

# MALU PAPER MILLS LIMITED

## BOARD OF DIRECTORS

### Chairman

Shri Bhanwarlal Malu

### Managing Director

Shri Punamchand Malu

### Jt. Managing Director

Shri Banwarilal Malu

### Non Executive Directors

Shri Damodarlal Malu

Shri Vasudeo Malu

Shri Purushottam Malu

Shri Ghasiram Malu

### Independent Directors

Shri Lalit Singh Mehta

Shri Om Prakash Bhattad

Shri Satyanarayan Rathi

Shri Chandrakant J. Thakar

### Company Secretary

Shri Gyanesh Verma

### Chief Financial Officer

Shri Girish Malpani

### Statutory Auditors

Demble Ramani & Co.  
Chartered Accountants  
Abhyankar Road,  
Sitabuldi, Nagpur-440012

### Internal Auditors

Samria & Co.  
Chartered Accountants  
311, Kamdar Complex,  
Seva Sadan Sq., Central Avenue,  
Nagpur - 440 018.

### **Registered and Corporate Office :**

Malu Paper Mills Ltd.,  
Heera Plaza, 4<sup>th</sup> Floor,  
Near Telephone Exchange,  
Central Avenue,  
Nagpur 440 008.  
(M.S.)

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## NOTICE

Notice is hereby given to the shareholders of Malu Paper Mills Limited that the 13th Annual General Meeting of the members will be held on Monday, the 28<sup>th</sup> day of August 2006 at **VIA Hall, Udyog Bhawan, Civil Lines, Nagpur** at 3.00 P.M. to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and the Profit and Loss Account for the year ended on that date along with the reports of Director and Auditors thereon.
2. To appoint Auditors and to fix their remuneration.
3. To re-appoint the retiring Directors, who being eligible, hereby offer themselves for re-election.

### SPECIAL BUSINESS:

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

4. **“RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the remuneration payable to Shri Punamchand Malu, Managing Director, as approved by the shareholders at the Extra Ordinary General Meeting of the Company held on April 01, 2005, the Company hereby accords its approval to an increase in the remuneration payable to Shri Punamchand Malu with effect from April 1, 2006 until the expiry of his term of appointment i.e. until March 31, 2010, as contained in the Supplemental Agreement to be entered into between the Company and Shri Punamchand Malu, a draft whereof is placed before the meeting duly initialled for the purpose of identification, which Supplemental Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement as may be agreed to between the Board of Directors and Shri Punamchand Malu;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions.”

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

5. **“RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the remuneration payable to Shri Banwarilal Malu, Joint Managing Director, as approved by the shareholders at the Extra Ordinary General Meeting of the Company held on April 01, 2005, the Company hereby accords its approval to an increase in the remuneration payable to Shri Banwarilal Malu with effect from April 1, 2006 until the expiry of his term of appointment i.e. until March 31, 2010, as contained in the Supplemental Agreement to be entered into between the Company and Shri Banwarilal Malu, a draft whereof is placed before the meeting duly initialled for the purpose of identification, which Supplemental Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement as may be agreed to between the Board of Directors and Shri Banwarilal Malu;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions.”

To consider and if thought fit to pass with or without modification(s) the following resolution as special resolution:

6. **“RESOLVED THAT** pursuant to section 314(1) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), the consent of the members, be and is hereby accorded to the appointment of Shri Venugopal Malu, son of Shri Punamchand Malu, Managing Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Project) (or any other designation which the Board of Directors of the Company may decide from time to time) on the monthly remuneration of Rs.25000/- per month with effect from 01<sup>st</sup> August, 2006.

## MALU PAPER MILLS LIMITED

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to grant annual increments from time to time upto 20% of the last salary drawn and to promote Mr. Venugopal Malu to higher grade as and when required.”

To consider and if thought fit to pass with or without modification(s) the following resolution as special resolution:

7. “**RESOLVED THAT** pursuant to section 314(1) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), he consent of the members, be and is hereby accorded to the appointment of Shri Narayan Malu, son of Shri Banwarilal Malu, Joint Managing Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Purchase), (or any other designation which the Board of Directors of the Company may decide from time to time) on the monthly remuneration of Rs.25000/- per month with effect from 01<sup>st</sup> August, 2006.”

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to grant annual increments from time to time upto 20% of the last salary drawn and to promote Mr. Narayan Malu to higher grade as and when required.”

**By order of the Board  
For MALU PAPER MILLS LIMITED**

**Sd/-  
Punamchand Malu  
Managing Director**

**Registered Office:**

Heera Plaza, 4<sup>th</sup> floor,  
Central Avenue  
Nagpur- 440008

Date: 1st August, 2006

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE

INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. **A PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.**

2. Register of Members and share transfer books of the Company will remain closed from 20<sup>th</sup> August, 2006 to 28<sup>th</sup> August 2006 both days inclusive.
3. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unclaimed / unpaid for a period of seven years would be transferred to the Investors Education & Protection Fund constituted by the Central Government and the Shareholders would not be able to claim any amount of the dividend so transferred to the fund. As such, Shareholders who have not encashed their dividend warrants are requested in their own interest to write to the company immediately, claiming dividends declared by the company during the years 1999 and onwards and still remaining outstanding.
4. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in relation to the above items is annexed hereto.
5. Members/Proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
6. Corporate Members are requested to send a duly certified copy of the Board resolution/Power of Attorney authorising their representative to attend and vote at the 13th Annual General Meeting.
7. Documents referred to the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days (Monday to Friday) between 11.00 a.m. and 1.00 p.m. upto the date of meeting and will also be available for inspection at the meeting.
8. **MEMBERS MAY NOTE THAT NO GIFT/GIFT COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE MEETING.**
9. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is given hereunder:

## EXPLANATORY STATEMENT

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

### ITEM NO.4

The terms of appointment of Shri Punamchand Malu, Managing Director as approved by the members at the Extra Ordinary General Meeting of the Company held on April 01, 2005 provide for the payment of salary of Rs.40,000/- per month.

In recognition of invaluable contribution to the Company's growth and implementation of investment plans and business strategies by Shri Punamchand Malu, the Board of Directors of the Company at its meeting held on July 28, 2006, increased the salary payable to Shri Punamchand Malu, Managing Director from Rs.40,000 per month to Rs.75,000 per month in the scale of Rs.75,000 – 1,60,000 with authority to the Board to grant such increments within the said scale as it may determine from time to time, with effect from April 1, 2006, until the expiry of his term of appointment on March 31, 2010 subject to the approval of the members at the ensuing Annual General Meeting.

All other terms and conditions of the appointment of Shri Punamchand Malu as Managing Director remains unchanged.

The Directors commend the Resolution for the approval of the members.

Except for Shri Punamchand Malu, Shri Damodar Lal Malu and Shri Purushottam Malu, no Director of the Company is concerned or interested in the said resolution.

*This Explanatory Statement together with the accompanying Notice should be treated as an abstract of the Terms and Memorandum of Interest under Section 302 of the Act.*

### ITEM NO.5

At the Extra-ordinary General Meeting of the Company held on April 01, 2005, the members approved the payment of salary to Shri Banwarilal Malu, Joint Managing Director of Rs.40,000 per month, with effect from March, 31, 2010 until the expiry of his term of appointment on April 01, 2010.

In recognition of invaluable contribution to the Company's growth and implementation of investment plans and business strategies by Shri Banwarilal Malu, the Board of Directors of the Company at its meeting held on July 28, 2006, on the recommendation of the Board, increased the salary payable to Shri Banwarilal Malu, Joint Managing Director from Rs.40,000 per month to Rs.75,000 per month in the scale of Rs. 75,000 – 1,20,000 with authority to Board to grant such increments within the said scale as it may determine from time to time, with effect from April 1, 2006, until the expiry of his term of appointment on March, 31, 2010, subject to the approval of the members at the ensuing Annual General Meeting.

All other terms and conditions of the appointment of Shri Banwarilal Malu, as Joint Managing Director remains unchanged.

The Directors commend the Resolution for the approval of the members.

Except for Shri Banwarilal Malu, Bhanwarlal Malu and Vasudeo Malu no Director of the Company is concerned or interested in the said resolution.

*This Explanatory Statement together with the accompanying Notice should be treated as an abstract of the Terms and Memorandum of Interest under Section 302 of the Act.*

### ITEM NO.6

The members are aware that the company's third unit is under process and the expansion of company's operation requires a full time senior executive for the company.

Shri Venugopal Malu, 23, PGDFMB from S. P. Jain Institute of Management Studies, is young, dynamic and having experience of paper industry. He will be part of the team to execute Company's upcoming project (newsprint & writing) and designated as Vice President (Project).

The Board feels that his appointment would be in the interest of the company and recommends the resolution for approval of members. The resolution also seeks authority to grant increments from time to time.

No Director, except Shri Punamchand Malu, Managing Director is in any way concerned or interested in the resolution.

### ITEM NO.7

The members are aware that the company's existing Kraft and Newsprint unit requires a full time executive for the company.

Shri Narayan Malu, 22, Bachelor of Commerce and undergoing Management course from S. P. Jain Institute of Management Studies, is young and dynamic. He will be in-charge of existing operation of Companies as Vice President (purchase).

The Board recommends his appointment by proposing the Special resolution for approval of members and authority to grant increments from time to time.

No Director, except Shri Banwarilal Malu, Managing Director, Bhanwarlal Malu and Shri Vasudeo Malu, relative the relative (as defined under section 6 of the Act), are in any way concerned or interested in the resolution.

**By order of the Board**

**For MALU PAPER MILLS LIMITED**

**Sd/-**

**Punamchand Malu**  
Managing Director

**Registered Office:**

Heera Plaza, 4<sup>th</sup> floor,  
Central Avenue  
Nagpur- 440008

Date: 1<sup>st</sup> August, 2006

# MALU PAPER MILLS LIMITED

## REPORT OF BOARD OF DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Annual Report for the year ended 31st March 2006 along with the Audited Statement of Accounts with the Report of the Auditors thereon:

### FINANCIAL RESULTS:

	(Rs. In Lacs)	
	<u>2005-06</u>	<u>2004-05</u>
Sales & Other Incomes	5334.19	4825.30
Profit Before Depreciation & Financial Charges	773.81	765.76
Less: Financial Charges	107.69	146.94
Profit Before Depreciation	666.12	618.82
Less: Depreciation	169.78	179.79
Profit Before Tax	496.34	439.03
Less: Provision for Tax	88.96	174.37
Profit After Tax	407.39	264.66
Add: Balance of Profit/ (Loss) from last year	303.29	38.63
Balance Available for appropriation	710.67	303.29
Less : General Reserve	200.00	0.00
Balance C/F to Balance Sheet	510.67	303.29

### BUSINESS REVIEW:

The performance of the Company during the year under review has been encouraging. You will be please to note that during the year, your company has achieved turnover of Rs.5334.19 Lacs and after Tax profit of Rs.407.39 Lacs as against Turnover of Rs.4825.30 Lacs and Profit after tax of Rs.264.66 thus recording increase of 11% and 54% respectively.

### DIVIDEND:

In order to conserve the resources of the Company your Directors do not recommended any dividend during the year.

### PUBLIC OFFER:

During the year under review the company has invited public for Equity participation. The Company came with Public issue of 83,34,000 Equity shares and the issue has received overwhelming response and the Shareholders are exchanging hand in the Bombay and National Stock Exchange respectively w.e.f. 05<sup>th</sup> April, 2006.

### CORPORATE GOVERNANCE:

As per the Listing Agreement with the Stock Exchanges, your company has complied with the requirement of Corporate Governance. A report in Corporate Governance is attached to this report.

### DIRECTOR:

Shri Lalitsingh Mehta, Mr. Satyanarayan Rathi, Mr. Omprakash Bhattad and Mr. Chandrakant Thakar were appointed as an Independent Directors w.e.f. 11<sup>th</sup> Novemeber, 2005.

Shri Bhanwarlal Malu and Shri Purushottam Malu, Directors retire by rotation at the ensuing annual general meeting and being eligible offers themselves for re-appointment.

### AUDIT COMMITTEE:

As per the provisions of the Listing Agreement and pursuant to Section 292A of the Companies Act, 1956, the Audit committee have been reconstituted w.e.f. 11<sup>th</sup> November, 2005. The new Committee consists of Mr. Omprakash Bhattad Chairman, Mr. Satyanarayan Rathi and Mr. Chandrakant Thakar.

### DIRECTORS RESPONSIBILITY STATEMENT FORMING PART OF DIRECTORS REPORT:

As required under Section 217(2AA) Director's confirm that:

1. In the preparation of the annual accounts, the applicable accounting standard has been followed.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimate that are reasonable and prudent so as to give a true and fair view of the state of affairs of Company as on 31st March 2006 and of the profit or loss of the company for the year ended 31st March 2006.
3. The Directors have taken proper and sufficient care 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.
4. The directors have prepared the annual accounts on a going concern basis.

**AUDITORS REPORT:**

The notes to the accounts to the comments made by the Auditors in their Report are self-explanatory.

**AUDITORS:**

M/S Demble Ramani & Co., Chartered Accountants, the Auditors of the company, who retire at this Annual General Meeting, being eligible are willing for reappointment. They have given information to the effect that their appointment, if made, will be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

**PARTICULARS OF EMPLOYEES UNDER SECTION 217 OF COMPANIES ACT:**

The particulars required under section 217 (2A) of the Companies Act 1956 read with the provisions contained in companies (Particulars of Employees) Rule 1975 as amended to date are not applicable to your Company.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

As regards disclosure of particulars relating to conservation of energy, great emphasis has been given for reduction of

energy consumption to reduce cost per unit of goods. Details as attached herewith as per Annexure A.

The Company imports some portion of its raw material requirement. The foreign exchange earnings and outgo are as mentioned in the reports of the auditor of the Company.

**ACKNOWLEDGEMENTS:**

Your Directors wish to place on record their gratitude and appreciation for the co-operation and support received from the Bankers of the Company, Govt. Departments and esteemed clients. The Directors wish to thank all the employees of the company for their valuable contribution for the growth of the Company.

**BY ORDER OF BOARD OF DIRECTORS**

<b>Sd/-</b>	<b>Sd/-</b>
<b>PUNAMCHAND MALU</b>	<b>BANWARILAL MALU</b>
Managing Director	Jt. Managing Director

Place : Nagpur  
Date : 01st August, 2006

# MALU PAPER MILLS LIMITED

## ANNEXURE TO DIRECTORS' REPORT-2006

### ANNEXURE A

FORM A: FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

#### A POWER AND FUEL CONSUMPTION

	Current year	Previous year
<b>1 ELECTRICITY :</b>		
<b>(a) Purchased</b>		
Unit	15355991	15137898
Total amount (Rs)	48,861,069	48,079,007
Rate/ unit	3.182	3.176
<b>(b) Own generation</b>	N.A.	N.A.
(i) Through diesel generator		
Unit		
Units per litre of diesel oil		
Cost/ unit		
(ii) Through steam turbine/ generator	N.A.	N.A.
Unit		
Units per litre of fuel oil / gas		
Cost/ unit		
<b>2 COAL :</b>		
Quantity (Metric Tonnes)	18339.56	16060.34
Total cost (Rs.)	26,968,763	22,832,976
Average rate	1470.52	1421.70
<b>3 FURNANCE OIL:</b>	N.A.	N.A.
Quantity (k. ltrs.)		
Total amount		
Average rate		
<b>4 OTHERS:</b>	N.A.	N.A.
Quantity		
Total cost		
Rate/ unit		

#### B CONSUMPTION PER UNIT OF PRODUCTION

	Current year	Current year
Standards (if any)		
Products unit (MT) (Kraft & News print)	27150.53	26116.86
1 Electricity	565.59	579.62
2 Furnace oil	N.A	N.A
3 CD Mix Coal	0.675	0.615
4 Others (Specify)	N.A	N.A

FOR MALU PAPER MILLS LTD.

Sd/-

DIRECTOR

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Your company believes that good Corporate Governance brings about sustained growth and long term benefits for shareholders. The Company's broad policies of Corporate Governance viz. transferability, professionalism and accountability are the guiding principles of management of the company aiming to the aspiration of the stakeholders.

### 2. BOARD OF DIRECTORS:

The Board of Directors comprises of Nine Non-executive Directors and two Executive Directors as on 31<sup>st</sup> March. The Board monitors performance of the Company, approves and receives policies / strategies and evaluate management performance. The Board ensures legal and ethical conduct and accurate financial reporting.

#### i) Non-Executive Promoter Directors:

1. Shri Bhanwarlal Malu, Chairman
2. Shri Damodarlal Malu
3. Shri Purushottam Malu
4. Shri Vasudeo Malu
5. Shri Ghasiram Malu

#### ii) Non-Executive Independent Directors:

1. Shri Satyanarayan Rathi
2. Shri Omprakash Bhattad
3. Shri Chandrakant Thakar
4. Shri Lalit Singh Mehta

The Chairman of the Board is Non-executive Chairman.

The Board of Directors meets at least once a quarter to review the Company's performance and financial results and more often, if necessary, to transact other business. 14 (Fourteen) meetings of Board of Directors were held on 22-04-2005, 23-07-2005, 27-08-2005, 01-09-2005, 30-09-2005, 17-10-2005, 08-11-2005, 11-11-2005, 12-12-2005, 07-01-2006, 14-02-2006, 11-03-2006, 16-03-2006 and 29-03-2006 during the financial year.

Attendance of each Director at the meetings of Board of Directors held during the financial year 2005-06, last Annual General Meeting and the Number of Directorships and memberships of Committees of each Director in various Companies.

	Name of Director	Attendance particulars		No. of Other Directorships @		
		No. of Board Meetings	Last AGM	Committee	Board	Chairmanship
1.	Shri Bhanwarlal Malu	10	YES	-	-	-
2.	Shri Damodarlal Malu	7	YES	-	-	-
3.	Shri Purushottam Malu	12	YES	-	-	-
4.	Shri Vasudeo Malu	12	YES	-	-	-
5.	Shri Ghasiram Malu	11	YES	-	-	-
6.	Shri Punamchand Malu	14	YES	-	-	-
7.	Shri Banwarilal Malu	14	YES	-	-	-
8*.	Shri Satyanarayan Rathi	3	-	-	-	-

## MALU PAPER MILLS LIMITED

	Name of Director	Attendance particulars		No. of Other Directorships @		
		No. of Board Meetings	Last AGM	Committee	Board	Chairmanship
9*	Shri Omprakash Bhattad	2	-	-	-	-
10*	Shri Chandrakant Thakar	2	-	-	-	-
11*	Shri Lalitsingh Mehta	2	-	-	-	-

\* Appointed as Independent Director w.e.f. 11<sup>th</sup> November 2005.

