



MALU PAPER
MILLS LTD.

ANNUAL REPORT FOR THE YEAR 2012-13

Heera Plaza, 4th Floor,
Near Telephone Exchange,
Central Avenue,

Nagpur – 440 008

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MALU PAPER MILLS LIMITED

Founder

Late Shri Bhanwarlal Malu
(1924 - 2007)

Non Executive 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 Anil Rathi

Shri Shyamsunder Sarda

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**Kraft Division**

Village Borujwada, Nagpur Saoner Road,

Taluka: Saoner, District: Nagpur

Newsprint & Writing Printing Division

Village Hetti Surla, Nagpur Bhopal Road,

Taluka: Saoner, District: Nagpur

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MALU PAPER MILLS LIMITED

Regd. Office: Heera Plaza, 4th 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 Tuesday, the 17th day of September, 2013 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 2013 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.

Registered Office:

Heera Plaza, 4th floor,

Central Avenue

Nagpur- 440008

Date: 13th August, 2013

**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 09th September 2013 to 17th September 2013 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. As there were no special business, Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is not required.

MALU PAPER MILLS LIMITED

REPORT OF BOARD OF DIRECTORS.

The Directors have pleasure in presenting the Annual Report for the year ended 31st March 2013 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

FINANCIAL RESULTS:

	2012-2013	(Rs. In Lacs) 2011-2012
Sales & Other Incomes	18021.19	16970.07
Profit Before Interest & Depreciation	361.12	(922.91)
Less: Financial Charges	1539.13	1392.08
Profit Before Depreciation	(1178.01)	(2314.99)
Less: Depreciation	617.76	612.02
Less: Provisional For Tax	(553.69)	(906.06)
Profit/(Loss) After Tax	(1242.08)	(2020.96)

MANAGEMENT REVIEW: 2012-13

INDIAN PAPER INDUSTRY SCENARIO

The Indian paper industry is expected to grow at a rate of ~6.4% CAGR to 15.5-16 Million Mt up to FY17, as compared to a 5.8% CAGR from FY08-12(E). India, the 15th largest paper manufacturer, is the world's fastest growing paper market; producing however, only 2.6% of its total output. The per capita consumption in India stands at only 9.3 kg as against 42 kg in China, 22 kg in Indonesia, 25 kg in Malaysia and 312 kg in the US.

The Indian Paper Industry is classified into three main segments –

- Paperboard & Industrial Packaging (Paperboard) comprising ~45% of the industry,
- Printing and Writing Paper (P&W), accounting for ~35% and
- Newsprint segment (Newsprint) covering ~20% of the domestic paper production.

About 70% of the total installed capacity of paper production in India is accounted by Gujarat, West Bengal, Orissa, Andhra Pradesh, Karnataka and Maharashtra. Uttar Pradesh, Tamil Nadu, Haryana, Kerala, Bihar and Assam together account for about 25% of the total paper production in India.

Industry Outlook

- The growth of paperboard sector in 5 years ending FY17 would be higher than 5.7% CAGR FY08-12 due to greater thrust on industrialisation, rising income levels and improving demography.
- Factors such as improvement in the domestic economic scenario, various Government programmes aimed at improving literacy, with increased outlays and efficient targeting would lead to a better performance of the W&P sector, as compared to 6.3% CAGR for past 5 years.
- Increasing circulation of newspaper/journals/magazines due to higher literacy rates, greater focus of print media companies on regional content and improved demand traction from corporate sector due to higher advertisement spending is likely to help the Newsprint segment grow at a higher CAGR up to FY17, than the growth of 4.9% in the period FY08-12.

- India is self-sufficient in most paper segments, except for Newsprint and higher grades of W&P papers on account of non-availability of superior quality of pulp. ~60% of newsprint domestic demand is met through imports due to inverted duty structure, poor economies of scale & lower product quality in comparison to international producers.

Technology

The industry suffers due to use of obsolete technology. However, Malu Paper has adopted new technology in its Newsprint manufacturing plants since inception. It does not foresee any major capital investments in near future. We have invested in the latest Deinking technology and robust products of reputed European equipment manufacturers, which has paid off in the long run. The quality of Newsprint manufactured by us can be considered equivalent to the Recycled Imported Newsprint.

Impact of Rupee depreciation

As ~60% of Newsprint domestic demand in India is met through imports Rupee depreciation has increased the landed cost of the Imported Newsprint, resulting in better realisation for domestic Newsprint manufactures, who will also gradually replace the imported Newsprint.

The rupee depreciation has also made the imported waste paper costlier. However at our company, the investment in technology has helped in totally replacing the imported waste paper by domestic waste paper. This has also resulted in not being affected adversely by the recent rupee depreciation.

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. Authorities have been clearly defined and delegation of authority is done as per levels of operation. Company has established and maintained an effective management information system.

THREATS, RISKS AND CONCERNS:

- Manufacturing Newsprint through the waste paper is prevalent in India. Since India does not have a developed waste paper collection system, raw material availability is low and prices are high. To meet part of its raw material needs the industry has to rely on imported waste paper
- In an era of the World Wide Web(Internet), e-filing, email, pod cast etc., and several options to choose from, the electronic medium poses a big threat to the paper industry.
- Due to depreciation of rupee cost of imported coal is escalating.

OPPORTUNITIES & STRENGTHS:

- Demand for Writing and printing paper (W&P) is expected to rise sharply due to the government's emphasis on education. Similarly, demand for paperboard is likely to increase as a result of growth in organised retail
- Factors like change in lifestyle and socio-economic factors have led to a sharp rise in demand for packaging paper as reflected in the improved packaging of FMCG products, rising spends on healthcare and over-the-counter medicines, and increasing preference for ready-to-eat foods. Also strong demand for consumer goods has propelled demand for packaging paper.

