



MALU PAPER
MILLS LTD.

ANNUAL REPORT

FOR THE YEAR

2016-17

**Heera Plaza, 4th Floor,
Near Telephone Exchange,
Central Avenue,
Nagpur – 440 008**

Phones : 0712-2760308, 2778506, 2733100

Fax : 0712- 2760310

Email : info@malupaper.com

MALU PAPER MILLS LIMITED

Founder

Late Shri Bhanwarlal Malu
(1924 - 2007)

Non Executive Chairman

Shri Damodar Lal 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 Shyamsunder Sarda
Smt. Shrutika Inani

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

CONTENTS

• Notice	01
• Directors' Report	06
• Corporate Governance Report	32
• Auditors' Report	39
• Balance Sheet	49
• Profit & Loss Account	50
• Cashflow Statement	51
• Schedules	52

MALU PAPER MILLS LIMITED

Regd. Office: Heera Plaza, 4th floor, Near Telephone Exchange, Nagpur -400008
CIN:L15142MH1994PLC076009

NOTICE

Notice is hereby given to the members of Malu Paper Mills Limited that the 24th Annual General Meeting of the members will be held on Wednesday, the 27th day of September, 2017 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 2017 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 a Director in place of Shri Damodarlal Malu (DIN: 00301120), who retire by rotation and being eligible, offer himself for re-appointment.
3. To appoint a Director in place of Shri Vasudeo Malu (DIN: 00301313), who retire by rotation and being eligible, offer himself for re-appointment.
4. To appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the 25th Annual General Meeting and to fix their remuneration and to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139 of the Companies Act, 2013, the Companies (Audit and Auditors) Rules, 2014, (including any re-enactment or modification thereto), and such other applicable provisions, if any, M/s. R. A Kuvadia & Co., Chartered Accountants, Mumbai, be and are hereby appointed as the Statutory Auditors of the Company in place of M/s, Demble Ramani & Co., Chartered Accountants, Nagpur, retiring auditor on completion of their tenure as stipulated under section 139 of the Companies Act 2013 and other applicable provisions, if any, to hold Office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting, at a remuneration as may be decided by the Board in consultation with them.”

SPECIAL BUSINESS:

5. To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2018 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Khanuja Patra & Associates, Nagpur, the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year 2017-18 ending on March 31, 2018, be paid the remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution.”

Registered Office:

Heera Plaza, 4th floor,
Central Avenue
Nagpur- 440008
Date: 11th August, 2017

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

Sd/-

Punamchand Malu
Managing Director
(DIN:00301030)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING 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.**

PROXIES SUBMITTED ON BEHALF OF THE COMPANIES, SOCIETIES, ETC. MUST BE SUPPORTED BY AN APPROPRIATE RESOLUTION / AUTHORITY, AS APPLICABLE. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.

2. The Statement pursuant to section 102(1) of the Companies Act, 2013 in respect of the business set out under the notice is annexed hereto.
3. The Register of Members and share transfer books of the Company will remain closed from 18th September 2017 to 27th September 2017 both days inclusive.
4. 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 Annual General Meeting and will also be available for inspection at the meeting.
5. Members/Proxies should bring attendance slips duly signed for attending the meeting.
6. Members holding shares in dematerialised form are requested to notify all the changes with respect of their address, e-mail id, ECS mandate and bank details to their depository participant.

Members (those holding shares in the physical form only) are requested to notify / send the following to the Registrar/ Transfer Agent,

- a. Particulars of their bank account and e-mail id, in case the same have not been sent earlier;
 - b. Any changes in their address/e-mail id/ECS mandate/ bank details;
 - c. Share certificate(s) held in multiple accounts in identical name or joint names in the same order of names, for consolidation of such shareholding in one account.
7. For the convenience of the members, an attendance slip is annexed with the proxy form. Photocopies of the slip will not be entertained for issuing gate pass for attending annual general meeting. However in case of non- receipt of notice of annual general meeting, members are requested to write to the company at its head office for issuing duplicate of the same. Members are requested to affix their signature at the space provided and fill up the particulars and hand over the attendance slip at the place of the meeting.
 8. Members/Proxy holders are requested to bring their copies of the annual report with them to the annual general meeting, as extra copies will not be provided.
 9. Any member desirous of getting any information on accounts or operations of the company is required to forward his/her queries to the company at least ten days prior to the meeting so that the required information can be made available at the meeting.

