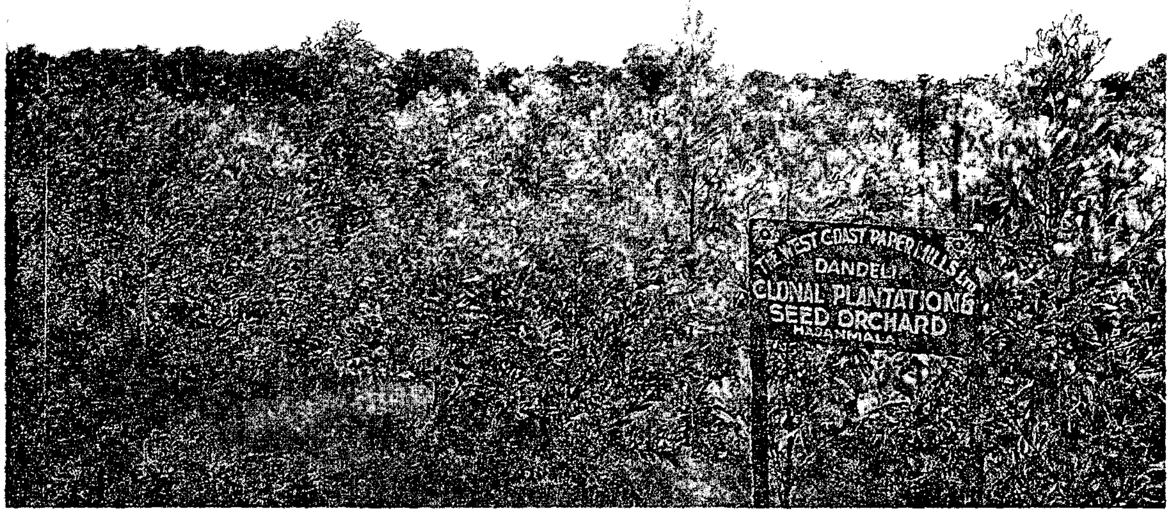
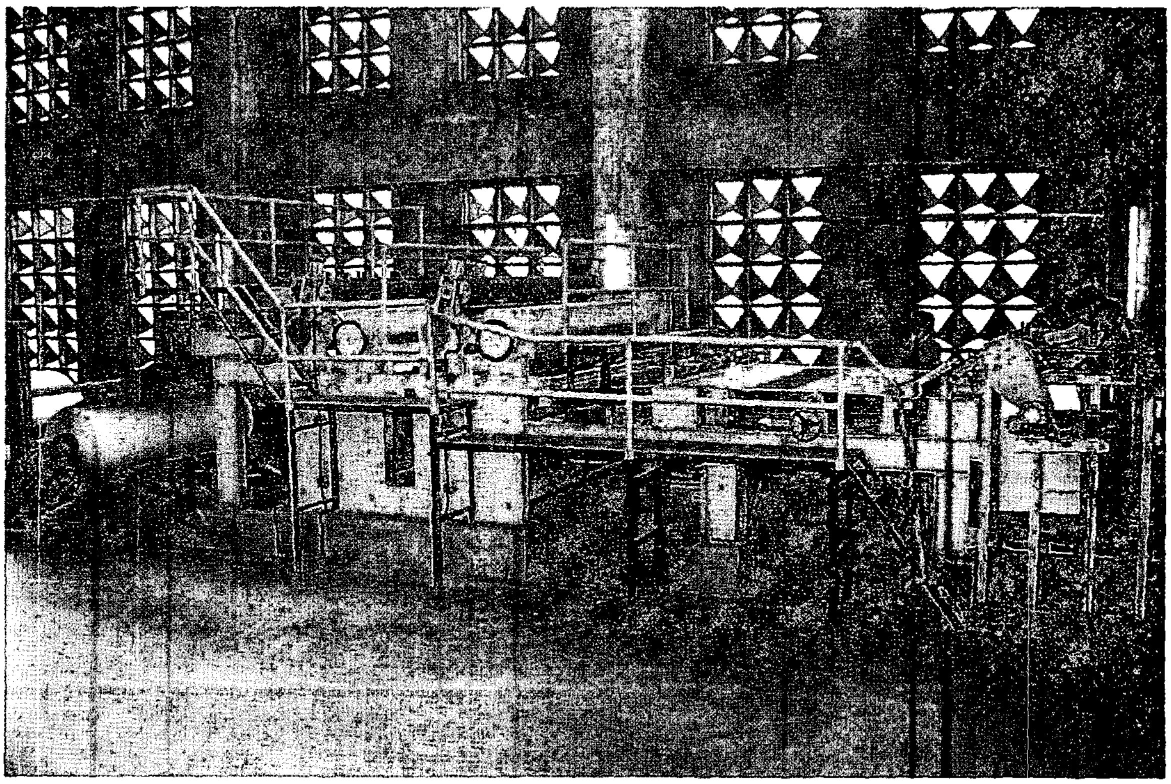
43 RD ANNUAL REPORT 1997 - 98

THE WEST COAST PAPER MILLS LTD.



User friendly technology developed for high yielding Acacia hybrid at Hasanmala Research Garden



Duplex sheet Cutter for Duplex Board

MD		BKC	
CS		DPY	
RO		DIV	
TRA		AC	
AGM		SHI	
YE			

the west coast paper mills limited

DIRECTORS

SHRI S.K. BANGUR, Chairman
SHRI V.N. SOMANI
SHRI P.N. KAPADIA
LT.GEN. (RETD.) K.S. BRAR
SHRI MADAN MOHAN MOHANKA
SHRI R.N. MODY
SMT. SHASHI DEVI BANGUR
SHRI BODHISHWAR RAI
SHRI M. PUSHPANGADAN
SHRI H.S. SANWAL, Executive Director

SECRETARY

SHRI H.K. VIJAI

REGISTERED OFFICE AND WORKS

BANGUR NAGAR,
DANDELI - 581 325
UTTARA KANNADA DIST.
(KARNATAKA)

ADMINISTRATIVE OFFICE

SHREENIWAS HOUSE,
HAZARIMAL SOMANI MARG,
MUMBAI - 400 001.

BANKERS

CENTRAL BANK OF INDIA
ORIENTAL BANK OF COMMERCE
STATE BANK OF MYSORE
SYNDICATE BANK

AUDITORS

BATLIBOI & PUROHIT
Chartered Accountants

COST AUDITOR

SHRI S. SANKARANARAYANAN
Cost Accountant

LEGAL ADVISERS

KANGA & CO.

the west coast paper mills limited

highlights

		1998	1997	1996	1995	1994
PRODUCTION						
Paper/Paper Board	Tonnes	92,889	91,715	88,255	82,309	70,966
Duplex Board	"	18,486	2,932	—	—	—
Optical Fibre Cables	Km.	1,385	408	—	—	—
Power Generation	Kwh.	5,08,79,648	2,81,94,223	63,934	—	—
SALES						
Paper/Paper Board	Tonnes	91,711	89,471	86,087	85,994	68,725
Duplex Board	"	19,159	1,199	—	—	—
Optical Fibre Cables	Km.	1,437	308	—	—	—
Power Sales	Kwh.	5,05,61,597	2,80,22,920	63,934	—	—
OPERATING RESULTS :						
Turnover	Rs./Lacs	32,615.65	28,378.68	26,434.58	20,718.43	14,883.07
Gross Profit	"	1,644.53	1,806.87	3,466.32	922.67	452.28
Depreciation	"	905.72	793.00	286.85	31.02	177.75
Taxation	"	120.00	135.00	185.00	330.00	22.00
Dividend	"	178.81	286.10	286.10	223.52	134.11
FINANCIAL POSITION :						
Gross Block	"	14,607.36	13,438.93	11,941.41	5,313.84	4,914.92
Depreciation	"	5,060.31	4,189.54	3,547.69	3,319.62	3,295.57
Net Block	"	9,547.05	9,249.39	8,393.72	1,994.22	1,619.35
Paid up Capital including share premium	"	1,077.79	1,077.79	1,077.79	1,077.79	1,077.74
Retained Earnings	"	5,297.60	4,875.48	4,311.32	1,602.95	1,264.83
Net Worth	"	6,375.39	5,953.27	5,389.11	2,680.74	2,342.57
Borrowings	"	7,316.73	5,335.74	4,755.23	1,126.31	1,103.16
Capital Employed	"	13,692.12	11,289.01	10,144.34	3,807.05	3,445.73
Equity per Share	Rs.	71	67	60	30	26
Dividend (Equity)	%	20	32	32	25	15
Debt/Equity Ratio		53:47	47:53	47:53	30:70	32:68

Name and Address of Stock Exchanges where the Shares of the Company are listed

Bangalore Stock Exchange Ltd.
Stock Exchage Towers,
No. 51, 1st Cross, J.C. Road,
Bangalore - 560 027.

