

**DRAFT PROSPECTUS****MALU PAPER MILLS LIMITED**

(Incorporated in India on January 11, 1994 as Malu Solvex Limited under the Companies Act, 1956 with Registration No. 11-76009 with Registrar of Companies, Maharashtra. The name of the Company was changed to Malu Paper Mills Limited on April 24, 1998)

Registered Office: " Heera Plaza " 4th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 440 008. (Maharashtra)

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PUBLIC ISSUE OF 66,67,000 EQUITY SHARES OF RS 10- EACH FOR CASH AT A PREMIUM OF RS 20/- PER SHARE (i.e. AT A PRICE OF RS.30/-PER SHARE) AGGREGATING RS 2000.10 LACS. The Issue price of Rs 30/- per share is three (3) times the face value.	
RISK IN RELATION TO THE FIRST ISSUE This being the first issue of the Equity Shares of Malu Paper Mills Limited, there has been no formal market for the Equity shares of the Company. The face value of the shares is Rs.10/- and the issue price is three times of the face value. The issue price (has been determined and justified by the Lead Merchant Banker and the Issuer Company as stated under Justification of Premium paragraph on page 32) should not be taken to be indicative of the market price of the equity shares after the equity shares are listed. No assurance can be given regarding an active and/or sustained trading in the equity shares of the Company or regarding the price at which the equity shares will be traded after listing.	
GENERAL RISKS Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The equity shares have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is specifically invited to the Statement of Risk Factors beginning on page nos iv to xiv of this Draft Prospectus.	
ISSUER'S ABSOLUTE RESPONSIBILITY The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Prospectus contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the Draft Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.	
LISTING The Equity Shares issued through this Draft Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE) (The Designated Stock Exchange) and the National Stock Exchange of India Limited (NSE). The Company has received in-principle approvals from these Stock Exchanges for the listing of the Equity Shares pursuant to letters dated [] and [], respectively.	
LEAD MANAGER TO THE ISSUE  MICROSEC CAPITAL LTD SEBI Regn.No INM 000010791 Azimganj House, 2 nd Floor 7, Camac Street, Kolkata 700 017 Ph: 91-33-2282 9330 Fax: 91-33-2282 9335 E-Mail: maluipo@microsec.co.in Website: www.microsec.co.in	REGISTRAR TO THE ISSUE  INTIME SPECTRUM REGISTRY LTD C-13, Pannalal Silk Mills Compound L B S Marg, Bhandup (West) Mumbai 400 078 Tel: +91-22-5555 5454 Fax: +91-22-5555 5353 Website: www.intimespectrum.com E-Mail: malupaper@intimespectrum.com
ISSUE PROGRAMME	
ISSUE OPENS ON:	ISSUE CLOSSES ON:

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DEFINITIONS AND ABBREVIATIONS

Conventional Terms

Term	Description
"Malu Paper Mills Limited" or "the Issuer" or "the Company", and "MPML"	Unless the context otherwise requires, refers to, Malu Paper Mills Limited, a public limited Company incorporated under the Companies Act

Issue Related Terms

Term	Description
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Draft Prospectus
Application Form	The form in terms of which the investors shall apply for the Equity Shares of the Company
Allotment	Issue or transfer, as the context requires, of Equity Shares pursuant to the Offer to the successful applicant as the context requires
Allottee	The successful applicant to whom the Equity Shares are being/have been issued
Articles/Articles of Association	The Articles of Association of Malu Paper Mills Limited
Auditors	The statutory auditors of the Company, viz. Demble Ramani & Co, Chartered Accountants
Bankers to the Issue	[•]
Board of Directors/Board	The Board of Directors of Malu Paper Mills Limited or a committee thereof
BSE	The Bombay Stock Exchange Limited
Companies Act/the Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Stock Exchange	The Bombay Stock Exchange Limited
Directors	Directors of Malu Paper Mills Limited from time to time, unless otherwise specified.
Equity Shares	Equity shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof.
Face Value	Value of paid up equity share capital per Equity Share, in this case being Rs. 10/- each
Fiscal or FY or Financial Year	Twelve months ending March 31 st of a particular year
Issue/Offer	The issue of 83,34,000 Equity Shares of Rs.10 each at the offer price by the Company pursuant to this Draft Prospectus
Issue Closing Date	The date on which the Issue closes for subscription
Issue Opening Date	The date on which the Issue opens for subscription
Issue Price	The price of Rs. 30/- per Equity Share as decided by the Company and the Lead Manager for which the Equity Shares shall be issued to the public under this Issue in terms of this Draft Prospectus.
Memorandum/MoA/Memorandum of Association	The Memorandum of Association of Malu Paper Mills Limited.
MCL/Microsec	Microsec Capital Limited, Lead Manager to the Issue
Net Offer	The Offer of Equity Shares to the Public
Non Resident	A person who is not a NRI, FII or a person resident in India
NRE Account	Non-Resident External Account
NRI	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
NRO Account	Non-resident Ordinary Account
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A Company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs,

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	including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to invest in this Offer.
Promoter(s)	Promoters shall mean jointly Mr. Bhanwarilal Malu, Mr. Damodar Malu, Mr. Punamchand Malu, Mr. Banwarilal Malu, Mr. Purushottam Malu, Mr. Vasudeo Malu, Mr. Ghasiram Malu, Frontline Commercial (P) Ltd, Marigold Farms (P) Ltd, Wistaria Farms Pvt. Ltd.
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies for the Public issue
Registered Office/ Registered Office of the Company	"Heera Plaza" 4 th Floor, Near Telephone Exchange, Central Avenue, Nagpur, 440 008
Registrar of Companies or RoC	Registrar of Companies, Mumbai, Maharashtra
Registrar/Registrar to the Issue	Intime Spectrum Registry Limited, a company incorporated under the Companies Act, having its registered office at C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (West), Mumbai- 400 078
Retail Individual Investors	An investor who applies for securities of or for a value of not more than Rs.1,00,000/-.)
Retail Portion	The portion of the Net Offer being a minimum of 28,33,500 Equity Shares available for allocation to Retail Individual Investor(s).
Stock Exchanges	NSE and BSE
Underwriter	Microsec Capital Limited, who has underwritten the issue
Underwriting Agreement	The Agreement between the Underwriters and the Company entered into in respect of the Public Issue of Equity Shares proposed to be made under this Prospectus.

Abbreviation of General Terms

Term	Description
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DIP Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended
EPS	Earnings per Equity Share
EGM	Extraordinary general meeting of the shareholders
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the Regulations framed there under.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995), registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board
FY	Financial Year
GoI	The Government of India
GIR	General Index Registry
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended
IPO	Initial Public Offer
MIDC	Maharashtra Industrial Development Corporation
MT	Metric Tons
MW	Mega Watt (1000 kilo watts)
NAV	Net Asset Value
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
PAN	Permanent Account Number
P/E	Price Earning Ratio

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RBI	The Reserve Bank of India
RONW	Return on Net Worth
R&D	Research and Development
Sq M	Square Meter
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended
TPD	Tonnes Per Day
TPA	Tonnes Per Annum

Company/Industry-related terms

MG	Machine Glazed
RNI	Registrar of Newspaper in India

I. RISK FACTORS

1. Forward-looking Statements

This Draft Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “may”, “plan”, “project”, “shall”, “will” or other words or phrases of similar import. Similarly, statements that describe Company’s objectives, strategy, plans or goals are also forward-looking statements.

The relevant forward-looking statement subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated all forward-looking statements. Important factors that could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company’s ability to successfully implement its strategy and its growth and expansion plans and technological changes;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies, in particular, the U.S. Dollar;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the power and the infrastructure sector;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.
- Allocation of funds by the Government for the development of the paper sector.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this Draft Prospectus. In the light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Draft Prospectus might not occur and are not guarantees of future performance.

Neither the Company, its Directors and Officers, any member of the Issue Management Team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, for purposes of the Issue, the Company and the LM to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchanges.

Market Data

Industry and market data used throughout this Draft Prospectus has been obtained from Government of India sources, Cris Infac reports, CMIE prowess, capital market magazine and internal Company reports. Although industry and market data used in this Draft Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.

2. RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider the risks described below before you make an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, the company's business, financial condition and results of operations could suffer, the trading price of the Equity Shares of the Company could decline and you may lose all or part of your investment.

1. Risk arising out of outstanding litigations against the Company and group companies of the Promoters:

A. CUSTOMS AND CENTRAL EXCISE LITIGATIONS

Sr. No.	Case No	Assessing Authority	Background of the case	Date of Institution	Present Status	Financial Implications on the issuer	Amount Involved	Provisions made in the Financial Statement
1.	E/3622/03-MUM/478 Dt.17/03/04 Commissioner of Central Excise, Nagpur v/s Malu Paper Mills Ltd., Saoner, Nagpur	Customs, Excise & Service Tax Appellate Tribunal West Zone Branch, Mumbai	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice under section 129 A(4)/35 B(4)/81(5) of the customs Act, 1962/ Central Excise & Salt Act, 1944/ Gold (Control) Act, 1968, has been served to Malu Paper Mills Ltd.	17/03/2004	The case was adjudicated in favour of Malu Paper Mills Ltd by Commissioner (Appeal). The Department has gone into appeal in CESTAT. The matter is presently pending for hearing.	If Commissioner of central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty, Penalty and Interest, as mentioned herein.	Basic Duty Amount under Dispute Rs. 1448548/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05 . Net impact of above , shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.

2.	Show Cause Notice No. V(48)15-269/Adj/2003 Dt. 29/08/2003 Joint commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Joint Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	29/08/2003	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Joint Commissioner of central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 263240/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05. Net impact of above, shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.
3.	Show Cause Notice No.V(48)15-269/ Adj/2003/6246 Dt. 26/07/04 Asst. Commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Asst. Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	26/07/2004	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Asst. Commissioner of central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 432985/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05 . Net impact of above , shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.

4.	Show Cause Notice No.V(48)15-269/Adj/2003/6247 Dt. 26/07/04 Asst. Commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Asst. Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturers separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	26/07/2004	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Asst. Commissioner of central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 378830/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05 . Net impact of above , shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.
			T O T A L				2523603/-	

B. LABOUR LITIGATIONS

1	U.L.P.A NO. 12/2000 Loknath Poundwal v/s Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	24/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
2	U.L.P.A. No. 13/2000 Premnarayan singh V/s. Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	24/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
3	U.L.P.A No. 741/99 Devidas Turankar V/s. Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	12/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
4	U.L.P.A. No. 235/2000 Arjundas Paneriya v/s. Malu Paper Mills Ltd.	3 rd Labour Court, Nagpur	Against the Dismissal order issue by Malu Paper Mills Ltd on dated 31/03/2000	01/06/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	240000/-	NIL

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5	Ref IDA No. 33/99 Shailesh Kumar Nikaju v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 15/01/1998 and Claim reinstatement with continuity of service and back wages	28/02/2000	Fix for return statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	216250/-	NIL
6	Ref IDA No. 34/99 Mahendra Tabane v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 15/01/1998 and Claim reinstatement with continuity of service and back wages	28/02/2000	Fix for return statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	216250/-	NIL
7	MISC Ref IDA No. 9/2003 Surendra Tikaram Baghale v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Setting aside dismissed of Ref No. 54/99	11/09/2003	Fix for reply to condonation of delay application	No	216250/-	NIL
8	Ref IDA No. 8/2003 Raju Likhar v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Setting aside dismissed of Ref No. 20/99	11/09/2003	Fix for reply to condonation of delay application	No.	216250/-	NIL
9	MISC Ref IDA No. 10/2003 Devanand Bhimrao Nagrale v/s Malu Paper Mills Ltd.	1 st Labour Court, Nagpur	Setting aside dismissed of Ref No. 82/99	11/09/2003	Fix for reply to condonation of delay application	No.	216250/-	NIL
10	Ref IDA No. 81/99 Mr. Krishna Gopalrao Choudhary v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 25/05/1998 and Claim reinstatement with continuity of service and back wages	24/11/1999	Fix for return Statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	205576/-	NIL
11	U.L.P.A. No. 513/99 Bhoj Bahadur v/s. Malu Paper Mills Ltd.	3 rd Labour Court, Nagpur	Oral Termination Dt. 02/06/1999 and Claim reinstatement with continuity of service and back wages	05/08/1999	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	175000/-	NIL

2. Risk arising out of outstanding litigations against the group companies of the Promoters

Sr. No.	Case No	Assessing Authority	Background of the case	Date of Institution	Present Status	Financial Implications on the issuer	Amount Involved	Provisions made in the Financial Statement
1	Appeals filed at CESTAT order No A/1287 to 1300/WZB/C III-//S/618-631/ZB 2005C III by Malu Electrodes Pvt. Ltd.	CESTAT, West Zone Bench, Mumbai.	Order No 77-79/2004/C passed by the commissioner of Central Excise Nagpur confirming demand for differential duties and penalties	Show Cause Notices 17.02.03 and 21.11.2003	Pending adjudication before the CESTAT	The CESTAT has given order dated 22.09.2005 disposing the appeal in favour of Malu Electrodes Pvt Ltd and remanded the appeals to the commissioner for fresh adjudication.	Rs 381.04 Lacs	NIL

3. Risk Factors Specific to the Project**Availability of raw material**

The main raw material for manufacture of Kraft and Newsprint is waste paper, which is procured from domestic or international market. Any constraints in the availability of this material may affect the current or future productivity of Newsprint and Kraft paper manufacturing and co-generation of the existing as well as the new unit.

Management Perception

In the domestic market there are established suppliers who have big collection centres as well as small dealers who are operating in Local area. In the International market, there are many established suppliers, having agents in different parts of the world to market the waste paper. For a plant capacity of 150 TPD based on waste paper as raw material, procurement of raw material from the international or domestic market is not a problem.

4. Size of the project

The Company has embarked upon a Rs.7000.20 lacs project, which is a substantial increase over its current size of operations. Although the promoters have experience in the Paper industry, their competence in handling a project of this magnitude remains to be demonstrated. An equity investor is therefore faced with an uncertainty of performance by the management

Management Perception

The promoters have experience of over a decade in the Paper industry. The Company has already set up 19800 TPA of Newsprint and 8250 TPA of Kraft Paper. The promoters are therefore confident of managing an expansion of this magnitude. The past experience of the Promoters for setting up such Paper Mills will ensure smooth implementation of this project also. The Company has senior and experienced professionals who have the experience of setting up similar facilities in the past.

5. Status of government approvals required

The company is yet to receive certain approvals required in the ordinary course of its business, and the failure to obtain these in a timely manner or at all may adversely affect its operations. Status of government approvals required for the proposed project:

Sr.	Particulars	Status
1	SIA/DGTD Registration	The registration has been taken for 150 TPD. The registration No is 5458/SIA/IMO/2005.
2	Pollution Control Board, consent to establish.	The Company has received approval from MIDC, Saoner for allotment of the land for the project. As soon as the acquisition of land is completed, application for consent to establish shall be filed.
3	Environment Clearance	Same as above
4	Power connection for erection period	Same as above

Management Perception

The Company requires these approvals, registrations and clearances for operating its business, some of which have either been made or is in the process of making an application for obtaining the approval. For more information, see "Government Approvals" on page no. 109 of this Draft Prospectus. If the company fails to obtain any of these approvals or licenses thereof, in a timely manner, or at all, its business may be adversely affected. These approvals are of routine nature and the company is confident to obtain them in due course of time.

6. Placement of orders for Plant and Machinery and Miscellaneous Fixed Assets

The Company is yet to place orders for Plant and Machinery required for the proposed expansion. The Company is also in the process of acquiring land, allotted to it by M.I.D.C.

Particulars	Total Cost	Order not placed	% of machineries not ordered
Plant & Machinery including captive Power Plant	4335.00	3183.00	73.43%
Electrical Equipment, Effluent Treatment Plant & Misc. Fixed Assets	997.00	997.00	100.00%
Total	5332.00	4180.00	78.39%

Management Perception

The Company has already identified the machineries to be installed. The company has already placed order for Stock Preparation System. The Company has received competitive quotations for other Plant and Machinery and Miscellaneous fixed assets required. Necessary orders are in the process of being placed. Letter of intent for procurement of plant & machinery has been signed. Final Sale Agreement shall be entered shortly. The Plant and Machinery required for the project will be housed nearby to the existing site. The company has already received allotment letter from MIDC for 3.20 Lac Sq M of land in the Saoner District of Nagpur, which is about 10 kms from the existing plant of the company and about 40 kms from the Nagpur City.

7. Project implementation

The project implementation would take 18 months and further time would be required for achieving stability in the operation. The project would generate revenues only after this period; hence there would be a significant drop in ROCE in the interregnum.

Management Perception

Setting up of a Paper Mill is a capital-intensive project and involves various components with long lead times for delivery. The profitability post implementation is healthy and a temporary drop in ROCE for the project implementation period is innate and therefore should not deter the investors.

8. Substantial Investment

As part of its growth strategy, the Company intends to make substantial investments in new capacities. The Company's success will depend, among other things, on its ability to secure significant amounts of financing, manage the integration process, assess potential markets, time capital investments with the price cycle, control input costs, attract new customers, maintain and enhance dominance in Indian paper market and maintain sufficient operational and financial controls. The growth strategy of the company may place significant demands on its management and other resources.

Management Perception

The management of the Company has managed to sustain the position of the company and has provided adequate training to another tier of management, which shall ensure creation and sustenance of the new market. The distribution set-up of the Company is also geared towards selling of the proposed grades and it can leverage its existing customer base for the proposed grades. The Company has sufficient operational controls commensurate with the size and nature of business. The Company will be producing premium quality Newsprint which will be a substitute to the imported newsprint and it will be cost effective compared to imported newsprint.

9. Competition

MPML is a medium paper-manufacturing unit and will have to compete with big players in the field who have better economies of scale with higher capacity. Paper industry gets low priority from policy makers.

Management Perception

The competition is inevitable in any line of business and the Company has been coping with competitions in the past by focusing its products, channelising its sales through dedicated dealers, managing raw materials, fuel and technological changes. The same would be continued in future also. In the highly competitive industry, the company follows a competitive approach, which is not just limited to manufacturing process but also extended across the entire division. Moreover, with the proposed expansion, the Company can take advantage of the swing capacity to manufacture either newsprint or writing & printing paper. The company extends the quality management responsibility from the quality control department to every member on the shop floor.

10. Dependence on Key Managerial personnel

Any significant change in the key managerial personnel may affect the performance of the company.

Management Perception

The company has a professional setup. The company takes care of its key personnel by providing various facilities and amenities within and outside the company's premises. Hence no problems are envisaged in attracting fresh talents and retaining the existing the employees.

11. Past performance not an indicator for future performance

The Company's revenues and profitability are dependent on a number of factors and may vary significantly from quarter to quarter. Therefore, the historical financial results may not be an accurate indicator of future performance.

12. Critical risk factors/Weakness/Threats as per the appraisal Report of the appraising agency**UTI Bank**

- i. A small player, compared to other big national players like HNL
- ii. Price fluctuations - waste paper
- iii. Lowering of import duties, increasing international competition (project sensitive to sales price).

13. Further equity offerings

The Company may require further infusion of funds to satisfy its capital needs and future growth plans. Any future equity offerings by the Company may lead to dilution of equity and may affect the market price of the Equity Shares of the company.

Management Perception

In the near future there are no plans to raise further equity. In case the Company decides to raise funds through the issuance of equity, the same would be done for further value creation of the shareholders of the Company and after taking adequate consent from them.

14. Delay or failure in fund mobilization from the public

The cost of project is funded partly from the proceeds of the proposed Issue. Any delay/failure of the Public Issue may disrupt the implementation of the project. Moreover as per terms and condition of Banks, disbursement of loan from banks shall take place only after IPO.

Management Perception

The consortium of Banks; Bank of India, Bank of Baroda have sanctioned term loans worth to the tune of Rs.2000 Lacs for the proposed expansion project. In-principle approval to the extent of Rs 3000 has been received from State Bank of India and The Jammu & Kashmir Bank Limited. The

management will make alternate funding arrangements through an equitable mix of secured/unsecured loans, Internal Accruals and contribution from the promoters, should there be any eventuality such as delay or failure of the proposed Public Issue.

15. The contingent liabilities of the Company as on September 30 2005, as certified by the auditors, for which the Company has made no provision, are as follows:

Particulars	In Rs. Lacs
In respect of Bank Guarantees Given	6.75
In respect of Letter of Credits	242.09
Total	248.84

16. Restrictive covenants in agreements, the Company has entered into may impact the rights of the shareholders of the Company

There are restrictive covenants in the agreements, the Company has entered into with the consortium of banks for long term borrowings relating to the right to declare dividends that are subject to the fulfillment of the condition relating to meeting its obligations to pay interest repayment of the principal amount or any other monies relating to the said borrowings and to such extent would affect the rights of the shareholders of the Company.

External Risks Beyond the control of the Company

1. Paper Industry Scenario

The paper industry is cyclical in nature and is sensitive to changes in industry capacity and output levels as well as cyclical changes in world economy, all of which can have a significant impact on selling prices of paper. A depressed price scenario for paper could adversely affect the profitability of paper companies.

Management Perception

Each cycle has its lessons to offer and all changes are inherent with both problems and opportunities. MPML has utilized these opportunities and learnt to ride the cycles of change, with the result that the company's operations have been profitable throughout.

2. Foreign Exchange rate fluctuations

Foreign exchange rate fluctuations could have an impact on prices of pulp and paper imports and exports. A mismatch between earnings and expenses in foreign currency could potentially lead to a reduction in margin for domestic paper producers.

Management Perception

The Company continues to utilize professional advise of bankers and Forex agencies for mitigating the Foreign Exchange exposure. The appreciation of rupee against the dollar helps the Company to procure waste paper at competitive rates. However if the rupee depreciates against the dollar, the demand for Company's products being import substitutes increases. The Company would be in a position to supply the products at competitive rates as compared to imported newsprint.

3. Dependence on few Customers

The Company is largely dependent on few customers. The market covered by the Company for the Kraft Paper is mainly the local market and the southern states of Karnataka, Andhra Pradesh and TamilNadu.

Management Perception

The Indian Paper industry is expected to grow at a CAGR of 6%, which is in line with the expected GDP growth, while the capacity expansion by industry is only expected to be at a CAGR of 2.5%. As on date, the annual consumption of newspaper, in the country is about 14.5-15 lakh tonnes, whereas the production is only 7.00 - 7.50 lac tonnes per annum. The Company is planning to increase the customer base by going for the proposed expansion of the Newsprint with 49500 TPA additional capacity. With the proposed expansion, the company is targeting to tap many big publishing houses and leading National and Vernacular dailies

4. Competition

The company may face competition from other established companies and new entrants into the industry.

Management Perception

The Competition is inevitable in any line of business. The Company has been coping with competition in the past by focussing on its products, channeling its sales through dedicated dealers, managing raw material, fuel and technological changes. The same would be continued in the future to maintain competitive strength.

5. Dependence on Labour

The company is in Labour intensive industry. Labour strikes, lockouts etc. can significantly reduce its productivity.

Management Perception

The Plant and Machinery of the company is modern with a good level of automation. Moreover, the company has harmonious industrial relations with its workers. The company has not had any significant problems right from its inception and therefore it is anticipated that there will not be any effect on the productivity of the company.

6. Compliance with Environmental laws

Failure to comply with environmental laws, rules and regulations may adversely affect the Company's business or operations.

Management Perception

The company has been adhering to the environment norms adequately for its existing operations and has set up an ETP. As a matter of policy, the company ensures that the environment laws are adhered to both in letter and spirit. The Company does not foresee any difficulty in complying with environmental laws.

7. Competition from cheap imports

The Company faces competition from cheap imports from Russia, Indonesia, China and European countries.

Management Perception

Cheap imports from these countries affect the industry in general and not the company only. The Company has been able to face such competition with diversified product mix. The modern equipment and processes for the proposed expansion project will reduce the cost of production and make the Company more competitive.

8. Government Policies

Any unfavorable Government policies may have an adverse affect on the performance of the Company.

Management Perception

Paper industry's healthy growth is dependent on the government policies relating to education and promotion of literacy levels of the country's population. Literacy being an important parameter of social progress and therefore of great concern for successive governments, the company does not anticipate any such policy which will threaten industry's existence and growth.

Moreover, with the government's thrust on Universal Elementary Education, demand for paper is set to increase manifold. Under the scheme, the government has proposed to supply free textbooks to girls from families below the poverty line in Classes IX and X in educationally backward blocks at a cost of Rs 6577.76 million for the Tenth Five Year Plan period.

Source: National Plan of Action-GOI

9. Damage of property

Mishaps or accidents at the Company's facilities could lead to property damage, property loss and accident claims.

Management Perception

The Company's Machinery and properties are insured against various risks viz. Fire, Strike, Riot, Malicious damages etc. with insurance companies. Thus the Company does not foresee any major impact on income and profitability arising out of property damage and accidents. However, uncovered risks may impact operations and profitability of the Company.

10. Risk arising out of volatility of Capital Markets

The prices of the Equity Shares on the Stock Exchanges may fluctuate as a result of several factors including:

- Volatility in the Indian and global securities market
- Company's results of operations and performance
- Performance of the Indian Economy

NOTES:

- i) Public Issue of 66,67,000 Equity Shares of Rs 10/- each for cash at a premium of Rs 20/- per Share (i.e. a Price Of Rs.30/-Per Share) aggregating Rs 2000.10 Lacs.
- ii) 10,00,000 equity shares of Rs. 10/- each for cash at a premium of Rs. 20/- per share aggregating to Rs. 300.00 lacs have been reserved for FII/NRIs, Indian Mutual Funds, Indian & Multilateral Development Financial Institutions, and Scheduled Banks on proportionate basis
- iii) The project has Rs.4500 lacs as Term Loan from consortium of Banks. Bank of India and Bank of Baroda have sanctioned loans to the extent of Rs 2000 lacs. State Bank of India and the Jammu & Kashmir Bank Limited have given in-principle approval to the extent of Rs 3000 lacs.
- iv) The Net worth of the Company as on 30th September 2005 is Rs. 1188.60 Lacs.
- v) The Book Value per equity share of face value of Rs. 10/- each as on 30th September 2005 is Rs. 13.62.
- vi) The average cost of acquisition of Equity Shares by the Promoters and Promoter Group is Rs 8.00, as on 30th September 2005.
- vii) The Company has allotted further 17,45,050 equity bonus shares to the Promoter & Promoter group out of free reserves in the ratio of 1 equity shares for every four equity shares held after March 31, '2005.
- viii) There are no relationships with the statutory auditors to the company other than auditing and certification of financial statements.
- ix) Contingent liabilities not provided for as on 30th September 2005.

Particulars	In Rs. Lacs
In respect of Bank Guarantees Given	6.75
In respect of Letter of Credits	242.09
Total	248.84

- x) Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 32 before making an investment in the issue.

- xi) Investors may note that in case of over subscription, the allotment shall be on proportionate basis and for details; reference may be made to the Para "Basis of Allotment" given on page 30 of the Draft Prospectus.
- xii) Investors may note that allotment and trading in shares of the Company shall be done only in dematerialized form.
- xiii) Investors are free to contact the Lead Manager and the Compliance Officer for any clarification or information, who will be obliged to attend the same.
- xiv) The Company was incorporated as a Public Limited Company on January 19, 1994. On April 24, 1998 the name of the Company was changed from Malu Solvex Limited to Malu Paper Mills Limited. For further details please refer to the Chapter on "The History" on 57.
- xv) For Related party transactions, please refer page 87 under heading "Related Party transactions" of the Draft Prospectus.
- xvi) All information shall be made available by the LM and the company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.

II. INTRODUCTION

1. SUMMARY

The Investor should read the following summary with the Risk Factors included from page numbers iv to xiv and the more detailed information about the Company and the financial statements included in the Draft Prospectus.

The Industry

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 economic growth boosts demand for paper and vice versa. Thus, paper consumption is an indicator of the economic and literacy status of any country. The industry is highly diverse, technical and capital intensive. Further, norms relating to environmental pollution such as chlorine free operations and tighter effluent treatment/discharge parameters etc have restricted rapid expansion of paper industry's capacity.

The first paper mill in India was established in 1867 and the raw materials utilised were rags and wastepaper. Commercial scale production started in 1882 and the raw materials were again non-wood fibres, that is, Eulaliopsis binata and Sacharum bengalense. The development of the fractional process of pulping bamboo at the Forest Research Institute, Dehra Dun during 1922-24 provided an impetus to the pulp and paper industry in India and bamboo became the main raw material for making various grades of paper.

Per capita consumption of the paper on a global level is of the order 52 kg. Indian per capita consumption is dismally low at 5 kg as compared to China's 30 kg and USA 340 Kg. Paper Industry deserves a boost. With economic liberalisation and consequent spurt in commercial activities, steep rise in paper consumption is anticipated. Although the paper production in India is stepped up considerably the demands are still difficult to be met with the present capacity of Indian paper mills.

Indian demand-supply scenario

(' 000 tones)

	2001	2002	2003	2004	2005	%CAGR	2009(E)
Capacity ('000 TPA)	6676	6909	7040	7290	7540	3.3	8750
Effective Capacity	5809	6034	6160	6390	6640	3.6	8000
Production	4673	4831	5202	5530	5856	7.2	7200
Effective Capacity Utilization%	80.4	80.1	84.4	86.5	88.2	3.4	90
Demand	4614	4854	5152	5452	5776	5.7	7140
Imports	134	173	200	250	190	(2.5)	400
Exports	193	150	150	170	270	12.8	250

Source: Bank Of Baroda Risk Management research reports

Business Overview

The Company is promoted by "The MALU FAMILY" and all the promoter directors are from the family and are first generation entrepreneurs. The group is amongst the reputed business groups in Nagpur. The promoters having very well established in the business of Coal, Lignite etc. wanted to diversify the business by entering into the manufacturing field. Considering Nagpur as fast developing industrial center with full infrastructure facilities and having very good rail, road and air connection, the Company established two paper manufacturing units there. The units have a capacity of 8250 TPA of Kraft Paper and 19800 TPA of Newsprint. The products of the Company are very well accepted in the market and the Company has received an encouraging response from its clients. The Company has already become regular supplier to some of leading publishing house of the country such as Lokmat, Jagran, Sakal, Nav Bharat, Hitvada, Prabhat Khabar etc. The Company proposes to set up 150 TPD paper manufacturing plant along with 6 MW power project for internal generation of power so that the energy cost for the mill is optimised.

THE ISSUE

Equity Shares offered:	
Present Issue	83,34,000 Equity Shares
Of which:	
Participation by Promoters and others before the issue	16, 67,000 Equity Shares
Offer through this Prospectus	66,67,000 Equity Shares
Out of which	
Reserved for NRIs/FIIs on proportionate basis	5,00,000 Equity Shares
Reserved for Indian Mutual Funds, Indian & Multilateral Development Financial Institutions, and Scheduled Banks on proportionate basis.	5,00,000 Equity Shares
Net Offer to the Public	56,67,000 Equity Shares
Retail portion (minimum 50% of net offer to public)	At least 28,33,500 Equity Shares (allotment on a proportionate basis)
Non-Retail Portion (maximum 50% of net offer to public)	Not more than 28,33,500 Equity Shares (allotment on a proportionate basis)
Under subscription if any in the reservation category shall be added back to the net offer to the public portion. Under-subscription, if any, in the Non- institutional portion and Retail Portion shall be allowed to be met with spillover from the other categories, at the sole discretion of the Company and Lead Manager.	
Equity Shares outstanding prior to the Issue	87,25,250 Equity Shares
Equity Shares outstanding after the Issue	170,59,250 Equity Shares
Use of proceeds	The net proceeds of the issue will be used by the Company for financing the proposed Project. For further details of the Object of the issue, refer to page 20
Corporate Information The Company was incorporated as Malu Solvex Limited on January 19, 1994, under the Companies Act, 1956. The name of the Company was changed to Malu Paper Mills Limited with effect from 24th April 1998. Registered & Corporate Office: "Heera Plaza" 4th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 440 008 (Maharashtra) Tel.: +91 712 2760308, 2778506, 2733 100, Fax: +91 712 2760310 E-mail: ipo@malupaper.com Website: www.malupaper.com Contact Person: Mr.Girish Malpani, CFO & Compliance Officer	

Summary of Financial and operating Information

The summary of financial and operating information presented below should be read in conjunction with the financial statements, the notes thereto included in the "Financial Statements" and "Management Discussion and Analysis of financial condition and Results of operations" on pages 74 and 98 respectively in the Draft Prospectus.

