to previous year, the cost could not be recovered fully due to increased cost of borrowing, raw material cost, employee cost as well as manufacturing cost.

The operation of the company has been progressing satisfactorily and all the three units of the company are performing at 100 % capacity utilization.

#### **MANAGEMENT REVIEW: 2010-11**

#### **INDIAN PAPER INDUSTRY SCENARIO**

The Indian Paper Industry is a booming industry and is expected to grow in the years to come. The usage of paper cannot be ignored and this awareness is bound to bring about changes in the paper industry for the better. It is a well known fact that the use of plastic is being objected to these days. The reason being, there are few plastics which do not possess the property of being degradable, as such, use of plastic is being discouraged. Excessive use of non degradable plastics upsets the ecological equilibrium.

Indian paper industry uses used paper for the manufacturing of paper after recycling. It has been estimated that around 40% of paper used is recycled.

The demand scenario in paper industry was sluggish during the year 2009 due to the economic recession and this scenario persisted till the end of the financial year 2009-2010. The weak demand followed by the economic recession, and uncontrolled imports from China and Indonesia kept prices under pressure.

However, with the fiscal supports extended by the Government of India as well as the cautious approaches by the Industry, the year 2010 from the 2<sup>nd</sup> quarter witnessed the demand cycle reversing primarily driven by demand from Educational and FMCG sectors and closure of many capacities in various parts of the world, particularly in European Union. The growth in the paper industry has mirrored the growth in GDP and the Indian paper industry has grown on an average 6.7% over the last few years.

#### **FUTURE OUTLOOK:**

India's per capita consumption of paper is one of the lowest in the world. The per capita consumption of paper in India is very low ie 7kgs in 2006 as compared to average consumption of 28 Kgs and 58 Kgs in Asia and world respectively.

According to industry estimate the total demand for the paper is around 8.0 million tonnes and is expected to grow to 10 million tonnes by 2012 and 20 million tonnes by 2020. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tons.

With the expected increase in literacy rate, demand from corporate and industrial segments and with the growth of the economy, an increase in the per capita consumption of paper is expected. As per industry estimates, paper production is likely to grow at a CAGR of 8.4% while paper consumption will grow at a CAGR of 9% till 2012-13.

#### **INTERNAL CONTROL SYSTEM:**

Your company has adequate internal control system. Your company has developed and implemented a formal code of conduct and comprehensive business plan. Company has clearly defined prudent and appropriate levels of delegation of authorities. Company has established and maintained an effective management information system.

#### **THREATS, RISKS AND CONCERNS:**

- In an era of the world wide web, e-filing, email, pod cast etc., and several options to choose from the electronic saga poses a big threat to the paper industry.
- Cost of coal is escalating
- high cost of raw materials
- The increase in basic excise duty on W&P paper and industrial paper to 5 percent

#### **OPPORTUNITIES & STRENGTHS:**

- Increase in allocation for Sarva Shikshya Abhiyan will add to domestic demand.
- The Company is manufacturing paper out of the waste paper and is an eco friendly project.
- Reduction in custom duty on waste paper to 2.5 % from 5 % is likely to lower raw material costs.
- Enhanced allocation for education is expected to benefit W&P papers.

#### **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 2010 and of the profit of the company for the year ended 31st March 2010.
- 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.

The directors have prepared the annual accounts on a going concern basis.

#### **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 Satyanarayan Nuwal, Director has resigned from the Directorship of the company. Shri Satyanarayan Rathi and Shri Anil Rathi, Directors retire by rotation at the ensuing annual general meeting and being eligible offers themselves for re-appointment.

Shri Shyamsunder Sarda is proposed to be appointed as Director at the ensuing General meeting.

#### **PUBLIC DEPOSITS**

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

#### **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 is the Chairman

#### **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(1 B) 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 express sincere thanks to the Bankers, Customers, Business Associates for the co-operation and support and to the 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.

**Place: Nagpur**

**Date: 13-08-2011**

**By Order Of Board Of Directors**

**Sd/**

**Punamchand Malu  
Managing Director**

**Sd/**

**Banwarilal Malu  
Jt. Managing Director**



**MALU PAPER MILLS LTD.**  
**Annexure to Directors' Report-2011**  
**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	1,20,79,424	1,42,84,062
	Total amount (Rs)	6,18,45,076	6,78,42,470
	Rate/ unit	5.120	4.750
	(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		
	Unit		
	Units per litre of fuel oil / gas		
	Cost/ unit		
2	<b>COAL &amp; BIO MASS:</b>		
	Quantity (Metric Tonnes)	60,474.25	65,084.83
	Total cost (Rs.)	14,65,80,180.00	11,96,17,051.00
	Average rate	2,423.84	1,837.86
3	<b>FURNANCE OIL:</b>	N.A.	N.A.
	Quantity (k. ltrs.)		
	Total amount		
	Average rate		
4	<b>OTHERS:</b>	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)	65,565.67	56,775.97
(Kraft & News print/ Writing printing paper)		
1 Electricity	184.23	251.59
2 Furnace oil	N.A.	N.A.
3 Coal	0.92	1.15
4 Others (Specify)	N.A.	N.A.

FOR MALU PAPER MILLS LTD.

Sd/-

DIRECTOR

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company's philosophy on Corporate Governance is to be observe the highest level of ethics in all its dealings, to ensure the efficient conduct of the affairs of the Company to achieve its goal of maximizing value for all its stakeholders. Being a value-driven organization, the company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on principles of good corporate governance viz. integrity, equity, transparency, fairness, disclosure, accountability and commitment to values.

### 2. BOARD OF DIRECTORS:

The Company is managed and controlled through a professional Board of Directors comprise of Six Non-executive Directors and two Executive Directors. 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. The Chairman of the Board is Non-executive Director.

- i) **Non-Executive Directors:**
  - a) **Promoter Group**
    - 1 Shri Damodarlal Malu, Chairman
    - 2 Shri Vasudeo Malu
  - b) **Independent**
    - 1 Shri Satyanarayan Rathi
    - 2 Shri Chandrakant Thakar
    - \* 3 Shri Satyanarayan Nuwal
    - 4 Shri Anil Rathi
- ii) **Executive Directors:**
  - 1 Punamchand Malu
  - 2 Banwarilal Malu

\* Resigned w.e.f. 18-07-2011

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. 05 (Five) meetings of Board of Directors were held on 24/05/2010, 13/08/2010, 17/09/2010, 11/11/2010 and 14/02/2011 during the financial year.

The information as specifies in Annexure 1A to Clause 49 of Listing Agreement is regularly made available to the Board, whenever applicable, for discussion and analysis.

Attendance of each Director at the meetings of Board of Directors held during the financial year 2010-11, last Annual General Meeting and the Number of Directorships and memberships of Committees of each Director in various Companies during the period under review is as follows