The Calcutta Stock Exchange Asscn. Ltd.,
7, Lyons Range,
Calcutta - 700 001.

The Stock Exchange Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.

The Annual listing fee has been paid to the above Stock Exchanges.

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 43rd Annual General Meeting of the Members of THE WEST COAST PAPER MILLS LIMITED will be held at the Registered Office of the Company at BANGUR NAGAR, DANDELI-581 325, UTTARA KANNADA DISTRICT, KARNATAKA on Tuesday the 29th day of SEPTEMBER, 1998 at 4.00 P.M. to transact the following business:

1. To receive, consider and adopt the Directors' Report, the audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as on that date.
2. To declare dividend on Equity Shares for the year ended 31st March, 1998.
3. To appoint a Director in place of Shri M. Pushpangadan, who retires by rotation under Article 143 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P. N. Kapadia, who retires by rotation under Article 143 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Madan Mohan Mohanka, who retires by rotation under Article 143 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
6. To appoint Auditors for the current year and fix their remuneration.

BY ORDER OF THE BOARD,

Mumbai : H.K. VIJAI

Dated:13th August, 1998 SECRETARY

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 22nd day of September, 1998 to Tuesday, the 29th day of September, 1998 (both days inclusive).

3. The equity dividend when sanctioned will be payable on and after 5th November, 1998 to those equity Shareholders whose names stand on the Company's Register of Members as on 22nd September, 1998 to whom dividend warrants will be posted in due course.

4. The Shareholders are requested to intimate immediately any change in their registered address to the Company.

5. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT, AS COPIES OF THE REPORT WILL NOT BE DISTRIBUTED AGAIN AT THE MEETING.

6. Those members who have so far not encashed their dividend warrants for the years ended 31st March, 1995, 1996 and 1997 may immediately approach the Company with their dividend warrants for revalidation.

7. The amount of unclaimed dividend for the Financial Year ended 31st March, 1995 will be transferred on or before 16th November, 1998 to the General Revenue Account of The Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those who do not claim their dividend for the said financial year before that date may claim their dividend from the Registrar of Companies, Karnataka, Bangalore.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 43rd Annual Report of the Company together with the audited accounts for the year ended on 31st March, 1998:

	1997-98 Rupees	1996-97 Rupees
FINANCIAL HIGHLIGHTS :		
Gross Profit	16,44,52,972	18,06,86,563
Balance brought forward	3,75,48,103	3,11,32,346
	20,20,01,075	21,18,18,909
ALLOCATIONS :		
Depreciation	9,05,71,511	7,92,99,612
Taxation	1,20,00,000	1,35,00,000
Proposed Dividend	1,78,81,360	2,86,10,176
Provision for Corporate-Dividend tax	17,88,136	28,61,018
Transfer to General Reserve	6,00,00,000	5,00,00,000
Balance Carried Forward	1,97,60,068	3,75,48,103
	20,20,01,075	21,18,18,909

DIVIDEND :

The directors recommend payment of a Dividend of Rs. 2.00 (Rupees Two only) per equity share, without any deduction of tax at source.

PERFORMANCE :

The year under review has been the most testing and trying time in recent years for the industry in general and paper industry in particular commensurate with the general economic recession, the consequent market-glut and ever-rising cost of production. To counter such recession-ridden trends of the industry and the economy, the Company had to strive throughout the year in specific areas of maintaining the production level and quality, bringing down the mounting cost of production by procurement of essential inputs at reasonable cost and by adopting alternative measures. Such efforts have yielded the desired results and the performance of the Company has been satisfactory in the background of severe constraints, mainly due to the Company's avowed policy and philosophy of increased operational efficiency, insistence on quality and devising means of reduction in the cost of production through innovation and modernisation.

The Company has produced 92,889 MT paper and paper board during the year under review as against 91,715 MT in the previous year–an increase of 1,174 MT. The production of duplex board during the year under review was 18,486 MT as against 2,932 MT in 1996-'97–the year in which the duplex board machine was commissioned. By taking various measures, the Company could bring down the cost of production and improve the product quality, in response to the end-consumer's requirement. The duplex board was well accepted in the market.

The sale of paper and duplex board during the year was 1,10,870 MT valued at Rs. 296.43 Crores as against 90,670 MT worth Rs. 272.05 Crores last year, both inclusive of Excise duty, registering an increase of Rs. 24.38 crores-9% compared with the previous year.