- Demand for Newsprint to grow by 9.5-10.5 per cent CAGR over the next 5 years from 2.1 million tonnes in 2012-13 to 3.5 million tonnes in 2017-18, driven by higher literacy levels and increase in the number of pages per newspaper due to rise in corporate advertising spends.
- Due to depreciation of rupee imported Newsprint will cost more. Therefore, Import of Newsprint is forecast to decline.
- The company is aggressively using biomass as fuel, negating the effect of rise in demand & prices of coal.

CORPORATE SOCIAL RESPONSIBILITY:

Your company has always discharged its social responsibility as a part of its corporate governance philosophy. The company has lend helping hand by taking up health check up camps, drinking water supply, 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 2013 and of the profit of the company for the year ended 31st March 2013.
- 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.

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 Vasudeo Malu 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 Board of Directors.

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 them 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.

COST AUDITORS

M/S Khanuja Patre & Associates, Cost Accountants, have been re appointed as the Cost Auditors for the year ending 31st March 2014.

CORPORATE GOVERNANCE

A report on Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges together with Auditors' Certificate 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:

Your Directors wish to place on record their gratitude to Bankers, Customers, Business Associates for the co-operation and support and to the Shareholders, dealers and suppliers, staff and workers for their contribution to the company's growth.

Place: Nagpur
Date: 13-08-2013

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-2013
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	14,395,597	12,109,040
	Total amount (Rs)	94,690,926	74,147,940
	Rate/ unit	6.578	6.123
	(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	31,590,200	31,223,500
	Units per litre of fuel oil / gas		
	Cost/ unit		
2	COAL & BIO MASS:		
	Quantity (Metric Tonnes)	84789.947	101,115.59
	Total cost (Rs.)	243,511,355	286,168,887.00
	Average rate(Rs.)	2,871.94	2,830.12
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
Products unit (MT) (Kraft & News print/ Writing printing paper)	69902.068
	66,482.56
1 Electricity	657.86
2 Furnace oil	N.A.
3 Coal	1.21
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 optimum mix of Six 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. 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 Anil Rathi
 - 4 Shri Shyamsunder Sarda
- ii) **Executive Directors:**
 - 1 Punamchand Malu
 - 2 Banwarilal Malu

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 16/04/2012, 14/05/2012, 14/08/2012, 03/09/2012, 10/11/2012 and 13/02/2013 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 2012-13, 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

Name of the Director	Category	No. of Board Meetings attended	Attendance at last AGM	No. of outside Directorship in India
Shri Punamchand Malu	ED	5	YES	-
Shri Banwarilal Malu	ED	5	YES	-
Shri Damodarlal Malu	NED	2	YES	-
Shri Vasudeo Malu	NED	6	YES	-
Shri Satyanarayan Rathi	ID	6	YES	-
Shri Chandrakant Thakar	ID	2	NO	-
Shri Anil Rathi	ID	4	YES	1
Shri Shyamsunder Sarda	ID	1	NO	-

Notes-

- i. ED- Executive Director; NED Non Executive Director; ID – Independent Director
- ii. Excludes Private Limited companies.

3. AUDIT COMMITTEE:

The Audit Committee as on 31-03-2013 comprised of three independent Non-Executive Directors namely Shri Anil Rathi (Chairman of the Committee), Shri Satyanarayan Rathi and Shri Chandrakant Thakar.

Shri Anil Rathi is Chartered Accountant and possesses expert knowledge in the area of finance and accounting.

In accordance with Clause 49 of the Listing Agreement and also Section 292A of the Companies Act, 1956, the terms of reference stipulated by the Board to the Audit Committee include overseeing financial reporting process, reviewing periodic financial results, financial statements and adequacy of internal control systems with the management and adequacy of internal audit functions, discussions with auditors about the scope of audit including the observations of the auditors and discussion with internal auditors on any significant findings. The Committee also recommends to the Board the remuneration payable to the Executive Directors.

During the year under review 5 (Five) meetings were held on 14/05/2012, 14/08/2012, 03/09/2012, 10/11/2012 and 13/02/2013. The following table gives attendance record:

Sl. No.	Name of the Members of Audit Committee	Number of Meetings held	Number of Meetings attended
1	Shri Anil Rathi	5	4
2	Shri Satyanarayan Rathi	5	5
3	Shri Chandrakant Thakar	5	2

4. SHAREHOLDERS' GRIEVANCE COMMITTEE:

The Shareholders' Grievance Committee as on 31st March 2013 comprised of three Directors i.e. Mr. Satyanarayan Rathi, Mr. Chandrakant Thakar and Mr. Banwarilal Malu

The shareholder grievance committee has been constituted to attend to and redress the shareholders / investors grievances in matters such as transfer of shares, non receipts of annual reports, dematerialization of shares etc.

The Committee met on 10/11/2012 in which all the directors were present.

5. THE LOCATION AND TIME OF THE LAST 3 ANNUAL GENERAL MEETINGS:

Financial year	Location	Date & Time of AGM
2011-12	Heera Plaza, 4 th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 8.	28-09-2012 at 3.00 PM
2010-11	Heera Plaza, 4 th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 8.	29-09-2011 at 3.00 PM
2009-10	Heera Plaza, 4 th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 8.	21-09-2010 at 3.00 PM

No Special Resolutions were passed at the annual general meetings: