

76th

Annual Report 2010-11



THE MYSORE PAPER MILLS LIMITED





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76th Annual Report

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BOARD OF DIRECTORS

1. GOVERNMENT DIRECTORS :

SHRI ARAGA JNANENDRA, Ex-MLA
CHAIRMAN

SHRI PADAM KUMAR GARG, IPS
MANAGING DIRECTOR, (FROM 02.02.2011)

SHRI K JOTHIRAMALINGAM, IAS
(FROM 20.05.2011)

SHRI AJAY SETH, IAS

SHRI V.P. BALIGAR,
(FROM 23.01.2010 TO 20.05.2011)

2. ELECTED DIRECTORS

SHRI M LAKSHMINARAYANA, IAS

SHRI KAUSHIK MUKHERJEE, IAS.
(FROM 11.08.2011)

SHRI S. PARAMESWARAPPA. IFS, (RETD)

SHRI C. SHIVASHANKAR

SHRI C.B. PATIL OKALY

3. NOMINEE DIRECTORS :

SHRI P.V. SRINIVAS (IFCI)

4. GENERAL MANAGER & COMPANY SECRETARY :

SHRI H.S.N. RAO

5. AUDITORS :

VISHNU, RAJENDRAN & COMPANY
CHARTERED ACCOUNTANTS
NO. 2133, 1ST FLOOR,
15TH MAIN ROAD
GOKULAM
BANGALORE - 560 008

6. LEGAL ADVISOR

SHRI M.R.C. RAVI
(M/S ILPM CONSULTANTS)

7. BANKERS :

STATE BANK OF MYSORE

STATE BANK OF INDIA

CANARA BANK

INDIAN BANK

VIJAYA BANK

HDFC BANK LIMITED



THE MYSORE PAPER MILLS LIMITED

REGD.OFFICE, 16/4, ALI ASKER ROAD

BANGALORE - 560 052

NOTICE:

NOTICE is hereby given that the **SEVENTYSIXTH ANNUAL GENERAL MEETING** of the members of The Mysore Paper Mills Limited will be held on **Friday, the 30th September, 2011, at 2.30 p.m.**, at KAS Officers Association, # 1/1, (Near Police Commissioner's Office), Infantry Road, Bangalore – 560 052, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31ST March, 2011 along with the Auditors' Report thereon and comments of the Comptroller and Auditor General of India.
2. To appoint a Director in place of Sri. C. Shivashankar, who retires by rotation and being eligible, offers himself for re-appointment.
3. **To consider and, if thought fit, to pass, with or without modifications the following resolution as an Ordinary Resolution:**

"RESOLVED THAT consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 3,25,000/- (Rupees. Three lakhs twenty five thousand only) for FY 2010-11 to M/s. Vishnu Rajendran & Co., Bangalore, Statutory Auditors, besides reimbursement of travelling and out of pocket expenses at actuals subject to other terms and conditions laid down by the Office of the Comptroller and Auditor General of India in their letter No. CA V/COY/ KARNATAKA, MPAPER(1) /1108 dated 26.08.2010".

SPECIAL BUSINESS:

4. **To consider and, if thought fit, to pass, with or without modifications the following resolution as an Ordinary Resolution:**

"RESOLVED THAT Sri. Kaushik Mukherjee, IAS, who was appointed as a Director pursuant to Sec. 262 of the Companies Act, 1956 read with Article 107 of the Articles of Association of the Company, at the Board Meeting held on 11-08-2011 and who holds office as such upto the date of the Annual General Meeting and in respect of whom a Notice under Sec.257 of the Companies Act, 1956 has been received in writing from a member signifying his intention to propose Sri. Kaushik Mukherjee, IAS, as a candidate for the office of the Director of the Company, be and is hereby appointed as a Director of the Company".

REGISTERED OFFICE:

16/4, Ali Asker Road,
Bangalore – 560 052
Date: 11.08.2011.