However, the volume growth in sales has not been reflected in increased profits because, the glut that prevailed throughout the year in the paper/duplex board market has not only prevented the Company from increasing the sale prices but, on the contrary, compelled it to allow discounts. This, coupled with the mandatory hike in the cost of various inputs followed by intense competition, have all kept the net realisation under pressure all through.

CURRENT YEAR'S WORKING :

The production of paper/paper board and duplex board in the first four months of current year was 30,449 MT and 7,256 MT, as against 30,356 MT and 3,937 MT, respectively, during the corresponding period of previous year.

The current year so far, does not appear to show any signs of improvement in the economy. With the general slowdown in industrial activity and political uncertainty, the demand for goods and services from several industrial sectors continues to be sluggish.

However, it is expected that the demand for paper & Board will pick up in the second half of the year and the working results may improve thereafter.

OPTICAL FIBRE CABLE DIVISION AT MYSORE (SUDARSHAN TELECOM) :

The production and sale of Optical Fibre Cable during the year under review was 1385 CKms and 1437 CKms, with total turnover amounting to Rs. 826.29 lacs as against 408 CKms, 308 CKms and Rs. 149.69 lacs, respectively, in the previous year. The capacity utilisation was hardly 20% because of lack of orders and hence, the operations were not economical.

Because of excess capacity in the industry and unmatched demand for optical fibre cables and the resultant fierce competition among the manufacturers, the sale prices of all the three sizes of cable being purchased by the Department of Telecommunications have fallen over the years, rendering the operations uneconomical. The expected business from the private basic telephone services operators has not materialised, which has led to widening gap in the demand-supply scenario.

The Company has entered into technical collaboration agreement with Sumitomo of Japan, who are world leaders in Fibre Optic Technology.

Efforts are being made to reduce costs through changes in the design. The fibre prices have softened compared with those of cable but the rates of other raw material continue to rule strong. Demand from the basic operators is expected to pick up from the next financial year which may tilt the situation in favour of the cable industry.

The unit has received ISO 9002 certification from TUV Rhinland, Germany.

RAW MATERIALS :

During the year under review, the Company was able to meet its raw material requirement–wood–by procuring the same from market sources of Karnataka and adjoining States in the absence of supplies by the State Government from the reserved forests for the last over nine years. However, the uncertainty in its availability and keen competition among the users within as well as from outside the State makes the forest-based raw material the most unreliable source. Hence, allotment of degraded and waste lands by the Government to the industry is the need of the hour for raising captive plantations.

The local farmers are being motivated to raise high yielding tree crop of new species in their unproductive agricultural lands, which will be bought by the Company for use as raw materials. Further, the project for distribution of various species of good quality seedlings developed in the nurseries of the Company was continued and about 22 lacs seedlings were distributed during the year to the farmers. In order to augment the availability of raw material from the local area on a sustained basis, the Company has taken up activities and has initiated Research and Development project to develop high-yielding tree crop for paper/pulp production. Looking to the edaphic and environmental conditions, the Company is concentrating on developing Acacia hybrid clones which may produce about 60% to 80% more wood per unit area. The user-friendly technology developed by the Company can be used commercially from the next rainy season. Farmers will benefit immensely through increased productivity and better economic returns by using clonal planting stock. The subsidised seedling distribution scheme will continue and target for distribution is 4 million seedlings of different species every year.

COAL :

The Company has received 86% of its total requirement of coal by rail against–82% in the previous year–and the balance 14% by road during the year. The movement of coal from Singareni Collieries Company Ltd. was 40,877 MT against 9,500 MT last year. The said Company, as a matter of its pricing policy, has charged 20% extra from the Mill by treating it as non-core/non-linkage customer which has resulted in increased procurement rate.

The Company has taken trial of the use of various grades of imported coal and results are encouraging from the cost as well as quality point of view. Possibilities are being explored for import of coal in bulk quantity to derive the desired benefits.

The quality of indigenous coal received by rail from the colleries of Western Coalfields Ltd. continues to be poor. The hike in the coal prices and in the rail/road freight have increased the procurement cost of coal.

POWER :

The Karnataka Electricity Board has imposed hike in the power tariff by 8% with effect from 1st July, 1997 and again increased the rates further by 5% effective from 15th July, 1998 which has increased the cost.