SUMMARY STATEMENT OF PROFITS & LOSSES AS RESTATED

Rs. In Lacs

PARTICULARS	6 Months ended 30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Trading Sales	-	-	-	-	-	-
Export Sales	-	-	-	-	-	-
Manufacturing Sales	2609.76	4876.34	4599.54	3581.29	2431.78	1201.92
Export Incentive	-	-	-	-	-	-
Sub Total	2609.76	4876.34	4599.54	3581.29	2431.78	1201.92
Other Income	5.18	9.81	58.74	6.88	7.04	3.40
Increase (Decrease) in Inventories	(24.18)	11.86	29.33	(53.29)	64.31	0.59
TOTAL INCOME	2590.76	4898.02	4687.61	3534.88	2503.14	1205.90
Expenditure	-	-	-	-	-	-
Trading Purchases	-	-	-	-	-	-
Raw Materials consumed	1169.89	2078.04	2327.29	1678.08	1114.77	610.88
Manufacturing expenses	783.59	1589.99	1406.19	1144.95	902.47	348.20
Administration Expenses and Other Expenses	199.20	349.26	317.14	225.90	185.64	62.90
Central Excise Duty Paid /Debited	24.35	60.85	118.11	63.51	64.52	79.56
Payment to and prov for employees & directors	25.85	54.13	46.14	39.03	27.84	11.79
Other Expenses	-	-	-	-	-	-
TOTAL EXPENDITURE	2202.88	4132.26	4214.87	3151.46	2295.24	1113.32
Net profit before interest, depreciation, Tax and extraordinary items	387.88	765.76	472.74	383.42	207.90	92.58
Interest	62.43	146.94	155.87	175.71	122.83	35.98
Depreciation	84.55	179.79	190.14	198.43	136.53	43.48
Net Profit before tax and Extraordinary Items	240.91	439.03	126.73	9.28	(51.46)	13.12
Provision for Taxation	90.92	22.52	9.75	0.74	0.25	0.96
Provision for Deferred Tax	(25.12)	151.85	45.66	3.42	0.00	0.00
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after Extraordinary Items as per audited Balance Sheet (A)	175.11	264.66	71.32	5.12	(51.71)	12.16
Adjustment on account of change in Accounting Policy (B)	-	-	-	-	-	-
Adjusted Profit & Loss (A-B)	175.11	264.66	71.32	5.12	(51.71)	12.16
Add: Excess Depr Written back	-	-	-	-	-	-
Previous Year P&L	303.29	38.63	(32.66)	(37.78)	13.93	1.77
Balance Carried to Balance Sheet	478.40	303.29	38.66	(32.66)	(37.78)	13.93

STATEMENT OF ASSETS & LIABILITIES AS RESTATED

Rs. In Lacs

Particulars	6 Months ended 30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Fixed Assets:						
Gross Block	2279.00	2270.62	2104.12	2055.57	1936.27	583.93
Less: Depreciation	1031.75	950.59	771.74	581.60	383.17	246.81
Net Block	1247.25	1320.04	1332.39	1473.97	1553.09	337.12
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment Revaluation Reserve	1247.25	1320.04	1332.39	1473.97	1553.09	337.12
Capital work-in progress	2.91	0.00	15.10	3.95	0.00	856.10
Total Fixed Assets (A)	1250.16	1320.04	1347.49	1477.92	1553.09	1193.23
Investments (B)	0.00	0.00	0.00	0.00	0.00	0.01
Current Assets, loans and Advances:						
Inventories	584.52	506.34	332.13	381.57	204.21	71.62
Sundry Debtors	667.94	545.25	511.61	373.37	367.05	192.28
Cash & Bank Balances	88.36	81.64	66.29	50.34	73.92	34.42
Loans and Advances	283.27	300.87	200.32	122.13	122.68	84.92
Total (C)	1624.09	1434.10	1110.35	927.41	767.87	383.25
Liabilities and Provisions:						
Secured Loans	678.27	842.09	991.64	1020.92	1083.71	674.22
Unsecured Loans	477.07	413.13	342.64	389.91	224.69	150.29
Current Liabilities and Provisions	367.15	297.59	339.66	328.47	355.98	94.08
Deferred Tax Liability	163.16	188.28	36.43	0.00	0.00	0.00
Total (D)	1685.65	1741.09	1710.36	1739.29	1664.38	918.59
Net worth (A+B+C-D)	1188.60	1013.04	747.47	666.04	656.59	657.90
Represented by	-	-	-	-	-	-
1. Share Capital (A)	872.53	698.02	698.02	698.02	698.02	645.02
2. Reserves	316.54	315.94	51.28	12.65	0.00	13.93
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Reserves (Net of Revaluation Reserves) (B)	316.54	315.94	51.28	12.65	0.00	13.93
Share Application (C)	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Expenditure (D)	0.47	0.92	1.83	44.63	41.43	1.05
Net worth (A+B+C-D)	1188.60	1013.04	747.47	666.04	656.59	657.90

2. GENERAL INFORMATION**MALU PAPER MILLS LIMITED**

Registered Office: "Heera Plaza", 4th Floor, Near Telephone Exchange, Central Avenue, Nagpur – 440 008 (Maharashtra)

Tel.: +91 712 2760308, 2778506, 2733100.

Fax: +91 712 2760310

E-mail: ipo@malupaper.com

Website: www.malupaper.com

Company Registration Number: 11-76009

Registrar of Companies: Registrar of Companies, Maharashtra, at 100 Everest, New Marine Lines, Mumbai - 400 020

BOARD OF DIRECTORS OF THE COMPANY

Name of the Director	Designation	Status
Mr. Bhanwarlal Malu	Chairman	Non Executive Director
Mr. Punamchand Malu	Managing Director	Executive Director
Mr. Banwarilal Malu	Joint managing Director	Executive Director
Mr. Damodarlal Malu	Director	Non Executive Director
Mr. Purushottam Malu	Director	Non Executive Director
Mr. Vasudeo Malu	Director	Non Executive Director
Mr. Ghasiram Malu	Director	Non Executive Director
Mr. Satyanarayan Rathi	Director	Independent Directors
Mr. Omprakash Bhattad	Director	Independent Directors
Mr. Chandrakant Jaydevshankar Thakar	Director	Independent Directors
Mr. Lalit Singh Mehta	Director	Independent Directors

For details of Board of Directors, please refer Page 59 of this Draft Prospectus.

BRIEF DETAILS OF THE EXECUTIVE DIRECTORS**Mr. Punamchand Malu (Managing Director)**

Mr. Punamchand Malu aged 54 years is the Managing Director of the Company. He is looking after the Sales, Administration & HR Department, ably assisted by respective department heads.

He worked as a commercial officer in a textile company for 5 years. Thereafter he joined the family business of coal trading. He is engaged in the supply, trading and transportation of steam coal, lignite and imported coal for the last 25 years. Shree Sales Corporation Pvt Ltd based in Nagpur, has been catering to coal demand of diverse industries such as Sponge Iron, textile, yarn, synthetics, Bulk Drugs, FMCG, Chemical, Paper etc.

He is also the promoter of Sunflame Fuel Pvt Ltd, a unit located at Nagpur engaged in the processing of Manganese di-oxide and Manganese Oxide.

Mr. Banwarilal Malu (Joint Managing Director)

Mr. Banwarilal Malu aged 45 years, is the joint managing director of the Company. He is looking after the Purchase, Production & Finance, ably assisted by respective department.

He is engaged in the supply, trading and transportation of steam coal, lignite and imported coal for the last twenty years. Narayan Traders based in Nagpur, has been catering to coal demand of diverse industries such as cement, textile, yarn, synthetics, FMCG, Chemical, Paper etc. He is actively engaged in the planning & execution of the entire coal business.

COMPANY SECRETARY

Mr. Gyanesh Verma

Malu Paper Mills Limited

"Heera Plaza", 4th Floor, Near Telephone Exchange, Central Avenue,
Nagpur – 440 008 (Maharashtra)

Tel.: +91 712 2760308, 2778506, 2733 100, Fax: +91 712 2760310

e-mail: ipo@malupaper.com

Website: www.malupaper.com

Note: Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

REGISTRAR TO THE ISSUE

INTIME SPECTRUM REGISTRY LTD

C-13, Pannalal Silk Mills Compound L B S Marg,

Bhandup (West)

Mumbai 400 078

Tel: +91-22-5555 5454

Fax: +91-22-5555 5353

Website: www.intimespectrum.com

E-Mail: malupaper@intimespectrum.com

LEGAL ADVISOR TO THE ISSUE

Khaitan & Company

Emerald House

1B, Old Post Office Street

Kolkata – 700 001

Tel: +91-33-2248 7000

Fax: +91-33-2220 7857

E-Mail : pl@khaitanco.com

AUDITORS

Demble Ramani & Co.

Chartered Accountants

Abhyankar Road, Sitabuldi

Nagpur-440 012

Tel: +91 712 2521630, 2521631

Fax: +91 712 531783

E-mail: deraco@dataone.in

BANKERS TO THE ISSUE

[•]

BANKERS TO THE COMPANY

State Bank Of India

Industrial Finance Branch
Bharat Nagar, Amravati Road, Nagpur
Tel: 0712-252 8425
Fax: 0712- 252 9105

ICICI Bank

Vishnu Vaibhav
222, Palm Road, Civil Lines
Nagpur- 440001
Tel: - 0712- 5621454/5619830

FINANCIAL INSTITUTION

SICOM Limited

Nirmal 1st Floor, Nariman Point
Mumbai- 400 021
Tel: 022-2202 3018/ 2288 3579
Fax: 022-2282 5781

APPRAISING AGENCIES

UTI Bank has appraised the project.

UTI Bank Ltd.,

111, Maker Tower "F",
Cuffe Parade, Colaba,
Mumbai – 400 005.
Tel : 022-22189106-9
Fax : 022-22186944

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

LEAD MANAGER (LM)



MICROSEC CAPITAL LIMITED

Azimganj House, 2nd Floor
7, Camac Street,
Kolkata-700 017
Ph: +91-33-22829330
Fax:+ 91-33- 22829335
E-Mail: maluipo@microsec.co.in
Contact person: Mr. Kamlesh Agarwal

(Hereinafter referred to as the LM)

CREDIT RATING

This being an Issue of Equity Shares, credit rating is not required.

TRUSTEE

This being an Issue of Equity Shares, appointment of Trustee is not required.

MONITORING AGENCY

UTI Bank has been appointed as Monitoring Agency to monitor the utilization of funds.

UNDERWRITING AGREEMENT

The Company proposes to underwrite the Issue. The Issue will be fully underwritten as follows:

Sr .No	Name & Address of Underwriter	Date of Agreement	Amount underwritten (Rs. In Lacs)
1	Microsec Capital Limited Azimganj House, 2 nd Floor 7, Camac Street, Kolkata 700 017 Ph: 91-33-2282 9330 Fax: 91-33-2282 9335 E-Mail: maluipo@microsec.co.in	[•]	[•]

In the opinion of the Board, on the basis of the declaration given by the Underwriters, the resources of the above mentioned Underwriters are sufficient to enable them to discharge their underwriting obligations in full. The Underwriters referred above have obtained Certificate of Registration from SEBI under the SEBI (Underwriters) Regulations 1993 or the SEBI (Stock Brokers & Sub-brokers) Regulations 1992. The above Underwriting Agreements have been accepted by the Board at their meeting held on [•]

3. CAPITAL STRUCTURE

Particulars			Nominal Value (Rs in lacs)	Aggregate Value (Rs in lacs)
A.	AUTHORISED CAPITAL			
	20,000,000	Equity shares of Rs 10/-each	2,000.00	2,000.00
B.	ISSUED, SUBSCRIBED AND PAID UP			
	8,725,250	Equity Shares of Rs 10/- each	872.53	872.53
C.	PRESENT ISSUE			
	8,334,000	Equity Shares of Rs 10/- each	833.40	2,500.20
D.	OUT OF WHICH			
	PROMOTERS CONTRIBUTION			
	1,667,000	Equity shares of Rs 10/- each to be issued to promoters, directors, friends, relatives and associates before the issue.	166.70	500.10
E.	OFFER THROUGH THIS PROSPECTUS			
	6,667,000	Equity shares of Rs 10/- each	666.70	2000.10
	OUT OF WHICH			
	500,000	Reserved for NRIs/FIIs on proportionate basis	50.00	150.00
	500,000	Reserved for Mutual Funds, Indian & Multilateral Development Financial Institutions, and Scheduled Banks on proportionate basis.	50.00	150.00
	NET OFFER TO THE PUBLIC			
	5,667,000	Equity Shares of Rs 10/- each	566.70	1700.10
F.	EQUITY CAPITAL AFTER OFFER			
	17,059,250	Equity Shares of Rs 10/- each	1,705.93	3,372.73
G	SHARE PREMIUM ACCOUNT			
	Before the Issue		-	-
	After the Issue		-	1,666.80

Notes forming part of the Capital Structure

1. Details of the increase in authorised capital

The following is the increase in the share capital of the Company, which has taken place during the tenure of the Company:

Sl No.	Particulars of Increase	Date of the resolution being passed
1.	From Rs 50 lacs to Rs 250 lacs	8-12-1995
2.	From Rs 250 lacs to Rs 750 lacs	24-10-2000
3.	From Rs 750 lacs to Rs 2000 lacs	30-09-2005

2. The existing share capital of the Company has been subscribed and allotted as under:

Date of Allotment / fully paid up	No. of equity shares	Face Value (Rs)	Issue Price (Rs)	Nature of allotment	Consideration	Cumulative Total Shares	Nominal Value in (Rs)
11-Jan-94	700	10	10	Incorporation	Cash	700	7000
25-Jan-96	1,999,500	10	10	Further Issue	Cash	2,000,200	19,995,000
06-Nov-97	480,000	10	10	Further Issue	Cash	2,480,200	4,800,000
09-Mar-01	4,500,000	10	10	Further Issue	Cash	6,980,200	45,000,000
30-Sep-05	1,745,050	10	-	Further Issue	Bonus	8,725,250	17,450,500

3. Promoters Contribution and Lock In

Sl. No.	Date of allotment/purchase	Consideration	No. of Shares	Face Value	Issue Price/Transfer Price	% of post issue capital	Lock In Period
1.	15-Jan-94	Cash	700	10	10	0.00%	1 Year
2.	25-Jan-96	Cash	899,161	10	10	5.27%	3 Years
3.	25-Jan-96	Cash	704,339	10	10	4.13%	1 Year
4.	11-Nov-97	Cash	480,000	10	10	2.81%	3 Years
5.	11-Jan-01	Transfer	10,000	10	10	0.06%	1 Years
6.	09- Mar-01	cash	650,000	10	10	3.81%	3 Years
7.	09- Mar-01	cash	1,750,000	10	10	10.26%	1 Year
8.	6-Sep-01	Transfer	251,000	10	10	1.47%	1 Year
9.	15-Mar-03	Transfer	1,500,000	10	10	8.79%	1 Year
10.	26-Feb-05	Transfer	150,000	10	10	0.88%	1 Year
11.	5-Aug-05	Transfer	140,000	10	10	0.82%	1 Year
12.	23-Aug-05	Transfer	445,000	10	10	2.61%	1 Year
13.	30-Sep-05	Bonus Issue	729,215	-	-	4.27%	3 Years
14.	30-Sep-05	Bonus Issue	1,015,835	-	-	5.95%	1 Year
15.	To be allotted	Cash	653,499	10	30	3.83%	3 Years
16.	To be allotted	Cash	1,013,501	10	30	5.94%	1 Year
			10,392,250			60.92%	

Note: All ineligible shares as per Clause 4.6 of SEBI DIP Guidelines have been locked in for 1 year and shares eligible for contribution of 20% shares to be brought in by the promoters shall be locked in for 3 years. The lock in period shall commence from the date of allotment of shares in the public issue or commencement of commercial production whichever is later.

Promoters' Contribution and lock-in period in respect of promoters whose name appears in the prospectus as promoters in the paragraph on "Promoters and their background":

Details of aggregate shareholding of the promoters

Sl. No.	Date of allotment/purchase Name	Consideration	No. of Shares	Face Value	Issue Price/Transfer Price	% of post issue Capital	Lock In Period
1	Bhanwarlal Malu						
	15-Jan-94	cash	100	10	10	0.00%	1 Year
	30-Sep-05	Bonus	25	10	-	0.00%	1 Year
			125			0.00%	
2	Punamchand Malu						
	15-Jan-94	cash	100	10	10	0.00%	1 Year
	25-Jan-96	cash	96,339	10	10	0.56%	1 Year
	25-Jan-96	cash	3,661	10	10	0.02%	3 Years
	09- Mar-01	cash	105,000	10	10	0.62%	3 Years
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	63,775	10	-	0.37%	3 Years
	To be allotted	cash	83,333	10	30	0.49%	3 Years
			402,208			2.36%	
3	Banwarilal Malu						
	15-Jan-94	cash	100	10	10	0.00%	1 Year
	25-Jan-96	cash	39,900	10	10	0.23%	3 Years
	11-Jan-01	Transfer	3,330	10	10	0.02%	1 Year

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	09- Mar-01	cash	50,000	10	10	0.29%	3 Years
	6-Sep-01	Transfer	17,000	10	10	0.10%	1 Year
	15-Mar-03	Transfer	100,000	10	10	0.59%	1 Year
	30-Sep-05	Bonus	52,582	10	-	0.31%	3 Years
	To be allotted	cash	110,000	10	30	0.64%	3 Years
			372,912			2.19%	
4	Damodarlal Malu						
	15-Jan-94	Cash	100	10	10	0.00%	1 Year
	25-Jan-96	cash	49,900	10	10	0.29%	3 Years
	09- Mar-01	cash	110,000	10	10	0.64%	3 Years
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Years
	30-Sep-05	Bonus	52,500	10	-	0.31%	3 Years
	To be allotted	cash	83,333	10	30	0.49%	3 Years
			345,833			2.03%	
5	Purushottam Malu						
	15-Jan-94	cash	100	10	10	0.00%	1 Year
	25-Jan-96	cash	24,900	10	10	0.15%	3 Years
	09- Mar-01	cash	100,000	10	10	0.59%	3 Years
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	43,750	10	-	0.26%	3 Years
	To be allotted	cash	83,333	10	30	0.49%	3 Years
			302,083			1.77%	
6	Vasudeo Malu						
	15-Jan-94	cash	100	10	10	0.00%	1 Year
	25-Jan-96	cash	5,900	10	10	0.03%	3 Years
	11-Jan-01	Transfer	3,330	10	10	0.02%	1 Year
	6-Sep-01	Transfer	17,000	10	10	0.10%	1 Year
	15-Mar-03	Transfer	100,000	10	10	0.59%	1 Year
	23-Aug-05	Transfer	220,000	10	10	1.29%	1 Year
	30-Sep-05	Bonus	86,583	10	-	0.51%	3 Years
	To be allotted	Cash	210,000	10	30	1.23%	3 Years
			642,913			3.77%	
7	Ghasiram Malu						
	15-Jan-94	Cash	100	10	10	0.00%	1 Year
	25-Jan-96	Cash	24,900	10	10	0.15%	3 Years
	09- Mar-01	Cash	15,000	10	10	0.09%	3 Years
	30-Sep-05	Bonus	10,000	10	-	0.06%	3 Years
			50,000			0.29%	
8	Frontline Commercials Pvt Ltd						
	25-Jan-96	Cash	200,000	10	10	1.17%	3 Years
	11-Nov-97	Cash	240,000	10	10	1.41%	3 Years
	09- Mar-01	Cash	50,000	10	10	0.29%	3 Years
	23-Aug-05	Transfer	100,000	10	10	0.59%	1 Year
	30-Sep-05	Bonus	147,500	10	-	0.86%	3 Years
			737,500			4.32%	
9	Marigold Farms Pvt Ltd						
	25-Jan-96	Cash	200,000	10	20	1.17%	3 Years
	09- Mar-01	Cash	50,000	10	10	0.29%	3 Years
	23-Aug-05	Transfer	80,000	10	10	0.47%	1 Year
	30-Sep-05	Bonus	82,500	10	-	0.48%	3 Years

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			412,500			2.42%	
10	Wistaria Farms Pvt Ltd						
	25-Jan-96	Cash	350,000	10	10	2.05%	3 Years
	11-Nov-97	Cash	240,000	10	10	1.41%	3 Years
	09- Mar-01	Cash	170,000	10	10	1.00%	3 Years
	30-Sep-05	Bonus	190,000	10	-	1.11%	3 Years
	To be allotted	cash	83,500	10	30	0.49%	3 Years
			1,033,500			6.06%	
			4,299,574			25.20%	

The details of the aggregate shareholding of the Promoter Group

Sl. No.	Date of allotment/ purchase Name	Considera tion	No. of Shares	Face Value	Issue Price/ Transfer Price	% of post issue capital	Lock In Period
1	Shrawankumar Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	100,000	10	10	0.59%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	40,000	10	-	0.23%	1 Year
	To be allotted	Cash	83,333	10	30	0.49%	1 Year
			283,333			1.66%	
2	Radheyshyam Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	26-Feb-05	Transfer	37,500	10	10	0.22%	1 Year
	30-Sep-05	Bonus	36,875	10	-	0.22%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			217,708			1.28%	
3	Venugopal Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	2-Mar-01	Cash	50,000	10	10	0.29%	1 Year
	5-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	6-Feb-05	Transfer	37,500	10	10	0.22%	1 Year
	6-Feb-05	Bonus	36,875	10	-	0.22%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			217,708			1.28%	
4	Ganpati Malu						
	25-Jan-96	Cash	5,000	10	10	0.03%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	26,250	10	-	0.15%	1 Year
	To be allotted	Cash	50,000	10	30	0.29%	
			181,250			1.06%	
5	Damodarlal Malu (HUF)						
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	25,000	10	-	0.15%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			158,333			0.93%	
6	Punamchand Malu (HUF)						
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	25,000	10	-	0.15%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			158,333			0.93%	

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7	Purushottam Malu (HUF)						
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	25,000	10	-	0.15%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			158,333			0.93%	
8	Shrawankumar Malu (HUF)						
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	25,000	10	-	0.15%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			158,333			0.93%	
9	Kaveri Malu						
	11-Jan-01	Transfer	3,340	10	10	0.02%	1 Year
	09- Mar-01	Cash	200,000	10	10	1.17%	1 Year
	06-Sep-01	Transfer	117,000	10	10	0.69%	1 Year
	5-Mar-03	Transfer	250,000	10	10	1.47%	1 Year
	05-Aug-05	Transfer	140,000	10	10	0.82%	1 Year
	30-Sep-05	Bonus	177,585	10	-	1.04%	1 Year
	To be allotted	Cash	126,667	10	30	0.74%	1 Year
			1,014,592			5.95%	
10	Suman Malu						
	09- Mar-01	Cash	15,000	10	10	0.09%	1 Year
	6-Sep-01	Transfer	100,000	10	10	0.59%	1 Year
	15-Mar-03	Transfer	200,000	10	10	1.17%	1 Year
	30-Sep-05	Bonus	78,750	10	-	0.46%	1 Year
	To be allotted	Cash	10,000	10	30	0.06%	1 Year
			403,750			2.37%	
11	Kaushalya Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	27,500	10	-	0.16%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			170,833			1.00%	
12	Anita Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	27,500	10	-	0.16%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			170,833			1.00%	
13	Pushpa Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	27,500	10	-	0.16%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			170,833			1.00%	
14	Sushila Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	15-Mar-03	Transfer	50,000	10	10	0.29%	1 Year
	30-Sep-05	Bonus	27,500	10	-	0.16%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			170,833			1.00%	
15	Sunflame Fuels Pvt. Ltd.						
	25-Jan-96	Cash	100,000	10	10	0.59%	1 Year
	09- Mar-01	Cash	210,000	10	10	1.23%	1 Year
	23-Aug-05	Transfer	45,000	10	10	0.26%	1 Year

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	30-Sep-05	Bonus	88,750	10	-	0.52%	1 Year
	To be allotted	Cash	83,505	10	30	0.49%	1 Year
			527,255			3.09%	
16	Omprakash Malu						
	25-Jan-96	Cash	10,000	10	10	0.06%	1 Year
	30-Sep-05	Bonus	2,500	10	-	0.01%	1 Year
			12,500			0.07%	
17	Manisha Malu						
	25-Jan-96	Cash	80,000	10	10	0.47%	1 Year
	09- Mar-01	Cash	130,000	10	10	0.76%	1 Year
	30-Sep-05	Bonus	52,500	10	-	0.31%	1 Year
			262,500			1.54%	
18	Kantadevi Malu						
	25-Jan-96	Cash	20,000	10	10	0.12%	1 Year
	30-Sep-05	Bonus	5,000	10	-	0.03%	1 Year
			25,000			0.15%	
19	Brijmohan Malu						
	25-Jan-96	Cash	40,000	10	10	0.23%	1 Year
	30-Sep-05	Bonus	10,000	10	-	0.06%	1 Year
			50,000			0.29%	
20	Bharat Malu						
	09- Mar-01	Cash	50,000	10	10	0.29%	1 Year
	26-Feb-05	Transfer	75,000	10	10	0.44%	1 Year
	30-Sep-05	Bonus	31,250	10	-	0.18%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			189,583			1.11%	
21	Shashi Malu						
	09- Mar-01	Cash	380,000	10	10	2.23%	1 Year
	15-Mar-03	Transfer	100,000	10	10	0.59%	1 Year
	30-Sep-05	Bonus	120,000	10	-	0.70%	1 Year
	To be allotted	Cash	56,667	10	30	0.33%	1 Year
			656,667			3.85%	
22	Banwarilal Malu (HUF)						
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			33,333			0.20%	
23	Jyoti Malu						
	To be allotted	Cash	16,666	10	30	0.10%	1 Year
			16,666			0.10%	
24	Solar Carbons Pvt. Ltd.						
	To be allotted	Cash	96,666	10	30	0.57%	1 Year
			96,666			0.57%	
25	Vasudeo Malu (HUF)						
	09- Mar-01	Cash	115,000	10	10	0.67%	1 Year
	30-Sep-05	Bonus	28,750	10	-	0.17%	1 Year
	To be allotted	Cash	33,333	10	30	0.20%	1 Year
			177,083			1.04%	
26	Narayan Malu						
	25-Jan-96	Cash	133,000	10	10	0.78%	1 Year
	30-Sep-05	Bonus	33,250	10	10	0.19%	1 Year
	To be allotted	Cash	26,667	10	30	0.16%	1 Year
			192,917			1.13%	
27	Gajendra Malu						
	25-Jan-96	Cash	150,000	10	10	0.88%	1 Year
	30-Sep-05	Bonus	37,500	10	-	0.22%	1 Year
	To be allotted	Cash	30,000	10	30	0.18%	1 Year
			217,500			1.27%	
	Grand Total		6,092,676			35.71%	

Total number of shares required to be locked in for 3 years is calculated as follows:

3,411,850 equity shares brought in (along with to be brought-in) by the promoters being 20% of the post issue equity share capital of 17,059,250 equity shares will be locked in for a period of 3 years.

Note: The lock in period shall commence from the date of allotment of shares in the public issue or commencement of Commercial Production whichever is later.

Shares held by persons other than the promoters, prior to Initial Public Offering, which are subject to lock in as per extant SEBI (DIP) Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock- in the hands of the transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Shares held by the promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI (DIP) Guidelines, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

The entire pre-issue capital, other than that locked-in as promoter's contribution, shall be locked-in for a period of One year from the date of allotment in the present issue, or the date of Commercial Production, whichever is later.

4. The following directors of Promoters where promoter is a Company hold shares in the Company as follows.

Details of the holding of Directors of the Promoting Companies in the Issuer Company	No. Of Shares
Bhanwarlal Malu	125
Punamchand Malu	318875
Banwarilal Malu	262912
Damodarlal Malu	262500
Purushottam Malu	218750
Vasudeo Malu	432913
Ghasiram Malu	50000
Total	15,46,075

5. The following Equity Shares have been purchased or sold by the promoter or any director of promoter where promoter is a Company during a period of six months preceding the date on which the Draft Prospectus is filed with the Board.

Name of Shareholder	Date of Purchase/ Transfer	No of Shares	Price paid per Share
Vasudeo Malu	23-Aug-05	220,000	10
Frontline Commercials Pvt Ltd	23-Aug-05	100,000	10
Marigold Farms Pvt Ltd	23-Aug-05	80,000	10
Sunflame Fuels Pvt Ltd	23-Aug-05	45,000	10

6. The promoters' contribution has been brought-in is not less than the specified minimum lot of Rs.25, 000/- per application from each individual and Rs.1, 00,000/- from companies.

7. Equity Shares held by top 10 shareholders

The top ten shareholders and the Equity shares held by them on the date of filing the Draft Prospectus with Board are as follows:

SI No.	Name of Shareholder	No of shares	% Holding
1	Wistaria Farms Pvt Ltd	950,000	10.89
2	Kaveri Malu	887,925	10.18
3	Frontline Commercial Pvt Ltd	737,500	8.45
4	Shashi Malu	600,000	6.88
5	Sunflame Fuels Pvt Ltd	443,750	5.09
6	Vasudeo Malu	432,913	4.96
7	Marigold Farms Pvt Ltd	412,500	4.73
8	Suman Malu	393,750	4.51
9	Punamchand Malu	318,875	3.65
10	Banwarilal Malu	262,912	3.01

The top ten shareholders and Shares held by them ten days prior to the date of filing the Draft Prospectus with Board are as follows:

SI No.	Name of Shareholder	No of shares	% Holding
1	Wistaria Farms Pvt Ltd	950,000	10.89
2	Kaveri Malu	887,925	10.18
3	Frontline Commercial Pvt Ltd	737,500	8.45
4	Shashi Malu	600,000	6.88
5	Sunflame Fuels Pvt Ltd	443,750	5.09
6	Vasudeo Malu	432,913	4.96
7	Marigold Farms Pvt Ltd	412,500	4.73
8	Suman Malu	393,750	4.51
9	Punamchand Malu	318,875	3.65
10	Banwarilal Malu	262,912	3.01

The top ten shareholders and shares held by them two years prior to the date of filing the Draft Prospectus with Board are as follows:

SI No.	Name of Shareholder	No of shares	% Holding
1	Wistaria Farms Pvt Ltd	760,000	10.89
2	Kaveri Malu	570,340	8.17
3	Frontline Commercial Pvt Ltd	490,000	7.02
4	Shashi Malu	480,000	6.88
5	Sunflame Fuels Pvt Ltd	315,000	4.51
6	Vasudeo Malu	310,000	4.44
7	Marigold Farms Pvt Ltd	255,100	3.65
8	Suman Malu	250,000	3.58
9	Punamchand Malu	250,000	3.58
10	Banwarilal Malu	210,330	3.01

8. Shareholding Pattern

The Pre-issue and Post-issue share holding pattern of the Promoters and Promoter group is as under:

	Pre-issue		Post-Issue	
Promoters				
Bhanwarlal Malu	125	0.00%	125	0.00%
Punamchand Malu	318,875	3.65%	402,208	2.36%
Banwarilal Malu	262,912	3.01%	372,912	2.19%
Damodarlal Malu	262,500	3.01%	345,833	2.03%
Purushottam Malu	218,750	2.51%	302,083	1.77%
Vasudeo Malu	432,913	4.96%	642,913	3.77%
Ghasiram Malu	50,000	0.57%	50,000	0.29%
Frontline Commercials (P) Ltd	737,500	8.45%	737,500	4.32%
Marigold Farms (P) Ltd	412,500	4.73%	412,500	2.42%
Wistaria Farms (P) Ltd	950,000	10.89%	1,033,500	6.06%
Sub-Total (a)	3,646,075	41.79%	4,299,574	25.20%
Promoter Group				
Shrawankumar Malu	200,000	2.29%	283,333	1.66%
Radheshyam Malu	184,375	2.11%	217,708	1.28%
Venugopal Malu	184,375	2.11%	217,708	1.28%
Ganpati Malu	131,250	1.50%	181,250	1.06%
Damodarlal Malu (HUF)	125,000	1.43%	158,333	0.93%
Punamchand Malu (HUF)	125,000	1.43%	158,333	0.93%
Purushottam Malu (HUF)	125,000	1.43%	158,333	0.93%

MALU PAPER MILLS LIMITED

Shrawankumar Malu (HUF)	125,000	1.43%	158,333	0.93%
Kaveri Malu	887,925	10.18%	1,014,592	5.95%
Suman Malu	393,750	4.51%	403,750	2.37%
Kaushalya Malu	137,500	1.58%	170,833	1.00%
Anita Malu	137,500	1.58%	170,833	1.00%
Pushpa Malu	137,500	1.58%	170,833	1.00%
Sushila Malu	137,500	1.58%	170,833	1.00%
Sunflame Fuels (P) Ltd	443,750	5.09%	527,255	3.09%
Omprakash Malu	12,500	0.14%	12,500	0.07%
Manisha Malu	262,500	3.01%	262,500	1.54%
Kantadevi Malu	25,000	0.29%	25,000	0.15%
Brijmohan Malu	50,000	0.57%	50,000	0.29%
Bharat Malu	156,250	1.79%	189,583	1.11%
Shashi Malu	600,000	6.88%	656,667	3.85%
Banwarilal Malu (HUF)	-	-	33,333	0.20%
Jyoti Malu	-	-	16,667	0.10%
Vasudeo Malu (HUF)	143,750	1.65%	177,083	1.04%
Gajendra Malu	187,500	2.15%	217,500	1.28%
Narayan Malu	166,250	1.91%	192,917	1.13%
Solar Carbons Pvt.Ltd.	-	-	96,666	0.57%
Sub-Total (b)	5,079,175	58.21%	6,092,676	35.71%
Promoter & Promoter Group total Shareholding (a+b)=(A)	8,725,250	100.00%	10,392,250	60.92%
Public	-	-	6,667,000	39.08%
Sub-Total (B)	-	-	6,667,000	39.08%
Grand Total (A+B)	8,725,250	100.00%	17,059,250	100%

As on the date of this Draft Prospectus, there are no outstanding warrants, options or right to convert debentures, loans or other financial instruments into Equity Shares

Note:

- Neither the Company, its promoters, its directors, nor the LM have entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company offered through this Draft Prospectus.
- The Company has not raised any bridge loan from any Bank against the proceeds of this issue.
- There is no Employee Stock-Option Scheme or Plan as on date.
- The securities offered through this public issue will be made fully paid upon allotment.
- The Company undertakes that it shall not make further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, or public issue or otherwise during the period commencing from the submission of offer document to the Board on behalf of the Company for this public issue, till the securities offered to in the said document have been listed or the application moneys refunded on account of non-listing or under-subscription, etc.
- The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the issue, by way of split/consolidation of the denomination of Equity Shares or further Issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that the Company may issue options to its employee pursuant to any employee stock option plan, or if the Company goes for acquisitions and joint ventures it might consider raising additional capital to fund such activity or use share as currency for acquisition and/or participation in such joint venture.
- The Company has issued 17,45,050 Equity shares as bonus for consideration other than cash.

8. At any given point of time, there shall be only one denomination for the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
9. The Company has 34 (thirty-four) members as on the date of filing of the Draft Prospectus with SEBI.
10. There are no transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relations, their group Companies or associates or by the above entities directly or indirectly to other persons.
11. The shareholders of the Company do not hold any warrant, option or convertible loan or any debentures, which would entitle them to acquire further shares of the Company.
12. Written consent for lock-in has been obtained from the persons whose shares form part of promoters' contribution and form part of lock in.
13. The equity shares to be held by the promoters, their relatives & associates under the lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, inter se transfers between the promoters themselves as such would be permitted, provided that the requirement of lock-in period guidelines continues to apply.
14. The locked-in equity shares held by the promoters can be pledged only with Banks/Financial Institutions, provided the pledge of shares is one of the terms of sanction letter.
15. Reservations on competitive basis has been made in the public issue for:
 - ☐ NRIs/and or FIIs applying on a repatriation basis for 500,000 equity shares.
 - ☐ Indian Mutual Funds and Scheduled Commercial Banks for 500,000 equity shares

Person(s) belonging to the reserved categories shall not make an application in the net offer to the public category except for NRIs and FIIs applying for on non-repatriation basis.
16. Applications should be for minimum of 200 Equity Shares and in multiples of 200 Equity Shares hereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In case of reserved categories, a single applicant can make an application for that number of Equity Shares that exceeds the reservations.
17. As per SEBI Guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying for equity shares of or for a value of not more than Rs 1,00,000/-. The remaining 50% of the net offer to the public will be available for individuals applying for equity shares of a value of more than Rs 100,000/- and corporate bodies/institutions etc. under subscribed portion in either of these categories shall be added to the other category interchangeably.

4. OBJECTS OF THE ISSUE

The Main Objects of the issue are:

1. To set up a new unit at Nagpur to produce 150 TPD of Newsprint/Writing Printing paper and 6 MW captive Co-generation Power Plant
2. To meet the Public Issue related expenses.
3. To get the Equity Shares listed on BSE and NSE.

The main object clause along with the other object clauses of the MOA enable the Company to undertake the activities for which the funds are being raised in the present issue. Further, it is confirmed that the activities that the company has been carrying out until now are in accordance with the object Clause of the Memorandum of Association of the Company.

FUNDING REQUIREMENT

The Company is setting up a paper plant for manufacturing premium quality Newsprint and Writing & Printing paper with an estimated cost of Rs.7000.20 lacs.

Paper Plant at Nagpur (as per the appraisal report of UTI Bank)

Particulars	Amount
1. Setting up of Newsprint of 150 TPD	6800.00
2. Public Issue Expenses	200.20
Total	7000.20

MEANS OF FINANCE

The Project is proposed to be funded from Promoter's contribution, Unsecured Loan/Public Issue/Private Placement of equity shares; and term loans from Banks/Financial Institutions. The proposed means of the finance for the Project is as under:

(Rs in Lacs)

Particulars	Amount
Shareholder's Fund	
Promoter's Contribution	500.10
Public Issue	2000.10
Sub Total (Equity)	2500.20
Term (Banks/ Financial Institution)	4500.00
Total project Cost	7000.20

The company hereby confirms that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public Issue, have been made.

Appraisal

UTI bank has appraised the proposed project, and has given its appraisal report dated 18.11.2005 and its consent for its name being included in the draft prospectus for this offering and their name being included as appraising agency and for its appraisal report being used in this document.

The above appraisal report has been used as the basis for this Draft prospectus wherever required.

The salient points and the areas of strength and weaknesses as mentioned in the Appraisal reports have been reproduced below:

1. UTI BANK

SWOT ANALYSIS

Strength

- i. Established newsprint producer in Nagpur region
- ii. Paper manufacturing know-how at mill
- iii. Low personnel costs (compared with international competitors)
- iv. MPL already operates in the newsprint paper segment and the new plant would benefit from its competency in marketing of newsprint paper.
- v. MPL has a location advantageous of being in Nagpur as it is centrally located and conveniently connected by Road and rail to all major big cities and towns
- vi. Lower reliance on purchased power, as a captive power plant is being setup.

Weakness

- 1. A small player compared to other big national players like HNL

Threat

- 1. Price fluctuations - waste paper
- 2. Lowering of import duties, increasing international competition (project sensitive to sales price)

Opportunities

- 1. Large and growing domestic market for newsprint paper
- 2. Lots of potential among the existing customers yet to be tapped
- 3. Export possibilities

Project and Other Details

The break up of the Project cost under the various heads has been estimated as under:

A: Paper Plant at Nagpur (As appraised by the Bank)

(Rs in lacs)

Sl. No.	Particulars	Amount	Amount
1	Land		125.00
2	Site Development		63.00
3	Buildings		500.00
4	Plant & Machinery		
A	Stock Preparation Equipment	1305.00	
B	Paper Machine Section	1230.00	2535.00
5	Captive Power Plant		1800.00
6	Electrical Equipment & Installation		470.00
7	Other Fixed Assets		365.00
8	Effluent Treatment Plant		162.00
9	Erection & Engineering Fees		
10	Preliminary, Preoperative Expenses*		265.00
11	Provision For Contingencies		158.00
A	Building & Site Dev.	14.07	
B	Plant & Machinery	63.38	
C	Captive Power Plant	45.00	
D	Electrical Equipment & Installation	11.75	
E	Other Fixed Assets	8.07	
F	Effluent Treatment Plant	4.05	
G	Technical Know How & Engineering Fees	0.00	
H	Preoperative Expenses	11.68	
	Capital Cost Of Project		6443.00
	IDC		202.00
	Margin Money For Working Capital		355.00
	Total Cost Of Project		7000.00

* Includes public issue expenses of Rs 200.20 lacs

1. Land & Site Development

The project is being set up at Saoner Industrial Area (Growth Center), Saoner, Dist. Nagpur in the state of Maharashtra. The plant will have a capacity of 49500 MT to manufacture Newsprint / Writing Printing paper. MIDC has allotted 3.2 lakh sq. meter of land for the project. Internal road measuring about 1500 running meter are envisaged for the plant for effective movement of raw material and finished goods. Boundary wall admeasuring about 1000 running meter and main gate has been considered for the project. Internal drainage / sewerage to clear rain & storm water admeasuring about 1500 running meter are envisaged. The total cost of land and site development works out to 198 lakh.

2. Building & Civil Construction

The buildings and other civil work comprise of Waste Paper Godown, Pulp Mill, Stock preparation Building, Paper Machine Building, Finished Paper Godown, Workshop, General Stores, Effluent Treatment Plant, Admin. Building & Security Block etc. The total estimated cost of the Building & Structures is Rs. 500 lacs as per the estimates of Architects.

Details for Civil & Structural

Sr.No	Description	Estimated Cost (Rs. In lacs)
A	Site Development	
1	Boundary Wall (1000 Running Meters)	13.50
2	Levelling	27.00
3	Internal Road (1500 Running Meters)	6.30
4	Main Gate (2 Nos)	1.00
5	Internal Drain/ Sewerage (1500 Running Meters)	15.20
	Sub Total	63.00
B	Buildings	
1	Waste Paper Godown (4800 Sq.Mtr.)	108.00
2	Pulp Mill (1840 Sq.Mtr.)	74.00
3	Stock Preparation Building (900 Sq.Mtr.)	22.00
4	Paper Machine Building (4120 Sq.Mtr.)	167.00
5	Finished Paper Godown (920 Sq.Mtr.)	25.00
6	Workshop (1125 Sq.Mtr.)	22.00
7	General Stores	2.00
8	Effluent Treatment Plant (3935 Sq.Mtr.)	85.50
9	Admin. Building (G+1) (300 Sq.Mtr.)	13.50
10	Security Block etc	3.00
	Sub Total	500.00
	Total	563.00

3. Plant & Machinery

The plant and machinery which is to be installed in the project consist of Stock preparation, Paper Machine, Vacuum system for Paper machine, instrumentation etc. The total cost of the plant and machinery has been estimated at Rs.2535 Crores including excise and tax, freight and insurance and the cost of erection and commissioning.

Orders placed, but Machinery not received:

Sl.No.	Particulars	Qty	Total Value	Name of The Suppliers	Qty	Amount (Rs In Lakhs) Landed	Date of Order	Expected Delivery/ Completion Date
1	Stock Preparation system		1083.50 Lacs	Andritz OY		1152.00 Lacs	24/11/05	Sept, 06

Orders of Plant & Machinery Not yet placed:

Sr.No.	Particulars	Qty	Total Cost (Estimated)	Name of suppliers/ quotations relied upon	Probable Date of order	Expected Delivery/ Completion Date
A	Pulp Mill/ Stock Preparation Section					
1	Process Pipes & Pipe fittings	1	45.00	Mack Steel Company	Nov'06	1 week
2	Process Control Valves & valve fittings	1	33.00	Star India	Nov' 06	2-3 week
	Total		78.00			
B	Paper Machine Section					
1	Paper Machine	1	1000.00	Stora Enso, Excel, Sharma Fabricators & Erectors	Jan'06	6 Month
2	Paper machine vacuums System	6	35.00	Kakati Karshank Industries Pvt. Ltd	Aug'06	4 Month
3	Process pipe & pipe fittings		18.00	Mack Steel Company	Nov'06	1 week
3	Chemical Treatment Plant		30.00	Self Fabrication	Sep'06	4 week
4	Mill Automation		90.00	As per company's estimate	Oct'06	4 week
5	Machine Clothing		60.00	SWILL, Porritts & Spencer	Dec'06	3 Month
6	Erection & Commissioning		72.00	Scan Machinery works	Apr'06	
	Total		1305.00			
C	Electrical Equipment					
1	Transformer	3	34.00	Crompton Greaves	Jun'06	6 Month
2	PCC	5	40.00	New Vision Electrical	Sept'06	3 Month
3	MCC	12	35.00	New Vision Electrical	Sept'06	3 Month
4	HT & LT cables	1	63.00	Jayashree, New Vision Electrical	Sept'06	3 Month
5	Electric Motors		67.50	Crompton Greaves/ Seimens/ ABB	Aug'06	6 Month
6	HT Switchgears	1	63.00	Seimens/ ABB, New Vision Electrical	Sept'06	3 Month
7	Earthing		13.50	New Vision Electrical	Sept'06	4 Month
8	Cable Jointing Material	1	13.50	New Vision Electrical	Sept'06	3 Month
9	Lightning Arrestors		4.50	Crompton Greaves, New vision Electrical	Sept'06	4-6 week
10	Mill Lighting		13.50	Crompton Greaves, Baja	Jan'07	4 week
11	Cable supports, Ducts, Trays		10.00	New Vision Electrical	Sept'06	4 week
12	Paper Machine Drives		72.00	Control Tech.	Sept'06	3 Month
13	Misc. items	1	18.00		Sept'06	2 week
14	Erection and commissioning	1	22.50	New Vision Electrical	Sept'06	3 Month
	Total		470.00			

OTHER FIXED ASSETS

Other fixed assets include Fresh water collection & distribution, compressors, steam distribution systems from power plant to paper machine, material handling system, misc. tools & tackles, workshop (mechanical, electric & instruments), various testing equipment, fire fighting system. The total cost of Misc. fixed assets and Effluent Treatment plant is 572 Lacs.

	Other Fixed Assets					
I	Fresh Water Collection & Distribution		34.00	Ratnadeep Enterprises	Jan'06	2 Months
II	Compressors		31.50	Chicago Pneumatic/ Atlas Copco, Puriflair India	Nov'06	2 Months
III	Steam distribution systems from power plant to paper machine		76.50	Forbes Marshal, Sun Engg.	Nov'06	2 Months
IV	Material Handling System					
A	EOT crane	1	27.00	Zeemag Industries	Sept'06	6 Months
B	Electric hoist	4	14.50	Smaco Engineering	Sept'06	3 Months
C	Weigh Bridge 40 ton Capacity	1	18.00	Elder Instruments	Aug'06	6 Months
D	Fork lifts	4	33.00	Voltas	Jan'07	1 Month
E	Pay loaders	2	18.00	Ishwar Tractor Company	Jan'07	1 Month
F	Misc tools & tackles		18.00		Jan'07	1 Month
G	Workshop (Mechanical, Electric & Instruments)		27.00	Siddhapura Machine Tools	Jan '07	1 Month
H	Misc. Weighing System	3	4.50	Elder Instrument	Jan'07	1 Month
V	Laboratory & QC, Testing Equipment		27.00	Universal Engineering Corporation	Dec'06	2 Month
VI	Fire Fighting System		36.00	Agni Alert System	Jan'07	2 Month
	Total		365.00			
	Effluent Treatment Plant					
	Saveall, Krofta, Decanter		162.00	Alfa Laval, Eco Engineering	Aug'06	4 Months

4. Captive Power Plant

The major plant comprises of a single drum water tube boiler of capacity 35,000 Kg/hr, turbine with a steam capacity of 33 TPH at 64 bar, an alternator of rating 6000 KW/KVA driven by steam turbine with a speed of 1500rpm, electro-static precipitator, coal handling plant with bunker, dense phase ash handling plant, water softening plant, deareator, mild steel chimney etc.

	Captive Power Plant					
1	Boiler	1	628.00	Cethar Vessels Ltd	Jan'06	12 Month
2	Turbine	1	420.00	Triveni Engineering	Jan'06	12 Month
3	ESP	1	130.00	Cethar vessels/ Alstom	Jun'06	2 Month
4	Coal Handling Plant	1	55.00	SaiKrupa Industries	Jun'06	3 Month
5	Dense Phase Ash Handling	1	50.00	Macawber Engineering Systems	Jun'06	3 Month
6	Water softening plant	1	23.00	Ion Exchange	Jun'06	2 Month
7	Deareator, feed water storage tank, DM Plant	1	30.00	Cethar Vessels, Ion Exchange	Jun'06	2 Month
8	Cooling Tower, recirculation pump	1	65.00	Paltech Cooling Tower	Jun'06	6 Month
9	Valve, piping, PRS etc.		110.00	Santosh Tube Corporation.	Dec'06	1 Month

10	Compressor, EOT Crane	1	37.00	Zeemag Industries	Jan'06	5 Month
11	Fire fighting equipment & piping etc.		7.50	Agni Alert Systems	Jan'07	2 Month
12	Mild Steel Chimney	1	23.00	Taj Boiler & Fa	Sept'06	2 Month
13	Civil construction	1	75.00	Jala Construction	Jan'06	
14	Erection & Commissioning		65.00	Cethar Vessels P. Ltd.	July'06	3 Month
15	DCS Systems		45.00	Seimens/ ABB	July'06	3 Month
16	Misc.Items		36.50		Dec'06	1 Month
	TOTAL		1800.00			

5. Preliminary & Pre-operative Expenditure

Pre-operative expenses comprises of public issue expenses (Rs. 200.20 Lacs), start-up-expenses (Rs.15 lacs) and the balance is for Establishment Cost, Traveling & Conveyance, Upfront Fees, Bank Charges etc.

6. Contingencies

The technical consultants, who have substantial experience in implementation of Project, have estimated the Project cost. The cost estimate is based on the budgetary quotations for the majority of the capital equipments and no major change in the cost is expected. Considering these factors, provision for contingency has been estimated conservatively on all main project costs, aggregating Rs. 158 Lacs.

7. Margin Money for Working Capital

The working capital margin requirements of the Project is estimated at Rs.355 lacs, based on the calculations for the first full year of operations for the Project on the basis of 30 days stock of raw material, 1 day work in progress, 10 days of finished goods stock and 30 days of debtor holding. Margin money for the first year of operation has been estimated at Rs. 355 lacs. The requirement of enhanced margin money in the subsequent years would be met out of the internal accruals.

Computation of working capital requirement for the first year of operation i.e. for FY 2006-07:

PARTICULARS	Norm (days)	Margin (%)	Gross Working Capital	Margin Money
Raw Material	30	25	337.18	84.30
Consumable Stores	365	25	110.25	27.56
Stock In Process	1	25	16.21	4.05
Finished Goods	10	25	162.67	40.57
Debtors For Domestic Sales	30	25	590.09	147.52
Sub Total			1216.40	
Less Creditors			(364.89)	
Margin For L/C And B/G				51.00
Total Working Capital Requirement			851.51	355.00

Issue Expenses

The issue expenses include Issue Management fees, Selling commission, distribution expenses, legal fees, printing & stationery, advertising & Marketing expenses, listing fees to the stock exchanges and all other incidental and miscellaneous expenses for listing the equity shares on the stock exchanges. All costs with respect to the issue will be borne out of the issue proceeds.

The company estimates that overall public issue expenses will not be more than Rs 200.20 lacs. The detailed break up of Public Issue expenses is given on page no 117 of the Draft Prospectus.

To sum up, the funds requirement of the company is Rs 7000.20 lacs, out of which the promoters of the company shall bring Rs 500.10 lacs, Rs 4500 from the consortium of bankers who have sanctioned the term loan leaving a gap of Rs 2000.10 lacs for which the company is approaching the public.

Term Loan

The details of the term loan sanctioned is as follows:

Out of the total requirement of Rs 4500, the Company has received final sanction letter to the extent of Rs 2000 lacs from Bank of India and Bank of Baroda and in-principle approval to the extent of Rs 3000 lacs from State Bank of India and the Jammu & Kashmir Bank Limited. Out of the in-principle approval of Rs 3000 lacs, the management of the Company shall take decision to accept balance loan of Rs 2500 lacs for the financial closure of the proposed project.

The details of the term loans sanctioned to the Company is as follows:

Term loan sanctioned by Banks:

Rs. In Lacs

Name of Bank	Amount Sanctioned	Date of Sanction	Amount Disbursed
Bank of India	1000	18.11.2005	NIL
Bank Of Baroda	1000	16.12.2005	NIL

IMPLEMENTATION SCHEDULE

Particulars	Date
Acquisition of land	Oct./ Nov. 2005
Development of site	December, 2005
Civil work	December, 2005
Plant & Machinery	
Inviting Quotations	August, 2005
Placement of order	Nov.'05 onwards
Delivery at site	June, 06 onwards
Arrangement of power for erection.	December, 2005
Arrangement of water for Project.	June, 2006
Erection of equipment	July, 2006 onwards
Commissioning of equipment	January, 2007
Procurement of raw material	March, 2007
Trial Runs	March, 2007
Commercial Production	April, 2007

COST INCURRED TILL DATE (As on 15th Nov'2005)

The details of the expenditure incurred till date as certified by the auditors M/s Demble Ramani & Co vide their certification dated 15th November 2005 upto 15th November 2005 is as follows:

Particulars	(In Rs. Lacs)
Expenditure:	
Land Acquisition	40.00
Preliminary Expenses	23.28
Total	63.28

SOURCES OF FINANCING OF FUNDS ALREADY DEPLOYED

The above expenditure has been met out of the following sources:

Rs in lacs

Sources of funds	Amount
Share Application Money Pending Allotment	63.28
Total	63.28

Year wise break up of the proposed expenditure

Sl. No.	Particulars	Total cost of the Project	Cost incurred till 15th Nov 2005	To be incurred upto 31st March 2005-06	To be incurred upto 31st March 2006-07
1	Land & Site Development	188.00	40.00	148.00	-
2	Civil Construction	531.39	-	-	531.39
3	Plant & Machinery	4,765.19	-	820.00	3,945.19
4	Other Fixed Assets	883.74	-	-	883.74
5	Preliminary, Pre-operative Expenses	276.68	23.28	202.00	51.40
6	Margin Money For Working Capital	355.00			355.00
	Grand Total	7,000.00	63.28	1,170.00	5,766.72

INTERIM USE OF FUNDS

Pending use of the proceeds for the above-mentioned project, the Company intends to invest the proceeds from the fresh issue in high quality interest bearing liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by the Board or a duly authorised committee thereof.

BASIC TERMS OF THE ISSUE

Ranking Of Equity Shares

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles of the Company and shall rank pari passu in all respects including dividend with the other existing Equity Shares of the Company. Allottees of the equity shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Face Value

The Face Value of the Equity Shares is Rs.10/- per Equity Share and the Issue Price is three times of the Face Value. The Issue Price is Rs 30/- per Equity Share of Rs.10/- each.

Rights of the Equity Shareholders

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares, if announced.
- v. Right to receive surplus on liquidation.
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

Market Lot

As trading in the Equity Shares is compulsorily in dematerialized form, the market lot is one Equity Share. Allotment of Equity Shares will be done in multiples of one Equity Share, subject to a minimum allotment of 200 Equity Shares.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of the closure of the issue, the Company shall forthwith refund the entire subscription amount received. For delay beyond 8 days, after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the companies Act 1956.

Authority for the Present Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the AGM of the Company held on 30th September 2005. The Board of Directors of the Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on 27th August 2005.

Minimum and Maximum Application Size

Applications should be for minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public.

Terms of Payment

The entire Issue price of Rs. 30/- per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

Interest on Excess Application Money

Payment of interest at rate of 15% per annum on the excess application money will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

Basis Of Allotment

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the relevant guidelines.

Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories; rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. is 200 Equity Shares.

Reservation for Retail Individual Investor

The above proportionate allotments of Equity Shares in an Issue that is oversubscribed shall be subject to the reservation for Retail individual investors as described below:

- a. A minimum 50% of the net offer of Equity Shares to the public shall initially be made available for allotment to retail individual investors, as the case may be.
- b. The balance net offer of Equity Shares to the public shall be made available for allotment to:
 - ☐ Individual applicants other than retail individual investors, and;
 - ☐ Other investors including corporate bodies/ institutions irrespective of the number of shares, applied for.
- c. The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

The drawal of lots (where required) to finalize the basis of allotment, shall be done in the presence of a public representative on the Governing Board of BSE (designated stock exchange).

An illustration explaining the proportionate allotment procedure is given herein below:

1. Net offer to the public @ Rs. 30/- per share: 5, 667,000 Equity Shares
2. Minimum Equity Shares Offered to Retail Category: 2,833, 500 Equity Shares
3. Application can be made for a minimum of 200 Equity Shares and in multiples thereof.
4. Sample of the applications received:

	Retail	Non Retail	Total
No. of shares initially available	2,833,500	2,833,500	5,667,000
	(Minimum)	(Maximum)	11.03
No. of shares applied for	41,652,450	20,797,890	62,450,340
No. of Times oversubscribed	14.70	7.34	11.02
As a % of Total no. of shares applied for	66.70%	33.30%	100.00%
No of shares to be allotted in the category	3,779,714	1,887,286	5,667,000
Ratio in which the shares to be proportionately allotted	11.02	11.02	11.02

1. The Net offer to the public is over subscribed 11.03 times whereas the retail category is over subscribed 14.70 times
2. As the retail portion is eligible for 66.70% of the net offer to the public the revised ratio now becomes 11.02.
3. Assume three retail investors X, Y & Z. X has applied for 3200 shares. Y has applied for 2200 shares and Z has applied for 600 shares. As per allotment procedure, the allotment to retail individual investors would be on proportionate basis i.e., at 1/11.02th of the total number of shares applied for. The actual entitlement shall be as follows:

Sr. No.	Name of applicant	No. of shares applied for	No. of shares eligible to be allotted
1	X	3200	$3200/11.02=290.38$ shares rounded off to 290 shares being the nearest integer
2	Y	2200	$2200/11.02= 199.64$ shares rounded off to 200 shares (i.e. minimum application size)
3	Z	600	$600/11.02=54.45$ shares Application liable to be rejected as entitlement is less than the minimum application size. However, the successful applicants out of the total applicants shall be determined by drawal of lots.

The basis of allotment shall be signed as correct by the Executive Director/Managing Director of BSE (Designated Stock Exchange) and the public representative in addition to the Lead Manager and the Registrar to the Issue.

Despatch of Refund Orders

The Company shall ensure despatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting & Refund Orders of value over Rs.1500/- and Share Certificates by Registered Post only. Further, adequate funds for the said purpose shall be made available to the Registrar by the Company.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

The Company agrees that as far as possible allotment of Equity Shares offered to the public shall be made within 30 days of the closure of Public Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue. However applications received after the closure of Issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

BASIS FOR ISSUE PRICE**Qualitative Factors**

1. The Company is one of the leading Newsprint and Kraft paper manufacturing companies in Nagpur region in Maharashtra.
2. The promoters have more than a decade of experience in manufacturing industry.
3. Fiscal incentives in the form of waiver of Sales Tax for its existing unit, has been granted to the company.
4. The domestic demand of newsprint and kraft paper augurs well for the company. The key demand drivers are the overall economic growth, rising literacy levels in the country and increasing readership and circulation of newspaper.

Quantitative Factors

Adjusted Earning Per Share (EPS)		
Year	EPS	Weight
2002-03	0.07	1
2003-04	1.02	2
2004-05	3.79	3
6 months ended 30.09.2005 (Annualised)	5.02	4
Weighted Average	3.36	
Price Earning Ratio in relation to issue price of Rs 30/-		
Based on 6 months ended 30.09.2005 (Annualised) of 5.02	5.98	
Based on weighted average EPS of Rs 3.36	8.93	
Industry P/E		
Highest	32.30	
Lowest	3.30	
Average	9.00	
Return on Net Worth		
Year	RONW (%)	
2002-03	0.77%	1
2003-04	9.54%	2
2004-05	26.13%	3
6 months ended 30.09.2005 (Annualised)	29.46%	4
Weighted Average	21.61%	10
Minimum Return on Total Net Worth after Issue needed to maintain EPS at Rs 5.02	24.55%	
Net Asset Value (NAV)		
(a) As at 30.09.2005	13.62	
(b) After issue	20.45	
(c) Issue price	30.00	

Notes:

- The Earning per Share and the average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/prior period items pertaining to the earlier years.
- The denominator considered for the purpose of calculating Earning per Share is the weighted average number of Equity Shares outstanding during the year.
- Net Asset Value Per Share represents Shareholder's Equity as per restated financial statements less miscellaneous expenditure as divided by number of shares outstanding at the end of the period.

Comparison of the accounting ratios of the issuer Company as mentioned above with the accounting ratios of the peer group (i.e. companies of comparable size in the same industry for the period ended ending 31st March 2005 is as follows.

Peer	Equity Capital (Rs Cr)	Book Value (Rs)	Sales (Rs Cr)	EPS (Rs)	P/E	Market Price on 28/10/05
SI Paper Mills	7.50	37.40	91.40	5.50	7.70	49.00
Rama Paper	5.09	10.10	69.50	8.80	3.30	36.00
Nath Pulp & Paper	20.00	(59.8)	69.00	-	-	9.00
Sh. Krishna Paper	8.05	21.70	68.00	1.60	9.40	19.00
Mohit Paper	9.00	20.10	35.00	0.50	3.80	4.00
Yash Papers	20.67	18.20	25.80	0.80	-	12.00
Kalptaru Papers	4.47	16.6	31.60	2.7	8.6	24.00

(Source: Capital Market Vol. XX/18 Nov 7-20, 2005)

Conclusion:

The equity shares are being issued at a price of Rs. 30/- per share. The issue price is 3 times the face value of the shares. The pre issue book value of the shares as on 30/09/2005 is Rs. 13.62 per share. The average PE multiple of the industry sector is 9.00. The present issue of shares is at a PE multiple of 8.93 times based on Weighted Average EPS of 30/09/2005 which is lower than the average PE multiple in the industry. The minimum return on net worth required to be earned to maintain pre issue EPS of Rs. 5.02 (Annualised) is 24.55% whereas the company has reported RONW of 29.46% (Annualised) for the half year ended 30/09/2005. Taking into account the above qualitative and quantitative factors, the issue price of Rs. 30/- per share is justified.

TAX BENEFITS

To
The Board of Directors,
Malu Paper Mills Limited,
"Heera Plaza" 4th Floor,
Near Telephone Exchange,
Central Avenue,
Nagpur – 440 008

Re: TAX BENEFITS

We hereby report that the enclosed annexure states the possible tax benefits available to M/s Malu Paper Mills Limited and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax concessions/ implications and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/ would be met with.

The contents of this annexure are based on information, explanations, and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and interpretations of the current tax laws.

For, Demble Ramani & Co.
Chartered Accountants

Ashok Ramani
Partner
M.No. 30537

Date: 15/11/2005
Place: Nagpur

STATEMENT OF TAX BENEFITS

The Company is advised that under the current tax laws, the following tax benefits, inter-alia will be available to the Company and its shareholders.

1. Under the Income Tax Act, 1961**A. The Company**

1. The Company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
2. The Company would be eligible for depreciation @ 15% on the cost of Plant and Machinery as per the provisions of Income Tax Act, 1961. Further the Company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.
3. As per provisions of section 32(1)(ia) of the Income Tax Act, 1961 the company would be entitled to additional depreciation @20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.
4. Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income - tax Act. Such MAT credit shall not be available for set - off beyond 5 years succeeding the year in which the MAT credit initially arose.

B. The Shareholders**I Resident Indians**

1. Under Section 10(34) of the Income Tax Act, 1961 income earned by way of dividend on the shares of the company is exempt from income tax in the hands of the shareholders.
2. Under Section 10 (38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.
3. As per the provisions of section 111A of the Income Tax Act, 1961 tax on short term capital gain is charged to tax @10% (plus applicable surcharge and education cess) provided the capital gain arises from the transfer of equity shares of the company which are held for a period of not more than 12 months and on Which security transaction tax has been charged.

In case of individual or HUF being a resident, where the total taxable income as reduced by such short term capital gain, is below the exemption limit, such short term capital gains will be reduced to the extent of shortfall and the balance of said short term capital gain shall be subjected to a flat rate of income tax at 10%.

4. As per the provisions of section 112 of the Income Tax Act, 1961 the long-term capital gains arising from the transfer of shares of the company being long term capital asset. other than as mentioned in point 2 above, shall be chargeable to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to section 48, or @ 10% (plus applicable Surcharge and education cess) without indexation.

5. Long term capital gains as stated in point 4 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds/shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections. In the case of individual or HUF members, exemption is also available u/s 54F subject to the fulfillment of the conditions specified in the said section.
6. In terms of section 88E of the Income Tax Act, 1961 the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions subject to the fulfillment of other conditions specified under the said section.

II Non-Resident Indians

1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.
2. In the case of Non Resident Indians taxability of long-term capital gains and short-term capital gains is similar to resident Indians. Refer Para B.I.2 to B.I.5 above.
3. Further under Section 115E of the Income Tax Act, 1961 income by way of long term capital gains arising from the transfer of shares (otherwise than as mentioned in Para B.I.2 and B.I.4 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess) subject to the fulfillment of other conditions specified under Chapter XII -A of the Income Tax Act, 1961. Further above said long term capital gains shall be exempt under section 115F of Income Tax Act, 1961 subject to the fulfillment of other conditions specified under the said section.
4. Rebate of Securities Transaction Tax paid is available under section 88E of the Income Tax Act, 1961. Refer Para B.I.6 above.

III Foreign Institutional Investors (FII)

1. Any income by way of dividends received on the shares' of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.
2. Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.
3. Under Section 115AD(1)(iii) of the Income Tax Act, 1961 income by way of long term capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation are not available to FIIs.
4. Short-term capital gains on transfer of securities shall be chargeable @30%/10% (plus applicable surcharge and education cess) as per clause (ii) to Section 115AD of the Income Tax Act, 1961.
5. Long term capital gains as stated in point 3 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds/shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections.

IV Venture Capital Companies/Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

V Mutual Funds

As per the provisions of section 10(23D) of the Income Tax Act, 1961 any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder or any other Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India Would be exempt from income tax.

2. Under the Wealth Tax Act, 1957

All assesses are entitled to exemption from wealth tax in respect of the shares of the company as shares or securities are not included in the definition of asset u/s 2(ea) of the Wealth Tax Act, 1957.