@ Excluding Private Limited companies

### 3. AUDIT COMMITTEE:

The Audit Committee as on 31-03-2006 comprised of three independent Non-Executive Directors namely Shri Omprakash Bhattad (Chairman of the Committee), Shri Satyanarayan Rathi and Shri Chandrakant Thakar.

Mr. Omprakash Bhattad possesses expert knowledge in the area of finance and accounting.

Pursuant to Clause 49 of the Listing agreement the audit committee was reconstituted w.e.f. 11-11-2005 by appointing the above three Non-executive Independent Directors as Chairman and members of the Committee with the resignation of Shri Punamchand Malu, Shri Vasudeo Malu and Shri Purushottam Malu.

In accordance with Clause 49 of the Listing Agreement and also Section 292A of the Companies Act, 1956, the terms of reference stipulated by the Board to the Audit Committee include overseeing financial reporting process, reviewing periodic financial results, financial statements and adequacy of internal control systems with the management and adequacy of internal audit functions, discussions with auditors about the scope of audit including the observations of the auditors and discussion with internal auditors on any significant findings.

During the year under review 4 (Four) meetings were held on 22-04-2005, 23-07-2005, 17-10-2005 and 07-01-2006. The following table gives attendance record:

SI.No.	Name of the Members of Audit Committee	Number of Meetings held	Number of Meetings attended
1*	Shri Omprakash Bhattad	4	1
2*	Shri Satyanarayan Rathi	4	1
3*	Shri Chandrakant Thakar	4	1
4**	Shri Punamchand Malu	4	3
5**	Shri Vasudeo Malu	4	3
6**	Shri Purushottam Malu	4	3

\* Appointed as Independent Director and Member w.e.f. 11<sup>th</sup> November 2005.

\*\* Resigned.

### 4. INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders grievance committee has been constituted w. e. f. 11-11-2005. The members of the Committee as on 31-03-2006 were Shri Satyanarayan Rathi, Shri Lalitsingh Mehta and Shri Banwarilal Malu. The Committee's objective is attending the investors' complaints pertaining to transfers/ transmission of shares, non-receipt of Annual report, non-receipt of dividend and any other related matters. The Board designated Shri Girish Malpani, CFO as Compliance Officer. The Committee met on 07-01-2006 and 29-03-2006.

During the year under review no complaint was received from Shareholders.

**5. THE LOCATION AND TIME OF THE LAST 3 ANNUAL GENERAL MEETINGS:**

Year	Date & Time	Venue
2002-2003	30-09-2003 at 11.00 AM	4 <sup>th</sup> Floor, Heera Plaza, Near Telephone Exchange, Central Avenue, Nagpur.
2003-2004	30-09-2004 at 11.00 AM	4 <sup>th</sup> Floor, Heera Plaza, Near Telephone Exchange, Central Avenue, Nagpur.
2004-2005	30-09-2005 at 10.30 AM	4 <sup>th</sup> Floor, Heera Plaza, Near Telephone Exchange, Central Avenue, Nagpur.

**6. DISCLOSURES ON MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS:**

During the year there were no transaction of material nature with the promoters, the Directors or the management that had potential conflict with the interest of the company.

**7. DETAILS OF NON COMPLIANCE BY THE COMPANY:**

There was no non-compliance by the Company on any matters related to Corporate Governance during the last three years.

**8. MEANS OF COMMUNICATION:**

During the year under review, the half-yearly and yearly results were displayed on the Company's web site <http://malupaper.com>. These were not sent individually to the shareholders.

**9. GENERAL SHAREHOLDERS INFORMATION:**

**1. Thirteen Annual General Meeting:**

Date : 28<sup>th</sup> August 2006  
 Time : 3.00 PM  
 Venue : VIA Hall, Udyog Bhawan, Civil Lines, Nagpur.

**2. Dates of Book Closure:** 20<sup>th</sup> August 2006 to 28<sup>th</sup> August 2006 (both days inclusive).

**3. Financial Calendar of the Company:**

The Financial Year covers the period from 01<sup>st</sup> April to 31<sup>st</sup> March.

Financial Reporting for 2006-07 (Tentative)

Unaudited Financial results for the quarter ending	30-06-2006	July, 2006
Unaudited Financial results for the quarter ending	30-09-2006	October, 2006
Unaudited Financial results for the quarter ending	31-12-2006	January, 2007
Audited Financial Results for the year ending	31-03-2007	June, 2007

**4. Listing on Stock Exchanges:**

The equity shares of the Company are listed on The Bombay Stock Exchange Limited and the National Stock Exchange of India. The requisite annual listing fees for the year 2006-07 have been paid in full to the Stock Exchanges.

**5. Stock Code:**

The Bombay Stock Exchange Ltd. 532728  
 National Stock Exchange of India Ltd. MALUPAPER

As the Shares of the Company were listed on 05<sup>th</sup> April 2006, the details of monthly high and low quotations of the shares are Not Applicable.

## MALU PAPER MILLS LIMITED

### 6. Registrar and Transfer Agents:

Intime Spectrum Registry Limited  
 C-13, Pannalal Silk Mills Compound,  
 LBS Road, Bhandup (West), MUMBAI – 440 078.  
 Tel. No. 022-2596 3838  
 Fax No. 022- 2594 6969  
 Email: [isrl@intimespectrum.com](mailto:isrl@intimespectrum.com)

### 7. Share Transfer System:

Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the document, provided the documents are valid and complete in all respects.

### 8. Distribution of Equity Shareholding as on 31-03-2006:

Nominal Value of Equity shares			Share holders		Amount	
Rs.			Number	%	Rs.	%
1	-	5000	4390	53.7529	11144410	6.5328
5001	-	10000	1794	21.9665	11744370	6.8845
10001	-	20000	1230	15.0606	14533630	8.5195
20001	-	30000	649	7.9466	13810410	8.0956
30001	-	40000	14	0.1714	480170	0.2815
40001	-	50000	10	0.1224	441540	0.2588
50001	-	100000	19	0.2326	1523300	0.8929
100001	And	Above	61	0.7469	116914670	68.5345
<b>TOTAL</b>			<b>8167</b>	<b>100.0000</b>	<b>170592500</b>	<b>100.0000</b>

### 9. Shareholding Pattern as on 31-03-2006:

Category	No. of Shares held	% of Share holding
Indian Promoters	10392250	60.9186
Mutual funds & UTI	166800	0.9778
Banks, Financial Institutions, Insurance Companies	333000	1.9520
Private Corporate Bodies	222885	1.3065
Indian Public	5444115	31.913
NRIs	500200	2.9321
<b>TOTAL</b>	<b>17059250</b>	<b>100.000</b>

### 10. Dematerialisation of Shares:

As at 31st March 2006 83,34,000 (51.15%) of total equity capital was held in Electronic form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company's Equity Shares have to be compulsorily traded in the electronic form. Requests for dematerialisation of shares are processed and confirmed within 7 days.

No GDRs, ADRs or warrants have been issued by the Company.

**11. Registered Office of the Company:**

Heera Plaza, 4<sup>th</sup> Floor,  
Near Telephone Exchange,  
Central Avenue,  
Nagpur – 440 008 (MS)  
Tel. No: (0712) 2760308; 2778506  
Email: [info@malupaper.com](mailto:info@malupaper.com)

**12. Plant Locations:**

Village : Borujwada,  
Taluka : Saoner  
Saoner Road, Nagpur.

**13. Address for Correspondence from Shareholders:**

(Registered Office)  
Malu Paper Mills Ltd.  
Heera Plaza, 4<sup>th</sup> Floor,  
Near Telephone Exchange,  
Central Avenue,  
Nagpur – 440 008 (MS)  
Tel. No: (0712) 2760308; 2778506  
Email: [info@malupaper.com](mailto:info@malupaper.com)

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**CERTIFICATE OF CORPORATE GOVERNANCE**

To

The Members of  
Malu Paper Mills Limited  
Nagpur

We have examined the compliance of conditions of Corporate Governance by the Malu Paper Mills Limited, Nagpur for the year ended on March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the Company with stock exchanges, in India, with the relevant records and documents maintained by the company and furnished to us and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Demble Ramani & Co.**  
Chartered Accountants

**Ashok Ramani**  
Partner  
M.NO.30537

Date: 01<sup>st</sup> August, 2006  
Place : Nagpur

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVER VIEW AND DEVELOPMENTS

Paper plays an important role in communication and as a packaging material. The demand for paper is closely linked to the economic conditions prevalent in the economy. Strong economy growth boosts demand for paper and vice versa.

With the economy currently in a buoyant phase and expected to remain so in the medium term we expect the domestic paper industry to grow at a stable rate of around 6 percent over the next 2 years.

The paper industry has been growing at a steady rate over last few years and is likely to continue on the same path.

The domestic demand for paper is expected to grow at a CAGR of 6.3 per cent from 5.7 million tones to 7.8 million tones in 2009-10 and supply is expected to increase at a CAGR of 3 percent. With demand expected to outpace supply, it is expected that the demand supply gap to contract over the next few years resulting in operating rates of upto 96 per cent by 2009-10.

The up trend in paper prices continued throughout 2005-06, with prices on an average increasing by around 15 per cent as compared to 2004-05.

### OPPORTUNITIES AND THREATS

With strong growth in the country's manufacturing sector, demand for industrial paper is expected to grow at a faster pace. In addition, growth in end user industries is expected to drive the paper industry' growth. Some of the demand drivers expected to drive growth in the paper industry are:

- Increase in number of newspaper and magazines boost the demand for newsprint.
- Shifting in demand for better quality papers
- Increase in exports to boost demand for packaging paper
- Demand for Kraft paper is expected to increase with the growth in manufacturing sector.
- Promotion of education to derive demand for W & P (writing and printing) paper
- Growth in exports in children's books

- Technology advancement to further demand for paper
- At current duty levels, imports are not expected to constitute a considerable threat and given the steady growth in the demand for paper.

### RISKS AND CONCERNS

#### **Ram material costs to increase, but margins to remain stable:**

Although raw material costs are expected to increase in the medium term with increase in prices and stability in demand, producer's margins and their credit profile are expected to remain stable.

#### **Operating rates to remain high:**

Although capacity additions are on the cards, domestic demand is expected to grow at a healthy rate with the demand drivers expected to remain strong. Most producers are expected to operate at above 90% capacity with the growth in production of over 6%. Production of large as well as small players is expected to increase in the medium term.

#### **Threat of imports negligible in the medium term**

India imports around 0.19 million tones of paper annually, which is around 3 percent of the total domestic demand. Also most of the imports are in the form of stock lots, as foreign companies have a limited presence in India. In the medium term, the threat of imports is not very significant, as the price differential between domestic and international prices is high.

### INTERNAL CONTROL AND SYSTEMS

The company has instituted adequate internal control procedure commensurate with the nature of its business and size of its operations.

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls, including an internal audit process. Internal controls are evaluated by internal audit and supported by management reviews.

## **FUTURE OUTLOOK**

The increasing growth in manufacturing sector in India is expected to continue to spur strong demand for the Company's products. The MPML expects demand in the paper industry to remain buoyant over the next five years while growth in writing and printing (W & P) segment will be aided by government's increased focus on education and achieving higher literacy levels. The Company's paper segment will tap niche market from increased consumerisation and growth in paper products.

Paper manufacturing is power intensive and power costs have a substantial bearing on the cost structure of paper companies. The company proposes to set up a 6MW coal based captive power plant. Being a coal based pit-head unit the Captive power plant will enjoy lower coal cost. The

steam generated from coal will not only produce electricity but the spent steam will be utilized for drying of paper, free of cost.

## **FORWARD LOOKING STATEMENTS**

The management discussions and analysis report contains forward looking statements based upon the data available with the company, assumptions with regard to global economic conditions, the government policies etc. The company cannot guarantee the accuracy of assumptions and perceived performance of the company in future. Therefore is is cautioned that the actual results may materially differ from those expressed or implied in the report.

# MALU PAPER MILLS LIMITED

## FROM THE MANAGING DIRECTOR'S DESK

Dear Shareholders,



From your Company's point of view the performance during the year 2005-06 has been encouraging. The turnover of the company increased by 11% and net profit after tax zoomed by 54%. I expect the company to

continue the same space in the coming years.

Steady growth in demand and higher operating rates signal a better future for the Indian Paper Industry. The improved demand-supply balance will result in a moderate increase in paper prices.

I am pleased to brief the industry scenario, globally and in India.

### GLOBAL MARKET

The share of newsprint demand in the global demand for paper and board was around 12 per cent. Demand for newsprint is expected to grow at a CAGR of 2 per cent per annum in long term. Rise in demand from Asia is expected to offset the decline in demand North America.

### INDIAN DOMESTIC MARKET

There was no indigenous capacity for newsprint in India till 1955. The entire requirement of newsprint was imported. The change in government policy encouraged the private sector to manufacture newsprint. Hence, many players including MPML entered the newsprint business.

The market size of the Indian newsprint industry in 2004-05 is estimated at around Rs.39 billion, with a capacity of 1.1 million tonnes. The total market size of the domestic paper industry is around Rs.211 billion. Thus newsprint market accounts for nearly 16 per cent of the total market.

Every newspaper industry, whether large, medium or small, prefer to use newsprint. There has been huge rise in the number of newspaper and their circulation. Even regional newspapers have taken advantage by bringing out multiple edition dailies.

### DEMAND & SUPPLY

The paper industry has been growing at a steady rate over the last few years and is likely to continue on the same

path. The profitability and credit profile of the domestic paper industry will improve marginally as the demand supply gap narrows.

The Domestic production is also expected to grow at around 6 percent in line with the increase in domestic demand and the marginal growth in exports over the next 5 years.

Growth in Industrial paper segment depends on industrial growth. With the industrial sector in India poised for healthy growth, the demand for industrial paper is expected to grow at a CAGR of 6-7 percent over the next 5 years and with the growth in manufacturing sector, the demand for corrugating material, Kraft paper, is also expected to increase.

Growth in the demand for newsprint has historically moved in line with GDP growth, as its demand is dependent to a large extent on population, increase in circulation of magazines, etc. With India's GDP expected to grow by 6.75-7.00 percent in the medium term, the demand for newsprint is expected to grow at a CAGR of 8.20 per cent over the next 5 years. Increased literacy is expected to result in a rise in the circulation of newspapers and increase in the number of newspaper and magazines, which will, in turn, boost the demand for newsprint.

In 2004-05, print advertising revenues outpaced television for the first time in many years. Print advertising grew at 14.6 per cent in 2004 to Rs.54.5 billion rupees. The ad revenue in the print segment is expected to grow at 15-20 per cent.

### PROFITABILITY OF PAPER INDUSTRY

The domestic paper industry witnessed a healthy demand growth in 2004-05, which has resulted in improved margins at the operating and net levels and ensured a better financial profile for paper companies.

Revenues for paper industry have been growing at a CAGR of 11 percent over the last 5 years on the back of strong demand growth. In 2003-04, revenues increased by around 8 per cent with a moderate increase in prices.

### SWING CAPACITY

Swing capacity refers to the ability of newspaper-manufacturing machines to manufacture other varieties of paper like W & P, etc. Your company has also undertaken the ongoing project of 150 TPD capacity with swing capacity, where it can manufacture W & P and other varieties of paper from the same machine.

## **FUTURE EXPANSION**

Your company is in advanced stage of executing the 150 TPD Newsprint & writing printing paper plant. The Company has placed an order for latest technology De-inking plant for this project with Andritz OY, who are one of the world leaders in providing the state of the art technology. The Company intends to tap the very potential market in the premium segment.

Post expansion the company will have a total capacity of 70,000 TPA of newsprint. The Company is also setting up a 6MW captive power plant for entire requirement of steam & power of the new project. This will make your company more independent and cost competitive. The captive power plant commences production along with the new paper machine in Q1 of financial year 2007-08.

Let me conclude by saying that year 2005-06 has been fantastic year. The Company came with IPO and received good support and response from the public at large. I believe 2006-07 will bring more opportunities to explore.

I would like to thanks all the clients of the company for the unstinted support received from them during the year and would like to place on record the appreciation for the dedicated efforts and services put in by the employees of the company. And my sincerest thanks to all the members of the Company having trust and confidence on the management of the company.

Place : Nagpur

Date : 01st August, 2006

**Punamchand Malu**  
Managing Director

# MALU PAPER MILLS LIMITED

## AUDITOR'S REPORT

### TO THE MEMBERS OF MALU PAPER MILLS LIMITED

We have audited the attached Balance Sheet of **MALU PAPER MILLS LIMITED** as at **31<sup>st</sup> March 2006** and also the Profit & Loss Account for the year ended/period on that date annexed thereto. These financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our Audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to, obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial Statements. An Audit also includes assessing the Accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our Audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors) Report Order, 2003 read together with the Amendment Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in Paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit;
- 2) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books;

- 3) The Balance Sheet and the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts;
- 4) In our opinion, the Balance sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- 5) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2006 taken on record by the Board of Directors we report that none of the Directors are disqualified as on 31<sup>st</sup> March, 2006 from being appointed as a Director in terms of Clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts given the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India;
  - i) In the case of the Balance Sheet of the State of affairs of the Company as at 31<sup>st</sup> March, 2006 and
  - ii) In the case of the Profit and Loss Account of the profit of the Company for the year ended/period on that date.
  - iii) In the case of Cash Flow Statement of the Cash Flow for the year ended on that date.

For **DEMBLE RAMANI & CO.**  
Chartered Accountants

**(ASHOK RAMANI)**  
Partner

Membership No. 30537.

