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PERFECT



The West Coast Paper Mills Limited

ANNUAL REPORT

2015-16

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## FORWARD LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements-written and oral-that we periodically make, contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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## Corporate Information

### BOARD OF DIRECTORS

Shri S. K. Bangur, Chairman & Managing Director  
 Shri Saurabh Bangur, Vice Chairman  
 Smt. Shashi Devi Bangur  
 Shri P. N. Kapadia  
 Lt. Gen. [Retd.] Utpal Bhattacharyya  
 Shri Krishna Kumar Karwa  
 Shri M. P. Taparia  
 Shri Amitav Kothari  
 Shri Rajendra Jain, Executive Director

### MANAGEMENT TEAM

#### Paper and Duplex Board Division

Shri B. H. Rath, President (Technical)  
 Shri B. K. Bhuyan, Senior Vice-President (Operations)  
 Shri S. N. Patil, Vice-President (Human Resource)  
 Shri Vimal Arora, Vice-President (Finance & Accounts)  
 Shri P. C. Maloo, Vice-President (Marketing)

#### Telecom Cable Division

Shri V. Bangur, Chief Executive Officer  
 Shri Raghu Nair, Vice President (Works)

### COMPANY SECRETARY

Shri Brajmohan Prasad (w.e.f. 22.07.2016)

### BANKERS

Central Bank of India  
 State Bank of Mysore  
 Syndicate Bank  
 ICICI Bank Ltd.  
 IDBI Bank Ltd.  
 Standard Chartered Bank  
 Axis Bank Ltd.

### STATUTORY AUDITORS

Batliboi & Purohit, Mumbai

### COST AUDITORS

Shri Umesh N. Kini, Sirsi

### SECRETARIAL AUDITOR

Shri Srikant R. Gudi, Bangalore

### INTERNAL AUDITOR

Shri Rajesh Bothra  
 Head-Finance

### LEGAL ADVISORS

Khaitan & Co., Mumbai

### REGISTERED OFFICE

Bangur Nagar, Dandeli - 581 325  
 District. Uttar Kannada, Karnataka  
 Phone : (08284) 231 391-395  
 Fax : (08284) 231 225  
 E-mail : co.sec@westcoastpaper.com

### CORPORATE OFFICE & EAST ZONE

31, Chowringhee Road, Kolkata - 700 016  
 (Park street crossing)  
 Phone : (033) 2265 6271 (8 Lines)  
 Fax : (033) 2226 5242  
 E-mail : wcpm.east@westcoastpaper.com

### ZONAL OFFICES

#### North Zone

Vishnu Bhavan, 1st Floor, 5 Ansari Road  
 Daryaganj, New Delhi - 110 002  
 Phone : (011) 2326 9806, 2327 3679, 2324 6254  
 Fax : (011) 2328 4913  
 E-mail : wcpm.north@westcoastpaper.com

#### West Zone

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 Phone : (022) 2207 0041-44  
 Fax : (022) 2207 0001  
 E-mail : wcpm.west@westcoastpaper.com

#### South Zone - 1

Flat No.7, 12/13, Kanakasri Nagar  
 St. George Cathedral Lane  
 Off Cathedral Road, Chennai - 600 086  
 Phone : (044) 2811 1654/299, 4235 9709  
 Fax : (044) 2811 7013  
 E-mail : wcpm.south@westcoastpaper.com

#### South Zone - 2

Chandra Kiran, 4th Floor, 10/A Kasturba Road  
 Bangalore - 560 001  
 Phone : (080) 2223 1828-1837, 4112 0001-0006  
 Fax : (080) 2223 1838, 2224 1916  
 E-mail : wcpm.marketing1@westcoastpaper.com

#### South Zone -3

2-2-51/119, 3rd Floor (302,303),  
 Mittal Chambers, M.G. Road,  
 Secunderabad - 500 003,  
 Cell : 7893594012,  
 Land No. 040 - 40276854,  
 E-mail : ssrao@westcoastpaper.com

### TELECOM CABLE DIVISION

#### West Coast Optilinks (Sudarshan Telecom)

Plot No. 386/387, KIADB, Electronic City  
 Hebbal Industrial Area, Mysore - 570 016  
 Phone : (0821) 240 4060, Fax : (0821) 240 4061  
 E-mail : npandey@sudarshantelecom.com