3. Under Central Excise Tariff

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 Of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

4. Under Service Tax

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

5. Under Export Import Policy

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at Concessional rate of duty subject to fulfillment of obligations.

Notes:

- All the above benefits are as per the current tax laws and will be available only to the sole/ first named holder in case joint holders hold the Equity Shares.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the nonresident has fiscal domicile.
- In view of the individual nature of tax concessions/implication, each investor is advised to consult his/her own tax advisor with respect to specific tax concessions/implication of his / her participation in the scheme.

For, Demble Ramani & Co.

Chartered Accountants

Ashok Ramani

Partner

M.No. 30537

Date: 15/11/2005

Place: Nagpur.

III. ABOUT MALU PAPER MILLS LIMITED

1. INDUSTRY OVERVIEW

Global Scenario

The development of paper industry and paper consumption levels is related to the GDP growth and literacy levels. The industry is highly diverse, technical and capital intensive. Further, norms relating to environmental pollution such as in chlorine free operations and tighter effluent treatment/discharge parameters etc have restricted rapid expansion of paper industry's capacity.

In the writing and printing segment, global demand is expected to grow by around 4-5% CAGR over the next five years due to higher advertisement expenditure and strong economic growth. Capacity growth is estimated to be just around 3%. Hence, capacity utilization is estimated to rise to around 94% by in 2005 before dropping gradually to 90% by 2007 largely as fresh capacities of 4mn tonnes announced in China comes on stream over the next two years.

Emerging markets are expected to lead the growth pick-up with China's demand for paper & board set to double between 2000-15E (per capita consumption rising from 29.8kg to 51.4kg), with Russia following the same pattern and Brazil expanding 30% over the period. In India too, with rising literacy levels (the 15-35 age group is at 75% versus only 65% for entire population) and favorable demographics (about 45% of population is in 0-19 age group) per capita consumption is set to accelerate from present anemic levels of 6 kg.

Source: Research Report on JK Paper

The following table depicts the per capita consumption of paper in various countries

Country	Per Capita Consumption (kg)
India	6
Sri Lanka	6
Philippines	11
Indonesia	22
China	28
Thailand	34
Malaysia	101
Other Asian Countries	20
Over all (World)	54

Indian Scenario

The first paper mill in India was established in 1867 and the raw materials utilised were rags and wastepaper. Commercial scale production was started in 1882 and the raw materials were again non-wood fibres, that is, *Eulaliopsis binata* and *Sacharum bengalense*. The development of the fractional process of pulping bamboo at the Forest Research Institute, Dehra Dun during 1922-24 provided an impetus to the pulp and paper industry in India and bamboo became the main raw material for making various grades of paper.

Indian paper industry is the 15th largest in the world and provides employment to 1.3mn people in the country contributing Rs 25 billion to the Government. The industry has recorded a volume growth of CAGR of 5.47% over the last 3 years. In 2003-04, it recorded a volume growth of 6%, in line with the GDP growth. Indian paper industry has a 1:1 correlation with the economy. With the expected GDP growth of 6.9% for FY05 and 7-8% for FY06 as per RBI, the paper sector is expected to record a similar growth rate.

The Indian paper industry has an installed capacity of 6.7mn tons while, the effective capacity is estimated to be lower at 6.15 mn tons. The industry produced 5.26mn tons of paper in 2003-04. Newsprint capacity in India is estimated at 1.12 mn tons however, domestic production is only 0.59mn tons, while consumption of newsprint is 1.1 mn tons.

Paper prices on an up trend

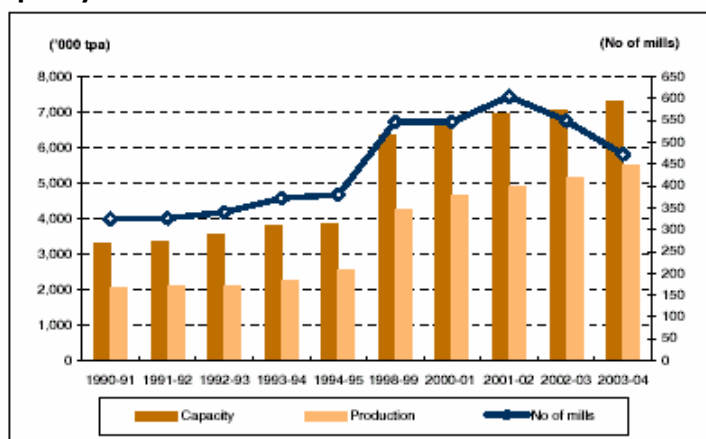
The Paper cycle has been on a global up trend since early 2003. However, progressive custom duty cuts and an appreciating rupee kept domestic price increases under check. With the rupee starting to depreciate since the beginning of the year, domestic prices have also started firming up in line with international trend. The prices are expected to sustain at high levels for a year at least, as capacity utilization, has peaked and proposed expansions will not keep pace with demand growth in the short term.

International pulp prices increased sharply in 2004 on account of increased demand from US and China resulting in an increase of about 5% on an average in the domestic paper prices in India. While, internationally pulp (soft wood) prices have increased by 7% in the last year. The pulp prices for domestic manufacturers are expected to decline with the international trend. However, due to buoyant demand for paper, the paper prices are likely to remain firm.

Domestic Demand-Supply Scenario

The demand for paper is influenced by various macro-economic factors like national economic growth, industrial production, promotional expenditure, population growth and the Government's allocation for the educational sector. The following table shows the historical and projected domestic demand-supply scenario for paper and paperboards.

Capacity and Production Trends



Source: CRIS INFAC

Demand-supply forecast

('000 tonnes)	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 E	CAGR ¹ (per cent)
Capacity ('000 tpa)	6,400.0	6,676.0	6,909.0	7,039.6	7,290.0	7,501.7	3.2
Closed capacities	857.9	866.8	875.5	879.6	900.0	900.0	1.0
Effective capacity	5,542.1	5,809.2	6,033.6	6,160.0	6,390.0	6,601.7	3.6
Effective capacity utilisation	75.6	80.4	80.1	82.8	86.5	88.9	3.3
Demand	4,359.6	4,614.3	4,853.6	5,151.8	5,452.0	5,789.9	5.8
Production	4,187.6	4,673.3	4,830.6	5,101.8	5,530.0	5,870.0	7.0
Imports	277.0	134.0	173.0	150.0	172.0	195.0	
Exports	105.0	193.0	150.0	200.0	250.0	275.0	21.2

E: Estimate

¹CAGR for the period 1999 to 2004-05

Source : CRIS INFAC

The demand for paper grew at a CAGR of 5.8 per cent over the last 5 years from 1999-2000 to 2004-05, whereas the capacity grew at 3.3 per cent. With demand growing at a faster clip than supply, operating rates have been increasing and were estimated to be around 85 per cent in 2004-05.

Producer-wise capacity and production trends

('000 tpa)	2003-04 Production	2003-04 Capacity	2003-04 Capacity Utilisation %	2004-05 E Production	2004-05 E Capacity	2004-05 Capacity Utilisation %
Ballarpur Industries Ltd	378	388	97	460	485	95
ITC Ltd	340	343	99	355	374	95
Hindustan Paper Corp Ltd ¹	323	335	96	325	335	97
Tamil Nadu Newsprint and Papers Ltd	182	230	79	185	230	80
Orient Paper and Industries Ltd	76	171	45	78	171	46
West Coast Paper Mills Ltd	164	158	104	174	164	106
Andhra Pradesh Paper Mills Ltd	152	154	99	152	154	99
JK Paper	172	150	115	172	150	115
Century Textiles and Industries Ltd	125	122	103	125	122	103
Seshasayee Paper and Boards Ltd	117	115	102	116	115	101
Mysore Paper Mills Ltd	109	105	104	104	105	99
Sirpur Paper Mills Ltd	79	84	95	80	84	96
Shreyans Industries Ltd	53	66	80	53	66	80
Global Boards Ltd	5	57	8	5	57	9
Star Paper Mills Ltd	66	64	103	71	71	100
Balkrishna Industries Ltd	50	54	93	50	54	93
Pudumjee Pulp and Paper Mills Ltd	34	39	88	34	39	88
Nath Pulp and Paper Mills Ltd	31	38	80	32	38	84
Shree Vindhya Paper Mills Ltd	0	33	0	0	33	0
Rohit Pulp and Paper Mills Ltd	16	30	53	0	30	0
Pudumjee Agro Industries Ltd	15	19	78	15	19	81
Rama Newsprint & Paper Mills Ltd	57	132	43	102	132	77
Total of above	2,541	2,884	88	2,688	3,025	89

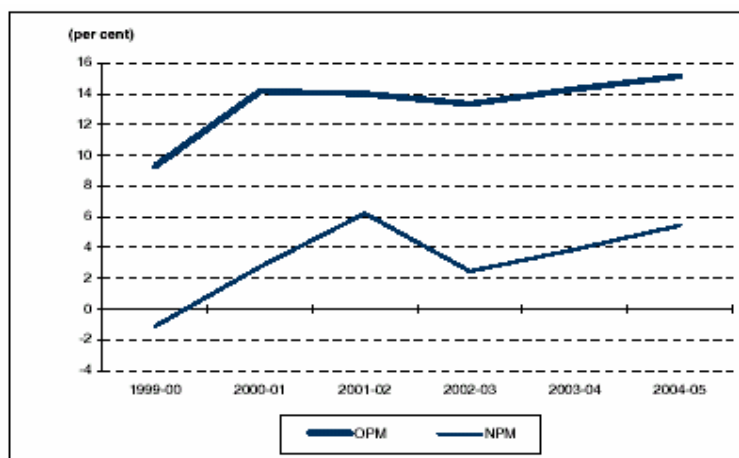
¹ Hindustan Paper Corp includes the capacity of subsidiary companies, Hindustan Newsprint and Nagaland Pulp & Paper Co.

Source: CRIS INFAC

Profitability of paper industry improved marginally

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. The improvement in margins in the last 2 years (2003-04 and 2004-05) was mainly on account of volume growth, which resulted in companies operating at higher capacity utilization. Many companies have been able to hike the prices of paper to offset an increase in input costs.

Margins in the paper industry



Source: CRIS INFAC

Current Raw material scenario

There are three kinds of raw materials used in India to manufacture paper – wood/bamboo and wood pulp, agri-residues like bagasse and waste paper. It is expected the prices of imported wood pulp and waste paper to rise in the medium term, in line with the rise in global prices of paper. Pulp demand growth is expected to be higher than capacity expansion and therefore pulp prices are not likely to decline in the interim period. However with new capacities already announced in South America, China and Europe, pulp prices may weaken in the near term.

Hard wood/bamboo are likely to witness a lower price increases, especially from non-Government sources such as co-operative farms. Paper companies using agricultural wastes such as bagasse could be affected due to lower sugar cane production in the country. Managing raw material costs, therefore, would be a key factor in determining the profitability of paper companies.

The Price Factor

Paper prices are expected to increase in the US, driven by a revival in the economy. In Asia, demand is mainly fuelled by China. Domestic demand for paper, too, is expected to continue. With sustained demand domestic paper prices are expected to remain stable. Given the kind of demand growth, paper companies will gain by growth in volumes.

Source: Business Standard.

Captive power consumption

Captive power is an integral part of a paper manufacturing facility in the organized sector and requires an investment of Rs 30-40mn per MW. Captive power is 1.5 to 3 times cheaper than Grid power and could result into annual savings of about Rs10mn/MW. Most players in the industry have captive power generation facilities. The captive power capacity is expected to grow steadily, which will help bring down the cost of production. However, rising coal prices and availability of coal are key areas of concern.

International Prices not to drop in a hurry

Paper prices are likely to remain firm for the next few years, inoculated against both an up tick in imports and flat consumption by daily newspaper groups. Newsprint capacity is 20 percent of its peak and mills are expected to close or convert additional facilities as they work to reignite earnings. Newsprint is also riding an inflation wave. Higher costs for fiber, energy, transportation and labour have all contributed to inflationary expectations. An improving advertising market, a robust European market and rising demand from Asia and Latin America are keeping mills' operating rates and prices healthy.

KRAFT PAPER

Kraft paper is brown paper that is commonly seen in the form of brown bags, cartons, etc. It is largely used to manufacture corrugated boxes, bags, sacks, etc. However, corrugated boxes account for 85-90 per cent of the total demand for kraft paper. Demand for kraft paper depends on the growth in consumer durables, the manufacturing industry, horticulture, FMCG and other such sectors.

Major players (% of Market Share)

	2003-04 E	2004-05 E
Andhra Pradesh Paper Mills Ltd	0.72	1.87
ITC Ltd	1.56	0.97
Khatema Fibres Ltd	1.70	1.70
Orient Paper & Industries Ltd	-	-
Seshasayee Paper & Boards Ltd	0.68	0.39
Star Paper Mills Ltd	3.57	3.53
The Mysore Paper Mills Ltd	0.39	0.32
The Sirpur Paper Mills Ltd	0.02	0.01
Yash Paper Ltd	1.66	1.44
Total of above	10.30	10.23
Total	100.00	100.00

Source: CRIS INFAC

In the Kraft paper segment, small players in the unorganized market account for the largest market share (nearly 85-90 per cent). Larger players such as Andhra Paper, ITC, Seshasayee, etc have a limited market share. Among the larger players, Star Paper has the largest share of around 3.5 per cent.

Demand drivers

The demand for Kraft paper depends on the growth of industries such as FMCG, textile, consumer durables, horticulture and others. Also, growth in exports is one of the key drivers.

NEWSPRINT

'Newsprint' is a special type of paper used for printing newspapers and magazines. It is coarse, light and strong. There are basically two types of newsprint-standard and glazed. In general, standard newsprint is lower in price and quality, and used for printing ordinary newspapers and magazines. Glazed newsprint is higher in price and quality, and requires superior coating and finishing technology. It is used for printing the glossy colour sections of newspapers and magazines.

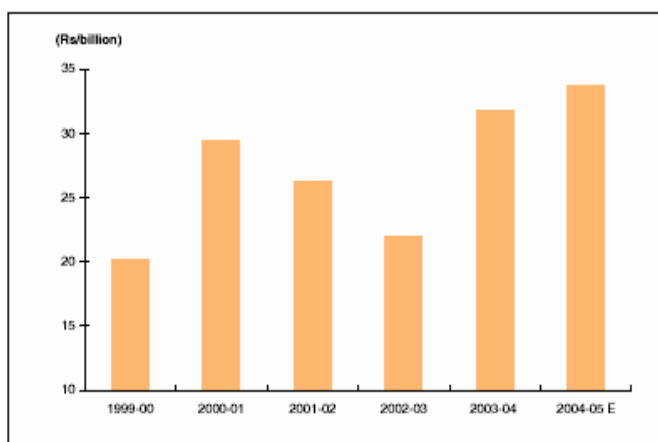
Domestic newsprint industry

There was no indigenous capacity for newsprint in India till 1955. The entire requirement of newsprint was imported under OGL. The manufacture of indigenous newsprint commenced with the setting up of National Newsprint and Paper Mills (NEPA), which had a capacity of manufacturing 88,000 TPA in 1956. In the 1980s, the Number of mills increased from one to five and capacity increased to 330,000 TPA.

In 1989-90, the government permitted the private sector to manufacture newsprint, which resulted in an increase in the supply of indigenous newsprint. Newsprint units based on non-conventional raw materials such as straw and bagasse were exempt from holding an industrial license. (However, producers had to file for an industrial entrepreneur memorandum). In 1990-91, companies expanding their capacity to over 20,000 TPA were allowed to manufacture newsprint from their additional capacities.

Newsprint market accounts for nearly 16 per cent of the total paper market

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 accounts for around 16 per cent of the total market.

Newsprint Market Size**Source: CRIS INFAC**

The market size of the newsprint industry has grown over the last few years from around Rs 20.0 billion in 1999-2000 to Rs 33.8 billion in 2004-05. However, nearly 50 per cent of it is accounted for by imports.

Demand

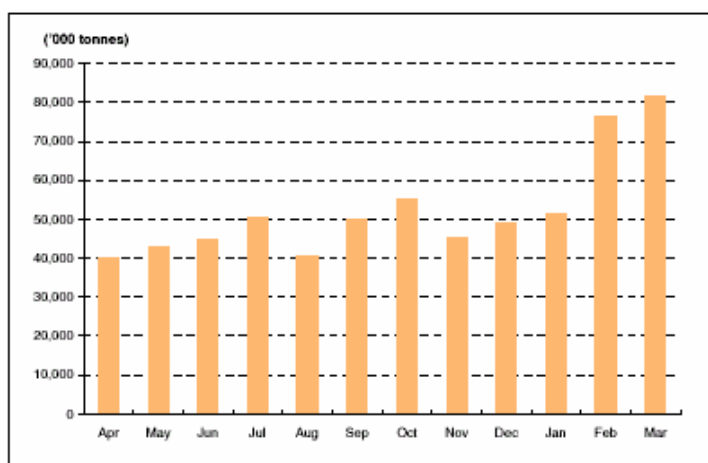
The demand for newsprint is estimated to have grown to 1.34 million tonnes in 2004-05 and is projected to grow at a CAGR of 8.2 per cent over the next 5 years, reaching 2 million tonnes per annum by 2010. During the last 5 years (1999-2000 to 2004-05 period), newsprint demand increased at a CAGR of 8.6 per cent.

Growth in demand for newsprint is in line with strong GDP growth of 6.9 per cent during 2004-05. This, in turn, has resulted in an increase in advertisement and promotional expenditure in the print media by corporates.

Supply

The production of newsprint stood at around 278,000 tonnes in 1990-91 and is estimated to have grown to about 627,227 tonnes in 2004-05. There was an increase of about 9 per cent as compared to the production in 2003-04, primarily brought about by the spurt in production in the last 2 months of the year.

Production of Newsprint: 2004-05



Source: CRIS INFAC

Newsprint set to explode

Paper mills producing paper conforming to Bureau of Indian Standards (BIS), standards for newsprint and supplying satisfactory quantity to newspapers are considered for inclusion in Schedule to the Newsprint Control Order, 2004. There are at present 73 mills, (2 in Central Public Sector, 2 in State Public Sector and 69 in Private Sector) with an annual installed capacity of about 12.70 lakh tonnes listed in Schedule to the Newsprint Control Order, 2004 as mills manufacturing newsprint paper.

Capacity, Production & Imports of Newsprint

(In lacs)

Year	Installed Capacity	Production	Import
2001-02	12.04	6.20	4.44
2002-03	12.25	6.27	5.20
2003-04	12.69	6.88	7.39
2004-05	13.02	5.30 (Upto Dec, 04)	3.91 (Upto Oct, 04)

Source: CMIE

2. Business Overview

MPML, the flagship company of Malu Group, was incorporated on 11th January 1994 as "Malu Solvex Limited". Subsequently the name was changed to Malu Paper Mills Ltd. w.e.f. 24th April 1998. The registered office of the company is situated at Heera Plaza, Central Avenue, Nagpur, Maharashtra. The Company is involved in the manufacture of Kraft Paper and Newsprint. The first paper machine of the company has commenced production in the year 1996 with a capacity to produce 5940 TPA of Kraft papers, which later on with gradual up gradation and modification has been increased to 8250 TPA. Considering the vast potential, MPML has also set up one more unit at the same location to produce 19800 TPA of Newsprint in 2001. The plants are running successfully and generating cash profits since its inception

The company is operating in a highly competitive market and the strategy is to enhance revenues through taking advantage of its inherent strengths and business dynamics. A highly qualified and competent team, robust R&D facilities, quality control and a strong financial structure provides the necessary platform to give impetus to the company's objectives. The management team is one of the best in the industry with every one having an experience of over a decade in the paper industry.

Main Object

The company's focus is to increase its revenues and improve its bottom line through:

- Reduce costs by better management of funds and improved internal control systems.
- Adding additional capacity of Newsprint to have a substantial market share in newsprint segment.
- Better realizations for its existing products

Location of the Plants

The existing plant is located in Saoner Taluka of Nagpur District about 30 Km from Nagpur on the Nagpur – Bhopal National Highway in Vidarbha Region of Maharashtra a notified "D+" Area by government of Maharashtra thus the company has been granted incentives as notified in Package scheme of Incentive 1993 by Government of Maharashtra. Indigenous Raw Material for the unit is procured locally i.e. from within and around Nagpur City itself.

MANUFACTURING PROCESS-NEWSPRINT

Malu Paper Mills Ltd shall be manufacturing newsprint as per item no. 2(1 a) of order no. 577(e) dt. 31/07/1992 under Section 3(6) of the Essential Commodities Act, 1955.i.e. to say "white printing paper (excluding laid marked – paper) manufactured out of raw material furnish containing deinked recycled waste paper conforming to Indian standard requirements for newsprint paper specified by the bureau of Indian standards."

For the manufacture of newsprint by recycling waste paper a deinking plant is required for improved brightness. Malu Paper shall be manufacturing premium quality grade newsprint with the deinking method. The newsprint manufactured is of 58% to 62% brightness with waste papers as raw material.

The detailed process is as under:

RAW MATERIAL:

The process described below contains process to produce premium grade newsprint and/or standard writing printing grade from recycled paper like ONP, MOW, CBS, OMG, office waste, coated book stock etc.

CHEMICALS:

The following chemicals are required in the pulping operation:

- ❑ Sodium hydroxide (NaOH) is used to swell the fibers and separate ink particles.

- ❑ Hydrogen peroxide (H_2O_2) is used to prevent color degradation caused by the action of sodium hydroxide on fiber
- ❑ Sodium silicate (Na_2SiO_3) and a chelating agent (DTPA) are used to prevent the decomposition of hydrogen peroxide.

The following chemicals are used in the flotation and filtrate clarification operations:

- ❑ A surfactant (soap) is used to keep the dispersed ink in suspension and prevent redeposition.
- ❑ A coagulant and a flocculent increase the particle sizes through agglomeration and facilitate their removal.

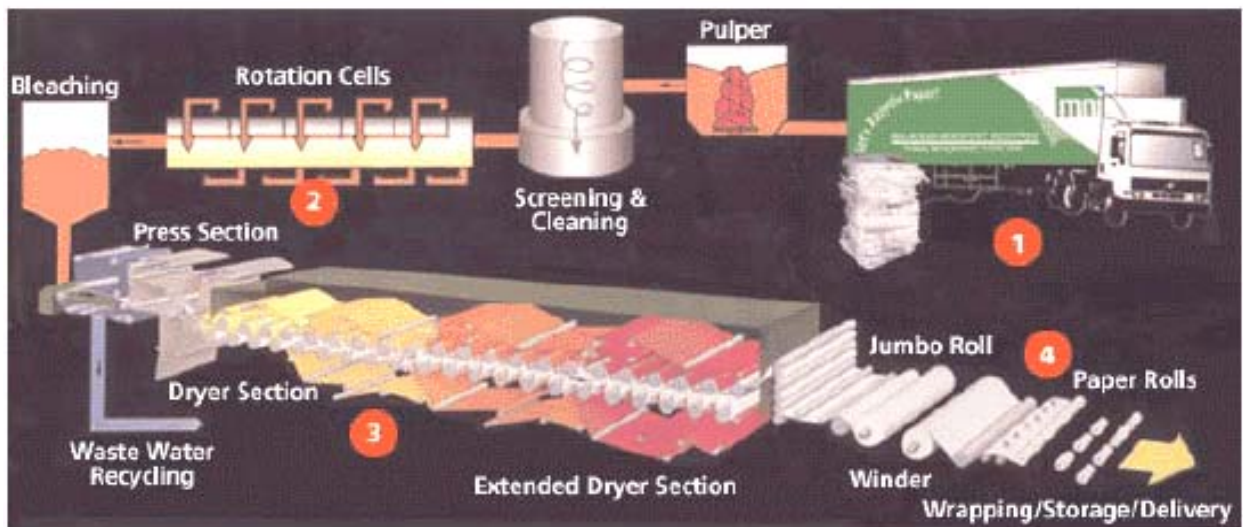
The following chemicals are used in the hydrogen peroxide bleaching stage

- ❑ Sodium hydroxide
- ❑ Hydrogen Peroxide
- ❑ Sodium silicate, DTPA

The Chemicals used in the reductive bleaching stage are

- ❑ Sodium hydrosulfite or Hypochlorite bleaching can be used.

Process of Paper Making



PULPING:

The bundles/bales of raw material will be opened and charged into a high consistency (15%) batch pulper in order to avoid excessive breakdown of easily dispersed inks and to reduce fiber damage.

The pulper will have a retention time of about 12-15 minutes (net pulping time) and will operate at a pH in the range of 9 to 10 at a temperature of 45 degrees C. The pulping temperature will be achieved by preheating the recycled water fed to the pulper with live steam in a dedicated tank.

A chemical mixture, prepared in a mixing tank, will supply a mixture of the pulping chemicals (H_2O_2 , NaOH, Na_2SiO_3 , DTPA) to the pulper to facilitate de-inking and prevent browning of the pulp.

The pulper will be equipped with a detrasher unit that will remove coarse and large rejects from the pulped mass as it is discharged to a dump tank. The detrashing operation will take place on pulp at a lower consistency (4-5%) than the pulping consistency.

HIGH DENSITY (COARSE) CLEANING

Pulp will be diluted to 3% at the discharge of the Continuous chest and will be pumped through a high density cleaner to remove large particles that would not have been removed in the pulper detrasher (such as staples, broken glass, sand etc.)

The cleaner will be equipped with a rejects chamber (or junk trap) that will be sluiced clean at regular intervals into a rejects box. Sluicing water and rejects will be collected on the detrasher rejects dewatering unit. Sluicing waters will be reused after clarification.

Typical pressure drop across this type of cleaners is 1.4 kg/cm² (20 psig). A recycle loop, returning part of the accepts stream to the blend tank, will help maintain a constant feed flow, feed pressure and pressure drop across the unit.

COARSE SCREENS

A multiple stage coarse screening system will be installed after the high density cleaner. The screens will be equipped with baskets that will have perforated holes of about 1.8 mm diameter.

The screens shall operate at a consistency of 3% and remove large contaminants that will not have been removed by the high density cleaner.

A multiple stage system minimizes the rejection of good fiber and concentrates the rejects. It also protects the pulp cleaners downstream against excessive erosion.

Neither the high density cleaner nor the coarse screens have any impact on the removal of ink particles other than removing a small statistical fraction corresponding to their overall reject rate.

FINE SCREENING

Fine screens will have baskets with slots of 0.15 mm. three stages of screening will be required to minimize fiber loss.

FLOTATION CELL

Accepted pulp from the coarse screens will be diluted and pumped to the flotation cell.

Flotation cells use air and a surfactant (soap) as a means of separating ink particles, which adhere to the soap-air bubble and rise to the surface. They are more efficient than washers in removing ink and stickies.

Soap promotes ink adherence to the air bubbles. The same chemicals as those added to the bales in the pulpers may also be added in the flotation cells, if required, to maintain an optimum pH and prevent color reversion. Similarly, ash contained in the slurry promotes ink removal.

Flotation is performed in multiple steps to maximize ink removal.

Collected ink and fine particles are removed with the foam produced in the flotation cell and discharged. The liquid falls into a sludge tank, which receives, rejects from other unit operations and feeds a sludge dewatering press.

REVERSE AND FORWARD CLEANING

After coarse cleaning, coarse screening and flotation, the remaining contaminants in the pulp are very fine foreign material (sand, crushed glass), contaminants lighter than water (such as plastics, Styrofoam, pulp flakes, stickies and glues), bundles of un-separated fibers and fine ink particles. Each type of contaminant requires a different removal process adapted to the particular contaminant.

Pulp is pumped from the primary flotation cell to two stages of reverse cleaners to remove the lightweight contaminants. Feed tanks are installed ahead of each stage of cleaners to dilute the pulp to the cleaners consistency with filtrate from the downstream pulp thickener.

Following reverse cleaning, three stages of forward cleaners separate fine solid particles that are denser than water. Accepts are piped directly into the primary fine screen whereas rejects from the last stage are collected and sent to the sludge chest.

All cleaners operate at very low consistency (0.5 - 1.0%). Pulp is diluted with clarified filtrate from the pulp washer that is fed with the primary fine screen accepts.

PULP THICKENING

After cleaning and screening, contaminants contained in the pulp are mainly very fine ink particles dispersed in the slurry. Squeezing or displacing the water out of the pulp on a thickener can remove some of these particles.

The remaining ink must be mixed into the pulp and well blended so that it does not appear as specs under the microscope or agglomerate to present dark spots on the final product.

The pulp thickener i.e. a disk filter which uses its own filtrate, as well as mill water to wash off ink particles and clean the filter disks. Accepted pulp from the primary fine screen is piped to the filter where it is washed and thickened to about 12% consistency. A repulper discharges it to the dispersion system.

The washer filtrate is extracted in two steps. The first step removes a stream richer in fiber fines and particulates. It is called the "cloudy" filtrate. As the mat forms on the disks, the water that is filtered out entrains fewer fines, which are retained on the thicker fiber mat. This water is called "clear" filtrate.

Clear filtrate is filtered on a side hill screen to separate as much fiber as possible and the filtrate is used as shower water on the washer. A second source of shower water is clear filtrate from the second bleaching stage thickener.

Cloudy filtrate is pumped to a clarifier to remove entrained ink and ash particles and is then reused for pulp dilution upstream of the washer.

DISPERGING SYSTEM

Thickened pulp is discharged at 12% from the disk filter and conveyed to a screw press where it is dewatered to a consistency of 25-30% to reduce the power required to blend the ink into the slurry.

Pressed pulp is fed into a kneader by a screw feeder. The shear force exerted on the pulp and ink particles disperses the ink and blends it thoroughly into the pulp. Steam is added in the kneader to maintain a relatively high stock temperature during dispersion.

PULP BLEACHING STAGE (PEROXIDE)

Bleaching chemicals (hydrogen peroxide, caustic soda and other chemicals) are best mixed at the inlet to the kneader. There, they start reacting with the newly exposed fiber surfaces. The high consistency of the pulp in this unit ensures that the chemicals are not too dilute and the higher temperature accelerates the reaction.

Pulp, at high consistency, drops from the kneader into a peroxide bleaching tower where the bleaching reaction is given sufficient time (about 2 hours) to take place. Bleached pulp is then diluted at the bottom of the tower and is pumped to a latency tank where it is diluted to 5% consistency. In this tank, the curl resulting from dispersion and high consistency storage is allowed to unfold.

Sodium bisulphate is injected into the pulp at the suction of the pump feeding the latency chest. This chemical reduces (neutralizes) any remaining unreacted hydrogen peroxide (about 0.005% on pulp) and prevents the degradation (oxidation) of the Sodium hydrosulfite, a bleach chemical that is injected later into the pulp.

Pulp is diluted in the peroxide dilution tank and pumped at low consistency to a second (post-) flotation cell to remove ink particles separated in the kneader and the peroxide bleach tower.

POST FLOTATION:

The stock after fine screening is diluted further before feeding to the primary MAC cell in the post flotation system where further removal of left over ink particles is effected efficiently.

PULP THICKENER:

After the post flotation, the stock is directed to a de-aeration chest before being fed to the disc filter for thickening. The operational features of the disc filter have been highlighted earlier.

REDUCTIVE BLEACHING

The stock thickening is processed through a heating screw before entering the reaction tube for reductive bleaching. Chemicals like Sodium Bisulphate are used as bleaching agents in this stage.

WATER CLARIFICATION:

Water use being high in a de-inking plant, fresh water intake must be minimized and recycled water cleaned of suspended solids must be used. Water clarification is performed in a dissolved air flotation (DAF) unit.

A coagulant mixture is prepared and injected into the cloudy filtrate to be clarified. Clarified water saturated with compressed air is then injected into the cloudy filtrate just before the mixture is fed to the clarifier. The combination of coagulant and air bubbles agglomerate the ink particles and other suspended solids and float them to the surface of the clarifier. A skimmer skims off the solids and pushes them towards a sludge pump, which pumps them to the sludge collection tank. Clarified water is pumped to storage for reuse in the deinking plant.

PAPER MAKING AND CONVERSION:

The pulp received from the pulp mill is then forwarded to the suction of the fan pump and the same is passed through pressure screen. Then it goes into head box. The head box distributes the stock and delivers the pulp suspension on to the wire table. The wire table consists of foils, flat boxes, suction couch etc. and dewater the stock.

The sheet is then transferred to the press section. The press section presses the paper sheet into a dryness of 40% before it is fed to the dryer section. The paper is further dried over steam-heated dryers. These dryers are divided into various groups.

The paper at about 6% moisture is finished through two single nips on a heated roll soft nip calendaring machine for achieving good finish and then wound over pope reel. Finally the finished product is cut into the reels on rewinder as per required sizes & after packing sent to BSR godown for dispatch.

The strength properties of manufactured paper shall confirm as per IS: 11688:1999, which are the specification for newsprint. The newsprint manufactured by Malu Paper Mills Ltd. shall be confirming to IS standards for newsprint.

SLUDGE DISPOSAL:

Sludge from the water clarifier as well as rejects from the various cleaning and screening stages are stored in a sludge chest. A pump extracts the sludge and pumps it through a static mixer where it is blended with a coagulant before being pressed in a centrifuge/belt press.

Pressed water is recycled to the clarifier whereas pressed sludge at consistency of 30-35% is conveyed by means of conveyors to sludge bins.

MANUFACTURING PROCESS- KRAFT PAPER

The bundles/bales of raw material is opened and charged into a continuous pulper through conveyor. Excess white water from the paper machine duly clarified (in the fiber recovery system) is added in the pulper and the waste paper is slushed to slurry form. The slurry is discharged continuously to a holding tank through a perforated screen plate behind the rotor of the pulper. Heavy impurities like grit, a metal etc. is collected in a junk trap provided in the pulper trough and are drained off periodically. Similarly, undissolved material like strings, synthetics etc. is retained in the pulper trough and removed manually at regular intervals.

The slurry from the holding tank is pumped through a high-density cleaner where heavy material like pins, metal staples etc. is removed and then through a turbo separator where both light and heavy impurities are removed. The light rejects from the turbo separator is screened in a vibrating screen to recover usable pulp discharged with it and the same is re-circulated via the holding tank. The cleaned pulp slurry from where fine sand and other impurities settles down. The clean pulp is then thickened in a Decker thickener and stored in a storage chest. All storage and processing chests holding pulp is provided with agitator to prevent the solids from settling.

The pulp from the storage chest is pumped to a storage chest where it is circulated by pump through a disc refiner. When the pulp is refined to the required degree it is transferred to the final storage chest.

The refined pulp from the storage chest is pumped in batches to blending chests where chemicals and dyes are blended with the pulp. The blended stuff is pumped to a receiving chest in batches from where it is continuously pumped to the machine service chest. The machine service chest always remains full and overflow to the receiving chest.

The pulp slurry from the machine chest is pumped to a constant level box from where a regulated quantity flows to the inlet of the primary centricleaner feed (Fan) pump and the excess overflow back to the chest. The inlet of the fan pump is also connected to the rich white water silo. The pulp diluted to the required solids contents in the fan pump is cleaned in the centricleaner system and operates in 3 stage i.e. the rejects of the primary stage is cleaned in the secondary stage the accepts of which is circulated via the Fan Pump. Similarly the rejects of the secondary stage is cleaned through the tertiary stage, accepts of which is re-circulated via the secondary stage and only the rejects of the tertiary stage is drained through a dewatering screen. Accept of the primary stage centricleaner passes through the manifold into the paper machine head box.

The pulp slurry entering the head box of the paper machine is discharged through two slice lips evenly across the width of an endless wire cloth. The level of slurry in the head box is maintained so that the exit speed of the slurry through the slice lips matches that of the wire cloth. Micro adjustment spindles adjust the opening between the slice lips. This ensures even discharge across the width. The endless wire cloth is stretched between the breast roll below the head box and the couch watering elements are placed below the top turn of the wire cloth. A forming board is placed below the wire cloth at the point where the pulp slurry from the slice comes in contact with it. The drainage at this point is controlled and the sheet formation commences. As the sheet formation continues, it itself acts as drainage media. The initial dewatering of the sheet takes place while passing over stationery foils and rotating table rolls due to surface tension of water. The water drained during this stage contains about 30% of the pulp fed to the head box and this rich white water is collected in a silo and recirculated through the Fan Pump as mentioned earlier. The paper sheet at this stage has solid content of about 2.5% paper sheet at this stage passes over suction boxes connected to a Vacuum Pump for further dewatering and taken off before the couch roll with solid content of 18 to 20%. High-pressure water jets trim the edge of the sheet being formed in the wire cloth and the trimmings are collected in a pit (Couch Pit) below the Wire cloth. If and when the sheet being taken off the wire part breaks the entire sheet falls in the couch pit. The pulp from the couch pit is pumped to a thickener and the thickened pulp is recirculated through the blending chests. The wire cloth is constantly cleaned by ordinary and high pressure oscillating showers.

The paper sheet taken off the wire part is carried on an endless felt and passes through a pair of rolls pressing against each other (Press Section). The sheet is further dewatered and the water is drained through the felt. The felt is kept clean by continuous low pressure and high pressure oscillating showers. The sheet after pressing has a solid content of about 36%.

Further moisture removal from the sheet takes place in the dryer section. The sheet enters the first dryer or the MG dryer through an endless felt and kept pressed against the dryer by rubber covered

by injecting steam inside it and removing the condensed water. Also hot air is impinged on the sheet and the evaporated water vapour removed through a high velocity hood installed over the MG dryer. Besides drying, the surface of the sheet coming in contact with the MG dryer is polished. The sheet leaves the first dryer section with solid content of about 80%. The sheet is dried to about 95% solid content in the 2nd dryer (After dryer) which is similar to the first dryer but of smaller diameter and is installed in such a manner that the opposite side of the sheet will come in contact with it.

The paper sheet is reeled on reel shells of steel pipes on a drum reel and removed from the paper machine. The Paper is finally slit to required width and rewound on paper cores on a slitter rewinder. The rolls of Kraft paper are then packed and dispatched.

Captive Power Plant

The company shall be installing 6 MW of co-generation captive power plant. This would help in getting cheaper power than Grid Power and would help in reducing substantial cost of production.

In any paper manufacturing industry steam is required to heat up the dryers, which in turn dry the paper passing through their surface. To generate steam the mills install boiler in the utility section. The steam required heating up the dryer and water for certain process application is generated at low pressure i.e. at a pressure ranging between 5 kg/cm² to 10 kg/cm².

For generation of power in Thermal Power Plant, steam is generated by heating up the water flowing in tubes situated in the furnace of the boiler. This super heated steam when injected at a very high pressure on the turbine moves the turbine at the requisite speed. The turbine moves the alternator coupled to it. The electricity is generated in the alternator and supplied to the system. The spent steam, which has passed through the turbine, is condensed and reused for generating the steam. A paper-manufacturing unit is a power intensive unit, which also uses steam for drying the paper. Therefore it becomes an ideal situation to have a Co-Generation Captive Power Plant in a paper mill. The power plant boiler generates steam, which runs the turbine to generate the power and spent steam is used in the process of paper manufacturing and then condensed. Thus there is optimization of the energy cost for the mill. There are multiple benefits for a paper mill to have its own captive power plant.

The benefits of a captive power plant are as under.

- ☐ Continuous and uninterrupted power supply
- ☐ Quality of power as per needs
- ☐ Low cost of power
- ☐ Free steam for the process
- ☐ Superior quality of steam for the process
- ☐ Optimization of energy bill
- ☐ Optimization of energy resources

Technology

The company proposes to go in for recycle of waste paper technology using the Deinking process. This process is widely accepted worldwide and plants as large as 4,00,000 TPA have been commissioned and running successfully recently.

Quality Control

The company has a comprehensive quality approach not just limited to the manufacturing process but also extended across the entire division. The company ensures production of goods with uniform consistency confirming to accepted national and international standards through the following initiatives:

- ☐ Investment in cutting edge production assets
- ☐ Investment in superior testing techniques
- ☐ Compliance with prevailing national quality benchmarks

- ❑ Extension of the quality management responsibility from the quality Control Department to every member on the shop floor

Research & Development (R &D)

The company has set up its own laboratory for quality control and further improvements in paper technology. Various trials are undertaken in the laboratory to improve the quality and to reduce cost of production. The facilities available are for checking the different parameter of paper, chemicals and raw materials.

The R&D activity would help the company to have the first mover advantage and introduce new technological innovations at regular intervals, which can assist in cost control and improving efficiency.

Collaboration

The company has not entered into any collaboration.

Geographies

Area wise break-up of domestic Sales for the for FY 04, FY 05 & for six months ended September 30, 2005 is a follow:

(Rupees in Lacs)

Particulars	30.09.2005	31.03.2005	31.03.2004
Maharashtra/Goa	1317.30	3086.70	2641.03
Uttar Pradesh	158.43	197.30	277.83
Bihar/Jharkhand/Orissa	248.76	158.30	185.34
Madhya Pradesh/Chattisgarh	377.81	235.58	243.33
Tamilnadu/ Kerala	243.48	276.86	502.04
Karnataka/Andhra Pradesh	140.01	292.67	137.19
Others	123.97	628.43	612.79
Total	2609.76	4876.34	4599.55

A. Infrastructure Facilities for raw materials and utilities like water, electricity, etc**Availability of Raw material**

The main raw material for manufacture of Kraft and Newsprint is waste paper. Waste paper is procured either from the domestic market or international market. In the domestic market there are established suppliers who have big collection centers as well as small dealers who are operating in Local area.

In the International market, there are huge established suppliers, having agents in different parts of the world to market the waste paper. The prices are normally quoted on a CIF, Mumbai port basis. Currently for the Newsprint unit up to 90- 95% of the raw material used is procured from European Union or USA. For the Kraft unit the import content is about 30-35% and balance from the local markets. The imported raw material for the Kraft paper is sourced from the Middle East, European Union or the USA.

On the basis of the experience of the existing unit and relationship developed with the suppliers, the company does not foresee any problem in procurement of raw material for a plant capacity of 150 TPD.. More over the plant will be located in Nagpur. There is an Inland Cargo Depot (ICD) at Nagpur therefore all the formalities of Customs clearance, Clearing and forwarding etc. are done at Nagpur and the import consignments are destuffed at the factory.

Power and fuel

Power for the existing unit is supplied from 132 KVA Saoner Sub Station, which is just 4 KM from project site. The line supplying power at 33 KVA is erected specially for industries of this area. Kalmeshwar and Bhagimari substations are capable of supplying power to this feeder line from the

either end. Western Coalfield Ltd.'s open cast and inclined mines are also located on the same feeder line. This ensures uninterrupted and quality power to the unit.

Power for the proposed expansion project will be supplied from the proposed 6 MW Captive Co-generation Power Plant. Fuel such as coal and rice husk for the proposed expansion unit will be procured easily as the company is a pithead company. There are abundant resources of coal available in and around the proposed site.

Water

Water, which is one of the important requirements of paper industry is abundantly available at site in the form of ground water. The water level at site is very good as the Kolar River flows just 1000 meters away from the site. The present requirement is 827 Cu m/day.

The proposed expansion unit shall draw water from MIDC and the ground water. The requirement for the proposed expansion project is about 1500 Cum/day.

Manpower

The company has 85 employees on the payroll of its exiting plant. The manpower requirement of the proposed expansion project is estimated at 181. The detailed break up is as given below:

Particulars	Existing	Proposed
A. Factory Staff & Labour		
Plant Manager	1	1
Managers	3	10
Supervisor	10	30
Skilled worker/Mechanics/Electrician	25	45
Unskilled worker	20	30
Helpers	14	35
B. Administrative & Sales Staff		
General Manager	1	1
Sales/Purchase/Accounts/Exim Manager	2	4
Accountant	1	2
Clerks	2	12
Typist/Computer Operator/Receptionist	2	4
Peons	3	6
Security Contract	1	1
Total	85	181

Compressed Air

The existing units have two compressors of 250 cfm at 7.5 bar. For the proposed project, there shall be four compressors of rating 282 cfm at 7.5 bar. Total capacity shall be 1000 cfm. The above-mentioned compressors running at 90% efficiency will work at 1015 cfm.

Steam

Steam is required to heat up the dryers, which in turn dry the paper passing through their surface. The required steam is generated at low pressure i.e. at a pressure ranging between 5kg/cm² to 10kg/cm²

In the proposed 6 MW captive co-generation power plant, this steam will be available as a free by-product.

Environmental Clearance

The paper plants are using waste paper recycle paper technology for manufacturing of paper. This itself caters to environmental conservation more than any other industry. The Company is recycling the waste generated by the modern society and also saving on the precious forest reserves or the

green cover, as other wise the pulp generated from the forest wood would have been used as raw material. This was one of the major factors in choosing the recycle paper technology for the company's project.

The company has been regularly following the norms laid by the board and has a full-fledged Effluent Treatment plant for treating the Industrial Effluents generated by the process. The company has two different effluent treatment plants for the two units. The treatment process is being done in three stages and as a result the process is able to reuse 90% of the treated effluent (water) back in the process. The balance 10% of treated water is used for developing green belt in about 8^{1/2} acres of land.

A similar elaborate effluent treatment plant consisting of Primary, secondary, tertiary clarifier, Krofta, Decanter, Board Mill etc. shall be provided to cater to the effluent generated in the proposed expansion project.

B. Products of the Company

The company is engaged in the production of Newsprint with a capacity of 19800 TPA and Kraft paper of 8250 TPA. The company has decided to go in a new paper machine of 49500 TPA capacity of manufacturing premium quality Newsprint/Writing Printing Paper. The company wants to tap the niche market where there are very few players in the market.

Approach to Marketing and Proposed Marketing Set-up

The Indian Paper industry is expected to grow at a CAGR of 6%, which is in line with the expected GDP, while the capacity expansion by industry is only expected to be at a CAGR of 2.5%. As on date, the annual consumption of Newspaper, in the country is about 14.5-15 lakh tonnes, whereas the production is only 7.5-7.50 lacs tonnes per annum. The balance quantity is imported to make up the short fall.

The Company does not foresee any problem in marketing its products as the market for Newsprint is growing at a rate of 10%. The existing customers of the Company like Dainik Jagran & Lokmat are leaders in their respective segments.

The Company will follow the following the marketing strategy for increasing its market share.

- The Company will be producing the premium Newsprint, which is substitute to the imported newsprint as will be cost effective, compared to the imported newsprint.
- The proposed product will not compete with the existing product produced by the Company.
- The Company will leverage its existing customer base, which the Company, at present is not able to service due to capacity constraints.

EXPORT OBLIGATION

The company has an export obligation of USD 174,465.20 to be fulfilled within a period of 8 years.

BUSINESS STRATEGY

The company is operating in a highly competitive market and the strategy is to enhance revenues through taking advantage of its inherent strengths and business dynamics. The company plans to increase the revenue in future through better realisations, quality control, increased volume of sale and major expansions. Considering the existing competition in the industry and future entrants, the company has focussed on the following strategies:

- ❑ A paper-manufacturing unit is a power intensive unit, which also uses steam for drying the paper. The company is setting up a 6 MW coal based Captive Power Plant to rein in one of the major cost driver i.e. Power. Therefore it becomes an ideal situation to have a Co-Generation Captive Power Plant in a paper mill where the spent steam from the boiler is used to dry paper.

- ❑ Comprehensive quality approach for production of goods with uniform consistency conforming to accepted national and international standards through investment in cutting edge production assets, investing in superior testing techniques etc.
- ❑ The company intends to tap many big publishing houses and leading National and Vernacular dailies as due to the limitation of capacity in the existing plant, the company has not been able to cater to their demand.
- ❑ The competitive strength of the company will increase considerably once all its manufacturing facilities are operational.
- ❑ To grow organically from innovative skills, shorter product development cycles and production of value added products and having an insight into the changing consumer preferences.
- ❑ To grow inorganically by acquiring competing brands and mergers. It can give a new source of fresh ideas and access to new markets.
- ❑ Increase its brand visibility and recall through advertisements and educating the consumers of its value added propositions. The company plans to position itself as a major player in the newsprint segment offering a range of qualities to its customers.

FUTURE PROSPECTS

The company looks at the future of the paper industry with optimism. Indian paper industry which was at the crossroad is now recovering at a very fast pace. Use of paper is considered as an index of cultural growth. Key social objectives of the government like eradicating illiteracy, making primary education compulsory etc. are very much positively co-related to the paper industry. Indian Paper Industry growth rate is 6-7% per annum, which is among the highest in the world. The domestic demand of paper, paperboard and newsprint has been forecasted to be 7.5 million tonnes by 2010 and 10.9 Million tonnes by the years 2015-16 as per the experts group. Based on these factors, the company believes a significant scope of appreciation in demand.

Moreover, with the government's thrust on Universal Elementary Education, demand for paper is set to increase manifold. Under the scheme, the government has proposed to supply free textbooks to girls from families below the poverty line in Classes IX and X in educationally backward blocks at a cost of Rs 6577.76 million for the Tenth Five Year Plan period.

Source: National Plan of Action-GOI

Installed Capacity & Its Utilization

The capacity utilisation of Newsprint & Kraft Paper is as follows:

Particulars	Newsprint	Kraft paper	Total
Installed capacity (MT) (Proposed Expansion)	49500	-	49500
Installed capacity (MT) (Existing Unit)	19,800	8250	28050

Particulars	In MT				
	2004-05 (Actuals)	2005-06 (Estimated)	2006-07 (Projected)	2007-08 (Projected)	2008-09 (Projected)
Proposed Expansion					
Newsprint					
Installed capacity	-	-	-	49,500	49,500
Capacity Utilisation	-	-	-	70.00%	80.00%
Production	-	-	-	34650	39600
Existing Unit					
Newsprint					
Installed capacity	19,800	19,800	19,800	19,800	19,800
Capacity Utilisation	94.83%	93.00%	93.00%	93.00%	93.00%
Production	18,776	18,414	18,414	18,414	18,414
Kraft paper					
Installed capacity	8,250	8,250	8250	8250	8250
Capacity Utilisation	88.98%	88.00%	88.00%	88.00%	88.00%
Production	7340.46	7260	7260	7260	7260

Purchase of Property

MIDC has issued land allotment vide letter 5428/2005 dated 14/11/2005 for 3.20 Lac Sq M of land in the Saoner District of Nagpur for its proposed expansion project of 49500 TPD at Nagpur. The company does not propose to purchase or acquire any property, which is to be paid for wholly or partly out of the proceeds of the issue.

Key Industry Regulation

RNI is the key industrial regulator for Newsprint. The Company's existing unit is already registered with RNI.

3. History and Corporate Structure of the Company**Incorporation and initial progress:**

The company was incorporated on January 11, 1994 under the Companies Act 1956, as Malu Solvex Limited. The registered office of the company is situated at Nagpur, Maharashtra. The name of the company was later changed to Malu Paper Mills Limited on April 24, 1998.

The company belongs to the Malu group having interests in manufacturing & trading of electrodes, Manganese, Coal, Lignite, Imported Coal, Mild steel ingots etc. other than Paper.

The first paper machine of the company has commenced production in the year 1996 with a capacity to produce 5940 TPA of Kraft papers, which later on with gradual up gradation and modification has been increased to 8250 TPA

Considering the vast potential, MPML has also set up one more unit at the same location to produce 19800 TPA of Newsprint in 2001. The plants are running successfully and generating cash profits since its inception. MPML has registered a gross turnover of Rs. 4867 Lacs and PBT of Rs. 444 Lacs for the FY 2004-05.

The company has been granted incentives as notified in Package scheme of Incentive 1993 by Government of Maharashtra for its existing units.

The unit is entitled to Deferment/exemption from payment of sales tax for 15 years subject to maximum of 125% of fixed assets value. The Company is entitled to refund of Octroi duty/ entry tax subject to maximum of 100% of fixed capital investment, payable/paid on import of all items.

The company now proposes to go in for a new paper machine line of 150 TPD capacity capable of manufacturing Premium quality Newsprint. The company has already identified the machines for this project. The machine is capable of manufacturing premium quality paper. The company wants to tap this niche market where there are very few players in the market. The strength of the company lies in executing the project at low cost.

Important events in the history of the Company are as follows:

Year	Events
1994	Company Incorporated as Malu Solvex Limited
1996	Production Commenced with a capacity to produce 5940 TPA of Kraft Paper.
1997	Production Capacity Increased to Produce 8250 TPA of Kraft Paper.
1998	Name Changed to Malu Paper Mills Limited
2001	Production Commenced with a capacity to produce 19800 TPA of Newsprint.

Main Objects of the Company as set forth in the Memorandum:

To carry on the business of manufacturers, buyers, sellers, importers and exporters and dealers in all kinds of classes of paper, board, cardboard and pulp in all its branches, including mechanical or chemical pulp, rayon pulp, wood pulp, bamboo pulp, fibrous pulp of all descriptions and cellulose pulp and all other varieties whatsoever including without any limitation, writing paper, printing paper, absorbent without any limitation, writing paper, tissue paper, poster paper, cover paper, blotting paper, filter paper, manifold paper, antique paper, ivory finish paper, coated paper, art paper, blank or bond paper, badami brown or buff paper, bible paper, cartridge paper, cloth lined paper, asure laid and wove paper, cream load and wove paper, grease proof paper, gummed paper, land made paper, parchment paper, drawing paper, Kraft paper, manilla paper, envelope paper, tracing paper, sack paper, crape paper, vellum paper, water proof paper, carbon paper, sensitized paper, chemically treated paper, litmus paper, photographic paper, flossy paper, emery paper, carbonless paper, insulating paper, cigarette paper, past board, card board, straw-board, pulp board, leather board, mill board, card board, straw board, pulp board, leather board, mill board, corrugated board, duplex and triplex board, plywood board, post cards, visiting cards, playing cards, complimentary and fancy cards, advertisement boards, sign boards made of paper, board for similar materials, soda pulp, mechanical pulp, sulphite pulp, sulphate pulp, semi-chemical pulp

To carry activities in all kinds of articles in the manufacture of which in any form, paper, board or pulp is used and to manufacture, make and deal in all kinds of materials and substances that any be produced and/or

recovered as bye-products during the process of production of pulp, paper, board and other materials manufactured, processed or dealt in.

Changes in the Memorandum of Association:

Since incorporation following changes have taken place in the Memorandum of Association:

Date of Amendment	Amendment
08-12-1995	Increase in Authorised Share Capital from Rs.50.00 Lacs to Rs.250 Lacs.
29-01-1998	Change of Name from Malu Solvex Ltd. to Malu Paper Mills Ltd.
24-10-2000	Increase in Authorised Share Capital from Rs.250.00 Lacs to Rs.750 Lacs.
25-12-2005	Shifting of Registered Office within the city.
30-09-2005	Increase in Authorised Share Capital from Rs.750.00 Lacs to Rs.2000 Lacs.
30-09-2005	Change in the Main Object Clause and alteration of Articles of Association by adopting new set of Articles.

The details of the capital raised are given in the section Capital Structure on page 9 of the Draft Prospectus.

Subsidiaries of Malu Paper Mills Limited

The Company has no subsidiaries as on date.

Shareholders' agreement

At present, there are no shareholding agreements between the Company and any other person.

Strategic Partners

The Company as on date has no strategic partners.

Financial Partners

The Company has no financial partners as on date.

4. Management

As per the articles of Association, the Company must have a minimum of three (3) and a maximum of twelve (12) directors. As on date, the Company has 11 (eleven) directors.

Board of Directors

The present Board of Directors comprises of the following members:

SL No	Name, Designation, father's Name, Address, Occupation Term, and age	Date of appointment	Other Directorships
1.	Mr. Bhanwarlal Malu Chairman S/o Madanlal Malu 251, "Kamala Sadan" Dharaskar Road Itwari, Nagpur Occupation: Industrialist Age: 81 Years	Since Incorporation	1. None
2.	Mr. Punamchand Malu Managing Director S/o Ramlal Malu "Neelkamal" 1249, Central Avenue Near Gandhi Putla Nagpur-440 002 Occupation: Industrialist Age: 54 years	Since Incorporation	1. Malu Electrodes Pvt Ltd 2. Frontline Commercials Pvt Ltd
3.	Mr. Banwarilal Malu Joint Managing Director S/o Bhanwarlal Malu 251, "Kamala Sadan" Dharaskar Road Itwari, Nagpur Occupation: Industrialist Age: 45 Years	Since Incorporation	1. Narayan Coal Traders Pvt Ltd 2. Solar Carbon Pvt Ltd 3. Wistaria Farms Pvt Ltd
4.	Mr. Damodarilal Malu Non Executive Director S/o Ramlal Malu "Neelkamal" 1249, Central Avenue Near Gandhi Putla Nagpur-440 002 Age: 56 years	Since Incorporation	1. Shree Sales Corporation Pvt Ltd 2. Marigold Farms Pvt Ltd
5.	Mr. Purushottam Malu Non Executive Director S/o Ramlal Malu "Neelkamal" 1249, Central Avenue Near Gandhi Putla Nagpur-440 002 Age: 44 years	Since Incorporation	1. Shree Sales Corporation Pvt Ltd 2. Frontline Commercials Pvt Ltd
6.	Mr. Vasudeo Malu Non Executive Director S/o Bhanwarlal Malu 251, "Kamala Sadan" Dharaskar Road Itwari, Nagpur Occupation: Industrialist Age: 41 Years	Since Incorporation	1. Salasar Alloy & Steel Industries Pvt Ltd 2. Narayan Coal Traders Pvt Ltd 3. Solar Carbon Pvt Ltd 4. Wistaria Farms Pvt Ltd

7.	Mr. Ghasiram Malu Non Executive Director S/o Jhumarlal Malu "Jai Laxmi Appt." Near Telephone Exchange Central Avenue Nagpur-440 008 Occupation: Industrialist Age: 43 Years	Since Incorporation	None
8.	Mr. Satyanarayan Rathi Non Executive Independent Director S/o Late Radhakrishna Rathi "Shraddha" 51, East Wardhaman Nagar, Near Radhakrishna Hospital, Nagpur. Occupation: Industrialist Age: 52 Years	11.11.2005	None
9.	Mr. Om Prakash Bhattad Non Executive Independent Director S/o Banshilal Bhattad 1, Bhurra Sahib Street Chennai-600002 Occupation: Tax Consultant Age: 52 Years	11.11.2005	None
10.	Mr. Chandrakant Thakar Non Executive Independent Director S/o Late Jaydevshankar Thakar 77, Sadoday Complex Near Gandhi Putla, Central Avenue Nagpur- 440 002 Occupation: Advocate Age: 69 Years	11.11.2005	1. R.S. Rekhchand Mohta Spinning & Weaving Mills 2. Raman Distillers Pvt Ltd.
11.	Mr. Lalit Singh Mehta Non Executive Independent Director S/o Ulsasmalji Mehta Gem House, 4 th Floor Hiranandani Garden Powai- Mumbai Occupation: Advisor Age: 72 years	11.11.2005	None

Brief profile of the Directors

Please refer to the section on "the Promoters" for brief profile of Mr. Bhanwarlal Malu, Mr. Punamchand Malu and Mr. Banwarilal Malu, Mr. Damodarlal Malu, Mr Purushottam Malu, Mr. Vasudeo Malu and Mr. Ghasiram Malu.

Mr. Satyanarayan Rathi

He is an independent director on the Board of the Company.

He is a commerce graduate and has been engaged in trading, transportation & supply of coal for the last three decades to various industries and bricks manufacturers in Maharashtra, Karnataka and M.P. He is an ex-director of M/s Tuwani Processors Pvt. Ltd. Ichalkaranji.

He has been President of Central India Coal Dealers Association, Nagpur, Director and Ex-chairman of Mahesh Co-operative Credit Society Ltd, Nagpur, Executive Member- Nagpur Nagar Maheshwari Seva Sangh.

Mr. Omprakash Bhattad

He is an independent director on the Board of the Company.

He is a commerce graduate and is a member of Institute of Chartered Accountants of India. He is a leading practitioner in the field of Auditing and Taxation. He is regular contributor in taxation column of Pallava Times, Chennai.

He is a member of South India Rajasthani Chamber of Commerce

Mr. Chandrakant Thakar

He is an independent director on the Board of the Company

He is a graduate from Nagpur University, L.L.B from Nagpur University. He is an advocate, High Court and Supreme Court.

He is a director in R.S. Rekhchand Mohta Spinning & Weaving Mills, Hingaghat and Raman Distillers Pvt Ltd.

He is a past president of Income Tax Appellate tribunal Bar- association, Nagpur, advisor to Nag-Vidarbha Chamber of Commerce. He is a vice president of Ramdeo Baba Engineering College, Nagpur

Mr. Lalit Singh Mehta

He is an independent director on the Board of the Company

He is a postgraduate in Organic Chemistry, postgraduate in Fibre technology from Czechoslovakia.

He is actively associated with Man Made Fibre Industry for the past 44 years. He is an ex-president of Century Rayon looking after Production, Quality Control, engineering, Finance and Personnel functions. At present he is an advisor of Century Rayon.

He is the chairman of the governing Council of Birla College of Arts, Science and Commerce, kalyan. He is a recipient of "Shramveer Award" for development of Viscose additives from the Govt. of India.

TERMS OF APPOINTMENT & COMPENSATION OF MANAGING DIRECTOR

Mr. Punamchand Malu was appointed as Managing Director in the General Meeting held on 25th April '2005 and payment of remuneration to him w.e.f. 1st April 2005 for a period of 5 years on the terms & conditions as approved in the said meeting. The proposal had been approved by the Board of Directors at it's meeting held on 2nd April 2005. In accordance with the resolution adopted at the General Meeting of the shareholders of MPML, he is entitled to withdraw his salary and benefits as per his service conditions as stated hereunder:

1. The Company shall pay to the Managing Director during the continuance of this Agreement in consideration of the performance of his duties, the following remuneration:
 - (a) Salary of Rs.40, 000/- (Rupees Forty Thousand only) per month including dearness allowance.
 - (b) Perquisites: The Managing Director shall also be entitled to the perquisites listed below, subject to the condition that the perquisites listed under part –"A" shall be limited to the annual salary of Rs. 4,80,000/- per annum.

PART – “A”

i) MEDICAL REIMBURSEMENT:

Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years .

ii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with any Rules specified by the Company.

iii) CLUB FEES:

Fees of Clubs, subject to a maximum of two clubs may be provided but no Life membership fee or Admission fee is to be paid by the Company.

iv) PERSONAL ACCIDENT INSURANCE:

Of an amount, the Annual Premium of which shall not exceed Rs. 1,000/-.

PART–“B”

- i) Company's contribution towards Provident Fund as per Rules of the Company, but not exceeding 10% of the Salary.
- ii) Company's contributions towards Pension/Superannuation Fund such amount as together with the Company's contribution to the Provident Fund does not exceed 25% of the salary.
- iii) Gratuity: Not exceeding one-half month's salary for each completed year of service, subject to a maximum limit as prescribed under Schedule XIII to the Companies Act, 1956.

PART – “C”

- i) Provision of Company's Car with driver for use on Company's business. He will be billed by the Company for use of car for private purposes, if any.
- ii) Free Telephone facility at Residence and one hand phone. Personal long distance calls, if any, will be billed by the company to him.

2. EARNED/PREIVILEGE LEAVE:

On full pay and allowances, as per Rules of the company but not exceeding one month's leave for every eleven month's of service subject to the further condition that leave accumulated but not availed of will not be allowed to be encashed.

The Managing Director will also be entitled to the reimbursement of the entertainment expenses actually and properly incurred for the company and such payment shall not form part of his remuneration.

TERMS OF APPOINTMENT & COMPENSATION OF JOINT MANAGING DIRECTOR

Mr. Banwarilal Malu was appointed as Joint Managing Director in the General Meeting held on 25th April '2005 and payment of remuneration to him w.e.f. 1st April 2005 for a period of 5 years on the terms & conditions as approved in the said meeting. The proposal had been approved by the Board of Directors at its meeting held on 2nd April 2005. In accordance with the resolution adopted at the General Meeting of the shareholders of MPML, he is entitled to withdraw his salary and benefits as per his service conditions as stated hereunder:

1. The Company shall pay to the Joint Managing Director during the continuance of this Agreement in consideration of the performance of his duties, the following remuneration:
 - (a) Salary of Rs. 40, 000/- (Rupees Forty Thousand only) per month including dearness allowance.
 - (b) Perquisites: The Joint Managing Director shall also be entitled to the perquisites listed below, subject to the condition that the perquisites listed under part –“A” shall be limited to the annual salary of Rs. 4,80,000/- per annum.

PART – “A”**i) MEDICAL REIMBURSEMENT:**

Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

ii) LEAVE TRAVEL CONCESSION:

For self and family once in a year incurred in accordance with any Rules specified by the Company.

iii) CLUB FEES:

Fees of Clubs, subject to a maximum of two clubs may be provided but no Life membership fee or Admission fee is to be paid by the Company.

iv) PERSONAL ACCIDENT INSURANCE:

Of an amount, the Annual Premium of which shall not exceed Rs. 1,000/-.

PART – “B”

- i) Company's contribution towards Provident Fund as per Rules of the Company, but not exceeding 10% of the Salary.
- ii) Company's contributions towards Pension/Superannuation Fund such amount as together with the Company's contribution to the Provident Fund does not exceed 25% of the salary.
- iii) Gratuity: Not exceeding one-half month's salary for each completed year of service, subject to a maximum limit as prescribed under Schedule XIII to the Companies Act, 1956.

PART – “C”

- i) Provision of Company's Car with driver for use on Company's business. He will be billed by the Company for use of car for private purposes, if any.
- ii) Free Telephone facility at Residence and one hand phone. Personal long distance calls, if any, will be billed by the company to him.

2. EARNED/PREIVILEGE LEAVE:

On full pay and allowances, as per Rules of the company but not exceeding one month's leave for every eleven month's of service subject to the further condition that leave accumulated but not availed of will not be allowed to be encashed.

The Joint Managing Director will also be entitled to the reimbursement of the entertainment expenses actually and properly incurred for the company and such payment shall not form part of his remuneration.

