

# REAL SOLUTIONS. REAL GROWTH POTENTIAL.

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THE WEST COAST PAPER MILLS LIMITED  
[www.westcoastpaper.com](http://www.westcoastpaper.com)



THE WEST COAST PAPER MILLS LIMITED  
ANNUAL REPORT 2009-10

West Coast Paper Mills Limited is one of India's largest integrated paper and paperboard manufacturing company.

## REAL SOLUTIONS. REAL GROWTH POTENTIAL.

- In an industry, fraught with challenges and mired with more myths than facts,
- We believed in our conviction. We chased our dream. Unbounded and unrestrained.
- Inspired by our strong commitment to sustainability and inclusive growth.
- Propelled by our deep-rooted understanding of every single nuance of the business, we executed our plans successfully.

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- To devise holistic, real solutions that will provide us a pivotal position of strength, scale, efficiencies through technologically advanced and environment-friendly operations ushering sustainability.



- Real solutions that have ensured that the Company is now self-sufficient in power.
- Real solutions where the sustainable backward integration plans gain momentum.
- Real solutions where five decades of experience meet the technology of today to usher value for all stakeholders.





## FROM THE CHAIRMAN'S DESK



### *Dear Shareholders,*

The year 2009-10 is a historic and a very important one for us at West Coast Paper Mills. Four years ago, we had chalked out a strategic roadmap to achieve a completely new level of modernisation and scale. During this period, the focus has been on the implementation and execution of this vision. This process is now completed. Our new plant is commissioned and production is on stream. It is, thus, a moment of pride and a matter of immense satisfaction that a project of such a large scale and magnitude has been successfully completed.

To place the achievement in the right perspective, let me take you back to the early days, when West Coast Paper Mills was set up. Our installed capacity nearly five decades ago was around 60 tonnes of paper a day and we were manufacturing about 6 varieties of paper. We have since come a long way. Today, after the successful commissioning of our new plant, we can manufacture nearly 900 MT of paper a day (as against 500 MT before expansion) and manufacture 100s of varieties of paper and paperboard of grammage varying from 45 gsm to 600 gsm – quality which is at par with the best in the industry.

Our investment in modern technology has also ensured that efficiencies are infused across all processes, giving key importance to environment sustainability and energy efficiency. At the same time, our efforts in the 'Contract for Farming' scheme

continue to gain momentum as farmers begin to see the benefits reaped by their fellow community members. We expect raw material from the Company's 'Contract for Farming' scheme to be available from 2012 onwards.

Thus, we have ushered scale and sustainability, maintained our eco-friendly commitment and have successfully maneuvered our Company to the beginning of the next era of our continuing evolution.

Fortunately, this new era coincides with the time when the economy has turned around. India's economic growth is set to accelerate in 2010-11 to an estimated 9% in 2011-12. The economy has already grown to 7.4% in the year ended 31<sup>st</sup> March 2010 from 6.7% in the previous year. Demand for paper is directly linked to the GDP growth and prosperity. The paper industry will also benefit from the growing thrust on education. Foreign publishers today look at India as an important destination for their printing solutions. The printing industry is expanding at a rate of nearly 15% p.a. The growth of the service sector also fuels demand for paper. Thus, the paper industry is expected to grow at a compounded annual growth rate of over 8 % per annum.

Our product-mix is perfectly suited to cater to the growing

demand segments, right from paper for commercial printing, note book, computer stationery, copiers, etc. We continue to enjoy a leading position in specialty paper (MICR cheque paper and security paper), which has a year round institutional demand.

In addition, the new plant, through modern technology, will provide us even more superior quality copier paper – which is whiter, brighter, stronger, and very importantly is eco-friendly. With our strong marketing set-up and well-networked distribution channels, we are confident of reaching out to the expanding consumer base across the country. With the ability to manufacture superior quality of paper at par with international standards, we will also have ample opportunities opening up in the overseas market.