Place : NAGPUR

Date : 24/06/2006

**ANNEXURE OF THE AUDITOR'S REPORT**  
**(As referred to in Paragraph 3 of our report of Even-date)**

- (i) a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The management has physically verified all its fixed assets at reasonable intervals and no material discrepancies were noticed on such physical verification.
- c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- (ii) a) As per the information furnished, the inventories have been physically verified by the management at reasonable intervals during the year.
- b) In our opinion and according to the information and explanations given to us procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the company has not granted or taken any loans secured or unsecured to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956
- (iv) In our opinion and according to the information and explanation given to us, there is generally an adequate internal control system commensurate with the size of the company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal control system.
- (v) In respect of contracts or arrangements to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements referred to under section 301 that needed to be entered into there against maintained under the said section.
- (vi) According to the information and explanations given to us, the Company has not accepted deposits in terms of provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion; the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed books of accounts maintained by the company pursuant to the order made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. However, we are not required to carry out and have not carried out a detailed examination of the records with a view to determine whether they are accurate and complete.
- (ix) a) According to the information and explanations given to us and the records examined by us, the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service tax, Customs duty, Excise duty, Cess and any other statutory dues wherever applicable with the appropriate authorities. According to the information and explanations given to us, no undisputed arrears of statutory dues were outstanding as at 31st March, 2006 for a period of more than six months from the date they became payable.
- b) According to the records of the company there are statutory dues, which are outstanding on account of certain disputes at the end of the year.

## MALU PAPER MILLS LIMITED

Name of Statute	Nature of the Dues	Amount (Rs. in Lacs)	Assessment Years	Forum where dispute is pending
Central Excise Act.	Excise Duty	14.49	2002-03	Tribunal
Central Excise Act.	Excise Duty	2.63	2003-04	Assistant Commissioner
Central Excise Act.	Excise Duty	4.33	2004-05	Assistant Commissioner
Central Excise Act.	Excise Duty	3.79	2004-05	Assistant Commissioner

- (x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the current and in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutions or banks. The company does not have any borrowings by way of debentures.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit funds/ nidhi / mutual benefits funds/ society do not apply to the company.
- (xiv) In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by its subsidiaries and associates from banks/ financial institutions.
- (xvi) In our opinion, term loans have been applied for the purpose for which they have been raised.
- (xvii) According to the Information and explanations given to us and on an overall examination of the balance sheet to the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties or companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures.
- (xx) We have verified that the end use of money raised by Public Issue is as disclosed in the Notes to the Accounts.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For **DEMBLE RAMANI & CO.**  
Chartered Accountants

**(ASHOK RAMANI)**  
Partner  
Membership No. 30537.

Place : NAGPUR  
Date : 24/06/2006

**BALANCE SHEET AS ON 31ST MARCH, 2006**

SR	PARTICULARS	SCHEDULE	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>I.</b>	<b>SOURCES OF FUNDS</b>			
	<b>Share holders' Fund</b>			
1)	Share Capital	(A)	170592500	69802000
2)	Reserves and Surplus	(B)	<u>202835277</u>	<u>31594191</u>
			373427777	101396191
3)	<b>Loan Funds</b>			
	Secured Loan	(C)	82007646	84209078
	Unsecured Loan	(D)	<u>43831711</u>	<u>41313164</u>
4)	<b>Deferred Tax Liabilities</b>		10101000	18828000
	<b>TOTAL</b>		<u><b>509368135</b></u>	<u><b>245746433</b></u>
<b>II.</b>	<b>APPLICATION OF FUNDS</b>			
1)	<b>Fixed Assets</b>	(E)		
	Gross Block		230185114	227062250
	<b>Less : Depreciation</b>		<u>111698209</u>	<u>95058612</u>
	<b>Net Block</b>		118486905	132003638
	<b>Add : Capital Work In Progress</b>		<u>67000873</u>	0
2)	<b>Investments</b>			
	<b>Investments in Shares</b>		256880	
3)	<b>Current Assets, Loans &amp; Advances</b>			
	Inventories	(F)	76382097	50634042
	Sundry Debtors	(G)	59178954	54524923
	Cash And Bank Balance	(H)	209000138	8163734
	Loans And Advances	(I)	<u>39329712</u>	<u>30087251</u>
	Total Current Assets		383890901	143409950
	<b>Less : Current Liabilities &amp; Provisions</b>	(J)	<u>60267424</u>	<u>29759130</u>
	<b>Net Current Assets</b>		323623477	113650820
4)	<b>Miscellaneous Expenditure</b>	(K)	0	91975
5)	<b>Significant Accounting Policies And Notes On Accounts</b>	(L)		
	<b>TOTAL</b>		<u><b>509368135</b></u>	<u><b>245746433</b></u>

FOR MALU PAPER MILLS LIMITED

As per our Report of Even Date

(PUNAMCHAND MALU)  
Managing Director

(BANWARILAL MALU)  
Joint Managing Director

FOR DEMBLE RAMANI & CO.  
CHARTERED ACCOUNTANTS

(ASHOK RAMANI)  
Partner  
MEMBERSHIP NO. 30537

PLACE : NAGPUR  
DATE : 24/06/2006

(GYANESH VERMA)  
Company Secretary

# MALU PAPER MILLS LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

SR	PARTICULARS	SCHEDULE	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
	<b>INCOME</b>			
A.	<b>Gross Sales</b>		<b>539883680</b>	<b>487634288</b>
	Less : Excise Duty		7555164	6084871
	<b>Net Sales</b>		<b>532328517</b>	<b>481549416</b>
B.	Other Income	(M)	1090408	981106
C.	Increase/Decrease In Stock	(N)	-3316577	1186375
			<b>530102348</b>	<b>483716897</b>
D.	<b>EXPENDITURES</b>			
	Material Cost & Manufacturing Exp.	(O)	413609156	366802169
	Directors Remuneration		960000	0
	Employees Remuneration & Benefits	(P)	5382855	5413188
	Administrative Expenses	(Q)	16064592	18494322
	Selling, Distribution & Other Expenses	(R)	16704540	16431260
			<b>452721142</b>	<b>407140939</b>
	<b>Profit Before Depreciation &amp; Finance Charges</b>		<b>77381206</b>	<b>76575958</b>
	Less : Finance Charges	(S)	10768920	14694263
	<b>Profit Before Depreciation &amp; Tax</b>		<b>66612286</b>	<b>61881695</b>
	Less : Depreciation	(E)	16978007	17978662
	<b>Profit Before Tax</b>		<b>49634279</b>	<b>43903033</b>
	Less : Provision for Income Tax		17533671	2252000
	Provision for Fringe Benefit Tax		88950	0
	Provision for Deferred Tax		-8727000	15185000
	<b>Profit After Tax</b>		<b>40738658</b>	<b>26466033</b>
	<b>Balance Brought Forward From Previous Year</b>		<b>30329191</b>	<b>3863159</b>
	<b>Balance Available for Appropriation</b>		<b>71067849</b>	<b>30329191</b>
	Less : Appropriations			
	General Reserve		<b>20000000</b>	<b>0</b>
	<b>Balance Carried to Balance Sheet</b>		<b>51067849</b>	<b>30329191</b>
E.	<b>Basic Earnings Per Share on Weighted Average (In Rs.)</b>		<b>5.19</b>	<b>3.79</b>
	<b>Diluted Earnings Per Share (In Rs.)</b>		<b>2.39</b>	<b>3.79</b>
F.	<b>Face Value Per Equity Share (In Rs.)</b>		<b>10.00</b>	<b>10.00</b>
G.	<b>Number of Equity Shares (In Nos.)</b>		<b>17,059,250</b>	<b>6,980,200</b>

FOR MALU PAPER MILLS LIMITED

As per our Report of Even Date

FOR DEMBLE RAMANI & CO.  
CHARTERED ACCOUNTANTS

(PUNAMCHAND MALU)  
Managing Director

(BANWARILAL MALU)  
Joint Managing Director

(ASHOK RAMANI)  
Partner  
MEMBERSHIP NO. 30537

PLACE : NAGPUR  
DATE : 24/06/2006

(GYANESH VERMA)  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	31st March, 2006	31st March, 2005
<b>A. Cash Flows from Operating Activities</b>		
<b>Reserve &amp; surplus</b>		
Net Profit before Tax & Extraordinary Items	49634279	43903033
Adjustments for:		
Depreciation	16639597	17884933
Interest/Other Income	-1090408	-981106
Interest Expenses	10768920	14694263
Preliminary Expenses written off	91975	90924
<b>Operating Profit before Working Capital Changes</b>	<b><u>76044363</u></b>	<b><u>75592047</u></b>
Adjustments for:		
Trade Receivables	-4654031	-3364102
Other Receivables	-9242461	-10055066
Inventories	-25748055	-17421021
Trade Payables & Other Liabilities	21781294	10978078
<b>Cash Generated from Operations</b>	<b><u>58181110</u></b>	<b><u>55729935</u></b>
Income Taxes Paid	-8895621	-17437000
<b>Net Cash from Operating Activities</b>	<b><u>49285489</u></b>	<b><u>38292935</u></b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets & Capital W.I.P.	-70123737	-15140036
Interest Received	1090408	981106
Fixed Deposits / Investments	-256880	0
<b>Net Cash from Investing Activities</b>	<b><u>-69290209</u></b>	<b><u>-14158930</u></b>
<b>C. Cash Flows from Financing Activities</b>		
Issue of Share Capital	83340000	0
Proceeds from Borrowings	317116	-7905116
Share Premium	166680000	0
Increase in Inter Corporate Deposits & Other Loans		
Share Issue Expenses	-18727072	
Interest Paid	-10768920	-14694263
<b>Net Cash used in Financing Activities</b>	<b><u>220841124</u></b>	<b><u>-22599379</u></b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b><u>200836404</u></b>	<b><u>1534626</u></b>
<b>Cash and Cash Equivalents at the beginning of period</b>	<b><u>8163734</u></b>	<b><u>6629108</u></b>
<b>Cash and Cash Equivalents at the end of period</b>	<b><u>209000138</u></b>	<b><u>8163734</u></b>
<b>Net Change in Cash {Inc+/Dec-}</b>	<b><u>200836404</u></b>	<b><u>1534626</u></b>

**Note :** The above Cash Flow has been prepared under "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statement issued by Institute of Chartered Accountants of India.

# MALU PAPER MILLS LIMITED

## SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006

PARTICULARS	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>SCHEDULE (A)</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	200000000	75000000
(20000000 (7500000) Equity Shares of Rs.10/- Each) (The Authorised capital was increased during the year by creation of additional 12500000 Equity Shares of Rs.10/- each ranking pari pasu with the existing shares)		
<b>Issued Subscribed &amp; Paid Up Capital</b>		
1745050 (0) Equity Shares of Rs.10/- Each were allotted as fully paid bonus shares by capitalisation of General Reserve.	170592500	69802000
<b>Total\</b>	<b>170592500</b>	<b>69802000</b>
<b>SCHEDULE (B)</b>		
<b>RESERVES &amp; SURPLUS</b>		
1) <b>General Reserve</b>	1265000	1265000
<b>Add : Current Year/Period Appropriations</b>	20000000	
	21265000	1265000
<b>Less : Bonus Shares allotted</b>	17450500	
	3814500	1265000
2) <b>General Reserve Total (1) :</b>		
<b>Share Premium Account</b>	166680000	0
<b>Less : IPO Expenses</b>	(18727072)	
	147952928	0
3) <b>Surplus As Per Profit &amp; Loss Account</b>	51067849	30329191
<b>Total (1+2+3)</b>	<b>202835277</b>	<b>31594191</b>
<b>SCHEDULE (C)</b>		
<b>SECURED LOAN</b>		
From Sicom Limited, Mumbai (F0322) (Secured by Fixed Assets)	35500000	50500000
<b>INTEREST ON TERM LOAN</b>		
(Accrued but not Due)	386507	565696
<b>FROM STATE BANK OF INDIA</b>		
(Secured by Hypothecation of Stock in Trade & Book Debt and by Second Charge on the Fixed Asset on which Sicom has First Charge)	14917183	32368222
<b>FROM BANK OF BARODA, MUMBAI</b>		
(Secured against Promisory Note & Personal Guarantee of Banwarilal Malu)	30000000	0
<b>OTHERS</b>		
From ICICI Bank Ltd, Nagpur (Sumo Loan)	469000	131200
From ICICI Bank Ltd, Nagpur (Tractor Loan)	318276	0
From HDFC Bank Ltd, Mumbai (Car Loan) (Secured Against Vehicles)	416680	643960
<b>Total</b>	<b>82007646</b>	<b>84209078</b>
<b>SCHEDULE (D)</b>		
<b>UNSECURED LOAN</b>		
From Share Holders	0	1000000
<b>STATE LOAN ACCOUNT</b>		
Deferred Sales Tax Loan		
E.C.No.I	12311011	15450892
E.C.No.II	28965303	22846677
E.C.No.III	2555397	2015595
<b>Total</b>	<b>43831711</b>	<b>41313164</b>

**SCHEDULE (E) FIXED ASSETS AS ON 31ST MARCH, 2006**

PARTICULARS	RATE (%) WDV	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		AS ON 1 / 4 / 2005	ADDITION	CEIWAT/ MODVAT CREDIT	SOLD DURING THE YEAR	AS ON 31 / 3 / 2006	TRANSFER DURING THE YEAR	FOR THE YEAR	AS ON 31 / 3 / 2006	AS ON 31 / 3 / 2006	AS ON 31 / 3 / 2005	
Freehold Land	NIL	4092222	851300			4943522	0	0	0	4943522	4092222	
Factory Building	10.00%	46627665	881769		47509434	18323892	2869461	21193353	26316081	28303773		
Office Building	5.00%	702610			702610	190715	25595	216310	486300	511895		
Office Building (Ho)	5.00%	1065670			1065670	51386	50714	102100	963570	1014284		
Staff Quarters	5.00%	1712841			1712841	583558	56464	640022	1072819	1129283		
Plant & Machinery	13.91%	133366393	586790	21722	133485925	58560029	338410	68683885	64802040	74806364		
Furniture & Fixture	18.10%	1361499	72700		1434199	776805	115336	892141	542058	584694		
Office Equipment	13.91%	430498	21450		451948	210653	32673	243326	208622	219845		
Computers	40.00%	497501	77100		574601	359744	72004	431748	142853	137757		
Boiler	13.91%	11145624			11145624	5928881	725649	6654530	4491094	5216743		
Water Supply Equipments	13.91%	252811			252811	189290	8836	198126	54685	63521		
Fire Fighting Equipments	13.91%	194152			194152	60963	18527	79490	114662	133189		
Effluent Treatment	13.91%	8358954			8358954	3086788	733358	3820146	4538808	5272166		
Electrical Installation	13.91%	10560359			10560359	4090474	899961	4990435	5569924	6469885		
Misc.Fixed Assets	13.91%	2124672			2124672	862997	175499	1038496	1086176	1261675		
Vehicle ( Four Wheeler)	25.89%	3355587	590240		3945827	1058077	594825	1652902	2292926	2297511		
Vehicle ( Tractor)	25.89%	1049340	425061		1474401	589347	119093	708440	765961	459993		
Vehicle ( Two Wheeler)	25.89%	163852	83712		247564	135014	17746	152760	94804	28838		
<b>T O T A L</b>		<b>227062250</b>	<b>3590122</b>	<b>21722</b>	<b>230185114</b>	<b>95058612</b>	<b>16978007</b>	<b>111698209</b>	<b>118486905</b>	<b>132003638</b>		
<b>PREV. YEAR</b>		<b>210412184</b>	<b>17678093</b>	<b>876608</b>	<b>227062250</b>	<b>77173679</b>	<b>17978682</b>	<b>95058612</b>	<b>132003638</b>			

# MALU PAPER MILLS LIMITED

## SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006

PARTICULARS	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>SCHEDULE (F)</b>		
<b>INVENTORIES</b>		
Valued at Cost or Net Realisable Value whichever is less and as Valued and Certified by Management		
<b>Raw Material</b>		
Waste Paper-Indian	5564274	3381230
Waste Paper-Imported	52053410	28840300
Chemical	3063980	1376112
Coal	4185000	2894340
Stores & Spares	8250000	7741350
Stock In Process	1062750	1046500
Finished Goods	1769883	5102710
Packing Material	432800	251500
<b>Total</b>	<b><u>76382097</u></b>	<b><u>50634042</u></b>
<b>SCHEDULE (G)</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured & Considered Good)		
Debtors Outstanding		
Upto 6 Months	56845587	49187538
More Than 6 Months	2333367	5337385
<b>Total</b>	<b><u>59178954</u></b>	<b><u>54524923</u></b>
<b>SCHEDULE (H)</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash In Hand	278912	631272
<b>Cash At Bank With Schedule Bank</b>		
A) In Current Account	201079133	42604
B) In Fixed Deposits	7642093	7489858
(Against Margin Money For Letters of Credit & Bank Guarantees)		
<b>Total</b>	<b><u>209000138</u></b>	<b><u>8163734</u></b>

**SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006**

PARTICULARS	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>SCHEDULE (I)</b>		
<b>LOANS &amp; ADVANCES</b>		
Secured & Considered Good	0	0
<b>Unsecured</b>		
<b>Considered Good :</b>		
a) Subsidiary Companies	0	0
b) Deposits and Balances with Government and Other Authorities (Including accrued interest)	20802046	15926169
c) Advances Recoverable in Cash or in Kind or for Value to be Received	3510312	12292294
d) Advance Income Tax	15017354	1868788
<b>Total</b>	<b>39329712</b>	<b>30087251</b>
<b>SCHEDULE (J)</b>		
<b>CURRENT LIABILITIES &amp; PROVISION</b>		
<b>A. CURRENT LIABILITES</b>		
<b>1) Sundry Creditors</b>		
<b>A) Small Scale Industries</b> (To the Extent Identified With Available Information)	2044814	1161031
<b>B) Others</b>	32946541	21639047
<b>2) Other Liabilities</b>	4927926	4278110
<b>B. Provisions</b>		
Provision For Taxation	19702000	2252000
Fringe Benefit Tax (2006-07)	88950	0
Retirement Benefits	557193	428942
<b>Total</b>	<b>60267424</b>	<b>29759130</b>
<b>SCHEDULE (K)</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (To the Extent not W/off or Adjusted)		
As Per Last Balance Sheet	91975	182899
Less :- Written off During the Year/Period	91975	90924
<b>Total</b>	<b>0</b>	<b>91975</b>

# MALU PAPER MILLS LIMITED

## Schedule 'L'

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(FIG. IN. LAKHS)

#### I STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

The accounts are prepared in accordance with the accounting principles generally accepted in India and are in line with the relevant laws as well as the guidelines prescribed by the Department of Company Affairs, Ministry of Law, Justice & Company affairs & The Institute of Chartered Accountants of India.