10. The copy of notice shall also be made available at our official website www.malupaper.com. In case any shareholder could not receive the same, he can download it or go through our website.
11. For any communication, the shareholders may also send requests to the Company's investor email id info@malupaper.com
12. Pursuant to the provision of section 108 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Management and Administration) Rules, 2014 as amended and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations), the company is pleased to provide to its members facility to exercise their right to vote on resolutions proposed to be passed in the Meeting by electronic means. The members may cast their votes using an electronic voting system from a place other than the venue of the Meeting ('remote e-voting').
13. The facility for voting through ballot paper shall also be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.
14. The instructions for shareholders voting electronically are as under:
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations), the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
 - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
 - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
 - IV. The remote e-voting period commences on 23rd September, 2017 (9:00 am) and ends on 26th September, 2017 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 20th September, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
 - V. The process and manner for remote e-voting are as under:
 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :
 - (i) Open email and open PDF file viz; "MPML remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

- (ii) Launch internet browser by typing the following URL :
<https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select "EVEN" of "Malu Paper Mills Ltd".
- (viii) Now you are ready for remote e-voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to scrutinizers@malupaper.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

- i. Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

<u>EVEN (Remote e-voting Event Number)</u>	<u>USER ID</u>	<u>PASSWORD/PIN</u>
---	-----------------------	----------------------------

- ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 20th September, 2017.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 20th September, 2017, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or santosh.jaiswal@linkintime.co.in.

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM).
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XIII. Ms. Yuga Kothalkar Company Secretary (Membership No. 028673) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.malupaper.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013.

ITEM NO. 5

The Board, on the recommendation of the Audit Committee, has approved the appointment of Shri Deepak Khanuja Partner of M/s. Khanuja Patra & Associates as Cost Auditor to conduct the audit of the cost records of the Company for the financial year 2017-18 ending on March 31, 2018 at the Audit Fees of Rs.45,000 (Rupees Forty five Thousand only).

None of the Directors and Key Managerial personnel or their relatives of the Company are in anyway concerned or interested, financially or otherwise, in the resolution set out at Item no. 5 of the Notice.

Registered Office:

Heera Plaza, 4th floor,
Central Avenue
Nagpur- 440008
Date: 11th August, 2017

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

Sd/-

Punamchand Malu
Managing Director
(DIN:00301030)

MALU PAPER MILLS LIMITED

REPORT OF BOARD OF DIRECTORS.

The Directors have pleasure in presenting the 24th Annual Report for the year ended 31st March 2017 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

FINANCIAL RESULTS:

	(Rs. In Lakhs)	
	FY 2016-2017	FY 2015-2016
Sales & Other Incomes	253,46.68	230,01.31
Profit Before Interest & Depreciation	22,55.58	23,17.26
Less: Financial Charges	13,50.00	15,63.01
Profit Before Depreciation	9,05.58	7,54.25
Less: Depreciation	4,79.91	4,70.53
Less: Provision For Tax	1,32.50	88.40
Profit/(Loss) After Tax	2,93.17	1,95.32

REVIEW OF 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.253,46.68 Lakhs and booked profit before tax of Rs.4,25.67 Lakhs.

MANAGEMENT REVIEW: 2016-17

PAPER INDUSTRY SCENARIO

This was a difficult year for the pulp and Paper industry worldwide as the demand has grown at very slow pace of about 1%. The muted growth worldwide has been due to increase in digitization in developed and developing countries for the writing and printing segment, in the paperboard segment the growth has been slow due to China's demand contraction and the Newsprint industry is affected by the growth of e-newspapers in developed countries, however in developing countries there is growth in the market due to rise in literacy level and income growth. There was a marked slowdown in the overall capacity addition globally, as companies concentrated on raising the capacity utilisation and conversion of facilities for suitable grades. The lower new capacity addition will lead to increase in operating rates in the coming years. The demand growth is likely to outpace the capacity addition in the coming years. The growing capacity utilization might see some hardening in the recovered paper price in the coming years, but this is likely to stabilize as pulp supply is likely to increase due to increased availability of pulp in the market as new capacities come up in South East Asia and South America.

The Indian Paper & Paper board industry will continue to grow at a CAGR of 6-7% during the next 5 years to approx 19.8 million tons. The segment wise break up and usage of paper & paper products in India in FY 2017 is Writing & Printing Paper 30%, Packaging and Paperboard around 47%, Newsprint 19% and Speciality and other paper about 5%. The segment wise share is likely to remain same in coming years. The segment wise growth will be lead by speciality paper at around 9-10% as the economy matures, followed by paperboard at 7-8% , Writing and Printing paper at 5-6% and Newsprint at 4.5-5%.

The Indian paper industry continues to remain fragmented in nature due to logistics costs and scattered demand over the large landscape. The paper industry caters to the regional demands and this limits the large volume capacity addition. The overall growth in the W&P segment is expected to be at 5.5%-6.5%. The W&P paper demand will be lead by the Copier and Coated paper where the copier paper is expected to grow at 9-9.5% and Coated paper at 5%. The maplitho and creamwove segment will continue to grow at a pace of about 4%.

Newsprint demand is expected to grow at a moderate pace of about 4-5% over the next couple of years, the demand will be driven by the gradual rise in the literacy rates and steady growth of Newspaper circulation at about CAGR of 3-3.5%. There is unlikely to be any new capacity addition in the Newsprint segment, the share of imports may rise to about 68% and the capacity utilization of the domestic producers will also rise. The industry will also be supported by rise in the advertisement revenue due to increased economic activity of a proactive government, leading to increase in the number of pages per copy.