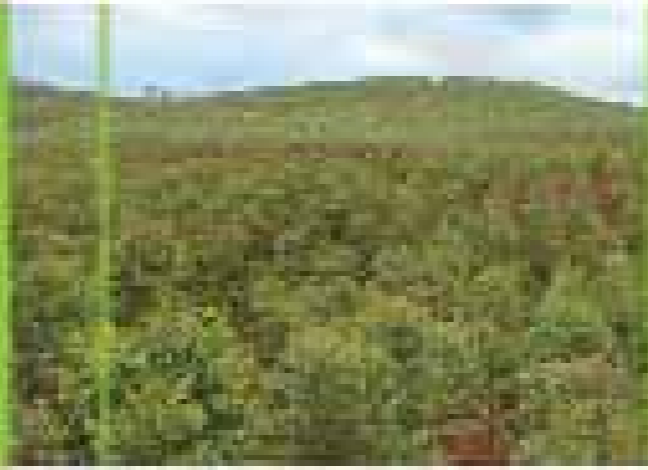
Concluding on this very positive note, I take this opportunity to thank all our stakeholders for their trust and continued support. On behalf of the management of West Coast Paper Mills, I would also like to thank all the employees of the Company for their untiring efforts and deep commitment which has played an important role in the Company's achievements.

**S.K. Bangur**

Chairman & Managing Director

“ Foreign publishers today look at India as an important destination for their printing solutions. The printing industry is expanding at a rate of nearly 15% p.a. The growth of the service sector fuels demand for paper. ”

**Mr. K.L. Chandak,**  
Executive Director shares his  
views on the Company's  
performance and  
industry outlook



“ The increased focus on the education sector will promote demand in the domestic segment. The overall turnaround in the economic scenario leads to positive demand sentiments. ”

**How would you rate the FY 09-10 at West Cost Paper Mills?**

We would have liked to post better numbers. However, the sluggish demand conditions, which had prevailed since October 2008 continued for several months into 2009-10, and this has impacted the Company's performance. This period also coincided with the capacity addition across the industry and increase in raw material costs. The increase in raw material, fuel, chemical cost impacted the entire industry. As competition was fierce, it was not possible for the industry to increase prices, and hence the margin remained under pressure.

Further, trial runs in the last two quarters and synchronisation with the old plant impacted regular production at our facilities and thus the overall financials.

But this is a small aberration from the otherwise sustained revenue and profitable growth that we have maintained over last several years. FY 09-10 is of far greater importance than only short-term results, and needs to be looked at in the overall focused business strategy of the Company.

**With the expansion plans now completed, what are the key advantages and benefits to the Company?**

Operations have already commenced at our new 725 TPD Fiber Line. This Metso unit has replaced our old pulp line and has facilitated the transition to Elemental Chlorine Free (ECF) pulping, a very important milestone which has reduced pollution load substantially.

Secondly, our Voith-supplied 1,35,000 tonnes/year uncoated fine paper machine (PM VI) is now upstream. The machine has

an operating speed of 1,000 m/min (speed in design is 1,200 m/min). To put it simply, it means we can produce 1,000 meters of paper in a minute at our new plant. Plus we can manufacture paper in a wide range from 45 gsm to 90 gsm.

In addition, we already have five other paper machines with a total capacity of 1,80,000 tonnes of paper, paperboard and duplex board.

Thus, the key advantages are scale, efficiency and sustainability. Our manufacturing capacity has increased from 500 MT per day to 900 MT per day. Both Metso and Voith are global majors and the fully automated machinery and integrated technology supplied by them is at par with the best of international standards. This enables environment-friendly operations and better utilisation of raw material, thus, infusing operational efficiencies at all stages of manufacturing.

To explain, though our production capacity will increase by 78%; fresh water requirement will go up by only 20%, overall raw material consumption will reduce by nearly 10% per tonne of pulp, consumption of utilities like chemicals, steam and energy will also be lower. With better quality of pulp, the overall quality of the paper produced by the Company will be far superior.

We continue to be self-sufficient in power. All these benefits are favourable to increased revenue generation and margin.

**Has the demand outlook improved now?**

Yes, certainly. Economic growth has accelerated. The increased focus on the education sector will promote demand in the

domestic segment. The overall turnaround in the economic scenario leads to positive demand sentiments. Even the fear of over capacity, etc. is now completely way behind us. The international paper industry scenario especially in the emerging market is strong.

**What are some of the challenges facing the industry and what are the factors that could hamper its growth?**

The primary challenge for the paper manufacturing industry is raw material shortage, followed by technical obsolescence which impacts efficiency and quality.

Raw material is the biggest challenge for the industry. As you will be aware, governing laws don't permit the leasing of land; further a wood-based industry is expected to raise raw material outside the forest, and there is a ceiling on land holding restricted to 54 acres per person.

At the same time, it needs to be mentioned that consumption of wood by the Indian paper industry is very low (estimated at 3%), compared to nearly 90% which is consumed for fuel. Plus, paper is truly recyclable and biodegradable. The paper industry is dependent on agro forestry; hence the industry too is keen to promote development of green patches.

Under agro-forestry the pulp wood trees are harvested after 5 years whereas as the number of trees planted are more than those harvested. This cycle makes our industry a sustainable one.



### Is there is a solution to this?

Land is required to grow more trees. Even if we keep aside land which is currently being used for economic farming activities, it is estimated that there is about 100 million hectares of wasteland and nearly 32 million hectares of degraded forest land in India, which needs urgent attention for greening.

Through better technologies, it is possible to grow trees even on fallow land. The entire Indian paper industry put together requires only about 1.8 to 2 million hectares to meet 50% of the total wood requirement.

Thus, right government thrust can help the Indian paper industry overcome the raw material challenge it faces.

Regarding technology obsolescence, at West Coast Paper Mills, we have already undertaken and executed large-scale modernisation plans.

### With increased capacity, how will West Coast Paper Mills address the additional raw material requirement?

We use Eucalyptus, Casuarina, Subabul and other hardwood as raw material, and procure it from Karnataka and the adjoining states. The external procurement will continue from these sources. Even for the additional installed capacity, the sourcing of raw material in the immediate future will continue from the open market.

However, our hi-tech, one-to-one 'Contract for Farming' model for farmers whose land is fallow has gained momentum. We expect that wood from this 'Contract for Farming' scheme will be available from 2012 onwards. We are confident that about 50% of our total requirement of raw material will be met through this source.

### Is the Company confident of working at optimum capacity in the time to come?

Demand outlook is strong. We don't have surplus stock lying with us beyond bare basic quantity. Due to the broad range of our products (writing & printing, industrial, packaging, and specialty paper) - we service a broad base of customers. We have an established marketing set-up with a wide distribution network.

Now we will have even better quality products to offer our customers; hence, we have every reason for being optimistic and confident about the future.

### Will you continue to focus on the domestic market or are there plans underway to tap the export market?

We are confident of the domestic market absorbing our additional production. We will be focusing on the fast growing branded copier segment in the domestic market as well as the export market. Processes for acquiring the prestigious Forest Stewardship Certification (FSC) in the future are ongoing. This certification is important to tap the developed market.

### Moving forward, what is the outlook for the Company?

The forthcoming years will be a crucial. We are confident of posting robust performance. Our well-thought business strategy for sustainable growth gives me the confidence to say so. Ability to manufacture 900 MT per day at one single site is probably the largest in the country.

So, whether it is capacity, technology, additional raw material supply, water, power, storage, dealership network, overall efficiency with environmental focus - we have infused strengths in each and every area of our business. We have an excellent product range and the best quality to offer our customers. By virtue of our diverse product range, we service institutional and retail segments.

The Company has shown excellent financial acumen by raising long-term debt at low rates. The entire expansion has been carried out at the existing location ensuring zero additional land cost.

The modern technology across each and every process will provide the Company significant margin improvement. Couple of years ahead, our backward integration measures will further boost our margin.

So, assuming the economic conditions remain favourable, we are raring to go.

“ We are confident of the domestic market absorbing our additional production. We will be focusing on the high margin and fast growing branded copier segment in the domestic market. ”



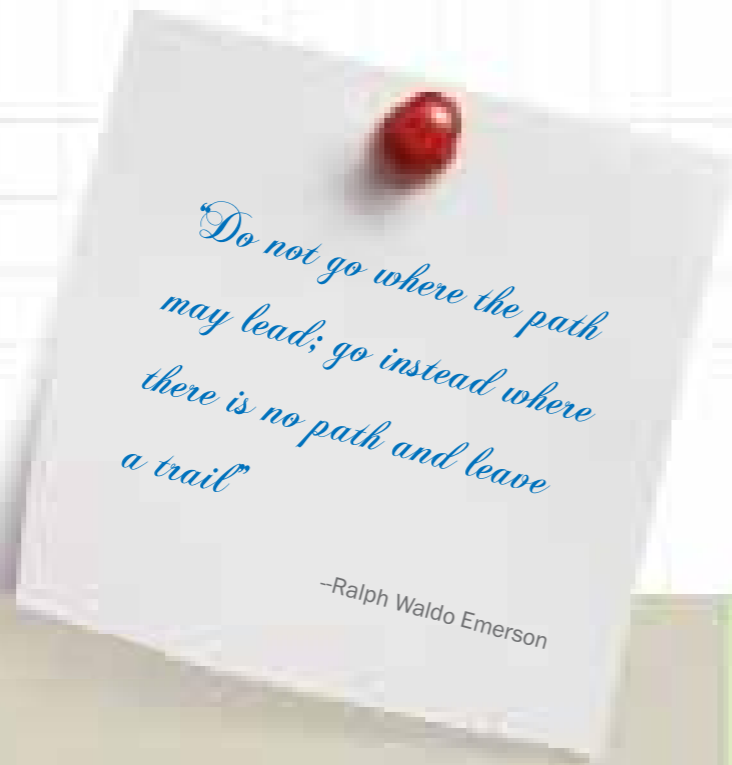
## TEN YEAR HIGHLIGHTS

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>PRODUCTION</b>											
PAPER/PAPER BOARD & MULTILAYER BOARD	TONNES	173638	173682	169891	178871	176221	173070	163714	151477	120293	120210
OPTICAL FIBRE CABLE	Km	18003	16787	22829	7060	6303	8090	6230	3889	4283	629
JFTC	CKm	-	-	-	165407	512170	275846	81971	18239	356048	7087
CONTROL CABLE	CKm	14	-	-	-	-	-	-	-	-	-
<b>SALES</b>											
PAPER/PAPER BOARD & MULTILAYER BOARD	TONNES	175194	170686	170193	179915	180397	168315	162642	152046	124941	113864
OPTICAL FIBRE CABLE	Km	17790	16762	22836	7105	6593	7774	6319	4236	3997	648
JFTC	CKm	-	-	119	165288	525502	264438	87542	26345	347534	-
CONTROL CABLE	CKm	14	-	-	-	-	-	-	-	-	-
<b>OPERATING RESULTS:</b>											
TURNOVER	Rs./Lakhs	65050	66271	65352	61944	60684	53335	49184	52236	48719	39820
GROSS PROFIT	Rs./Lakhs	10524	12036	11438	9552	6922	5649	6057	6224	4934	4826
DEPRECIATION	Rs./Lakhs	2377	1990	2043	2098	3695	1893	1689	1823	1209	1028
TAXATION	Rs./Lakhs	1400	1149	1095	862	300	295	315	400	295	950
MAT CREDIT ENTITLEMENT	Rs./Lakhs	(1370)	-	-	-	-	-	-	-	-	-
DEFERRED TAX	Rs./Lakhs	2647	(157)	110	(54)	(276)	395	1209	397	244	-
NET PROFIT	Rs./Lakhs	5470	9054	8190	6646	3203	3066	2844	3604	3186	2848
DIVIDEND	Rs./Lakhs	1807	1258	1721	1341	1341	1341	894	760	581	447
<b>FINANCIAL POSITION:</b>											
GROSS BLOCK (Including assets on lease)	Rs./Lakhs	186542	161798	80141	48467	46514	46074	44504	39336	31499	18454
DEPRECIATION (Including assets on lease)	Rs./Lakhs	31290	29112	27022	25309	22584	19863	17614	15241	13204	7928
NET BLOCK	Rs./Lakhs	155252	132686	53119	23158	23930	26211	26890	24095	18295	10526
PAID UP CAPITAL	Rs./Lakhs	7755	7708	1425	894	894	894	894	894	894	894
RESERVES & SURPLUS	Rs./Lakhs	52378	49070	38771	22324	17246	15573	14036	12935	10188	9716
NET WORTH	Rs./Lakhs	60133	56778	40196	23218	18140	16467	14930	13829	11082	10610
BORROWINGS	Rs./Lakhs	123471	117365	40616	17407	16588	22922	20106	17553	17842	11876
CAPITAL EMPLOYED	Rs./Lakhs	183604	174143	80812	40625	34728	39389	35036	31382	28924	22486
<b>SOME SELECTED RATIOS</b>											
EARNINGS PER SHARE (Rs. 2) (BASIC)	Rs.	9	16	17	15	7	7	6	8	7	6
BOOK VALUE PER SHARE	Rs.	96	94	70	52	41	37	33	31	25	24
DIVIDEND (EQUITY SHARES)	%	100	100	150	150	150	150	100	85	65	50
DEBT EQUITY RATIO		67:33	67:33	50:50	43:57	48:52	58:42	57:43	56:44	62:38	53:47



# REAL SOLUTIONS. REAL GROWTH POTENTIAL.

Ushering a new era of growth



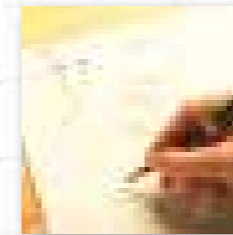
## A new dawn...