Corporate Governance

The directions issued by the SEBI under Clause 49 of the Listing Agreement in respect of Corporate Governance will be applicable to the Company immediately upon listing of the Equity Shares on the various stock exchanges. The Company has already undertaken steps in this direction to ensure compliance with the requirements pertaining to Corporate Governance as would be applicable to the Company upon listing of the shares. In this regard, the Company has taken steps to further broaden its Board of Directors and also set up the necessary committees as per the requirements of the directions such as shareholding/ investor grievance committee and audit committee.

Audit Committee

Vide Board Resolution dated 11.11.2005 an Audit Committee in compliance with section 292A of the Companies Act and clause 49 of the Listing Agreement has been formed. The audit committee has been constituted with the following directors:

Chairman: Mr. Om Prakash Bhattad (Independent Director having financial and accounting knowledge)

Members: Mr. Satyanarayan Rathi (Independent Director)

Mr. Chandrakant Thakar (Independent Director)

The Company Secretary shall assist the committee in the proceedings.

The audit committee shall have full access to information contained in the records of the Company and external professional advice, if necessary.

The scope of Audit Committee shall be:

- a) to investigate any activity within its terms or reference
- b) to seek information from any employee
- c) to obtain outside legal or other professional advice
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee also has powers as provided in Clause 49A of the Listing Agreement.

Chairman of the Audit Committee shall attend the annual general meetings of the Company to provide any clarifications on matters relating to audit as may be required by the members of the Company.

Shareholders Grievance Committee

Shareholders' Grievance Committee has been formulated vide Board Resolution dated 11.11.2005 2005, consisting of the following directors viz.

Chairman: Mr. Satyanarayan Rathi (Independent Director)

Members: Mr. Banwarilal Malu (Executive Director)

Mr. Lalit Singh Mehta (Independent Director)

Shareholders' Grievance Committee shall have the power to make decisions relating to redressal of Shareholders' grievances, which includes the duty:

- To dispose off the Shareholders' complaints, within 7 days from the date of receipt, in connection with non-receipt of shares, non-receipt of dividends, non-receipt of Annual Reports and general inquiry about the status of the shares.
- To communicate to the concerned Stock Exchange and related parties replying to status of the respective complaints.
- Communication to the SEBI explaining satisfactory withdrawal of Shareholders' complaints.
- Any other matter related to Shareholders' grievances/complaints.
- Shareholders' Grievance Committee shall review the minutes of the meeting of the delegated authority who shall meet fortnightly for the redressal of the shareholders, grievances.

Shareholding of the Directors

The shareholding of the directors on the date of issue of the Draft Prospectus is as follows:

SI No	Director	No of shares	Date acquired
1.	Bhanwarlal Malu	100	15-Jan-94
		25	30-Sep-05
2.	Punamchand Malu	100	15-Jan-94
		100000	25-Jan-96
		105000	09- Mar-01
		50,000	15-Mar-03
		63775	30-Sep-05
3.	Banwarilal Malu	100	15-Jan-94
		39,900	25-Jan-96
		3,330	11-Jan-01
		50,000	09- Mar-01
		17,000	6-Sep-01
		100,000	15-Mar-03
		52,582	30-Sep-05
4.	Damodarlal Malu	100	15-Jan-94
		49,900	25-Jan-96
		110,000	09- Mar-01
		50,000	15-Mar-03
		52,500	30-Sep-05
5.	Purushottam Malu	100	15-Jan-94
		24,900	25-Jan-96
		100,000	09- Mar-01
		50,000	15-Mar-03
		43,750	30-Sep-05
6.	Vasudeo Malu	100	15-Jan-94
		5,900	25-Jan-96
		3,330	11-Jan-01
		17,000	6-Sep-01
		100,000	15-Mar-03
		220,000	23-Aug-05
		86,583	30-Sep-05
7.	Ghasiram Malu	100	15-Jan-94
		24,900	25-Jan-96
		15,000	09- Mar-01
		10000	30-Sep-05

All the non executive directors of Malu Paper Mills Ltd. may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them as per the applicable laws.

The directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as directors, members, partners and or trustees. All directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Malu Paper Mills Ltd. with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

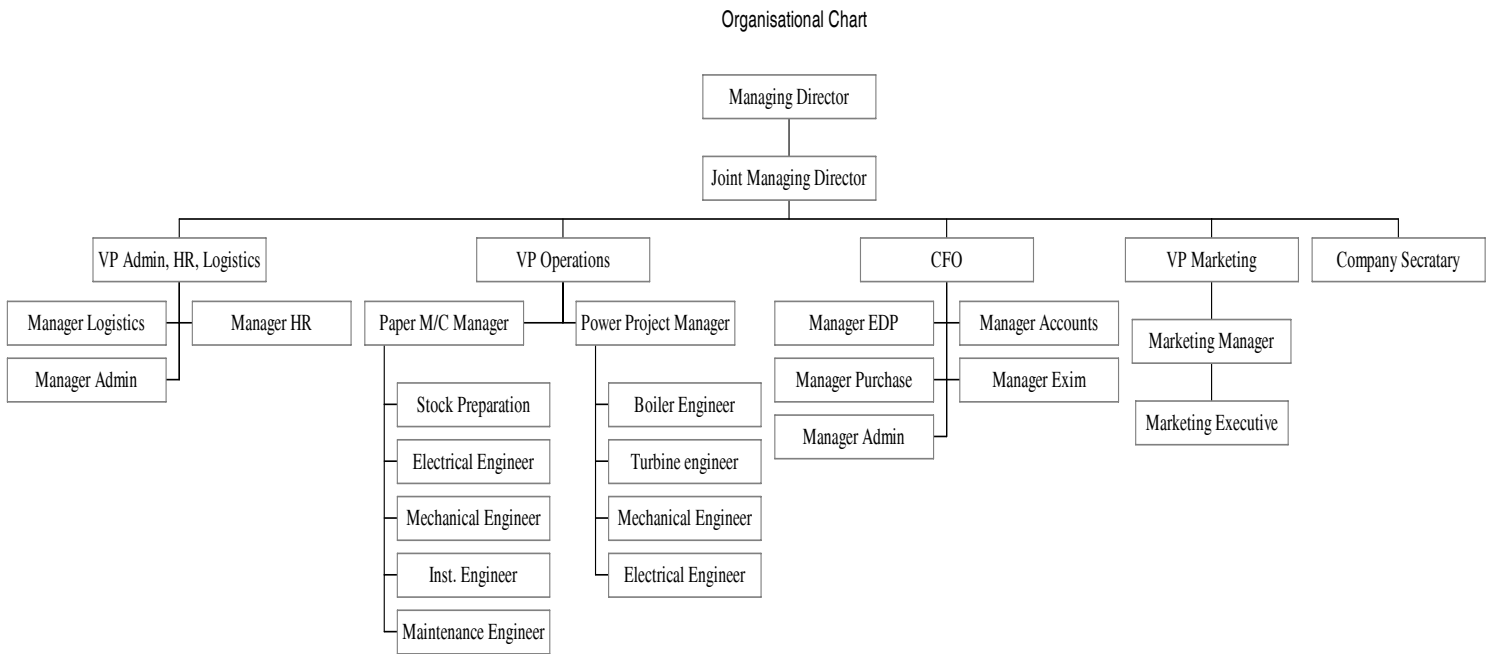
The Managing Director of Malu Paper Mills Ltd is interested to the extent of remuneration paid to him for services rendered to the Company (For more details, please refer "Related Party Disclosures" as mentioned under Sr. No. 4(d) of the Auditors' Report given in this Draft Prospectus). Further, the directors are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Draft Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

The Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be entered with them.

Changes in the Board of Directors in the last three years:

There has not been any change in the board of directors of the company in the last three years.

Management Organisation Structure:



Key Managerial Personnel

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing and corporate laws. The following key personnel assist the management.

Details of the key managerial personnel are as follows:

SI No	Name	Age	Qualification	Designation	Responsibility	Total Exp (yrs)	Date of Joining	Previous Employment
1	Mr. Punamchand Malu	54	P.U.C	Managing Director	Sales, Administration & HR Department	25	Since Incorporation	--
2	Mr. Banwarilal Malu	45	B.Com	Joint Managing Director	Purchase, Production & Finance	22	Since Incorporation	--
3	Mr. G. R. Karmakar	65	B. Sc, AMIE (Chemical)	Vice President (Operations)	Production Planning & Control	35	1 st May 2002	M/s Rama Newsprint & Papers Ltd,
4	Mr. Girish Malpani	34	B. Com, ACA	CFO	Financial Management, Purchase, Administration	10	1 st January 2005	--
5	Mr. Dilip Puranik	51	B.Sc, MBA	Vice President (Marketing)	Sales & Marketing	27	1 st November 2002	M/s Madhyadesh Papers Ltd

All the above employees, Key Managerial Personnel are the permanent employees.

Shareholding of the Key Managerial Personnel

Key managerial Personnel do not hold any shares in the company as on date.

Bonus or profit sharing plan for the Key Managerial Personnel

There is no profit sharing plan for the key managerial personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

Changes in key managerial personnel

There has not been any change in the key managerial personnel during the last one year

Family relation with the Key Managerial Personnel (KMP)

No family relation exists between the promoters and KMP

Disclosure Regarding Employees Stock Option Scheme/Employees Stock Purchase Scheme

Till date, the Company has not introduced any Employees Stock Option Scheme/ Employees Stock Purchase Scheme, as required by the guidelines or regulations of SEBI relating to Employees Stock Option Scheme and Employee Stock Purchase Scheme.

Payment or benefit to the officers of the Company

Except the payment of salaries and perquisites, the Company makes ex-gratia payments to its officers as and when it deems fit.

5. PROMOTERS

Mr. Bhanwarlal Malu, Mr. Damodarlal Malu, Mr. Punamchand Malu, Mr. Banwarilal Malu, Mr. Purushottam Malu, Mr. Vasudeo Malu, Mr. Ghasiram Malu, Frontline Commercials Pvt Limited and Marigold Farms Pvt Ltd and Wistaria Farms Pvt Ltd have promoted the Company-Malu Paper Mills Limited. A brief profile of promoters is given herewith:

PROMOTERS AND THEIR BACKGROUND

Mr. Bhanwarlal Malu (Chairman) (Non Executive Director)

Mr. Bhanwarlal Malu, aged about 81 years, is the chairman of the Company. He has vast business experience of 35 years. He started his business career as civil contractor in Rajasthan on Chambal Dam in the year 1965. Later on he shifted to Nagpur in 1970 and started business of trading in Powerloom Dhoti. In 1972 he started business of supplying empty glass bottles to various distilleries and then started supply of steam coal and lignite to industry in the year 1975. He was actively involved in day-to-day business till 1990.

Mr. Punamchand Malu (Managing Director)

Mr. Punamchand Malu, aged about 54 years, is the managing director of the Company. He had worked as commercial officer in textile Company for 5 years. Thereafter he joined family business of coal trading. He is engaged in supply, trading and transporting of steam coal, lignite and imported coal for last twenty-five years. He is also co-promoter of Sunflame Fuel Pvt. Ltd and Malu Electrodes Pvt Ltd.

Mr. Banwarilal Malu (Jt Managing Director)

Mr. Banwarilal Malu, aged about 45 years is the joint managing director of the Company. He is a commerce graduate. He is engaged in supply, trading and transporting of steam coal, lignite and imported coal for last twenty years. He is also a co-promoter of Narayan Coal Traders Pvt Ltd.

Mr. Damodarlal Malu (Non Executive Director)

Mr. Damodarlal Malu, aged about 56 years, is a non-executive director of the Company. He is a commerce graduate and LLB. He started his career with service as a purchase officer in Indian Smelting & Ref. Co. Ltd. (a Birla Group Company). He left the job after 15 years to join family business. He is engaged in supply, trading and transporting of steam coal, lignite and imported coal for last twenty years. He is also a co-promoter of Shree Sales Corporation Pvt Ltd.

Mr. Purushottam Malu (Non Executive Director)

Mr. Purushottam Malu, aged about 44 years, is a non-executive director of the Company. He started his business career at the age of 20 years. He is currently engaged in supply, trading and transportation of steam coal, lignite and imported coal for last twenty-five years. He is also a co-promoter of Shree Sales Corporation Pvt Ltd.

Mr. Vasudeo Malu (Non Executive Director)

Mr. Vasudeo Malu, aged about 41 years, is a non-executive director of the Company. He is a commerce graduate. He is engaged in supply, trading and transporting of steam coal, lignite and imported coal for last twenty years. He is the sole proprietor of Narayan Traders, a proprietorship firm, based in Nagpur, which caters to fuel demand of diverse industries such as Textile, Yarn, Synthetics, FMCG, Chemical, Paper etc. He is also co-promoter in Salasar Alloy & steel Industries Pvt Ltd.

Mr. Ghasiram Malu (Non Executive Director)

Mr. Ghasiram Malu, aged about 43 years, is a non-executive director of the Company. He started his business career at the age of 20 years. He is engaged in supply, trading and transporting of steam

coal, lignite and imported coal for last twenty years. He is the proprietor of Bharat Enterprises, based in Nagpur.

Name of the Promoter	Photo of the promoters	Driving License No.	Passport Details
Mr. Bhanwarlal Malu		-	NIL
Mr. Punamchand Malu		-	E8670861
Mr. Banwarilal Malu		18523/NGP/83	E0799942
Mr. Damodarlal Malu		-	F0181047
Mr. Purushottam Malu		-	F2245287
Mr. Vasudeo Malu		MH31/03/262134	E0940911
Mr. Ghasiram Malu		-	F2726100

The Company confirms that the permanent account number, Bank account number, passport number and voter ID No. of Mr. Bhanwarlal Malu, Mr. Damodarlal Malu, Mr. Punamchand Malu, Mr. Banwarilal Malu, Mr. Purushottam Malu, Mr. Vasudeo Malu, and Mr. Ghasiram Malu have been submitted to the NSE and BSE at the time of filing of this document with them.

Frontline Commercials Pvt Limited

The company was incorporated on August 11, 1995. The name of the company was changed from Frontline Finance Pvt. Ltd. to Frontline Commercials Pvt. Ltd. w.e.f. 15-05-1998. The registered office of the Company is at 1249, Neelkamal, C.A. Road, Gandhibagh, Nagpur – 2. The main object of the Company is investment and dealing in securities.

Date of Incorporation	11-08-1995
Registration No	11-91706
Nature of Business	Investment in Shares, Debentures, Mutual funds and other securities.
PAN No.	AAACF2480Q
Banker	HSBC Ltd.
Account No.	148002926001

Board of Directors

The following is the Board of Directors:

Mr. Punamchand Malu	Director
Mr. Purushottam Malu	Director

Shareholding Pattern:

The Shareholding Pattern of the Company is as below:

Sl. No.	Name of The Shareholders	No. of Shares	%-Age
1	Purushottam Malu	90,000	18%
2	Punamchand Malu	10,000	2%
3	Damodarlal Malu (HUF)	100,000	20%
4	Punamchand Malu (HUF)	100,000	20%
5	Purushottam Malu, (HUF)	100,000	20%
6	Shrawankumar Malu (HUF)	100,000	20%
	Total	5,00,000	100%

Marigold Farms Pvt Ltd

The Company was incorporated on April 26, 1991. The registered office of the Company is at 1249, Neelkamal, C.A. Road, Gandhibagh, Nagpur – 2. The Company is mainly engaged in the business of trading of Manganese ore.

Date of Incorporation	26-04-1991
Registration No	11-61427
Nature of Business	The Company is engaged in the trading of Manganese Ore.
PAN No.	AACCM6944Q
Banker	Akola Urban & ICICI Bank
Account No.	14///624205004944

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Damodarlal Malu	Director
Mr. Shrawankumar Malu	Director

Sl. No.	Name Of The Shareholders	No. of Shares	%-Age
1	Shrawankumar Malu	10,000	20%
2	Damodarlal Malu	10,000	20%
3	Punamchand Malu	9,000	18%
4	Purushottam Malu	10,000	20%
5	Ramvilas Tapadia	1,000	2%
6	Bhawanishankar Mandhani	1,000	2%
7	Yashoda Soni	2,000	4%
8	Brijmohan Mandhani	1,000	2%
9	Shrawankumar Malu (HUF)	6,000	12%
	Total	50,000	100%

Wistaria Farms Pvt Ltd

The Company was incorporated on April 25, 1991. The registered office of the Company is at 44 J.C. Apartment, Lal Imli Chowk, Gandhibag, Nagpur – 440 002. The Company is mainly engaged in the business of agriculture and horticulture products.

Date of Incorporation	25.04.1991
Registration No	11-61403
Nature of Business	Agriculture and horticulture
PAN No.	AAACW1517D
Banker	UCO Bank, Nagpur
Account No.	3324

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Banwarilal Malu	Director
Mr. Vasudeo Malu	Director

Sl. No.	Name Of The Shareholders	No. of Shares	%-Age
1	Banwarilal Malu	2,500	2.50%
2	Gajendra Malu	15,000	15.00%
3	Kailash Malu	4,900	4.90%
4	Manisha Malu	10,000	10.00%
5	Narayan Malu	15,000	15.00%
6	Nishi Malu	2,500	2.50%
7	Kaveri Malu	35,000	35.00%
8	Suman Malu	15,000	15.00%
9	Vasudeo Malu	100	0.10%
	Total	1,00,000	100.00%

i) **Common Pursuits**

There are no common pursuits in the business of the Company and other companies promoted by the promoter.

Interest of the promoter

The promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the Company. The promoters are not interested in any property acquired by MPML within two years from the date of the Draft Prospectus.

The promoters are not interested in any loans and advances given by the Company, neither are they beneficiary of any such loans or advances.

The following companies/ventures promoted by the promoters of Company and the promoters may be deemed to be interested in these companies:

Name of the concern	Type of concern	Interested Party
Frontline Commercials Pvt Limited	Company	Mr. Punamchand Malu Mr. Purushottam Malu
Marigold Farms Pvt Ltd	Company	Mr. Damodarlal Malu
Wistaria Farms Pvt Ltd		Mr. Banwarilal Malu Mr. Vasudeo Malu

Except as disclosed above and related party transaction on page 87 the promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefit if any.

Payment or benefit to promoters of the Company

The promoters have been paid interest on unsecured loans, as and when provided by them.

Related party transactions

For details of the related party transaction, please refer to page 87 of the Draft Prospectus.

6. Currency of Presentation

In this Draft Prospectus, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India.

7. Dividend Policy

The Company in general meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in general meeting may declare a smaller dividend. Dividends shall be paid out of profits only. The Company has declared no dividend till date. The dividend shall rank *pari-passu* in all respects with the existing issued capital of the Company.

IV. FINANCIAL STATEMENTS

1. AUDITORS' REPORT

To
The Board of Directors,
Malu Paper Mills Ltd.,
"Heera Plaza" 4th Floor,
Near Telephone Exchange, Central Avenue,
Nagpur – 440 008

Reg. : Initial Public Offer of Malu Paper Mills Limited – Auditors' Report as required by Part II of Schedule II of the Companies Act, 1956

Dear Sirs,

We have examined the financial information of Malu Paper Mills Limited, as attached to this report and initialed by us for identification.

The said financial information has been prepared in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the "Act"), the Securities and Exchange Board of India (SEBI)-Disclosure and Investor Protection Guidelines, 2000, as amended, including instructions and clarifications issued by the Securities and Exchange Board of India from time to time and in accordance with the instructions dated 5th November, 2005 received from the Company requesting us to carry out work in connection with the offer document being issued by the Company in connection with its public issue of Equity Shares (referred to as "the Issue"). The financial information has been prepared by the company and approved by the Board of Directors of the Company.

A. Restated Financial Statements

We have examined;

- a) The attached statement of Profits and Losses, as restated, of the Company for the 6 months period ended Sept. 30, 2005 and each of the financial years ended March 31, 2005, 2004, 2003, 2002, 2001; enclosed as Annexure I and
- b) The attached statement of Assets and Liabilities, as restated, for the 6 months ended Sept. 30, 2005 and as at March 31, 2005, 2004, 2003, 2002, 2001 and; enclosed as Annexure II to this report together referred to as "Summary Statements".
- c) The Significant Accounting Policies adopted by the Company are enclosed as ANNEXURE IIIA, together with Changes in accounting policies are enclosed as ANNEXURE IIIB.
- d) The Notes to Accounts are enclosed as ANNEXURE IVA, together with Qualification to accounts are enclosed as ANNEXURE IVB.

The summary statements have been extracted from the financial statements of the respective years/period audited by us and adopted by the Board of Directors.

B. Other Financial Information

We have examined the following financial information relating to the Company proposed to be included in the offer Document, as approved by the Board of Directors and annexed to this report:

- (a) Restated Cash Flow Statement in respect of 6 months ended September 30, 2005 and each for the years ended March 31 2005, 2004, 2003, 2002, 2001 and as shown in Annexure V to this report.
- (b) Statement of "Accounting Ratios" comprising earning per share, return on net worth and net asset value which have been calculated based on restated profits, as shown in Annexure VI to this report.
- (c) Details of "Secured Loans", as restated, as at September 30, 2005, as shown in Annexure VII to this report.

- (d) Details of "Unsecured Loans", as restated, as at September 30, 2005 and March 31, 2005, 2004, 2003, as shown in Annexure VIII to this report.
- (e) Details of "Quoted Investments", as restated, as at September 30, 2005 and March 31, 2005, 2004, 2003, as shown in Annexure IX to this report.
- (f) Age-wise analysis of "Sundry Debtors", as restated, as at September 30, 2005 and March 31, 2003, 2004, 2005, as shown in Annexure X to this report.
- (g) Details of "Loans and Advances", as restated, as at March 31, 2003, 2004, 2005 and September 30, 2005, as shown in Annexure XIA, together with Details of "Loans and Advances" made to Persons/ Companies in which Directors are interested as shown in Annexure XIB to this report.
- (h) "Capitalisation Statement" of the Company as at September 30, 2005 enclosed as Annexure XII to this report.
- (i) Statement of "Tax Shelter" enclosed as Annexure XIII to this report.
- (j) Details of "Related Party Disclosures", as restated, as shown in Annexure XIV to this report.
- (k) Details of "Contingent Liabilities", as shown in Annexure XV to this report.
- (l) Details of "Dividend Paid" by the Company in respect of each of the years ending March 31, 2005, 2004, 2003, 2002 and 2001 as shown in Annexure XVI to this report.
- (m) Statement of "Other Income", as restated, as shown in Annexure XVII to this report.
- (n) Statement of "Segment Information", as restated, as shown in Annexure XVIII to this report.
- (o) Details of "Consolidated and Adjusted Indian GAAP Accounts", as shown in Annexure XIX to this report.

In our opinion, the financial information of the company attached to this report as mentioned in Paragraphs A and B above, read together with the Significant Accounting policies and Notes stated in Annexure IIIA and Annexure IVA to this report and after making adjustments and regrouping as considered appropriate, have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines of SEBI.

This report is intended solely for your information and for inclusion in the offering Memorandum in connection with Public Issue of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Demble Ramani & Co

Sd/-

Chartered Accountants

(Ashok Ramani)

Partner

M.No. 30537

Date: 15/11/2005

Place: Nagpur

ANNEXURE-I

STATEMENT OF ASSETS & LIABILITIES AS RESTATED

Rs. In Lacs

PARTICULARS	6 Months ended 30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Fixed Assets:						
Gross Block	2279.00	2270.62	2104.12	2055.57	1936.27	583.93
Less: Depreciation	1031.75	950.59	771.74	581.60	383.17	246.81
Net Block	1247.25	1320.04	1332.39	1473.97	1553.09	337.12
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment for Revaluation Reserve	1247.25	1320.04	1332.39	1473.97	1553.09	337.12
Capital work-in progress	2.91	0.00	15.10	3.95	0.00	856.10
Total Fixed Assets (A)	1250.16	1320.04	1347.49	1477.92	1553.09	1193.23
Investments (B)	0.00	0.00	0.00	0.00	0.00	0.01
Current Assets, loans and Advances:						
Inventories	584.52	506.34	332.13	381.57	204.21	71.62
Sundry Debtors	667.94	545.25	511.61	373.37	367.05	192.28
Cash & Bank Balances	88.36	81.64	66.29	50.34	73.92	34.42
Loans and Advances	283.27	300.87	200.32	122.13	122.68	84.92
Total (C)	1624.09	1434.10	1110.35	927.41	767.87	383.25
Liabilities and Provisions:						
Secured Loans	678.27	842.09	991.64	1020.92	1083.71	674.22
Unsecured Loans	477.07	413.13	342.64	389.91	224.69	150.29
Current Liabilities and Provisions	367.15	297.59	339.66	328.47	355.98	94.08
Deferred Tax Liability	163.16	188.28	36.43	0.00	0.00	0.00
Total (D)	1685.65	1741.09	1710.36	1739.29	1664.38	918.59
Net worth (A+B+C-D)	1188.60	1013.04	747.47	666.04	656.59	657.90
Represented by	-	-	-	-	-	-
1. Share Capital (A)	872.53	698.02	698.02	698.02	698.02	645.02
2. Reserves	316.54	315.94	51.28	12.65	0.00	13.93
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Reserves (Net of Revaluation Reserves) (B)	316.54	315.94	51.28	12.65	0.00	13.93
Share Application (C)	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Expenditure (D)	0.47	0.92	1.83	44.63	41.43	1.05
Net worth (A+B+C-D)	1188.60	1013.04	747.47	666.04	656.59	657.90

ANNEXURE-II

SUMMARY STATEMENT OF PROFITS & LOSSES AS RESTATED

Rs. In Lacs

PARTICULARS	6 Months ended 30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Trading Sales	-	-	-	-	-	-
Export Sales	-	-	-	-	-	-
Manufacturing Sales	2609.76	4876.34	4599.54	3581.29	2431.78	1201.92
Export Incentive	-	-	-	-	-	-
Sub Total	2609.76	4876.34	4599.54	3581.29	2431.78	1201.92
Other Income	5.18	9.81	58.74	6.88	7.04	3.40
Increase (Decrease) in Inventories	(24.18)	11.86	29.33	(53.29)	64.31	0.59
TOTAL INCOME	2590.76	4898.02	4687.61	3534.88	2503.14	1205.90
Expenditure	-	-	-	-	-	-
Trading Purchases	-	-	-	-	-	-
Raw Materials consumed	1169.89	2078.04	2327.29	1678.08	1114.77	610.88
Manufacturing expenses	783.59	1589.99	1406.19	1144.95	902.47	348.20
Administration Expenses and Other Expenses	199.20	349.26	317.14	225.90	185.64	62.90
Central Excise Duty Paid /Debited	24.35	60.85	118.11	63.51	64.52	79.56
Payment to and prov for employees & directors	25.85	54.13	46.14	39.03	27.84	11.79
Other Expenses	-	-	-	-	-	-
TOTAL EXPENDITURE	2202.88	4132.26	4214.87	3151.46	2295.24	1113.32
Net profit before interest, depreciation, Tax and extraordinary items	387.88	765.76	472.74	383.42	207.90	92.58
Interest	62.43	146.94	155.87	175.71	122.83	35.98
Depreciation	84.55	179.79	190.14	198.43	136.53	43.48
Net Profit before tax and Extraordinary Items	240.91	439.03	126.73	9.28	(51.46)	13.12
Provision for Taxation	90.92	22.52	9.75	0.74	0.25	0.96
Provision for Deferred Tax	(25.12)	151.85	45.66	3.42	0.00	0.00
Extraordinary items (net of tax)	-	-	-	-	-	-
Net Profit after Extraordinary Items as per audited Balance Sheet (A)	175.11	264.66	71.32	5.12	(51.71)	12.16
Adjustment on account of change in Accounting Policy (B)	-	-	-	-	-	-
Adjusted Profit & Loss (A-B)	175.11	264.66	71.32	5.12	(51.71)	12.16
Add: Excess Depr Written back	-	-	-	-	-	-
Previous Year P&L	303.29	38.63	(32.66)	(37.78)	13.93	1.77
Balance Carried to Balance Sheet	478.40	303.29	38.66	(32.66)	(37.78)	13.93

ANNEXURE-III A**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 Modvat 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 is provided 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.

ANNEXURE III B**CHANGES IN ACCOUNTING POLICIES DURING THE LAST FIVE YEARS**

We report that there are no such changes. We have audited the balance sheets for the last five years for the company and there were no changes in accounting policy during the last five years.

ANNEXURE IVA**NOTES TO ACCOUNTS****I. GENERAL NOTES**

- a) Figures in Rs. Lacs
- b) Current Year (2005-06) pertains to half year ending 30th September 2005.

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
Deferred tax liability		
Depreciation	163.16	188.28
Deferred Tax Asset		
Unabsorbed depreciation	0.00	0.00
Net Liability	163.16	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. Deferred Sales Tax Liability:

Interest free deferred Sales Tax Liability amounting to Rs. 477.07 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. 21.89 Lacs and newsprint unit 52.04 Lacs.

6. 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	Niraj Engineering Co. Pvt. Ltd; Indore.	9	Sark Chemicals Pvt. Ltd; Aurangabad.
2	Ankur Industries, Ahmedabad.	10	Universal Industrial Chemicals; Jabalpur.
3	Davaras Additives, Gwalior.	11	Vertex Chemicals Pvt. Ltd; Mumbai.
4	Ganpati Chemicals & Minerals, Bhandara.	12	Lathia Polymer Industries; Ahmedabad.
5	Malhar Industries, Nagpur.	13	Malu Electrodes Pvt. Ltd; Nagpur.
6	Parksons Dyestuff Inds. Ltd; Nagpur.	14	Paper Machine Wire Industries; Nasik.
7	Richard Pharma Lab Pvt. Ltd; Nagpur.	15	Reena Enterprises, Nagpur.
8	Rishabh Metals & Chemicals Pvt. Ltd; Mumbai.	16	Technic Marketing; Ahmedabad.

6. Impaired assets:

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

7. Auditor's Remuneration includes

Particulars	2005-06 (6 Month ended)	2004-05
Audit Fees	0.41	0.81
Company law Consultancy fees	0.037	0.075

8. 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.

9. 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	0.24
2.	Malu Electrodes Pvt Ltd; Nagpur	Sale of Kraft Paper	2.44

10. 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 Car).

11. 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.

12. Contingent Liabilities

Particulars	2005-06	2004-05
Bank Guarantee Outstanding	6.75	6.75
Letters of Credit	242.09	137.51

13. Expenditure in Foreign Currency

Sr.	Particulars	Currency	INR (Lac)
1	Raw Material	94960 \$	41.88

14. Earnings in Foreign Exchange: NIL**15. Earnings per share**

Calculation of Net Profit available to Equity Shareholders

	Particulars	Current Year	Previous Year
A	Net Profit After Tax	175.10	264.66
	Dividend	---	---
	Profit available for Equity Shareholders	175.10	264.66
B	Weighted Average number of Equity Shares of Rs.10/- Each	69.802	69.802
C	Basic and Diluted Earnings per Share (Rs.)	5.02	3.79
D	Earning per share before Dividend (Rs.)	5.02	3.79

17	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	
		(6 Months Ended)		(12 Months Ended)		(6 Months Ended)		(12 Months Ended)	
	Licensed 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	3895.512 MT		7340.461 MT		9471.673 MT		18776.399 MT	
	Sales	3879.225 MT		7343.915 MT		9608.010 MT		18750.788 MT	
	Closing Stock	51.867 MT		35.580 MT		93.003 MT		229.340 MT	
	Particulars	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	Turnover	3879.225	575.50	7343.915	1072.36	9608.010	2034.26	18750.788	3803.98
DETAILS OF RAW MATERIAL CONSUMED									
1	Indian - Waste Paper	2704.484	143.89	4003.320	239.66	2134.540	237.14	1649.185	131.52
2	Imported - Waste Paper	1827.720	103.46	4214.134	195.89	13044.032	498.38	28203.574	1180.94
3	Sodium Silicate	-	-	-	-	124.675	7.30	259.598	14.20
4	Sulphuric Acid	-	-	-	-	25.995	1.70	39.668	2.50
5	Hydrogen Peroxide	-	-	-	-	94.445	22.30	196.637	42.50
6	Incoupur	-	-	-	-	0.200	0.50	1.208	2.80
7	Sodium Hydrosulphite	-	-	-	-	48.005	31.10	117.565	73.50
8	Bluetone	-	-	-	-	7.537	6.40	10.389	9.40
9	Soap Stone Powder	-	-	-	-	154.170	5.94	313.850	11.65
10	Hydrochloric Acid	-	-	-	-	42.400	2.45	81.790	4.25
11	Caustic Soda	-	-	-	-	176.955	30.45	336.683	65.65
12	Ferric Alum	476.845	16.47	626.060	18.51	106.500	6.70	222.430	16.18
13	Rosin	49.440	13.25	77.520	17.06				
14	Starch	163.350	37.50	246.000	47.50				
15	Defoamer	3.060	2.75	6.830	3.40	2.454	2.20	1.907	0.93
16	Misc Chemicals	-	-	-	-	-	-	-	-
	TOTAL:	5224.899	317.33	9173.864	522.02	15961.908	852.56	31434.484	1556.02

ANNEXURE IVB**QUALIFICATIONS TO ACCOUNTS**

We have Audited the financial Statements of the Company half year ended 30th Sept. 2005 for the years ended on 2005, 2004, 2003, 2002, 2001 and. There have been no qualifications reported in the audit reports submitted for the last five years.