By the order of the Board
For The Mysore Paper Mills Ltd.,

H.S.N. RAO
COMPANY SECRETARY



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. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED WHICH SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED AND SIGNED NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Register of Members and the Share Transfer Books of the Company will remain closed from 23-09-2011 to 30-09-2011 (both days inclusive).
3. Members are requested to intimate any change in their address to the Registrar & Transfer Agent quoting their Registered Folio Number.
4. Members are requested to bring their copy of Annual Report to the Meeting.
5. Members desiring any additional information on Accounts and operation of the Company at the Meeting are requested to write to the Company at least 7 days in advance of the Annual General Meeting, so that, information may be made readily available.
6. Ministry of Corporate Affairs has announced "Green Initiatives in the Corporate Governance" and permitted Companies to serve notices / documents including Annual Reports to the members of the Company on their registered e-mail addresses. All those shareholders who have not yet registered e-mail IDs or holding shares in the physical form and wish to receive the same through e-mail are requested to register their e-mail IDs with the Company's Share Registrar and Transfer Agents. The form is appended which may be sent in the business reply envelope, the postage on which will be paid by the Company. The members holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants.
7. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

REGISTERED OFFICE:
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Date: 11.08.2011.

By the order of the Board
For The Mysore Paper Mills Ltd.,

H.S.N. RAO
COMPANY SECRETARY



ANNEXURE TO THE NOTICE

Explanatory statement as required under Section 173(2) of the Companies Act 1956:

Item No. 4

Sri Kaushik Mukherjee, IAS was appointed as a Director of the Company by the Board at its meeting held on 11-08-2011 in the casual vacancy caused by the resignation of Ms Meera C. Saxena, IAS, under Section 262 of the Companies Act, 1956 read with Article 107 of the Articles of Association of the Company. He shall hold office only upto the date of the Annual General Meeting of the Company, but shall be eligible for appointment by the Company as a Director subject to the provisions of the Companies Act, 1956. Hence, it is proposed to appoint him as a Director of the Company.

Sri Kaushik Mukherjee, IAS is presently working as Principal Secretary to the GOK, Forest, Ecology and Environment Department, Bangalore. Sri Kaushik Mukherjee is also a Director on the Boards of Karnataka Forest Development Corporation, Karnataka State Forest Industries Corporation, Karnataka State Handicrafts Development Corporation. His appointment as a Director on the Board of the Company will be of immense help to the Company. In view of this, the Board strongly commends the resolution by the shareholders for his appointment as a Director of the Company. A notice under Section 256 of the Companies Act, 1956 has been received in writing from a member of the Company signifying his intention to propose the name of Sri Kaushik Mukherjee for appointment as a Director of the Company. In terms of provisions of the Articles of Association of the Company, 500 shares of Rs.10/- each are held by him as qualification shares .

None of the Directors of the Company except Sri Kaushik Mukherjee is in any way directly or indirectly concerned or interested in the said resolution.

REGISTERED OFFICE:
16/4, Ali Asker Road,
Bangalore – 560 052
Date: 11.08.2011.

By the order of the Board
For The Mysore Paper Mills Ltd.,

H.S.N. RAO
COMPANY SECRETARY



DIRECTORS' REPORT

To the Members,

1. The Directors wish to present the 76th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2011.

2. OPERATIONAL RESULTS :

The operational results for the year under review are as follows:

(Rs. in Lakhs)

	FY2010-11	FY2009-10	% Change
I PRODUCTION (Qty.in MT)			
Writing & Printing Paper	43050	46833	-8.08
Newsprint	33608	34246	-1.86
TOTAL	76658	81079	-5.45
Sugar	27402	8020	241.67
II SALES (Qty. in MT)			
Writing & Printing Paper	47137	41324	14.07
Newsprint	33642	44895	-25.07
TOTAL	80779	86219	-6.31
Sugar	14470	20382	-29.00
III TURNOVER (Rs. in Lakhs)			
Writing & Printing Paper	19709	16886	16.72
Newsprint	9806	11375	-13.79
TOTAL	29515	28261	4.44
Sugar	3943	5173	-23.74
Molasses	268	309	-13.27
TOTAL TURNOVER	33726	33743	-
IV OPERATING LOSS	-5521	-5004	
V Interest	1918	1709	
VI CASH LOSS	-7439	-6713	
VII Depreciation	1039	1010	
VIII NET (- Loss) (Rs. In Lakhs)	-8478	-7723	
IX Balance of loss brought forward	10925	3202	
X Total loss carried to Balance Sheet	19403	10925	



It may be seen from the above that during the year under review the production of WPP and NP was less by 8.08 % and 1.86% respectively. The overall decrease in production of paper was 5.45 % from 81079 MT in FY 2010 to 76658 MT in FY 2011 ie less by 4421 MT. In spite of decrease in production of WPP the quantity sold has increased by 14.07% where as in case of NP it was decreased by 25.07%, thereby overall decrease in the quantity of paper sold was also less by 6.31% from 86219 MT to 80779 MT ie less by 5440 MT.