Heralded by the need to break the conventional deadlock of challenges faced by the industry - right from raw material shortage, high basic input costs, technical obsolescence, lower scale, inability to fully automate lowering efficiencies.

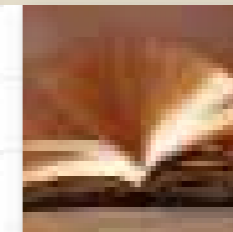
Impelled by the statutory Guidelines of the Corporate Responsibility for Environmental Protection (CREP), necessitating companies to adopt environment-friendly processes.

A dawn that was envisaged despite challenges, because we believed that the demand for paper is universal, real and can only increase over the years:

- Because we didn't need statistics to tell us that demand for quality paper can never perish
- Because we understood that paper is not a luxury but a necessity interwoven into every sphere of our lives



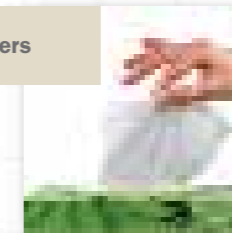
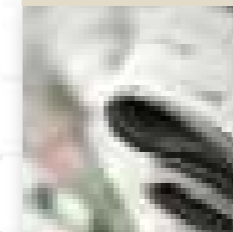
From agreements to holy books



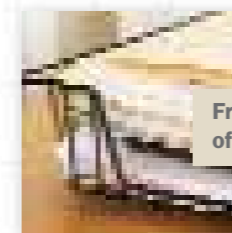
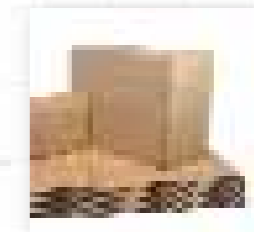
From soap wrappers to cheque books



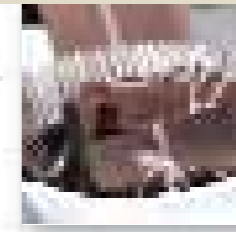
From newspapers to tissue papers



From large cartons reaching malls in metros to the notebooks used by children in remote villages



From copiers used across millions of commercial offices to wedding cards used by individuals



Demand for paper is intrinsic to life. The per capita consumption of paper in India is 8 kgs, as against the world average of 56 kgs. Even an increase by 1 kg per capita consumption leads to 1.2 million tonnes demand for paper.

Now as the expansion plans are completed, we are now even better placed to capture a significant pie of this industry where demand is perennial.





**REAL SOLUTIONS.  
REAL GROWTH POTENTIAL.**

Leading to a new era of scale



The Company commenced commercial production over five decades ago with an initial capacity of 18,000 TPA, which was increased over the period by way of regular expansion/ modernisation programmes to 1,80,000 TPA. The latest expansion programme commenced from July 2007 and has increased the plant's paper manufacturing capacity from 1,80,000 TPA to 3,20,000 TPA.

The Company's existing pulping plant has been replaced with a completely, modernised 725 tonnes per day Elemental Chlorine Free (ECF) fiber line.



Along with the plant expansion, the Company has also successfully enhanced thermal power generation capacity from 40.3 MW to 70.3 MW. With this expansion, the Company continues to be not only self-sufficient in power but also has 20 MW exportable surplus.

The recently commissioned 1100 TPD along with the old 500 TPD Chemical Recovery Boilers with Oxygen Delignification Line (ODL) will generate more steam per tonne of pulp and thereby facilitate higher power generation.

Thus, through scaling of production capacity, the Company is poised to take a quantum leap to the next level in years to come.

# REAL SOLUTIONS. REAL GROWTH POTENTIAL.

Promoting a new level of operational efficiencies

## Modern pulping plant and technology will result in raw material efficiencies:

- Increase in unbleached pulp yield.
- Decrease in shrinkage loss.
- Decrease in raw material requirement by 10% as bleach pulp yield will increase.



## The commissioning of the new capacities will reduce consumption of utilities like power and water:

- The specific power consumption will be reduced due to installation of latest design, efficient equipments and pumps and changes in the processes as compared to the conventional fiberline.
- Through better technology and recycling, the Company will use less water in its processes – though the paper production capacity is increasing by 78%, water requirement will go up from 80,000 KL to maximum 1,00,000 KL i.e., by 20% only.

Thus, through the combination of scale with operational efficiencies, the Company is poised to improve its margin.