ANNEXURE-V

RESTATEd CASH FLOW STATEMENT

		(Rs. in lacs)				
A	Cash Flows from Operating Activities	2005	2005	2004	2003	2002
	Reserve & surplus	Six months ended	31-Mar	31-Mar	31-Mar	31-Mar
	Net Profit before Tax & Extraordinary Items	240.91	439.03	126.73	9.28	(51.46)
	Adjustments for:	-	-	-	-	-
	Depreciation	81.16	178.85	190.14	198.43	136.36
	Interest/Other Income	(5.18)	(9.81)	(58.74)	(6.88)	(7.04)
	Interest Expenses	62.43	146.94	155.87	175.71	122.83
	Preliminary Expenses written off	0.45	0.91	0.91	0.91	0.91
	Operating Profit before Working Capital Changes	379.77	755.92	414.91	377.45	201.60
	Adjustments for:	-	-	-	-	-
	Trade & Other Receivables	(105.09)	(134.19)	(216.43)	(5.77)	(212.53)
	Inventories	(78.18)	(174.21)	49.44	(177.35)	(132.60)
	Trade Payables & Other Liabilities	44.44	109.78	56.82	(24.10)	258.42
	Cash Generated from Operations	240.94	557.30	304.74	170.23	114.90
	Income Taxes Paid	(65.80)	(174.37)	(55.41)	(4.16)	(0.25)
	Net Cash from Operating Activities	175.14	382.93	249.33	166.07	114.65
B	Cash Flows from Investing Activities	-	-	-	-	-
	Purchase of Fixed Assets & Capital W.I.P.	(11.29)	(151.40)	(59.70)	(123.26)	(496.23)
	Interest Received	5.18	9.81	58.74	6.88	7.04
	Fixed Deposits / Investments	0.00	0.00	0.00	0.00	(0.01)
	Net Cash from Investing Activities	(6.11)	(141.59)	(0.96)	(116.38)	(489.20)
C	Cash Flows from Financing Activities	-	-	-	-	-
	Issue of Share Capital	0.00	0.00	0.00	0.00	53.00
	Proceeds from Borrowings	(99.89)	(79.05)	(76.55)	102.43	483.88
	Increase in Inter Corporate	-	-	-	-	-
	Deposits & Other Loans	-	-	-	-	-
	Share Issue Expenses	-	-	-	-	-
	Interest Paid	(62.43)	(146.94)	(155.87)	(175.71)	(122.83)
	Net Cash used in Financing Activities	(162.31)	(225.99)	(232.42)	(73.28)	414.05
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	6.72	15.35	15.95	(23.58)	39.50
	Cash and Cash Equivalents at the beginning of period	81.64	66.29	50.34	73.92	34.42
	Cash and Cash Equivalents at the end of period	88.36	81.64	66.29	50.34	73.92
	Net Change in Cash {Inc+ /Dec-}	6.72	15.35	15.95	(23.58)	39.50

- i) 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.
- ii) This is cash flow referred to, in our report of even date.

ANNEXURE-VI**STATEMENT OF ACCOUNTING RATIOS**

Particulars	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
	(6 MONTHS)					
Accounting Ratios:						
Earnings per share (Rs)	5.02	3.79	1.02	0.07	(0.74)	0.19
Return on Net worth %	29.46%	26.13%	9.54%	0.77%	-7.88%	1.85%
Net Asset Value per share (Rs)	13.62	14.51	10.71	9.54	9.41	10.20
No. of equity shares of Rs.10 each	8,725,250	6,980,200	6,980,200	6,980,200	6,980,200	6,450,200

ANNEXURE-VII**RESTATEMENT OF SECURED LOANS**

	Particulars as on	30 th Sep-05	31st Mar-05	31st Mar-04	31st Mar-03	31st Mar-02	31st Mar-01	Rate %	Terms of Repayment
	Secured Loans:	(Amount in Rs. Lacs)							
1	From Banks for Working Capital								
	State Bank of India	233.22	323.68	354.38	291.88	295.85	39.89	12.00	Cash Credit Limits reviewed annually
2	Term Loans from Banks / FI								
	SICOM	439.73	510.66	632.01	713.68	735.85	557.33	13.75	Bal. To be paid by Jan 2008, in Qtly. Installments
3	Equipments Finance Loan								
	Vehicle Finance - ICICI Bank	0.00	1.31	5.25	0.00	0.00	0.00		Repaid
	Vehicle Finance - HDFC Bank	5.31	6.44	0.00	0.00	0.00	0.00	7.00	To be repaid in 28 monthly installments till Feb 2008.
4	Others-	-	-	-	-	-	-	-	
	Total	678.27	842.09	991.64	1005.55	1031.71	597.22		

ANNEXURE-VIII

RESTATED STATEMENT OF UNSECURED LOANS

(Rs in Lacs)

Particulars as on	30th Sep-05	31st Mar-05	31st Mar-04	31st Mar-03	31st Mar-02	31st Mar-01	Rate %	Terms of Repayment
	(Amount in Rs. Lacs)							
UNSECURED LOANS:								
Sales Tax Deferred Loan – A/c1	171.81	154.51	134.29	211.48	183.69	147.29	0.00	To be repaid in 15 years, starting from 2011.
Sales Tax Deferred Loan – A/c2	280.51	228.47	167.63	71.61	29.37	0.00	0.00	
Sales Tax Deferred Loan – A/c3	24.75	20.16	14.79	4.44	2.59	0.00	0.00	
Solar Explosives Pvt. Ltd.	0.00	10.00	25.93	30.00	6.13	0.00	11.50	Repaid
Total	477.07	413.13	342.64	317.52	221.79	147.29		

ANNEXURE IX**STATEMENT OF QUOTED INVESTMENTS**

We have audited the Financial Statements of the Company and state that the company does not hold any marketable investments, as on 31st march 2005. Hence, no valuation of quoted investments is required.

Current Investment - Quoted

Fully Paid Equity shares of Rs.10/-each

Particulars	Qty.	Book Value	Market Value
NIL	NIL	NIL	NIL

ANNEXURE - X**RESTATEMENT OF SUNDRY DEBTORS: AGEING ANALYSIS**

We confirm the position, as below:

(Rs in Lacs)

PARTICULARS	Sept 30,	As on March 31,				
	2005	2005	2004	2003	2002	2001
6 MONTHS AND MORE						
Considered Good	-	-	-	-	-	-
- From Promoters/Promoters Group/Group Cos.	-	-	-	-	-	-
- From Others	37.57	53.38	28.02	48.54	7.76	7.73
Considered Doubtful	-	-	-	-	-	-
- From Promoters/Promoters Group/Group Cos.	-	-	-	-	-	-
- From Others	-	-	-	-	-	-
	37.57	53.38	28.02	48.54	7.76	7.73
LESS THAN 6 MONTHS						
- From Promoters/Promoters Group/Group Cos.	-	-	-	-	-	-
- From Others	630.37	491.88	483.59	324.84	359.29	184.55
	630.37	491.88	483.59	324.84	359.29	184.55
TOTAL DEBTORS	667.94	545.26	511.61	373.38	367.05	192.28
Less Provision	-	-	-	-	-	-
- Against Promoters/Promoters Group/Group Cos.	-	-	-	-	-	-
- Against Others	-	-	-	-	-	-
NET DEBTORS BALANCE	667.94	545.26	511.61	373.38	367.05	192.28

ANNEXURE XIA**RESTATEMENT OF LOANS & ADVANCES**

We confirm the position, as below:

(Rs in Lacs)

LOANS AND ADVANCES RECOVERABLE IN CASH & KIND:								
		As at 30th	As at 31st	As at 31st	As at 31st	As at 31st	As at 31st	Terms of
		Sep-05	Mar-05	Mar-04	Mar-03	Mar-02	Mar-01	Repayment
1 DEPOSITS AND ADVANCES								
a.	Deposits & balances with Govt. and Other Authorities	174.60	159.26	143.67	122.13	122.68	84.92	Recoverable in normal course of Business
b.	Advances recoverable in Cash or Kind	89.95	122.92	51.29	120.64	119.42	83.36	Non-Interest bearing advances
c.	Advance Income Tax	18.73	18.69	5.36	1.49	3.26	1.56	
d.	Advance for Purchase of materials	-	4.50	25.50				Repaid
	TOTAL:	283.27	300.87	200.32	122.13	122.68	84.92	

ANNEXURE XIB**LOANS AND ADVANCES MADE TO PERSONS/COMPANIES IN WHICH DIRECTORS ARE INTERESTED**

We have audited the Financial Statements of the Company and confirm that no such loans exist as per audited financials 30th September 2005.

ANNEXURE-XII**CAPITALISATION STATEMENT**

(In Rs. Lacs)

	Particulars	PRE ISSUE AS AT 30.09.2005	POST ISSUE
A	Short term debt	233.22	233.22
B	Long term debt	922.11	5422.11
	Total debt	1155.33	5655.34
	Shareholders fund		
C	Share capital	872.53	1705.86
D	Reserves and surplus	316.54	1983.21
	Sub-Total	1,189.07	3689.07
E	Less: Miscellaneous Expenditure	0.47	200.47
	Total shareholders fund	1,188.60	3488.60
	Long term debt /equity	0.78	1.55

ANNEXURE-XIII**TAX SHELTER STATEMENT**

Rs. in lacs

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
	(6 months)					
Tax rate %age (Including Surcharge)	33.66	36.5925	35.875	36.75	35.70	39.55
Profits	175.11	264.66	71.32	5.12	(51.71)	12.16
Tax at Notional rate	58.94	96.85	25.59	1.88	(18.46)	4.81
Adjustments: Export Profits	-	-	-	-	-	-
Depreciation as per Income Tax Act	56.37	197.71	206.40	242.20	458.18	43.49
Depreciation as per Companies Act	84.55	179.79	190.14	198.43	136.53	43.48
Difference between Tax Depreciation & Book Depreciation	(28.18)	17.92	16.26	43.77	321.65	0.01
Other Adjustments	(1.01)	(4.04)	-			
Net adjustments	(29.19)	13.88	16.26	43.77	321.65	0.01
Tax saving thereon	(9.82)	5.08	5.83	16.09	114.83	0.00
Total taxation	49.12	101.93	31.42	17.97	96.37	4.81
Extra Ordinary Items		-	-	-	-	-
Taxation on extra-ordinary items		-	-	-	-	-
Tax on profits before extra- ordinary items	49.12	101.93	31.42	17.97	96.37	4.81
Deferred Tax Liability for the Year	(25.12)	151.85	45.66	3.42	0.00	0.00

ANNEXURE-XIV

RELATED PARTY TRANSACTIONS

Related Party Transactions (As Per AS-18)			
A. List of related parties over which control of the company exist -			NONE
B. Name of the related Parties with whom the transaction were carried out with the Company.			
Name of the Related Parties		Relationship	
A.L.Malu		Associate / KMP	
Malu Electrodes Pvt.Ltd, Nagpur		Associate Co.	
Sunflame Fuels Pvt.Ltd; Nagpur		Associate Co.	
Narayan Traders, Nagpur		Associate Co.	
Shree Sales Corporation		Associate Co.	

* KMP means Key Management Personnel

Details of Related Party Transactions during the year							
							(In Rs Lacs)
Particulars	As on 30.09.05	As on 31.03.05	As On 31.03.04	As on 31.03.03	As on 31.03.02	As on 31.03.01	Nature of Relationship
Transactions During the year	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount	
1 Purchase of Welding Electrodes							
Malu Electrodes Pvt.Ltd; Nagpur	0.24	0.37	0.55	0.16	-	-	Associate Co.
2 Purchase of DEPB License							
Sunflame Fuels Pvt.Ltd; Nagpur	-	0.64	0.00	-	-	-	Associate Co.
3 Purchase of Coal							
Sunflame Fuels Pvt.Ltd; Nagpur	-	1.56	0.00	-	-	-	Associate Co.
Shree Sales Corporation, Nagpur	-	-	-	-	1.79	-	Associate Co.
4. Sale of Coal							
Narayan Traders, Nagpur	-	-	-	31.57	26.70	54.53	Associate Co.
Shree Sales Corporation, Nagpur	-	-	-	-	-	46.05	Associate Co
5 Sale of Kraft Paper							
Malu Electrodes Pvt.Ltd; Nagpur	2.44	0.00	0.00	-	-	-	Associate Co.
6 Salary							
A.L.Malu, Nagpur	0.72	1.30	1.20	1.20	0.96	0.96	Associate / KMP
Sub-Total	3.40	3.87	1.75	32.93	29.45	101.54	

ANNEXURE XV TO AUDIT REPORT

RESTATED STATEMENT ON CONTINGENT LIABILITIES

We confirm the position, as below:

CONTINGENT LIABILITIES: AS ON BALANCE SHEET DATE ENDING ON:

		30th	31st	31st	31st	31st	31st
		Sep-05	Mar-05	Mar-04	Mar-03	Mar-02	Mar-01
		(In Rs. Lacs)					
1	CONTINGENT LIABILITIES:						
	a. Bank Guarantees Outstanding	6.75	6.75	5.75	5.75	3.75	0.10
	b. Letters of Credit	242.09	137.51	138.29	69.97	70.02	0.00
	TOTAL:	248.84	144.26	144.04	75.72	73.77	0.10

ANNEXURE XVI**STATEMENT OF DIVIDEND PAID FOR THE LAST FIVE YEARS:**

We have audited the Financial Statements of the Company and state that no dividend has been paid by the company in the last five audited years.

ANNEXURE XVII**BREAK UP OF OTHER INCOME**

We confirm the position as below,

(Rs.in Lacs)

PARTICULARS	Half year ended Sept 30,	For the year ended March 31,				
		2005	2005	2004	2003	2002
Interest on FDR	2.70	5.19	4.25	3.99	3.44	1.94
Interest on Security Deposit (MSEB)	0.85	1.68	0.82	0.80	0.83	0.41
Interest on Income Tax Refund		0.02	0.12			
Interest on Others	1.55	0.64	2.29	0.51	1.03	
Scrap Sale	0.63	1.83	1.87	1.58	1.74	1.05
Profit/(Loss) on Sale of Fixed Assets	(0.55)	0.45	49.39			
Discount on Pre-payment of Deferred Tax						
TOTAL	5.18	9.81	58.74	6.88	7.04	3.40

ANNEXURE XVIII**STATEMENT OF RESTATED SEGMENT INFORMATION:**

We have audited the Financial Statements of the Company and report that, the company operates in only one segment i.e. manufacture of "Paper". Since the company has only one reportable business segment and single geographical operation, no further disclosure is required under Accounting Standard 17, on segmental reporting of the Institute of Chartered Accountants of India.

ANNEXURE XIX**DETAILS OF CONSOLIDATED AND ADJUSTED INDIAN GAAP ACCOUNTS FOR THE LAST 5 YEARS**

It is clarified that the company operates as a single unit and has no subsidiaries. Hence, no consolidation under Indian GAAP is required be made with any other unit(s) in the group.

Details Of Project Specific Term Loan sanctioned by Bank/Financial Statements

Institution/Bank	Sanctioned Amount	Amount Outstanding	Rate of interest p.a (%)	Repayment Terms	Securities Offered
Bank of India	1000	1000	1.75 % below BPLR i.e. 9% p.a (minimum) to be reset every two years	Repayment in 20 quarterly instalments after two years of moratorium	First pari passu charge on the fixed assets of the company
Bank of Baroda	1000	1000	9% p.a. (fixed) payable monthly (subject to approval by BCC)	Repayment in 20 quarterly instalments after two years of moratorium	First pari passu charge on the fixed assets of the Company present and future

2. FINANCIAL INFORMATION OF GROUP COMPANIES

The information for the last 3 years based on the audited statements in respect of all the Companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 or are given in the Offer document under the head "Financial Information of Group Companies".

1. Shree Sales Corporation Pvt Ltd

Shree Sales Corporation initially a partnership firm came into being on 6th January 1994. It was converted into a Private Limited Company on November 24, 2004. The company has its registered office at 1249, Neelkamal, C.A. Road, Gandhibagh, Nagpur – 2. The Company is engaged in supply, trading, and transportation of steam coal, lignite and imported coal for the last thirteen years. Based in Nagpur and catering to fuel demand of diverse industries such as, Sponge Iron & steel, Textile, Yarn, Synthetics, FMCG, Chemical & bulk drugs, Paper etc operating from full fledged offices located at Mumbai, Surat, Chandrapur, and Wani.

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Damodarlal Ramlal Malu	Director
Mr. Purushottam Ramlal Malu	Director

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	1416.77	1335.77	1549.79
Profit after tax (PAT)	6.09	22.31	11.11
Share Capital ⁽¹⁾ / Capital Account	335.00	95.46	89.91
Reserves (excluding revaluation reserve)	6.09	0.00	0.00
Miscellaneous Expenses	3.77	0.00	0.00
Earnings per share (EPS)	0.18	0.23	0.12
Net Asset Value (NAV) per share	10.07	-	-
Net worth	337.32	95.46	89.91

Source: Audited Financial Statements

Notes:

1. Face value of each equity share is Rs. 10
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered. Share application money pending allotment has not been considered.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

2. Sunflame Fuels Pvt Ltd

Sunflame Fuels Pvt Limited was incorporated on 18-11-1991 under the Companies Act 1956 as a Private Limited Company. The Company is engaged in the processing of Manganese Oxide Powder, High Grade Manganese Dioxide with an annual capacity of 18000 TPA per annum. New generation process equipment are used for production of Granulated Manganese Di oxide, Feed Grade Products and Battery grade Manganese Dioxide Powder, High Grade Manganese Dioxide for Aromatic & aldehyde industries, Zinc smelters etc.

The plant is located 50 Km away from Nagpur City on Nagpur Bhopal National Highway. The Inland Container Depot (ICD) at Ajni, Nagpur provides excellent facilities for the purpose of Export of finished goods of the unit.

Board of Directors

The following is the Board of Directors:

Name	Designation
1. Mr. Shrawankumar Ramlal Malu	Director
2. Mr. Venugopal Punamchand Malu	Director

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	621.94	347.78	129.69
Profit after tax (PAT)	15.69	8.64	15.03
Share Capital ⁽¹⁾	86.00	86.00	86.00
Reserves (excluding revaluation reserve)	70.28	54.59	47.21
Miscellaneous Expenses	-	-	-
Earnings per share (EPS)	18.24	10.05	17.48
Net Asset Value (NAV) per share	181.72	163.48	154.89
Net worth	156.28	140.59	133.21

Source: Audited Financial Statements

Notes:

- Face value of each equity share is Rs. 100
- For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered. Share application money pending allotment has not been considered.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

3. Malu Electrodes Pvt Ltd

The Company was incorporated on September 5, 1990 as a Private Limited Company with registered office at 111, "Ramkrishna", Chapru Nagar Square, Central Avenue, Nagpur – 440 008. The Company is engaged in the production of Rutile type, medium coated Mild Steel E 6013 Welding Electrodes, under brand names " Mangalam" & "High Tide". The product is manufactured under technical know how from BHEL- Welding Research Institute, Trichy. The product is used in wide range of fabrication works, storage tanks, rail wagons, coaches, bridges, machinery, construction, buildings, ship building etc.

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Punamchand Ramlal Malu	Director
Mr. Shrawankumar Ramlal Malu	Director

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	1128.18	628.16	448.02
Profit after tax (PAT)	42.16	(17.61)	5.36
Share Capital ⁽¹⁾	93.00	93.00	90.00
Reserves (excluding revaluation reserve)	109.96	67.79	58.40
Miscellaneous Expenses	0.25	0.37	0.50
Earnings per share (EPS)	45.34	(18.94)	5.96
Net Asset Value (NAV) per share	217.97	172.49	164.34
Net worth	202.71	160.42	147.90

Source: Audited Financial Statements

Notes:

1. Face value of each equity share is Rs. 100
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered. Share application money pending allotment has not been considered.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

4. Salasar Alloy & Steel Industries Pvt Limited

The Company was incorporated on August 25, 2004 as a Private Limited Company with its registered office at "Heera Plaza", 4th Floor, Central Avenue, Nagpur - 440 002. The Company was incorporated with the main object of carrying on the business of manufactures, dealers, importer, exporter in iron, steel, aluminium, brass, copper and all other ferrous and non ferrous metal and metal alloy. The Company is engaged in the manufacture of MS Ingots with an installed capacity of 24000 TPA per annum, 3000 TPA Hi Grade Casting. The plant has commenced commercial production in the month of April 2005.

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Vasudeo Bhanwarlal Malu	Director
Mr. Shrawankumar Ramlal Malu	Director

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	-	-	-
Profit after tax (PAT)	-	-	-
Share Capital ⁽¹⁾	170.00		-
Reserves (excluding revaluation reserve)	0.00	0.00	-
Miscellaneous Expenses	2.488		-
Earnings per share (EPS)	-	-	-
Net Asset Value (NAV) per share	98.54		-
Net worth	167.51		-

Source: Audited Financial Statements

Notes:

1. Face value of each equity share is Rs. 10
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered. Share application money pending allotment has not been considered.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

5. Solar Carbon Pvt Ltd

The Company was incorporated on February 24 1989. The registered office of the Company is at 44 J.C. Apartment, Lal Imli Chowk, Gandhibagh, Nagpur – 440 002. The main object of the company is to manufacture special smokeless fuel coal.

Board of Directors

The following is the Board of Directors:

Name	Designation
Mr. Banwarilal Malu	Director
Mr. Vasudeo Malu	Director

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	512.56	834.63	636.49
Profit after tax (PAT)	(1.65)	0.62	0.64
Share Capital ⁽¹⁾	29.00	29.00	29.00
Reserves (excluding revaluation reserve)	41.50	43.15	42.53
Miscellaneous Expenses	0.00	0.00	0.02
Earnings per share (EPS)	(5.68)	2.12	2.20
Net Asset Value (NAV) per share	243.09	248.77	246.56
Net worth	70.51	72.15	71.51

Source: Audited Financial Statements

Notes:

1. Face value of each equity share is Rs. 100
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered. Share application money pending allotment has not been considered.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

6. Narayan Traders

It is a proprietorship concern. Mr. Vasudeo Malu is the sole proprietor of the firm. The firm is located at 44 J.C. Apartment, Lal Imli Chowk, Gandhi Bag, Nagpur- 440 002. It is engaged in the supply, trading and transportation of Steam Coal, lignite and imported coal for over two decades. It is catering to fuel demand of different industries making synthetics, FMCG, Chemical, paper .

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	4914.83	3358.75	2511.25
Profit after tax (PAT)	30.30	19.64	14.84
Capital Account	155.83	157.67	33.19
Reserves (excluding revaluation reserve)	-	-	-
Miscellaneous Expenses	-	-	-
Net Asset Value (NAV) per share	-	-	-
Net worth	155.83	157.67	33.19

Source: Audited Financial Statements

Notes:

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Firm.

7. Vindhya Transport Company

Mr. Purushottam Malu, proprietor of the said concern started the business of supply and liasioning in Coal to the industries namely cement, textiles etc in the year 1996 in Nagpur. The firm is located at 1249, Neelkamal, C.A. Road, Gandhibagh, Nagpur – 2.

The financial highlights for the last 3 years are given below:

(Rs. in lacs)

Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	1207.13	46.42	17.22
Profit after tax (PAT)	6.70	12.35	3.85
Capital Account	25.76	43.94	3.05
Reserves (excluding revaluation reserve)	-	-	-
Miscellaneous Expenses	-	-	-
Net Asset Value (NAV) per share	-	-	-
Net worth	25.76	43.94	3.05

Source: Audited Financial Statements

Notes:

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Firm.

8. Bharat Enterprises

Mr. Ghasiram Malu, proprietor of the said concern started the business of trading & liasioning of Coal in the year 1996 in Nagpur. The firm is located at 1249,Neelkamal, C.A. Road, Gandhibagh, Nagpur - 2.

The financial highlights for the last 3 years are given below:

Year Ended March 31	(Rs. in lacs)		
	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income	920.61	1039.67	450.69
Profit after tax (PAT)	2.16	5.53	1.82
Capital Account	1.16	4.88	-0.38
Reserves (excluding revaluation reserve)	-	-	-
Miscellaneous Expenses	-	-	-
Net Asset Value (NAV) per share	-	-	-
Net worth	1.16	4.88	(0.38)

Source: Audited Financial Statements

Notes:

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Firm.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION AS REFLECTED IN THE FINANCIAL STATEMENTS

Overview of the business of the Company

The Company was incorporated on 11th January 1994 as a Public Limited Company in the name of Malu Solvex Ltd. Later on the name of the Company was changed to Malu Paper Mills Ltd on 24th April 1998. Malu Family of Nagpur has promoted the Company. The group is amongst the reputed business groups of Nagpur. Besides paper, the group is also engaged in manufacturing & trading of Welding Electrodes, Manganese, Coal, Lignite, Imported Coal, MS Steel ingots etc.

The promoters being very well established in the business of Coal, Lignite etc. wanted to diversify the business by entering into manufacturing field. During the course of search for a suitable industrial center they found Nagpur as fast developing big industrial center with full infrastructure facilities and having very good rail, road and air connection with all major business Centers like Mumbai, Delhi, Kolkata and Chennai. Considering the vast potential market in the paper industry, the promoters of Malu Paper Mills Ltd. have set up paper manufacturing unit at its site. The units are having a capacity of 8250 TPA of Kraft Paper and 19800 TPA of Newsprint. The first paper machine commenced production in the year 1996 having capacity to produce 5940 TPA Kraft paper. Later with little change and up gradation the plant is running with an installed capacity of 8250 TPA. This plant is running successfully since its inception. Having achieved experience of running and looking at demand and supply position and also looking at the growth and future prospects of Newsprint industry, the promoters decided to add another plant for the manufacturing of Newsprint having capacity of 19800 TPA at the same site. The plant commenced production in record time of thirteen months in 2001.

Cash Flow

The table below summaries the cash flow for the half year ended Sept 30, 2005; the year ended March 31, 2005 and March 31, 2004.

	(Rs in lacs)		
	Half Year ended Sep 30, 2005	Financial Year Ended March 31 st 2005	Financial Year Ended March 31 st 2004
Cash Flow from Operating Activities	175.14	382.93	249.33
Cash Flow from Investing Activities	(6.11)	(141.59)	(0.96)
Cash Flow from Financing Activities	(162.31)	(225.99)	(232.42)
Net Cash Increase/(Decrease) in Cash & Cash Equivalents	6.72	15.35	15.95

Significant developments subsequent to the last financial year:

The Directors of the Company confirm that in their opinion, no circumstances have arisen since the date of the last financial statements as disclosed in the draft prospectus and which materially and adversely affect the trading or profitability of the Company, or the value of its assets or its ability to pay its liabilities within the next twelve months.

Factors that may affect results of operations

Except as otherwise stated in this draft Prospectus and the following important factors could cause actual results to differ materially from the expectations,

- Constrains in availability of raw materials and fuel i.e. waste paper and coal
- The Company is in cyclical industry
- International prices of paper
- Rupee depreciation vis-à-vis major international currencies
- Import tariffs

- f) Domestic duties and taxes
- g) Changes in brand preferences
- h) Changes in government policies
- i) Changes in fiscal, economic or political conditions in India
- j) Increases in labour costs, raw material prices and allied costs

Discussion of the results of Operations

The following discussion on the financial operations should be read in conjunction with the audited result of the company for the half year ended 30th September 2005 and for the years ended 31st March 2005, 2004 and 2003.

A summary of the past financial results based on the restated accounts are given below:

(Rs in Lacs)

Particulars	For six months ended 30 th September 2005	For the year ended 31 st March		
		2005	2004	2003
Production in MT (Kraft Paper and Newsprint)	13367.19	26116.86	26276.431	21773.13
INCOME				
Operational Income / Sales	2,609.76	4,876.34	4,599.54	3,581.29
Other Income	5.18	9.81	58.74	6.88
Increase (Decrease) in Inventories	(24.18)	11.86	29.33	(53.29)
Total	2,590.76	4,898.02	4,687.61	3,534.88
EXPENDITURE				
Raw Material Consumed	1,169.89	2,078.04	2,327.29	1,678.08
Manufacturing Expenses	807.94	1,650.83	1,524.30	1,208.45
Administrative Expenses	199.20	349.26	317.14	225.90
Staff Costs	25.85	54.13	46.14	39.03
Total Expenditure	2,202.88	4,132.26	4,214.87	3,151.46
EBIDTA	387.88	765.76	472.74	383.42
Interest	62.43	146.94	155.87	175.71
Depreciation	84.55	179.79	190.14	198.43
PBT	240.91	439.03	126.73	9.28
Provision for taxation	65.80	174.37	55.41	4.16
PAT	175.11	264.66	71.32	5.12

Results of operations of the company

(Rs in lacs)

	HY 2005-06	FY 2005	FY 2004	FY 2003
Total Income				
Raw Material Consumed	1169.89	2078.04	2327.29	1678.08
Raw Material Consumed as a % of Total Income	45.16%	42.43%	49.65%	47.47%
Manufacturing expenses	807.94	1650.83	1524.3	1208.45
Manufacturing expenses as a % of total income	31.19%	33.70%	32.52%	34.19%
Employee Cost	25.85	54.13	46.14	39.03
Employee Cost as a % of Total Income	1.00%	1.11%	0.98%	1.10%
Administrative & Other Expenses	199.2	349.26	317.14	225.9
Administrative & Other Expenses as a % of Total Income	7.69%	7.13%	6.77%	6.39%
EBIDTA	387.88	765.76	472.74	383.42
EBIDTA as a% of Total Income	14.97%	15.63%	10.08%	10.85%

Interest	62.43	146.94	155.87	175.71
Interest Expenses as a% of Total Income	2.41%	3.00%	3.33%	4.97%
Depreciation	84.55	179.79	190.14	198.43
Depreciation as a % of Total Income	3.26%	3.67%	4.06%	5.61%

Comparison of Performance and Analysis of Development for Financial Half Year ended September 30th 2005 vis-à-vis March 31st 2005

Sales Revenues

The Company continues to report impressive performance in half year ended September 30, 2005 and has already achieved a turnover of Rs 2609.76 Lacs.

Raw Material Consumed

Raw Material consumed as a percentage of Total Income has increased from 42.43% in fiscal 2005 to 45.16% in half year ended September 30, 2005 due to the increase in the raw material prices. However the company has taken initiatives for efficient utilisation of resources and increased profit margins.

Manufacturing Expenses

Manufacturing expenses as a percentage of total income has reduced from 33.70% in fiscal 2005 to 31.19% in half year ended September 30, 2005. This was mainly due to the efficient utilisation of production capacity and effective cost control.

Employees Cost

Staff costs have decreased by 4.50% in absolute terms as other staffs benefits such as bonus, gratia is usually paid at the ended of the fiscal year.

Administrative & Other Expenses

Administrative and other expenses as a percentage of Total Income has increased from 7.13% in fiscal 2005 to 7.69% in half year ended September 30, 2005. Such increase is due to increase in administrative expenses like repairs & maintenance, insurance etc.

Earnings before Interest, Depreciation & Taxation (EBIDTA)

EBIDTA as a percentage of total income decreased from 15.63% in Fiscal 2005 to 14.97% in half year ended September 30, 2005. Such decrease is due to the overall impact of increase of operational cost. However the company is taking steps to improve sales realization, enhance capacity utilisation and control on raw material cost.

Interest Expense

Interest expenses as a percentage of total income decreased from 3.00 % in Fiscal 2005 to 2.41% in half year ended September 30, 2005 due to decrease in Secured Loans.

Depreciation

Depreciation has as a percentage of total income decreased from 3.67 % in Fiscal 2005 to 3.26% in half year ended September 30, 2005 as the company provides depreciation on the written down value method and there has not been substantial addition of fixed assets in half year ended September 30, 2005

Profit After Tax (PAT)

PAT for the half-year ended September 30, 2005 was Rs 175.11 lacs and that for 31st March 2005 was 264.66 lacs. The increase in PAT margin of 6.76% as compared to PAT margin of 5.40% is mainly on account of increase in sales and improved cost management.

Comparison of FY ended 31st March 2005 with F.Y. ended 31st March 2004**Sales Revenues**

Sales increased from Rs. 4,599.54 lacs during the year ended March 31st 2004 to Rs. 4,876.34 lacs for the year ended 31st March 2005 – a substantial growth of about 6.02%. The increase in sales was on account of change in product mix and ability to pass on increase in paper prices to consumer.

Raw Material Consumed

Raw Material consumed as a percentage of Total Income has decreased from 49.65% for the year ended March 31st 2004 to 42.43% for the year ended 31st March 2005 due to the decrease in the raw material prices, initiatives taken by the company for efficient utilisation of resources and increased profit margins.

Manufacturing Expenses

Manufacturing expenses as a percentage of total income has increased from 32.52% for the year ended March 31st 2004 to 33.70% for the year ended 31st March 2005. However, the company took steps for efficient utilisation of production capacity and effective cost control.