##### 1. System of Accounting:

The financial Statements are prepared under the historical cost convention on an accrual basis.

##### 2. Fixed Assets:

Fixed Assets are carried at cost. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working condition for intended use and after providing for Cenvat Credit.

##### 3. Impairment of Assets:

Carrying amounts of assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.

##### 4. Foreign Currency transactions:

Foreign currency transactions are accounted for at the rates prevailing on the dates of the transactions converted at contracted rate.

##### 5. Depreciation:

Depreciation on Fixed Assets is calculated on Written down Value Method and is provided on prorata basis on the assets acquired during the year. The rates of depreciation are as specified in the schedule XIV to the Companies Act 1956.

##### 6. Inventories :

- i) Stock in trade comprising of raw materials, finished goods & other products is valued at cost or net realizable value, whichever is less.
- ii) Stores & Spares, consumable stores & packing materials have been valued at cost or net realizable value, whichever is less.

##### 7. Retirement Benefits:

Provisions for/contributions to retirement benefit scheme are made as follows : a) Provident Fund on actual liability basis. b) Liability in respect of future payments of Gratuity to retiring employees and leave encashment benefit on retirement to eligible employees are provided on the accrual basis on estimation at the end of each financial year.

##### 8. Taxes on Income:

Income tax expense for the year comprises of current tax and deferred tax. Current tax provision has been determined on the basis of relief and deductions available under the Income Tax Act, 1961. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

##### 9. Sales:

Sales are recognized when goods are supplied in accordance with the terms of sale. Sales are recorded net of rebates and adjustments.

##### 10. Provisions, Contingent Liabilities and Contingent Assets :

Provisions involving substantial degree of estimation are recognised when there is present obligation and it is probable that it is payable. Contingent Liabilities are not recognised but are disclosed in Notes. Contingent Assets are neither recognised nor disclosed in the accounts.

#### II NOTES TO ACCOUNTS

1. Balances in various personal accounts remain unverified since confirmations from the parties are awaited.

2. Provision for income tax has been considered adequate based on computation of liability under the provisions of Income Tax Act, 1961.
3. The major components of the deferred tax liability/ assets based on the tax effect of the timing difference are as under:

	2005-06	2004-05
<b>Deferred tax liability</b>		
Depreciation (Difference for Accounting & Tax purpose)	153.32	188.28
<b>Deferred Tax Asset</b>		
Amortisation of Expenses & Others	52.31	0.00
<b>Net Liability</b>	101.01	188.28

4. In the opinion of the board, the current assets, loans and advances are approximately of the values stated if realized in the ordinary course of business. The provision for depreciation and all known liabilities are adequate and not in excess of the amount considered reasonably necessary.
5. The Company has made a public issue of 6667000 Equity Shares of Rs.10/- each for cash at a premium of Rs.20/- per equity shares aggregating to Rs.2000.10 Lakhs during the year under prospectus dated 16th February'2006. The expenditure on share issue amounting to Rs.187.27 Lakhs have been directly adjusted to Share Premium account. Money raised by the Public Issue has been deposited in special purpose account with the Bank.
6. Deferred Sales Tax Liability: Interest free deferred Sales Tax Liability amounting to Rs. 438.32 Lacs (PY Rs.403.14 Lacs) has been outstanding at the year-end. During the year company has availed further deferred sales tax liability in kraft paper unit Rs. 45.97 Lacs and Newsprint unit Rs. 109.28 Lacs.
7. Payments due to SSI Units: The identification of suppliers as Small Scale Industrial Undertaking (SSIs) has been done on the basis of the information to the extent provided by the suppliers of the company and has been relied upon by the Auditors. The Names of SSIs to whom the amount is outstanding for more than 30 days are as under:
  1. Ankur Industries, Ahmedabad.
  2. Atulya Dyestuff Pvt.Ltd; Mumbai.
  3. Auchtel Products Ltd; Mumbai.
  4. Core & Core Pkg. Pvt. Ltd; Indore
  5. Ganpati Chemicals & Minerals, Bhandara.
  6. KBK Plascon Pvt Ltd; Kanpur.
  7. Malhar Industries, Nagpur.
  8. Malu Electrodes Pvt. Ltd; Nagpur.
  9. MBM Engineering Infotech Ltd; Chennai.
  10. Paper Machine Wire Industries; Nasik.
  11. Richard Pharma Lab Pvt. Ltd; Nagpur.
  12. Rishabh Metals & Chemicals Pvt. Ltd; Mumbai.
  13. Sark Alums Limited, Aurangabad.
  14. Sark Chemicals Pvt. Ltd; Aurangabad.
  15. Universal Industrial Chemicals; Jabalpur.
  16. Vertex Chemicals Pvt. Ltd; Mumbai.

**8. Impaired assets:**

There are no impaired assets in pursuance to Accounting Standard (AS) 28.

**9. Auditor's Remuneration includes**

Audit Fees	1.102 (0.81)
Company law Consultancy fees	0.075 (0.075)

**10. Segment Information:**

The Company operates in only one main segments i.e. manufacturing of Paper. Since the company has only one reportable business segment and geographical segment, no further disclosure is required under Accounting Standard 17 on Segment Reporting.

## MALU PAPER MILLS LIMITED

### 11. Disclosure of related parties/ related party transactions:

SR	NAME OF THE PARTY	NATURE OF TRANSACTIONS	AMOUNT
1.	Malu Electrodes Pvt Ltd; Nagpur	Purchase of Welding Electrodes	0.34
2.	Malu Electrodes Pvt Ltd; Nagpur	Sale of Kraft Paper	11.31
3.	Salasar Alloy & Steel Ind. Pvt. Ltd; Nagpur	Purchase of Casting	0.51

### 12. Secured Loans :

From SICOM LTD. MUMBAI secured by fixed assets. From State Bank of India secured by hypothecation of stock-in-trade & books debts & by second charge on the fixed assets on which SICOM has first charge. From ICICI Bank Ltd., Nagpur & HDFC Bank Ltd; Nagpur (secured against Vehicles).

### 13. Preliminary Expenses :

- i) Preliminary Expenses for 1995-96 are being written off equally over a period of 10 years.
- ii) Preliminary Expenses for 2000-01 are being written off equally over a period of 5 Years.

### 14. Capital Commitments :

**6145.00** **0.00**

### 15. Contingent Liabilities

	2005-06	2004-05
Bank Guarantee Outstanding	6.75	6.75
Letters of Credit	57.20	137.51

### 16. Expenditure in Foreign Currency:

Sr.	Particulars	Currency	INR (Lac)
1.	Raw Material	198624 US\$	94.29
2.	Advance for Purchase of Machinery	533500 EURO	288.76

### 17. Earnings in Foreign Exchange: NIL

### 18. Earnings per share

Calculation of Net Profit available to Equity Shareholders

		Current Year	Previous Year
A	Net Profit After Tax	407.39	264.66
	Dividend	---	---
	Profit available for Equity Shareholders	407.39	264.66
B	Weighted Average number of Equity Shares of Rs.10/- Each	78.527	69.802
C	Basic Earnings per Share	RS. 5.19	RS. 3.79
D	Diluted Earnings per Share	RS. 2.39	RS. 3.79
E	Earning per share before Dividend	RS. 2.39	RS. 3.79

**19. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 3, 4C & 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

PARTICULARS	KRAFT PAPER DIVISION		NEWSPRINT DIVISION	
	2005-06	2004-05	2005-06	2004-05
LICENCED CAPACITY	N.A.	N.A.	N.A.	N.A.
INSTALLED CAPACITY	25 TPD 8250 TPA	25 TPD 8250 TPA	60 TPD 19800 TPA	60 TPD 19800 TPA
OPENING STOCK	35.580 MT	39.034 MT	229.340 MT	203.729 MT
PRODUCTION	7626.887 MT	7340.461 MT	19523.639 MT	18776.399 MT
SALES	7590.362 MT	7343.915 MT	19719.403 MT	18750.788 MT
CLOSING STOCK	72.105 MT	35.580 MT	33.576 MT	229.340 MT

	Particulars	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	TURNOVER	7590.362	1184.60	7343.915	1072.36	19719.403	4214.24	18750.788	3803.98
	DETAILS OF RAW MATERIAL CONSUMED								
1	INDIAN - WASTE PAPER	5152.359	291.19	4003.320	239.66	4233.910	416.24	1649.185	131.52
2	IMPORTED - WASTE PAPER	3477.507	228.16	4214.134	195.89	25175.547	1152.19	28203.574	1180.94
3	SODIUM SILICATE					226.005	13.90	259.598	14.20
4	SULPHURIC ACID					40.851	2.90	39.668	2.50
5	HYDROZEN PER OXIDE					182.435	45.80	196.637	42.50
6	INCOUPUR					0.400	1.10	1.208	2.80
7	SODIUM HYDROSULPHITE					115.035	82.40	117.565	73.50
8	BLUETONE					17.212	14.90	10.389	9.40
9	SOAP STONE POWDER					291.738	11.60	313.850	11.65
10	HYDROCHLORIC ACID					89.740	5.30	81.790	4.25
11	CAUSIC SODA					253.305	43.80	336.683	65.65
12	FERRIC ALUM	978.025	32.80	626.060	18.51	72.500	2.45	222.430	16.18
13	ROSIN	81.900	22.90	77.520	17.06				
14	STARCH	292.350	61.40	246.000	47.50				
15	DEFOAMER	08.480	6.95	6.830	3.40	6.023	5.50	1.907	0.93
16	MISC CHEMICALS								
	<b>TOTAL :</b>	<b>9990.621</b>	<b>643.40</b>	<b>9173.864</b>	<b>522.02</b>	<b>30704.701</b>	<b>1798.08</b>	<b>31434.484</b>	<b>1556.02</b>

20. Figures of the previous year have been suitably rearranged / regrouped and rounded off wherever necessary, to conform to this years groupings.