## Ten Year Highlights

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>PRODUCTION</b>											
PAPER/PAPER BOARD & MULTILAYER BOARD	TONNES	3,06,960	3,00,514	3,10,002	3,17,808	3,08,230	2,67,005	1,73,638	1,73,682	1,69,891	1,78,871
OPTICAL FIBRE CABLE	Km	42,989	30,438	20,686	20,242	20,184	27,951	18,003	16,787	22,829	7,060
JFTC	CKm	–	–	–	–	–	78	–	–	–	1,65,407
CONTROL CABLE	CKm	–	–	–	–	341	251	14	–	–	–
<b>SALES</b>											
PAPER/PAPER BOARD & MULTILAYER BOARD	TONNES	3,15,146	3,02,978	2,98,682	3,21,018	3,05,818	2,67,992	1,75,194	1,70,686	1,70,193	1,79,915
OPTICAL FIBRE CABLE	Km	40,545	30,368	21,053	20,161	20,308	27,985	17,790	16,762	22,836	7,105
JFTC	CKm	–	–	–	–	–	78	–	–	119	1,65,288
CONTROL CABLE	CKm	–	–	–	–	337	248	14	–	–	–
<b>OPERATING RESULTS</b>											
TURNOVER	₹/Lakhs	1,79,953	1,74,715	1,65,483	1,54,125	1,36,620	1,10,887	65,050	66,271	65,352	61,944
PBDT	₹/Lakhs	18,927	17,853	14,114	20,084	15,866	18,919	10,524	12,036	11,438	9,552
DEPRECIATION	₹/Lakhs	11,081	12,220	12,719	17,629	20,535	9,610	2,377	1,990	2,043	2,098
EXCEPTIONAL ITEMS	₹/Lakhs	5,324	5,160	–	–	–	–	–	–	–	–
TAXATION	₹/Lakhs	598	–	166	372	–	1,900	1,400	1,149	1,095	862
MAT CREDIT ENTITLEMENT	₹/Lakhs	(598)	–	(154)	(335)	–	(1,809)	(1,370)	–	–	–
DEFERRED TAX	₹/Lakhs	1,637	362	720	607	(1,314)	210	2,647	(157)	110	(54)
NET PROFIT/(LOSS)	₹/Lakhs	885	111	663	1,811	(3,356)	9,008	5,470	9,054	8,190	6,646
DIVIDEND	₹/Lakhs	660	–	660	660	206	1,807	1,807	1,258	1,721	1,341
<b>FINANCIAL POSITION</b>											
GROSS BLOCK	₹/Lakhs	2,10,374	2,07,934	2,05,632	2,01,596	1,98,706	1,85,045	1,86,542	1,61,798	80,141	48,467
DEPRECIATION	₹/Lakhs	1,04,040	93,035	80,866	69,565	52,570	32,205	31,290	29,112	27,022	25,309
NET BLOCK	₹/Lakhs	1,06,334	1,14,899	1,24,766	1,32,031	1,46,136	1,52,840	1,55,252	1,32,686	53,119	23,158
PAID UP CAPITAL	₹/Lakhs	1,321	1,321	1,321	1,321	1,255	7,755	7,755	7,708	1,425	894
RESERVES & SURPLUS	₹/Lakhs	58,547	58,456	58,345	58,455	55,698	59,293	52,378	49,070	38,771	22,324
NET WORTH	₹/Lakhs	59,868	59,777	59,666	59,776	56,953	67,048	60,133	56,778	40,196	23,218
BORROWINGS	₹/Lakhs	74,393	91,042	1,06,608	1,08,063	1,26,365	1,21,246	1,23,471	1,17,365	40,616	17,407
CAPITAL EMPLOYED	₹/Lakhs	1,34,261	1,50,819	1,66,274	1,67,839	1,83,318	1,88,294	1,83,604	1,74,143	80,812	40,625
<b>SOME SELECTED RATIOS</b>											
EARNINGS PER SHARE (₹ 2) (BASIC) ₹	₹	1.34	0.17	1	9	4	14	9	16	17	15
BOOK VALUE PER SHARE	₹	91	91	90	91	91	107	96	94	70	52
DIVIDEND [EQUITY SHARES]	%	50	–	50	50	10	100	100	100	150	150
DEBT EQUITY RATIO		55:45	60:40	64:36	64:36	69:31	64:36	67:33	67:33	50:50	43:57

## Management Discussion & Analysis

### A. INDUSTRY STRUCTURE & DEVELOPMENTS

#### PAPER DIVISION :

Over the period 2010-14, Paper and Paperboard production increased from 394 million tonnes to 399 million tonnes.

#### Global :

Over the period 2010-14, Paper and Paperboard production increased from 394 million tonnes to 399 million tonnes. This growth was mainly due to 8 % rise in production in the Asia-Pacific region and at the same time there was decline in production of 5% in Northern America. In 2014, the regional distribution of production was – Asia-Pacific 187 million tonnes (47%), Europe 105 million tonnes (26%), Northern America 84 million tonnes (21%), Latin America and Caribbean 20 million tonnes (5%) and Africa 4 million tonnes (1%). The two largest Paper and Paperboard producers were China (109 million tonnes) and USA (72 million tonnes). Their combined production accounted for 45% of global production. The other three largest producers were Japan (26 million tonnes), Germany (23 million tonnes) and South Korea (12 million tonnes) which accounted for another 15% of global production.

#### India :

From just 17 mills in 1951 with a capacity of 0.14 million tonnes, the Paper Industry in India has grown to 825 mills with a capacity of 15 million tonnes. While the Paper Industry comprises a number of small scale mills, relatively large mills continue

to contribute to a sizable share of total production. Out of total Paper Mills, about 80 units accounts for production share of about 60% and balance units mostly comprising of small Paper Mills with production share of 40%. Wood based Industry accounts for 31% of production while waste paper and agri residue accounts for 47% & 22% respectively. Capacity-wise Industrial Paper accounts for about 40%, Printing & Writing Paper 35%, Speciality Paper 6% and Newsprint 19% of total production.



From just 17 mills in 1951 with a capacity of 0.14 million tonnes, the Paper Industry in India has grown to 825 mills with a capacity of 15 million tonnes.



## Management Discussion & Analysis (Contd.)

The Indian Paper Industry is an integral part of the Nation's economy and contributes to its growth and development. It is in this spirit that the Indian Paper Industry has continued to upgrade its capacities and technologies, in spite of huge challenges like shortage of raw material, highly capital intensive nature of the industry, threat of cheaper imports from ASEAN countries etc., from a situation where most paper mills were relatively small and with old technologies, now a stage has reached where almost all major Paper Mills have adopted World Class Technologies and are fast progressing towards World Scale of Operations as well.

The Indian Paper Industry currently has a turnover (net of taxes) of over ₹ 55,000 crores and contributes over ₹ 5,500 crores p.a. to the national exchequer. Even more importantly it is providing employment opportunities to over 1.50 million people, directly and indirectly, mostly in rural areas.

Installed capacity of paper mills is 15 million tonnes with average utilization of 85%. The domestic demand for all varieties of paper in India is estimated

at around 13.5 million tonnes in 2014-15 which is 3% of global demand of 400 million tonnes even though population of 121 crores as per 2011 census is 17% of World population. Of this, Writing & Printing Paper accounts for approx. 4.20 million tonnes, Packaging grades for approx. 6.20 million tonnes and Newsprint about 2.50 million tonnes apart from Speciality grade about 0.60 million tonnes.

Even though our domestic paper consumption has been growing steadily, per capita consumption in India continues to be low by global standards. In 2003, it was just 5 kg and now it is still only 10 kg per capita, which is abysmally low when compared to even highly populated and developing economies & World average of 58 kg and per capita consumption in China, Malaysia & Indonesia at 42 kg, 25 kg and 22 kg respectively.

Production growth has lagged the increase in demand for paper, necessitating reliance to an extent on imports, especially in the Newsprint segment. There was an import of ₹ 12,350 crores in the year 2014-15 as compared to ₹ 11,380 crores in the

year 2013-14. Import in volume term is increasing with a 4 year CAGR of 7.08% and in terms of Indian Rupees, same is at 14.64% CAGR.

We feel that given India's projected GDP growth, the renewed thrust on universal education through Sarva Shiksha Abhiyan and Right to Education and the consequent changes in lifestyle, paper demand is expected to gradually move to about 20 million tonnes by 2024-25 in our country

Industry has upgraded process technologies, installed most modern fiber lines and high-speed paper machines with shoe press to boost the production, conserve energy & water and improve financial performance. Many mills have adopted extended delignification processes, Elemental



Industry has upgraded process technologies, installed most modern fiber lines and high-speed paper machines.

## Management Discussion & Analysis (Contd.)

Chlorine Free bleaching to modernize the fiber lines. In the area of paper making, adopted alkaline sizing, replacing clay & chalk with Grounded Calcium Carbonate & Precipitated Calcium Carbonate fillers and increase the ash content in paper to reduce usage of fiber. Industry has progressed in spite of challenges, improved environmental performance in terms of reduction of effluent volumes, reduction in terms of usage of steam, power, AOX reduction.