The demand of Paper and Paper Board is set to rise to robust 7-8%. The demand is expected to be led by FMCG and Pharmaceuticals due to the growth in the rural markets, availability of credit for consumer durables and increasing spend on the health care. The electronics and e-commerce are other sectors which will lead the demand growth. The rising affordability leading to shorter replacement cycles, multiple ownership of durable products and rise in e-commerce which fulfills the aspiration of the people in the remotest corner of India is going to be the demand generator in the economy. The increased use of packaging of fruits and vegetables also lends its share in increasing the demand for the paper board.

The per capita consumption of paper in India is a mere 11-12 kg in comparison to world average of 57 kg. The growth of paper industry is directly correlated to the growth in the economy, with the Indian economy expected to grow at a healthy pace, the paper industry will perform better in the coming years.

FUTURE OUTLOOK

The implementation of the GST law, which is the single biggest change in the business environment of modern India alongwith the emphasis of the Central Government in curtailing the unreported economic activity is going to be a big disruptor. This is going to transfer the scale in favour of more organized and formal economic activity. The implementation of the GST has removed the trade barriers caused by individual state taxation and smoothened the flow of goods across state borders. The growth prospects of paper & paper board industry are closely aligned with that of the economy in general and the growth in paper industry has historically followed the national GDP growth rate. The company is located centrally and equidistant from major markets. Therefore, the implementation of the GST act will open new frontiers and possibilities for the company.

In the recent past the paper industry has seen consolidation of capacities where in small and marginal players have closed down and efficient responsive managements have increased the production capacities by brownfield and green field expansions. There has been a shake up in the writing and printing paper segments where even the established producers have been forced to close down production. The demand growth forecast and closure of existing plants has opened new avenues for the existing players. The industry is poised to witness increased capacity utilisations and realisations in coming years.

Our company has been actively participating in the ongoing changes in the industry keeping in line with the trends in the industry. The company has focused on increasing the production of packaging and paper board segment as the robust growth in e-commerce, FMCG, Consumer goods, Healthcare etc. is likely to drive the paper board demand in coming years. The company has also focused in increasing its share in W&P segment as rising literacy, school enrolment drive and formalization of the economy will lead to increased growth in this segment. The company has been focused on its Newsprint business, it is likely to benefit from implementation of the GST as it will be able to get credit on the input tax under the GST regime. The major customers are situated in away states, they will be able to take the benefit of input tax credit, making the products of the company more competitive. The governments focus to kick start the economy by focusing the expenditure on infrastructure thereby increasing the print advertisement spend which is expected to increase the number of pages and copies of newspaper. Increase in the general level of literacy and continued rise in the readership will further add to the growth prospects of the Newsprint Division. The company has been adapting its product portfolio to compete in emerging market conditions.

The company is likely to witness the benefits of better realisation in the coming year due to the change in the business environment, efforts taken by it in the past years to increase the quality & production and to diversify its product portfolio. The company continues to focus on the long term and it continues its drive for sustainable growth.

INTERNAL CONTROL SYSTEM:

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:

- Availability of raw materials.
- Cyclical nature of the paper industry.
- The capital intensive nature of the industry.
- Digitisation to impact Newsprint and W&P demand in very long term.

OPPORTUNITIES & STRENGTHS:

- Robust growth in e-commerce FMCG, Consumer goods to drive paper board demand.
- Increasing literacy and enrolment ratio at schools to drive the Newsprint and W&P paper demand.
- The environment protection measures taken by Govt. and promotion of bio degradable packaging is leading to newer avenues for paper packaging.
- W&P demand to witness growth due to increase in office paper consumption as a result of formalization of economy after implementation of the GST act.
- Paper industry growth is directly linked to growth in economy, Indian economy is poised for a double digit growth.
- Focus of the Govt on Non conventional energy and debottlenecking of the power sector leading to reliable supplies and lower tariffs will support the power intensive paper industry.

CORPORATE SOCIAL RESPONSIBILITY:

The Company is not required to constitute CSR Committee as per the provisions of Section 135 (1) of the Companies Act 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014. However, 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 plant premises and in the vicinity of its plant.

PUBLIC DEPOSITS

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

DETAILS OF DIRECTOR / KEY MANAGERIAL PERSONNEL APPOINTED/ RETIRED DURING THE YEAR

Shri Damodarlal Malu (DIN 00301120) and Shri Vasideo Malu (DIN 00301313), Directors retire by rotation at the ensuing annual general meeting and being eligible offers themselves for re-appointment.

DECLARATION BY DIRECTORS

The Company has received declaration from all the Independent Directors under section 149(7) of the Companies Act, 2013 in respect of meeting the criteria of independence provided under section 149(6) of the said Act.

DIRECTORS RESPONSIBILITY STATEMENT FORMING PART OF DIRECTORS REPORT:

As required under Section 134(5) of the Companies Act, 2013, the Director's confirm that: