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MADHYADESH PAPERS LTD.

10TH ANNUAL REPORT 2002-2003



MADHYADESH PAPERS LIMITED



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MADHYADESH PAPERS LIMITED

BOARD OF DIRECTORS	:	SHRI VINOD MAHESHWARI	Chairman
		SHRI NIMISH V. MAHESHWARI	Managing Director
		DR. S. L. KESWANI	Director
		SHRI KIRAN SOMALWAR	Director
		SHRI VINAY PANSARI	Director
AUDITORS	:	M/S. KHATRI & IYER, Chartered Accountants, 117, Zal Complex, Residency Road, Sadar NAGPUR - 440 001.	
BANKERS	:	STATE BANK OF INDIA Industrial Finance Branch, Bharat Nagar, NAGPUR - 440 010	
		THE FEDERAL BANK LIMITED Ramdaspath, NAGPUR - 440 010	
REGD. OFFICE	:	NAVA BHARAT BHAWAN, Chatrapati Square, Wardha Road, NAGPUR - 440 015 PH. : 0712-2274013, 2274014 FAX : 0712-2274015.	
PLANT	:	Village	: Manegaon
		Taluka	: Saoner
		Dist.	: NAGPUR
		PH.	: 07113-232400, 232398
		FAX	: 07113-232401

MADHYADESH PAPERS LIMITED**NOTICE TO MEMBERS**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of MADHYADESH PAPERS LIMITED will be held on Tuesday, the 30th September, 2003 at 10.30 A.M. at Nava Bharat Bhavan, Chatrapati Square, Wardha Road, Nagpur - 440 015, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2003 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To re-appoint a Director in place of Dr. S. L. Keswani who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

- 4) To consider and if thought fit, to pass with or without modification(s), the following resolution, as an ordinary resolution :

"RESOLVED THAT Shri Kiran Somalwar who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, upto the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- 5) To consider and if thought fit, to pass with or without modification(s), the following resolution, as an ordinary resolution :

"RESOLVED THAT Shri Vinay Pansari who was appointed as an Additional Director of the Company by the Board of Directors, who holds office under Section 260 of the Companies Act, 1956, upto the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office :

Nava Bharat Bhavan,
Chatrapati Square,
Wardha Road,
NAGPUR - 440 015

By Order of the Board,

Nimish V. Maheshwari
Managing Director

Dated : July 31, 2003

MADHYADESH PAPERS LIMITED**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 AND THE PROXY NEED NOT BE A MEMBER.**
2. The Register of Members and Share Transfer Books of the Company will remain closed on Tuesday, the 30th September, 2003.
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1998 which remained unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1998 are requested to make their claims to the registered office of the Company. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claims shall lie in respect thereof.
4. Members are requested to :
 - a) Intimate to the Company the changes, if any, in their registered addresses along with Pin Code Number.
 - b) Quote their Folio Number.
5. Members who have multiple folios with identical order of names are requested to intimate the Company regarding these folios to enable the Company to consolidate all shareholdings into one folio.
6. A blank proxy form is sent herewith.
7. The instrument appointing proxy should however, be deposited at the registered office of the Company not less than 48 hours before the time appointed for the Meeting.
8. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance from the date of Meeting.
9. Members are requested to bring their copies of the Annual Report to the Meeting.
10. The Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
11. Members are requested to make all correspondence relating to share transfer (both in Physical & Demat form) to our Share Transfer Agent, M/s. Adroit Corporate Services Pvt. Ltd., 19, Jaferbhoy Industrial Estate, 1st Floor, Makwana Road, Marol Naka, Mumbai - 440 059.

MADHYADESH PAPERS LIMITED



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NOS. 4 & 5 :

The Board of Directors of the Company appointed Shri Kiran Somalwar and Shri Vinay Pansari as Additional Directors of the Company with effect from July 31, 2003. Shri Kiran Somalwar and Shri Vinay Pansari hold office of Director upto the date of ensuing Annual General Meeting.

The Company has received notices in writing from the members of the company alongwith the requisite deposit of Rs. 500/- each, proposing the candidature of Shri Kiran Somalwar and Shri Vinay Pansari under the provisions of Section 257 of the Companies Act, 1956.

In view of substantial increase in the activities of the Company and for complying with the provisions of clause 49 of the Listing Agreement, your Directors thought that the continued association of Shri Kiran Somalwar and Shri Vinay Pansari would be of immense value to the Company.

The appointment of Directors requires the approval of the members by ordinary resolution.

The Directors recommend that the resolutions be passed.

None of the Directors of the Company is in any way concerned or interested in the resolution.

MADHYADESH PAPERS LIMITED**DIRECTORS' REPORT**

To the Members of 'MADHYADESH PAPERS LIMITED'

Your Directors have pleasure in presenting their Tenth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

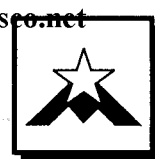
(RUPEES)

SALES AND OTHER INCOME		<u>29,07,56,918</u>
Gross Profit		4,42,05,398
Less : Financial Charges	4,34,96,588	
Depreciation	<u>2,09,25,364</u>	
		<u>6,44,21,952</u>
Profit Before Tax		(2,02,16,554)
Less : Provision For Taxation		<u>0</u>
Profit after Tax		(2,02,16,554)
Add: Surplus Brought Forward		<u>7,37,69,398</u>
		5,35,52,844
Less : Appropriations		
: Transfer to General Reserves		<u>0</u>
Balance carried forward		<u><u>5,35,52,844</u></u>

REVIEW OF OPERATIONS :

During the year under review, there was an increase in production of Newsprint from 17315.906 MT in the previous year to 17693.650 MT in the current year thereby recording a growth of 2.18% with a capacity utilisation of 81.23%. The Company is in the process of evaluating new strategies to further enhance the production capacity so as to reach its optimum level.

However, due to the continuous downward trend prevailing in the Newsprint Industry on account of falling newsprint prices and the recessionary pressure owing to cheaper imports coupled with rise in raw material cost, the sales turnover of your Company has fallen from Rs. 3349.02 Lacs in the previous year to Rs. 2876.77 Lacs in the current year. Consequentially, the gross profit of your Company has also reduced from Rs. 511.53 Lacs in the previous year to Rs. 442.05 Lacs in the current year. The above factors

MADHYADESH PAPERS LIMITED

together with increased interest burden and depreciation have adversely affected the performance of the Company and for the first time your Company has incurred a loss of Rs. 202.17 Lacs in the current year. However, your Company is gearing up to meet the present challenges being posed by the above factors and is evaluating and implementing strategies to sustain its growth both in terms of production and profitability in this present uncertain and recessionary scenario in which it operates.

STATUS OF CO-GENERATION POWER PLANT :

The Co-generation Power Plant after having been commissioned on 15th December, 2001 is operating successfully and providing uninterrupted power and steam to the Paper Plant at a considerable low cost. The reduced cost of power has aided the Company in bringing down its losses to a considerable extent. The Company has also been able to increase its production capacity due to continuous supply of power occasioned by the said Plant.

FUTURE OUTLOOK :

The Co-generation Power Plant by providing uninterrupted power and steam at reduced cost, will assist the Company in registering growth and profitability in the years to come.

The Hot Dispersion and the two stage De-inking facility will enable the use of cheaper raw material and will bring about an improvement in the product quality, thus helping the Company in sustaining its growth and competitiveness, despite the recessionary environment in which it operates.

DIVIDEND :

In view of the loss incurred by the Company and the recessionary trend still prevailing in the Newsprint Industry, your Directors have not thought it prudent to recommend any dividend for this year.

DIRECTORS :

Shri Radhavallabh Dhoot, tendered his resignation from the Board which was duly accepted at the meeting of the Board of Directors held on 31.07.2003. Your Board placed on record its appreciation of the valuable contributions and guidance rendered by him during his tenure as Director.

In view of the increased activities and compliance with the provisions of clause 49 of the Listing Agreement, the Board thought it fit to induct two new Non-Executive Independent Directors.

Accordingly, Shri Kiran Somalwar and Shri Vinay Pansari were appointed by the Board as Additional Directors of the Company to hold office upto the date of ensuing Annual General Meeting.

Dr. S. L. Keswani, Director of the Company who retires by rotation and being eligible, offers himself for re-appointment.

MADHYADESH PAPERS LIMITED**AUDIT COMMITTEE :**

The Company had constituted an Audit Committee of its Board of Directors with specified terms of reference. The vacancy in the committee, caused due to the resignation of Shri Radhavallabh Dhoot from the Directorship of the Company has been filled up by appointing the existing member of the Committee, Dr. S. L. Keswani as the Chairman of the Audit Committee. Shri Kiran Somalwar and Shri Vinay Pansari who were appointed as Additional Directors of the Company on 31.07.2003 and having consented to act as members of the Audit Committee, have already been inducted as members in the Audit Committee.

DEMATERIALISATION OF SHAREHOLDING :

The Company has already established an electronic connectivity with both the depositories viz. National Depository Securities Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its Registrar and Transfer Agent, M/s. Adroit Corporate Services Pvt. Ltd. As such, the shares of the Company are available for dematerialisation with both the Depositories.

LISTING OF SECURITIES :

The shares of the Company are presently listed on the Stock Exchange, Mumbai and the Stock Exchange, Ahmedabad. The Company has duly paid the listing fees to both the Exchanges for the financial year 2003-04.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief hereby confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the profits of the Company for the year ended 31st March, 2003 ;
- iii) proper and sufficient care has been taken 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;
- iv) the annual accounts have been prepared on a going concern basis.

AUDITORS :

M/s. Khatri & Iyer, Chartered Accountants, Nagpur retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

MADHYADESH PAPERS LIMITED**AUDITORS' REPORT :**

The Auditors' Report on the accounts of the Company for the year under review appearing hereinafter requires the following explanations:

- i) Internal audit System : In order to strengthen the present Internal Audit System vis-à-vis increasing volume of transactions of the Company, the Company has already appointed an independent qualified Chartered Accountant to head the team of employees conducting the internal audit system.
- ii) Provident Fund : The Company has already taken steps to ensure the timely deposit of Provident Fund dues with the appropriate Authority.
- iii) Income Tax : The delay in making payments of Income Tax dues has been due to slow recovery of funds from the debtors of the Company. However, the same will be paid shortly.

PARTICULARS OF EMPLOYEES :

None of the employees was in receipt of remuneration of Rs. 2,00,000/- or more per month during the year. Therefore, the particulars of employees as required under the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not furnished.

OTHER PARTICULARS :

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the statement annexed hereto (Annexure "A") and forms part of this report.

CORPORATE GOVERNANCE :

A report on corporate governance including Auditors' Certificate on compliance with the conditions of corporate governance under clause 49 of the listing agreement, is appended to this report as Annexure "B"