Excise Duty on Paper and Paperboard has been increased from 5% to 6% with effect from 17.3.2012 and there is no change in subsequent Union Budgets.

The availability of raw-material has always been a matter of concern for the Industry and has been requesting the Government to allot degraded revenue and forest lands so that not only the requirement of raw-material would be met but also employment for rural unskilled population is generated. However, the government has not considered the request. Nevertheless, the Industry in general has taken initiatives by taking up Farm / Social Forestry programme whereby plantation is taken in a big way on the unproductive revenue land and thus generating not only income to the farmers but also providing employment to the rural unskilled population.

The Company has also focused on social forestry and has so far cultivated more than 45,000 acres of land within a radius of 250-300 kms so as to enhance availability of wood. The Company is also distributing seedlings to the farmers at concessional rates so that plantations are taken up by them without any commitment for its supply

to the Company. This will increase the overall availability of raw material for the Industry.

Major Paper producing countries of Latin America, Europe and Asia, including China, Indonesia, Malaysia, etc., have adopted a policy of granting forest concessions to large Paper Mills to plant, protect and harvest Pulpwood in a cost effective manner. In absence of similar enabling policies, Paper Mills in India have to necessarily depend upon small and scattered plantations developed through Industry's social forestry initiative or Government controlled forests. In the process, the cost of collection and transportation works out to be greater than cost of the pulpwood itself. As a result, cost of raw-materials in India has been continuously going up and has become most uncompetitive in comparison to the major paper producing countries in the world.

Given the above status of availability, the Industry is facing severe shortage of wood apart from continuously increasing cost of procurement particularly in the context of unplanned expansion by the Industry without raw-material back-up and focusing only on Andhra Pradesh for sourcing the requirement.

In order to meet shortfall in locally wood availability, the Company decided to import wood chips from 2013 with first shipment arrived at Goa Port in June, 2013. The Company imported 4.20 lakh GMT in 2014-15 and 5.75 lakh GMT in 2015-16 and has an edge over other mills due to proximity to the port.

The Central Government in its Union Budget 2016 has made NIL custom duty

on import of wood chips bringing some relief to wood based Paper Industry.

### CABLE DIVISION:

There are 17 OFC manufacturers having a total capacity of more than 1.5 million cable km. 3 more companies are also planning to enter into the segment.

Looking at the upcoming demand and competition, Cable Division has also augmented the facility with new Colouring, Secondary and Stranding machines and equipping with the new state-of-art Optical testing machines. Further, we have started manufacturing of FRP and Glass Roving in the same plant as a backward integration.



The Company has also focused on social forestry and has so far cultivated more than 45,000 acres of land within a radius of 250-300 kms so as to enhance availability of wood.



## Management Discussion & Analysis (Contd.)

### B. OPPORTUNITIES AND THREATS

#### PAPER DIVISION:

The tele-density registered a CAGR of 23% from 2007 to 2014 and is expected to reach 100% by 2020 as per TRAI guidelines.

The low per capita consumption of Paper & Paperboard in the country is bound to increase the consumption of paper with the growth in the GDP. Several factors like Government's increased focus on education sector, increased corporate activity and lifestyle changes, increased demand for packaging, growing affluence of the population, ban on plastic packaging etc., are expected to contribute to increase in the demand for Paper & Paperboard in India.

From the demand point of view, as against present per capita consumption of 10 kg, every one kg incremental per capita consumption results in additional demand of more than one million ton a year. This indicates there is a lot of scope for growth of paper demand in India.

Import duty on Paper & Paperboard for ASEAN countries has been reduced from 2.50% to 0% with effect from 01.01.2014 vide notification No.57/2013 dated 31.12.2013 which had implications in terms of cheaper imports being of 2.35 million tonnes in 2014-15 as against 2.25 million tonnes in 2013-14. The trend is expected to increase further looking to gap between demand and domestic supply and the availability of cheaper imported paper.

#### CABLE DIVISION:

According to "India Optical Fiber Cables Market Forecast & Opportunities, 2020", optical fiber cables market in India is expected to surpass US\$ 424 million by 2020. Nationwide connectivity projects launched by the Government such as National Optical Fiber Network (NOFN) and National Fibre Spectrum (NFS), National Knowledge Network (NKN) and

the anticipated 4G Rollout in the country are bound to boost data transmission volumes, thereby making expansion of OFC installations critical for supporting the planned network expansions. In addition, next generation technologies such as LTE and FTTx, which require last mile connectivity, would also propel the demand for optical fiber cables in the coming years.