Since imposition of hike in the power tariff has become an annual feature, as per the policy decision taken by the Government of Karnataka, the Company has thought it proper to augment captive power generation capacity and accordingly installed one more DG Set during the year under review, thus bringing the total number of DG Sets to 9 of one MW each. However, since there is a steep hike in diesel price effected by the Government of India in September '97, the Company has drawn long term plans to combat the power pricing problem and accordingly ordered for installation and commissioning of two multi-fuel based power generating plants of 3.8 MW and 4 MW capacity each of MAN and Wartsila-NSD make, respectively. While the former one has since been commissioned in June '98, the latter is expected to be installed by the end of current calendar year. Once the second unit also comes into operation, the Company will be self-sufficient on power front.

On account of improving the captive power generation capacity to the extent of 79% of total demand as against 69% last year, the dependence on grid power is reduced considerably.

MODERNISATION, EXPANSION AND DIVERSIFICATION PROGRAMME:

As a part of its on-going Modernisation, Expansion and Diversification programme, the Company has implemented some projects and initiated necessary measures for taking up a few new ones, as per the details furnished here-below :

I-IMPLEMENTED DURING THE YEAR UNDER REVIEW

a) NEW BLEACH PLANT :

The 250 TPD new Bleach Plant was commissioned in January '98. The plant has now been in continuous operation, producing bleached pulp of higher brightness. On account of stabilisation in its working, there is a favourable impact on the cost of production due to lower consumption of chemicals and utilities. The improvement in the brightness of pulp has improved the overall quality of the bleached paper.

b) DIGESTER NO. 10 :

This was installed and commissioned

in March '98 which will augment the cooking capacity.

c) ONE NO. CUMINS-MAKE DG SET :

In addition to the 8 nos DG Sets of 1 MW capacity each installed in the previous years, the Company installed and commissioned one more DG Set of similar capacity during the year. With this, there are, in all, 9 DG Sets available for the Company to meet the mills' increased captive power requirement.

d) 3.8 MW MULTI-FUEL BASED POWER PLANT :

On account of increase in the cost of diesel (HSD) oil from time to time, the operation of the DG Sets is becoming expensive. Hence, as an alternative, the Company has installed and commissioned in June '98 one 3.8 MW capacity multifuel based power generation plant of MAN B & W Diesel, Holeby of Denmark origin at a total cost of Rs. 9 Crores. This unit is being run by using furnace oil as fuel.

II-PROPOSED TO BE IMPLEMENTED

e) 4 MW MULTI-FUEL BASED POWER PLANT :

To further augment the captive power generation and minimise the grid bill, the Company has also ordered for supply and installation of one more multi-fuel based power plant of 4 MW capacity manufactured by Wartsila NSD India Ltd. at an approximate cost of about Rs. 7 Crores which is expected to be commissioned by December '98. This will also be run by using furnace oil as fuel.

f) MODERNISATION OF PAPER M/C NO. II :

With a view to maximising the productivity and bringing overall improvement in the quality of the product and production capacity, it is proposed to modernise Paper M/c No. II which consists of installation of Pressurised Head Box, addition of two dryer cylinders, pressure screens with centri-cleaners, modification of wire table by replacing table rolls with modern foils as well as basis weight & moisture control system.

g) MODIFICATION OF DUPLEX BOARD MACHINE :

To manufacture heavy weight coated quality boards, it is proposed to install a second coating station with brush calendar and moisture & basis weight control system.

h) CAUSTIC SODA/CHLORINE PLANT :

The letter of intent granted by the Central Government in July, 1995 for Caustic/Chlorine project for 3 years expired on 4th July, '98. The implementation of this project has been kept in abeyance owing to adverse market conditions. The Central Government has been approached to extend the validity of the Letter of Intent for a further period of 3 years i.e., upto July 2001. The project will be taken on hand once the market takes a favourable turn.

i) SUGAR MILL PROJECT :

The State Government of Karnataka has already sanctioned the land, water and power to the Company for installation of the Sugar Mill of 2500 MT cane crushing capacity per day. However, the required land of 110 acres is yet to be acquired by the Karnataka Industrial Areas Development Board which has already identified the area in Haliyal Taluka. Once the land is handed over by the Board, the Company will initiate necessary actions for implementation of the sugar mill project, including co-generation facility. In the meanwhile, the letter of intent granted by the Central Government, which expired on 28.5.1998, has been extended by them for one year i.e., up to 28.5.1999.

EXPORTS :

The exports of the Company suffered a set back and total exports during the year under review were only 82 MT (valued at Rs. 25.31 lacs) against 771 MT worth Rs. 205.03 lacs in the previous year. These exports were executed for supplies to Mombassa (Africa), Ethiopia and Srilanka.