While the quantity wise sale of WPP has gone up by 14.07% and the turnover also up by 16.72%, which was mainly on account of increase in quantity sold coupled with improvement in average net realization. Quantity wise sale of NP and turnover was decreased by 25.07% & 13.79% respectively. The overall increase in turnover of paper was 4.44% from Rs.283 Crore during FY 2010 to Rs.295 Crore during FY 2011.

The production of sugar has gone up by 241.67% due to increase in cane crushing activity and recovery in FY 2011. However, there was decrease in sales in terms of quantity by 29 % due to lesser release from government. The turnover of Sugar was Rs.42.11 Crore as against Rs. 54.82 Crore in the previous year (ie less by 23.18 %) which was due to non sale of levy sugar. The total turnover of the Company was in the region of Rs.33726 lakhs as against the previous year's turnover of Rs.33743 lakhs.

During the year, the company had incurred operating loss, Cash loss and Net loss of Rs. 55.21 Crores, Rs.74.63 Crores and Rs.84.78 Crores compared to previous year losses of Rs.50.04 Crores, Rs.67.13 Crores and Rs.77.23 Crores respectively.

During the year 2010-11 overall capacity utilization suffered badly due to:

- Adverse market for News Print.
- Lack of infrastructure to produce adequate quantity of Hardwood Chemical Pulp to keep all the four Machines running to produce Writing and Printing Paper.
- Shortage of Raw material (Bagasse).
- Shortage of purchased Pulp coupled with increase in pulp prices.

Production on PM-4 continued as combination of WPP and NP depending on availability on Hardwood chemical Pulp and market requirement. CW – Elegant made on PM-4 has good realization and its quality well accepted in the market. MPM note books introduced last year has good market potential. The Company has outsourced the note book manufacturing activity to an external agency. Manufacturing facility is located inside the Mill premises for better co-ordination and quality control. GOK has placed order on MPM for supply of Note Books for its "Vidya Vikas" scheme.



3. EROSION OF NETWORTH :

The total net loss including the accumulated losses as on 31.03.2011 was in the region of Rs.19403 lakhs which has exceeded the entire net worth of Rs.11889 lakhs thereby, the Company has become a Sick Company under the provision of the Sick Industrial (Special Provisions) Act 1985. As required by the said Act, a reference will be made to the Board for Industrial and Financial Re-construction (BIFR) for determination of measures to be adopted by the Company.

4. PROJECTS :

As already informed the Company has taken up Rotary Lime Kiln Project in order to meet the stringent environmental norms costing about Rs.35 crores. The civil contractor has been appointed and the civil work in all respect is expected to be completed by February 2012. Further, the Company has also taken up De-inking plant of 200 TPD costing around Rs.125 crores which would help the Company in cost reduction. M/s SPB-PC have been appointed as Project Management Consultants. It is expected that De-inking plant will be commissioned by March 2013.

5. MANAGEMENT DISCUSSION & ANALYSIS :

Segmentwise analysis and operational performance of each of the business segments have been comprehensively covered in the Management Discussion & Analysis which forms part of this Directors' Report.

6. CASH FLOW ANALYSIS :

In conformity with the provisions of the Listing Agreement, the cash flow statement for the year ended 31st March, 2011 is included in the annual accounts.

7. CAPTIVE FORESTRY :

The Forest Wing has supplied 131206 M.T. of pulpwood by harvesting about 3381 ha. of captive plantations during 2010-11.

The Hon'ble High Court in W.P. No.14644/1998 has ordered to surrender 2439.03 ha. of plantation area raised in revenue lands from 2010-11 to 2014-15 after harvesting the trees grown by MPM in a phased manner. An expert committee was formed by the Hon'ble High Court by involving Sri. A.N. Yellappa Reddy, IFS., (Retd.) Former Secretary, Department of Environment and Forests, Government of Karnataka who volunteered on behalf of the petitioners for discussion so that the purpose of MPM remain as sustainable as it is today. Accordingly, the committee has submitted the report to the court and on recommendation of the committee the Hon'ble High Court has directed the State and Central Governments to take appropriate steps to monitor the forestry works of MPM on the Forest lands leased to the Company.

The lease rentals from 1991-92 to 2000-2001 and from 2001-02 to 2010-11 are yet to be settled with the Karnataka Forest Department wherein most of the dues have been paid by the Company upto 2000-2001 by surrendering 12.5% of plantation crop and the lease rent is adjusted towards the tree crop surrendered in Wildlife area in the later period from 2001-02 to 2010-11.