Optical fiber cables market in India is expected to surpass US\$ 424 million by 2020.



## Management Discussion & Analysis (Contd.)

### C. SEGMENT-WISE PERFORMANCE

The Company operates in two business segments – Paper / Paperboard (including Duplex Board) at Dandeli and Telecommunication Cables at Mysore, apart from having Wind Mills of 1.75 MW capacity in Tamilnadu for power generation. Detailed segment-wise performance is mentioned in the Directors' Report.

### D. OUTLOOK

#### PAPER DIVISION:

The Paper Industry is cyclical in nature and its performance depends on the global pulp and paper demand supply situation which is not encouraging at present. The Industry is witnessing slowdown in demand from December, 2013 but with intermittent season demand. However, the Company has well-diversified product base which partially insulates it from the cyclical impact. Given the growth potential, outlook of Paper Industry is promising in long run.

India is the fastest growing Paper market in the world with CAGR of 6 to 6.5% in next 5 years due to thrust on education, rise in organized retail, urbanization and growth in economy.

#### CABLE DIVISION:

India optical fiber cables (OFC) market is expected to grow robustly due to expansion of telecom infrastructure throughout the country over the next five years. Being the second largest telecom market worldwide, India exhibits high data traffic owing to increasing penetration of smart phones and growing demand for broadband services, thereby creating significant demand for OFC installations. Consumers are increasingly shifting towards internet driven applications

like HDTV, video on demand and high-speed file sharing. To address the soaring demand for high speed data transmission, the Government of India along with telecom giants is investing substantial capital in upgrading the country's telecom infrastructure. The existing network of copper cables is being over hauled by using advanced fiber optic technology. All these factors are consequently providing a considerable thrust to the OFC market in India.

### E. RISKS AND CONCERNS

The Company has derived 94% of its revenue from Paper/ Paperboard and Duplex Board business and 6% from Cable business in 2015-16. Not only the availability of conventional raw-material is a matter of concern but also increasing rates of wood due to competition among the Paper Mills per se and other user industries.

Regarding Charter on Corporate Responsibility for Environmental Protection (CREP) guidelines which was launched in 2003, the Company has already taken the required actions to implement the same and all the parameters are well within the guidelines.

The Company has state-of-art Effluent Treatment Plant and has gone for 100% Elemental Chlorine Free bleaching from 14.02.2010. It is also meeting all the norms as prescribed under Environment Protection Act, 1986 and other environmental laws as well as CREP requirement consistently.

However, in near future the norms for specific water consumption and thereby treated waste water are likely to be strengthened by the concerned authorities. To achieve the norms of specific water consumption, we need to take up projects in water conservation and reuse of water in the process keeping the effluent parameters in control and this requires huge capital investment to achieve. In addition to this the specific power consumption norms as per PAT – cycle – 2 (for 3 years) from 2016-2019 are also made very stringent. This is a cause of concern. Although efforts are being put to achieve the norms.

### F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control system for business processes, with regard to efficiency of operations, financial reporting and controls, compliance with applicable laws and regulations etc., clearly defined roles and responsibilities for all managerial positions have also been institutionalised. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening these.

## Management Discussion & Analysis (Contd.)

The Company has designed and implemented a process driven framework for Internal Financial Controls ("IFC") within the meaning of the explanation to Section 134(5) (e) of the Companies Act, 2013. For the year ended March 31, 2016, the Company has sound IFC commensurate with the nature and size of its business operations and is operating effectively and no material weakness exist. The Company has a process in place to continuously monitor the same and identify gaps, if any, and implement new and/or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

### G. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This has been dealt with in the Directors' Report.

### H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

During the year, the Company's industrial relations are cordial. The Company has entered into tripartite long term wage revision settlement with Joint Negotiation Committee (JNC) of Unions on 04.05.2016 for the period from 01.01.2015 to 31.12.2018.

The Company engaged M/s Andhra Pradesh Productivity Council (APPC), Hyderabad for conducting the manpower and workload study. Based on that joint discussion were held with JNC and revised agreed strength of workmen finalized.

The Company has drawn specific programme to improve the skills of the workers and staff. Further, it is providing necessary training to the manpower both locally and abroad with suppliers. There is continuous interaction between the Management, Unions and Labour for improving the knowledge and training of the workers.

The Company employs 2379 people as on 31.3.2016 as against 2,398 people employed as on 31.3.2015.

### CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws or regulations. These statements are based on

certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw material cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