**FOR MALU PAPER MILLS LIMITED**

**(PUNAMCHAND MALU)**  
Managing Director

**(BANWARILAL MALU)**  
Joint Managing Director

**FOR DEMBLE RAMANI & CO.**  
CHARTERED ACCOUNTANTS

**(ASHOK RAMANI)**  
Partner  
MEMBERSHIP NO. 30537

Place : Nagpur  
Date : 24/06/2006

**(GYANESH VERMA)**  
Company Secretary

# MALU PAPER MILLS LIMITED

## SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006

PARTICULARS	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>SCHEDULE (M)</b>		
<b>OTHER INCOME</b>		
Interest on FDR	539967	519112
Interest on Security Deposit (MSEB)	256587	167517
Interest on Income Tax Refund	0	2499
Interest on Others	100000	64143
Sale of Scrap	248980	183275
Profit/Loss on Sale of Old Machinery	-55126	44560
<b>Total</b>	<b>1090408</b>	<b>981106</b>
<b>SCHEDULE (N)</b>		
<b>INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stock</b>		
Finished Goods	1769883	5102710
Stock in Process	1062750	1046500
	<b>2832633</b>	<b>6149210</b>
<b>Opening Stock</b>		
Finished Goods	5102710	3970835
Stock in Process	1046500	992000
	<b>6149210</b>	<b>4962835</b>
<b>Total</b>	<b>-3316577</b>	<b>1186375</b>
<b>SCHEDULE (O)</b>		
<b>MATERIAL COST &amp; MANUFACTURING COST</b>		
<b>I) Material Consumed - Raw Material</b>		
Stock at Commencement	33597642	21918676
Purchase	271231740	219482523
	304829382	241401199
Less : Stock at Close	60681664	33597642
<b>Total (I)</b>	<b>244147718</b>	<b>207803557</b>
<b>II) Manufacturing Expenses</b>		
Power & Fuel	75829832	70911983
Packing & Forwarding	5245576	4955494
Consumable Stores & Spares	2699304	3478484
Freight Inward	57800706	55800358
Contractor Payment	2205115	2911472
Clearing & Forwarding	1323934	1212351
Custom Duty	12398604	11023451
Sales Tax	11958367	8656385
Service Tax	0	48634
<b>Total (II)</b>	<b>169461438</b>	<b>158998613</b>
<b>Total (I + II)</b>	<b>413609156</b>	<b>366802169</b>

**SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006**

PARTICULARS	CURRENT YEAR 31/3/2006	PREVIOUS YEAR 31/3/2005
<b>SCHEDULE (P)</b>		
<b>EMPLOYEES REMUNERATION &amp; BENEFITS :</b>		
Salary, Wages & Bonus	4242724	3756029
Employees Provident Fund	569792	469149
Medical Expenses	34372	36050
Canteen Expenses	407716	723018
Retirement Benefits	128251	428942
<b>Total</b>	<b>5382855</b>	<b>5413188</b>
<b>SCHEDULE (Q)</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Audit Fees	110200	81000
Internal Audit Fees	150000	135000
Computer Maintenance	37294	48099
Consultancy Charges	68415	46650
Conveyance Charges & Vehicle Maintenance	461376	688578
Vehicle Maintenance (Two Wheeler)	14802	0
Donation	19000	44802
Insurance (Fire Policy)	670733	670141
Insurance (Transit)	421517	311060
Insurance (P.A.Policy)	44976	44078
Insurance (Vehicle)	33830	0
Labour Welfare Fund	6912	20952
Laboratory Expenses	52028	93453
Legal Expenses	18000	34194
Legal Expenses - ROC	17550	2950
Legal Expenses - ROC Consultancy	7500	7500
Office & Misc. Expenses	299089	393885
Office Maintenance	92487	42550
Periodicals & Subscription	10385	44524
Training Expenses	50000	265000
Postage	88258	67517
Preliminary Expenses Written off	91975	90924
Printing & Stationery	158089	167077
<i>Repairs &amp; Maintenance</i>		
Building	576366	387326
Plant & Machinery	11415503	12407712
Rent, Rates & Taxes	75828	328188
Security Expenses	599055	476489
Telephone Expenses	293201	412809
Travelling Expenses - India	169423	309927
Travelling Expenses - Foreign	10799	871937
<b>Total</b>	<b>16064592</b>	<b>18494322</b>

# MALU PAPER MILLS LIMITED

## SCHEDULE ATTACHED TO BALANCE SHEET AS ON 31ST MARCH, 2006

<b>PARTICULARS</b>	<b>CURRENT YEAR 31/3/2006</b>	<b>PREVIOUS YEAR 31/3/2005</b>
<b>SCHEDULE (R)</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES :</b>		
Advertisement	120500	128250
Trade Disc/Cash Disc & Discount & Settlement	16584040	16303010
<b>Total</b>	<b>16704540</b>	<b>16431260</b>
<b>SCHEDULE (S)</b>		
<b>FINANCE CHARGES :</b>		
<b>Interest To :</b>		
A) Sicom	5444663	6751147
B) Bank	3617005	5406715
C) Bank Charges	1587683	1625519
D) Others	119569	910882
<b>Total</b>	<b>10768920</b>	<b>14694263</b>

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details**

Registration No.

State Code

Balance Sheet Date

**II Capital raised during the year (Amount Rs. in Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement (Debenture)

**III Position of Mobilisation and Deployment of funds (Amount Rs. in Thousands)**

Total Liabilities

Total Assets

Source of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

**IV Performance of Company (Amount Rs. in Thousands)**

Turnover (Gross Revenue)

Total Expenditure

Profit/Loss Before Tax

Profit After Tax

Earnings Per Share in Rs.

Dividend Rate %

**V Generic Names of Three Principal Products/Services of the Company (as per monetary terms)**

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

FOR MALU PAPER MILLS LIMITED

**(PUNAMCHAND MALU)**  
Managing Director

**(BANWARILAL MALU)**  
Joint Managing Director

**(GYANESH VERMA)**  
Company Secretary



# MALU PAPER MILLS LIMITED

Regd. Office:- Heera Plaza, 4<sup>th</sup> Floor, Near Telephone Exchange,  
Central Avenue, Nagpur – 440 008.

## PROXY FORM

ANNUAL GENERAL MEETING, 2005-06



Folio No. \_\_\_\_\_ DP ID: \_\_\_\_\_ Client ID: \_\_\_\_\_

I /We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/members of the above named company, hereby appoint Mr./Ms/Kum \_\_\_\_\_ as my/ our proxy to attend and vote for me /us on my / our behalf at the Thirteenth Annual General Meeting of the Company to be held at \_\_\_\_\_ on \_\_\_\_\_ (day), the \_\_\_\_\_ (date) at \_\_\_\_\_ (time) and at any adjournment thereof.

Date: \_\_\_\_\_

Address : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature : \_\_\_\_\_

Affix Re.1  
Revenue  
Stamp

**Note:** The proxy form duly completed must be deposited at Registered office, \_\_\_\_\_ not less than 48 hours before the time for commencement of the meeting. A proxy need not be a member.



# MALU PAPER MILLS LIMITED

Regd. Office:- Heera Plaza, 4<sup>th</sup> Floor, Near Telephone Exchange,  
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## ATTENDANCE SLIP

I hereby record my presence at the Thirteenth Annual General Meeting of the Company to be held at \_\_\_\_\_ (address), on \_\_\_\_\_ (day), the \_\_\_\_\_ (date) at \_\_\_\_\_ (time).

Full name of the shareholders (in block letters) \_\_\_\_\_

Signature \_\_\_\_\_

Folio No. \_\_\_\_\_ DP ID: \_\_\_\_\_ Client ID: \_\_\_\_\_

No. of Shares Held: \_\_\_\_\_

Full name of the proxy (in block letters) \_\_\_\_\_  
(To be filled if the proxy attends instead of member) \_\_\_\_\_ Signature \_\_\_\_\_

**Note:** Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall. Please carry a copy of the Annual report.