Employees Cost

Staff costs increased by 17.33% in absolute terms for the year ended March 31st 2005 as compared to FY ended 31st March 2004 due to periodical increments. As a percentage of total employees cost increased from 0.98% during FY ended March 31st 2004 to 1.11% in the FY ended March 31st 2005

Administrative & Other Expenses

Administrative and other expenses as a percentage of Total Income has increased from 6.77% during FY ended March 31st 2004 to 7.13% during FY ended March 31st 2005. Such increase is due to increase in administrative expenses like repairs & maintenance, insurance etc.

Earnings before Interest, Depreciation & Taxation (EBIDTA)

EBIDTA as a percentage of total income increased from 10.08% during FY ended March 31st 2004 to 15.63% during FY ended March 31st 2005 due to improved sales realization, and control on raw material cost..

Interest Expense

Interest expenses as a percentage of total income decreased from 3.33 % during FY ended March 31st 2004 to 3.00% during FY ended March 31st 2005 due to decrease in Secured Loans.

Depreciation

Depreciation has as a percentage of total income decreased from 4.06% during FY ended March 31st 2004 to 3.67% during FY ended March 31st 2005 as the company provides depreciation on the written down value method

Profit After Tax (PAT)

PAT for the year ended March 31st 2005 was Rs. 264.66 lacs, more than 3 times of the PAT for the previous year, which was Rs. 71.32 lacs. Thus, the PAT margin has also increased substantially by 5.43%. The increase in PAT was mainly on account of better cost control measures and decrease in input cost and better sales realization.

Comparison of FY ended 31st March 2004 with F.Y. ended 31st March 2003**Sales Revenue**

Sales increased from Rs. 3,581.29 lacs during the year ended March 31st 2003 to Rs. 4,599.54 lacs for the year ended 31st March 2004 registering an increase of 28.43%. This is due to increase in production capacity from 21773.13 MT in FY2003 to 26276.431 MT in FY2004.

Raw Material Consumed

Raw Material consumed as a percentage of Total Income has increased from 47.47% for the year ended March 31st 2003 to 49.65% for the year ended 31st March 2004 due to the increase in the raw material prices,

Manufacturing Expenses

Manufacturing expenses as a percentage of total income has decreased from 34.19% for the year ended March 31st 2003 to 32.52% for the year ended 31st March 2004 due to efficient utilisation of production capacity and effective cost control.

Employees Cost

Staff costs increased by 6.77% in absolute terms for the year ended March 31st 2004 as compared to FY ended 31st March 2003 due to periodical increments. However as a percentage of total employees cost, employee cost decreased from 1.10% during FY ended March 31st 2004 to 0.98% in the FY ended March 31st 2004

Administrative & Other Expenses

Administrative and other expenses as a percentage of Total Income has increased from 6.39% during FY ended March 31st 2003 to 6.77% during FY ended March 31st 2004. Such increase is due to increase in administrative expenses like repairs & maintenance, insurance etc.

Earnings before Interest, Depreciation & Taxation (EBIDTA)

EBIDTA as a percentage of total income decreased from 10.85% during FY ended March 31st 2003 to 10.08% during FY ended March 31st 2004. Such decrease is due to the overall impact of increase of operational cost

Interest Expense

Interest expenses as a percentage of total income decreased from 4.97% during FY ended March 31st 2003 to 3.33% during FY ended March 31st 2004 due to decrease in Secured Loans.

Depreciation

Depreciation has as a percentage of total income decreased from 5.61% during FY ended March 31st 2003 to 4.06% during FY ended March 31st 2004 as the company provides depreciation on the written down value method and there has not been substantial addition of Fixed Assets during FY ending March 31st 2004

Profit after Tax (PAT)

PAT increased from Rs. 5.12 lacs during the year ended 31st March 2003 to Rs. 71.32 lacs for the year ended 31st March 2004.

Information required as per Clause 6.10.5.5 of SEBI Guidelines**1. Unusual or infrequent events or transactions**

There have been no unusual or infrequent events or transactions that have significantly affected the business of the Company."

2. Significant economic changes that materially affect or are likely to affect income from continuing operations

There are no significant economic /regulatory changes that materially affect or are likely to affect the income from continuing operations.

3. Known trends or Uncertainties

Since the Company has a suitable product mix, it is not affected by the vagaries of seasons or sudden surges in the market.

4. Future relationship between costs and income

Increase in the price of raw materials such as imported and domestic waste papers could materially affect cost as a percentage of revenue. The risk on account of price fluctuation is reduced to a significant extent considering the fact that a rise in the price of the basis raw material is passed on in the form of increased prices of the finished products..

5. Total turnover of each major industry segment in which the Company operates

The Company is operating in only one segment i.e. manufacture of "paper".

6. New Products or business segments

The company operates in the manufacturing of Kraft Papers and Newsprints, and the total revenue of the company represents revenue derived from this segment only. Though no new products have been introduced, consistent efforts are being made to upgrade the quality of the existing products.

7. Seasonality of business

The company being in the cyclical industry operating results has historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of paper, fluctuation in rupee value, import tariff, domestic duties and taxes, changes in relationship between revenue and cost and consolidation in the paper industry, effect of seasonality, availability of raw material, change of Govt. policies, addition of new machinery and other general economical and business factors. Due to all or any of these factors it is possible that in some future year the company's operating results may vary from the expectations of share holders, market analysis and public.

8. Dependence on single or few suppliers/customers

Though the Company is dependent on few customers, the Company is planning to increase the customer base by going for the proposed expansion of the Newsprint with 49500 TPA capacity.

9. Competitive Conditions

The Company is suitably placed to have a competitive edge over its competitors due to the following reason:

- i. Market reputation of Promoters
- ii. Established quality among the customer in the domestic market and
- iii. Operating cost advantage with the proposed installation of 6 MW Co-generation power plant.

V. LEGAL AND OTHER INFORMATION**1. OUTSTANDING LITIGATIONS**

There are no outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).

No disciplinary action/investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.

Except as provided below there are no other outstanding litigations including statutory dues, commercial disputes, patent disputes etc. No Criminal proceedings have been launched against the Company or any of the Directors for any of the offenses under the enactment specified in paragraph 1 of schedule XIII of the Companies Act 1956.

The Company has not defaulted in any economic dues, statutory dues, Bank dues, institutional dues and any dues to instrument holders

CONTINGENT LIABILITIES NOT PROVIDED FOR BY THE COMPANY.

As on 30th September 2005 the contingent liability outstanding against our company is as follows:

Particulars	In Rs. Lacs
In respect of Bank Guarantees Given	6.75
In respect of Letter of Credits	242.09
Total	248.84

1. Outstanding Litigation's against Malu Paper Mills Limited**A. CUSTOMS AND CENTRAL EXCISE LITIGATIONS**

Sr. No.	Case No	Assessing Authority	Background of the case	Date of Institution	Present Status	Financial Implications on the issuer	Amount Involved	Provisions made in the Financial Statement
1.	E/3622/03-MUM/478 Dt.17/03/04 Commissioner of Central Excise, Nagpur v/s Malu Paper Mills Ltd., Saoner, Nagpur	Customs, Excise & Service Tax Appellate Tribunal West Zone Branch, Mumbai	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice under section 129	17/03/2004	The case was adjudicated in favour of Malu Paper Mills Ltd by Commissioner (Appeal). The Department has gone into appeal in CESTAT. The matter is presently pending for hearing.	If Commissioner of Central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty, Penalty and Interest, as mentioned herein.	Basic Duty Amount under Dispute Rs. 1448548/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05 . Net impact of above , shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.

			A(4)/35 B(4)/81(5) of the customs Act, 1962/ Central Excise & Salt Act, 1944/ Gold (Control) Act, 1968, has been served to Malu Paper Mills Ltd.					
2.	Show Cause Notice No. V(48)15- 269/Adj/2003 Dt. 29/08/2003 Joint Commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Joint Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	29/08/2003	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Joint Commissioner of Central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 263240/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05. Net impact of above, shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.
3.	Show Cause Notice No.V(48)15-269/ Adj/2003/6246 Dt. 26/07/04 Asst. Commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Asst. Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturer separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	26/07/2004	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Asst. Commissioner of Central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 432985/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05 . Net impact of above , shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.

4.	Show Cause Notice No.V(48)15-269/Adj/2003/6247 Dt. 26/07/04 Asst. Commissioner Customs & Central Excise, Nagpur V/s. Malu Paper Mills Ltd., Saoner, Nagpur	The Asst. Commissioner Central Excise, Nagpur	Benefit of duty free clearances of 3500 Mt of Paper and Paper Board under Notification No. 3/2001 and 6/2002 is available to two units of the same manufacturers separately, Which has been claimed by Malu Paper Mills Ltd, which the department has contested. Accordingly, Notice Under Sec. 11-A of Central Excise Act.1944, has been served to Malu Paper Mills Ltd.	26/07/2004	The Case is awaiting final decision of Case No. E/3622/03, as these notices are a continuation of the same case.	If the Asst. Commissioner of Central Excise Nagpur who filed the case succeeds in the matter then Malu Paper Mills Ltd., will have to submit the demand of Central Excise Duty.	Basic Duty Amount under Dispute Rs. 378830/-	CENVAT Credit of Rs. 9831978.95 lying unclaimed as on 30/09/05. Net impact of above, shall not put any financial burden on the company. However, cost of Interest & penalty, if any, will have to be paid in cash.
			TOTAL				2523603/-	

B. LABOUR LITIGATIONS

1.	U.L.P.A NO. 12/2000 Loknath Poundwal v/s Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	24/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
2.	U.L.P.A. No. 13/2000 Premnarayan singh V/s. Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	24/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
3.	U.L.P.A No. 741/99 Devidas Turankar V/s. Malu Paper Mills Ltd.	3 rd Labour Court Nagpur	Oral Termination Dt. 14/10/1999 and Claim reinstatement with continuity of service and back wages	12/01/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	203050/-	NIL
4.	U.L.P.A. No. 235/2000 Arjundas Paneriya v/s. Malu Paper Mills Ltd.	3 rd Labour Court, Nagpur	Against the Dismissal order issue by Malu Paper Mills Ltd on dated 31/03/2000	01/06/2000	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	240000/-	NIL

5.	Ref IDA No. 33/99 Shailesh Kumar Nikaju v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 15/01/1998 and Claim reinstatement with continuity of service and back wages	28/02/2000	Fix for return statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	216250/-	NIL
6.	Ref IDA No. 34/99 Mahendra Tabane v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 15/01/1998 and Claim reinstatement with continuity of service and back wages	28/02/2000	Fix for return statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	216250/-	NIL
7.	MISC Ref IDA No. 9/2003 Surendra Tikaram Baghale v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Setting aside dismissed of Ref No. 54/99	11/09/2003	Fix for reply to condonation of delay application	No	216250/-	NIL
8.	Ref IDA No. 8/2003 Raju Likhar v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Setting aside dismissed of Ref No. 20/99	11/09/2003	Fix for reply to condonation of delay application	No.	216250/-	NIL
9.	MISC Ref IDA No. 10/2003 Devanand Bhimrao Nagrale v/s Malu Paper Mills Ltd.	1 st Labour Court, Nagpur	Setting aside dismissed of Ref No. 82/99	11/09/2003	Fix for reply to condonation of delay application	No.	216250/-	NIL
10.	Ref IDA No. 81/99 Mr. Krishna Gopalrao Choudhary v/s Malu Paper Mills Ltd.	2 nd Labour Court, Nagpur	Oral Termination Dt. 25/05/1998 and Claim reinstatement with continuity of service and back wages	24/11/1999	Fix for return Statement	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	205576/-	NIL
11.	U.L.P.A. No. 513/99 Bhoj Bahadur v/s. Malu Paper Mills Ltd.	3 rd Labour Court, Nagpur	Oral Termination Dt. 02/06/1999 and Claim reinstatement with continuity of service and back wages	05/08/1999	Fix for Evidence	If employee who filed the complaint will succeed in the matter then Malu Paper Mills Ltd. Will have to reinstate him	175000/-	NIL

2. Outstanding Litigations against Group Company

Sr. No.	Case No	Assessing Authority	Background of the case	Date of Institution	Present Status	Financial Implications on the issuer	Amount Involved	Provisions made in the Financial Statement
1	Appeals filed at CESTAT order No A/1287 to 1300/WZB/C III-/S/618-631/ZB 2005C III by Malu Electrodes Pvt. Ltd.	CESTAT, West Zone Bench, Mumbai.	Order No 77-79/2004/C passed by the commissioner of Central Excise Nagpur confirming demand for differential duties and penalties	Show Cause Notices 17.02.03 and 21.11.2003	Pending adjudication before the CESTAT	The CESTAT has given order dated 22.09.2005 disposing the appeal in favour of Malu Electrodes Pvt Ltd and remanded the appeals to the commissioner for fresh adjudication.	Rs 381.04 Lacs	NIL

Amount Outstanding to SSI Undertaking or other creditors

For details of SSI Undertaking or other creditors to whom amount is outstanding for more than 30 days, please refer Annexure IV A to the Auditor's Report on page 80.

MATERIAL DEVELOPMENTS SINCE THE LAST BALANCE SHEET DATE

The directors confirm that there have been no events or circumstances since the date of the last financial statements, which materially and adversely affect or is likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

2. Government Approvals/Licensing Arrangements

Investment Approvals (FIPB/RBI, etc.)

As per Notification No. FEMA 20/2000 -RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for issue of equity shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

All Government and Other Approvals

The Company has received all the necessary licenses, permissions and approvals from the Central and State Government and other government agencies/certification bodies required for its existing units. Further approvals are required by the Company for carrying on the proposed business activities of the Company which is detailed below under the heading "To be Applied " which the company expects to receive shortly. It must, however, be distinctly understood that in granting the above approvals, the Central Government, RBI and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and the current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Sl No	Issuing Authority	Registration/License No.	Nature of Registration/License
1.	Registrar of Companies, Maharashtra, Mumbai	11-76009 DT.11/01/1994	Certificate Of Incorporation
2.	Customs & Central Excise, Division II, Nagpur	AACCM4333MXM001	Central Excise Registration Certificate
3.	Customs & Central Excise, Division II, Nagpur	AACCM4333MXM002	Central Excise Registration Certificate
4.	Sales Tax Department, Maharashtra	440002/S/292 DT.01/04/1996	The Bombay Sales Tax Regn.
5.	Sales Tax Department, Maharashtra	441107/S/181 DT.16/11/2000	The Bombay Sales Tax Regn.
6.	Central Sales Tax Department, Maharashtra	440002/C/201 DT.24/2/1994	The Central Sales Tax Regn.
7.	Commissioner Of Income Tax, Vidarbha	AACCM4333M	Permanent Account Number
8.	Central Excise & Customs, Division-II, Nagpur	ST-230/CEX-DN-II/NGP/GTA/2005	Service Tax Registration Certificate
9.	Central Excise & Customs, Division-II, Nagpur	ST-229/CEX-DN-II/NGP/GTA/2005	Service Tax Registration Certificate
10.	Industrial Safety & Health Department, Maharashtra	168-96/13239-43 DT.12/09/1996	Factory Act License No.
11.	GOI (Ministry Of Commerce), Maharashtra	0396004067 DT.24/04/1996	Importer-Exporter Code

MALU PAPER MILLS LIMITED

12.	Regional Provident Fund Commissioner, Nagpur	MH/62165	Employees Provident Fund
13.	Professional Tax Department, Maharashtra	PTR/34/215	Professional Tax Regn
14.	Maharashtra Pollution Control Board, Mumbai	BO/RONR/NGP-82/R/CC-129 DT.29/08/2001	Consent To Operate
		BO/RONR/NGP-132/220- 02/CC-820 DT.30/11/2002 Granted For A Period Upto 31- 07-2007	Consent To Operate
15.	Government Of Maharashtra, Mumbai	ENV (NOC). 2001/252/CR-51/D- I DT.31/05/2001	Environmental Clearance
16.	Maharashtra State Electricity Board	SENR/TECH/LS/545 DT.21/03/1994	Connected Load (KW)
17.	Ministry Of Industries, New Delhi	1236/SIA/IMO/1999 DT.21/06/1999	IEM (Industrial Entrepreneur Memorandum)
18.	Ministry Of Industries, New Delhi	1235/SIA/IMO/1999 DT.21/06/1999	IEM (Industrial Entrepreneur Memorandum)

To Be applied

Issuing Authority	Nature Of Regn. /Lic/
Customs & Central Excise, Division II, Nagpur	Central Excise Registration Certificate
Sales Tax Department, Maharashtra	The Bombay Sales Tax Regn.
Central Excise & Customs, Division-II, Nagpur	Service Tax Registration Certificate
Industrial Safety & Health Department, Maharashtra	Factory Act License.
Maharashtra Pollution Control Board, Mumbai	Consent To Establish
Government of Maharashtra, Mumbai	Environmental Clearance
Maharashtra State Electricity Board	Connected Load (Kw)

VI. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue and details of the resolution passed for the Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the AGM of the Company held on 30th September 2005. The Board of Directors of the Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on 27th August 2005.

Prohibition by SEBI

The Company, its directors, affiliates, group companies, promoters, and the directors of its group companies, other companies promoted by its promoters and companies with which Company's directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

According to Clause 2.2.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, an unlisted Company shall make a public issue of any equity share or any security convertible into equity shares at a later date subject to the following: -

- a) The Company has net tangible assets worth of above Rs 3 crore in each of the preceding 3 full years (each of 12 months), of which not more than 50% is held in monetary assets;
- b) It has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least (3) out of immediately preceding five (5) years;
- c) It has a pre- issue net worth of not less than Rs.1 crore in each of the preceding three (3) full years (of 12 months each);
- d) In case the Company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the Company from the activity suggested by the new name; and
- e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document+ firm allotment+ promoter's contribution through the offer document) does not exceed five (5) times its pre-issue net worth as per the last available audited accounts.

The Company is eligible for the Issue as per the certificate given by the Auditors M/s. Demble Ramani & Co. Ltd vide their letter dated 15/11/2005 in terms of clause 2.2.1 of SEBI (DIP) Guidelines as follows:

For The Financial year ending 31 st March	31 st March 2005	31 st March 2004	31 st March 2003
Net Tangible Assets ¹	2,754.14	2,457.84	2,405.33
Monetary Assets ²	927.76	778.22	545.84
Distributable Profit After Tax ³	264.66	71.29	5.12
Net Worth ⁴	1013.04	747.47	666.04

¹Net Tangible Assets are defined as the sum of all the net assets of the Company excluding intangible assets as defined in Accounting Standard (AS-26) issued by the Institute of Chartered Accountants of India

²Monetary Assets are defined as the sum of Cash in Hand, liquid investments, balance with scheduled banks in current accounts and fixed deposits and balance with Post Office Savings Bank Account

³Distributable profits have been calculated in terms of section 205 of the Companies Act 1956. Extraordinary items have not been considered for the purpose of calculating distributable profits.

⁴Net Worth means aggregate of the value of paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.

The Company also undertakes that the number of prospective allottees in the Issue shall be at least 1000 failing which the entire subscription amount shall be refunded. In case of delay, the Company shall pay interest on the application money @15% p.a. for the period of delay.

Pursuant to clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 the Company has made firm arrangements for the stated Means of Finance as follows as updated:

Particulars	Rs in Lacs
	Total
A. Total Means of finance required	7000.20
B. Amount to be raised through public issue	2000.10
C. Amount Excluding the public Issue (A-B)	5000.10
Total @ 75% of (C)	3750.08

Particulars	TOTAL
A. Loan sanctioned from Bank of India and Bank of Baroda	2000.00
B. In-principle sanction letter received from State Bank of India and Jammu & Kashmir Bank Limited (However, the Company has received In-principle sanction letter to the extent of Rs 3000.00 lacs)	2500.00*
C. To be brought in by the promoters and promoter group	500.10
D. Finance arranged through verifiable means	5000.10

*The final sanction letter shall be received from the banks before filing of the Final Prospectus with SEBI

Based on the above data the Lead Manager has certified that the Company is fulfilling the criteria of eligibility norms for public issue by unlisted Company as specified in the Clause 2.8 of SEBI (DIP) Guidelines 2000.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT PROSPECTUS. THE LEAD MANAGER MICROSEC CAPITAL LTD HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER MICROSEC CAPITAL LIMITED, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 15/11/2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- (1) "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

WE CONFIRM THAT:

- (A) THE DRAFT PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- (C) THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- (D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED /SOLD /TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT PROSPECTUS WITH THE REGISTRAR OF COMPANIES, AT MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56 AND SECTION 60 OF THE COMPANIES ACT. THE FILING OF THE DRAFT PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT PROSPECTUS.

CAUTION

The Company and the Lead Manager accept no responsibility for statements made otherwise than in the draft prospectus or in the advertisement or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and Malu Paper Mills Limited.

All information shall be made available by Malu Paper Mills Ltd. and the Lead Manager to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at collection centers or elsewhere.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares (permitted insurance companies and pension funds), non-residents including NRIs and FIIs and other eligible foreign investors (viz. Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Financial Institutions. This Draft Prospectus does not, however, constitute an issue to sell or an invitation to subscribe to Equity Shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person who is in possession of this Draft Prospectus is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Nagpur only.

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Draft Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be issued or sold, directly or indirectly, and this Draft Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Prospectus has been filed with the Corporate Finance Department of SEBI at B-Wing, First floor, Mittal Court, Nariman Point, Mumbai-400021 and SEBI, vide its letter No ____ dated ____ has given its comments.

A copy of the Prospectus, along with the documents required to be filed under section 60 of the Companies Act, 1956 has been delivered to the Registrar of Companies, Maharashtra, at 100 Everest, New Marine Lines, Mumbai - 400 020 on _____ for registration.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Draft Prospectus.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (BSE)-The Designated Stock Exchange

As required, a copy of this Draft Prospectus has been submitted to the BSE. BSE has given its no objection to the Company vide letter no----- to use the name of the Exchange in this Draft Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed. The Exchange has scrutinized this Draft Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The exchange does not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Prospectus; nor does it warrant that this Company's securities will be listed or continue to be listed on BSE; nor does it take any responsibility for the financial or other soundness of this Company, Promoters, Management of any Scheme or Project of this Company. And it should not be, for any reason be deemed or construed that this Draft Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do pursuant to independent enquiry, investigation and analysis and shall not have any claim against BSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the Draft Prospectus or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

As required, a copy of this Draft Prospectus has been submitted to the NSE. NSE has given vide its letter dated _____, permission to the Company to use the Exchange's name in this Draft Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 crores and market capitalization shall not be less than Rs. 25 crores at the time of listing). The Exchange has scrutinized this Draft Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the

Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Prospectus; nor does it warrant that the Company's securities will be listed or continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The Company accepts full responsibility for the accuracy for the information given in the Draft Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Draft Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The Company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Draft Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

FILING

A copy of the Draft Prospectus has been filed with SEBI (Head Office) Mittal Court, 'B' Wing, 1st Floor, 224 Nariman Point, Mumbai- 400 021. A copy of prospectus, along with the documents required to be filed under Section 60 of the Companies Act, will be delivered for registration to ROC, Maharashtra located at 100 Everest, New Marine Lines, Mumbai - 400 020.

LISTING

Initial listing applications have been made to The Stock Exchange, Mumbai (BSE) (Designated Stock Exchange), and The National Stock Exchange of India Limited (NSE) for permission to list the equity shares and for an official quotation of the equity shares of the Company.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, MPML should forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Prospectus. If such money is not repaid within eight days after the date on which the Company become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

"Any person who:

a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or

b) Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

MINIMUM SUBSCRIPTION

"If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of the closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956."

CONSENTS

The written consents of Directors, Company Secretary, Lead Manager to the Issue, Legal Advisor to the Issue, Registrar to the Issue, Auditors, Tax Auditors, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at 100 Everest, New Marine Lines, Mumbai - 400 020 as required under Section 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinions related to the present Issue, except the opinion of the Statutory Auditors, Demble Ramani & Co, Chartered Accountants on the tax benefits available to the investors.

EXPENSES OF THE ISSUE

Public Issue expenses are estimated as follows:

(Rs. in lacs)

Sl. No.	Particulars	Amount
1	Fees of Lead Manager, Registrar, Legal Advisor, Auditors, Tax Auditors, etc.	30.00
2	Printing & Stationery, Distribution, Postage, etc.	40.00
3	Underwriting, Brokerage & Selling Commission	40.00
4	Advertisement & Marketing Expenses	60.00
5	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	20.00
6	Contingencies	10.20
	Total	200.20

Underwriting, Brokerage and Selling Commission

Underwriting commission will be paid @1% of the Issue Price of the Equity shares and brokerage will be paid @1% of the Issue Price of the Equity shares By the company on the basis of allotment made against application bearing the stamp of a member of any recognized exchange in India in the brokers columns. Brokerage at the same rate shall also be payable to the bankers to the issue in respect of allotment made against applications bearing their respective stamps in the brokers columns.

In case of tampering or over stamping of broker/agents codes on the application form, Issuers decision to pay brokerage in respect will be final and no further correspondence will be entertained in the matter.

Previous Rights and Public Issues

The Company has not made any public or rights Issue since its incorporation.

Previous Issues of shares otherwise than for cash

Except as stated in the Draft Prospectus under " Notes to Capital Structure", on page 18 the Company has not issued any Equity Shares for consideration otherwise than for cash.

Particulars in regard to Malu Paper Mills Ltd and other listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 that made any capital Issue during the last three years

Neither the company nor any of its group companies within the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 made any capital issue during the last three years.

Outstanding Debentures or Bond Issues or Preference Shares

The Company has no outstanding debentures or bond issues or preference shares

INVESTOR GRIEVANCE AND REDRESSAL SYSTEM:

MPML has formed share transfer cum investor grievance committee comprising

Chairman: Mr. Satyanarayan Rathi

Members: Mr. Banwarilal Malu

Mr. Lalit Singh Mehta

This committee specifically looks into the redressing transfer of shares, non-receipt of the declared dividends etc.

The Company shall adhere to the following schedule in respect of below mentioned complaints

Nature of the Complaint	Time Taken
Non-receipt of the refund warrants or share certificates.	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
Change of address notification	Within 7 days of receipt of information
Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

Mechanism Evolved for Redressal of Investor Grievances

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue, Intime Spectrum Share Registry Limited, for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances. All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

The Company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company or the Registrars will seek to redress these complaints as expeditiously as possible.

The Company has nominated Mr.Girish Malpani, as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems such as non-receipt of allotment advice, refund orders and demat credit, etc. He can be contacted at:

Malu Paper Mills Ltd

"Heera Plaza" 4th Floor,
Near Telephone Exchange Central Avenue,
Nagpur – 440 008.
(Maharashtra)

Change in auditors during last 3 years and reasons thereof

There have been no changes in the auditors of the Company during the past three years.

Capitalisation of Reserves or Profits

The Company has issued 17,45,050 equity shares as bonus Shares on September 30, 2005 by capitalisation of reserves.

Revaluation of assets

There has been no revaluation of the assets since incorporation of the Company.

VII. ISSUE INFORMATION**1. TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Draft Prospectus, Application Form, and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

i. Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of the Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

ii. Mode of payment of Dividend

The declaration and payment of dividends will be recommended by the Board of Directors of the Company and the shareholders at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.

iii. Face Value and Issue Price

The Face Value of the Equity Shares is Rs.10/- per Equity Share and the Issue Price of Rs. 30/- is three times of the Face Value.

iv. Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- ✓ Right to receive dividend, if declared;
- ✓ Right to attend general meetings and exercise voting powers, unless prohibited by law;
- ✓ Right to vote on a poll either in person or by proxy;
- ✓ Right to receive offers for right shares and be allotted bonus shares, if announced;
- ✓ The right of free transferability;
- ✓ Right to receive surplus on liquidation; and
- ✓ Such other right as may be available to the shareholder of a listed Public Company under the Companies Act and Memorandum and Articles of Association of the Company.

v. Marketable Lot

As trading in the Equity Shares is compulsorily in dematerialized form, the market lot is one Equity Share. Allotment of Equity Shares will be done in multiples of one Equity Share, subject to a minimum allotment of 200 Equity Shares.

vi. Nomination Facility to Investor

In accordance with Section 109A of the Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of death of Sole Applicant or in case of joint Applicants, death of all the Applicants, as the Case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of death of the original holder(s), shall in accordance with Section 109A of the Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her

death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed Form available on request at the Registered Office of the Company or at the Registrar and Share Transfer Agent of the Company. In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

vii. Minimum subscription

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvment of Underwriters within 60 days from the date of the closure of the issue the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956."

If the number of allottees in the proposed offer is less than 1000, the Company shall forthwith refund the entire subscription amount received. If there is a delay 15 days after the Company becomes liable to pay the amount, the Company shall pay the interest at the rate of 15% per annum for the delayed period.

viii. Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and the marketable lot is one share. Therefore there is no possibility of odd lots.

ix. Restrictions, if any, on Transfer and Transmission of Shares and on their Consolidation/Splitting

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading "Main Provisions of the Articles of Association of Malu Paper Mills Limited of this Draft Prospectus.

2. ISSUE PROCEDURE**i. Procedure for application forms and mode of payment**

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of the Company, the terms of this Draft Prospectus, Application Form, and other terms and conditions as may be incorporated in the Letters of Allotment/Equity Share Certificates or other documents that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the Issue of capital and listing of Equity Shares offered from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

ii. Availability of Prospectus and application Forms

Application forms together with Memorandum containing salient features of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue and Bankers to the issue named herein or from their branches as stated on the reverse of the application form.

iii. Application may be made by:

a)	Indian Nationals, who are resident in India and are adult individuals and are not lunatic, in single name or joint names (not more than three)
b)	Hindu Undivided Families through the Karta of the Hindu Undivided Family
c)	Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
d)	Indian Mutual Funds registered with SEBI
e)	Indian Financial Institutions & Banks
f)	Indian Venture Capital Funds/Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any.
g)	State Industrial Development Corporations
h)	Insurance Companies registered with Insurance Regulatory and Development Authority
i)	Provident Funds with minimum corpus of Rs.2500 Lacs
j)	Pension Funds with minimum corpus of Rs.2500 Lacs
k)	Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company
l)	Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
m)	Permanent and Regular employees of the Company
n)	Non-Resident Indians (NRIs) on repatriation / non-repatriation basis
o)	Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis

iv. Applications not to be made by:

- a) Minors
- b) Partnership firms or their nominees
- c) Foreign Nationals (except NRIs)
- d) Overseas Corporate Bodies (OCBs)

v. Applications by Hindu Undivided Families (HUF)

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

vi. Minimum and Maximum Application Size

Applications should be for minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In the case of reserved categories, a single applicant in the reserved category can make an application for a number of Equity Shares, which exceeds the reservation.

vii. Option to Subscribe

The company has not entered into nor does it at present propose to enter into any contract or arrangement whereby any option or preferential right of any kind has been or is proposed to be given to any person to subscribe to any shares or debentures of the company.

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall Issue the shares to all applicants who provide their demat account details in dematerialized form only. However, an investor will have an option to hold the shares in physical form or demat form. The Registrar to the Issue will Issue to the said allottee a single certificate for all the shares allotted to the said applicant in case an investor requests for rematerialization of his/her shares.

viii. Availability of Prospectus and Application Forms

The Memorandum Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue, and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

NRIs/FIIs/Indian Mutual Funds & Indian and Multilateral Development Financial Institutions can obtain the Application Form from the registered office of the Company.

ix. Applications under Power of Attorney

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

x. Instructions for Applications by NRIs/FIIs (on Repatriable Basis):

1. As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
2. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
3. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by

bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.

4. In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
5. Duly filled Application Forms by NRIs/FIIs will be accepted at designated branches of the Bankers to the Issue as mentioned in the application form.
6. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/commission. In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE/ FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
7. Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

xi. Instructions for applications by Indian Mutual Funds & Indian and Multilateral Development Financial Institutions:

1. A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees/Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.
2. Indian Mutual Funds & Indian and Multilateral Development Financial Institutions should apply in this Public Issue based upon their own investment limits and approvals.
3. Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Rs. 30/-per share must be delivered before the close of subscription list to such branches of the Bankers to the Issue at places mentioned in the application form.
4. A separate single cheque/bank draft must accompany each application form.

xii. Terms of Payment

The entire Issue price of Rs.30/- per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

xiii. General Instructions for Applicants

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made.

1. Thumb impressions and signatures other than in English/Hindi/Marathi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.

2. Bank Account Details of Applicant:

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DPID) number and the Beneficiary number provided the Depository must mention participant correctly in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as address, Bank Account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

3. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
4. Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated at par with the applications made by the public.

xiv. Payment Instructions

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.
2. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque / bank draft must accompany each application form.
4. All cheques / bank drafts accompanying the application should be crossed "A/c Payee Only" and made payable to the Bankers to the Issue and marked:

Category of Applications	Cheques/Bank Drafts favouring
Net offer to the Public including NRIs/FIIs on non-repatriation basis	" Bank A/c MPML-Public Issue"
NRIs/FIIs on repatriation basis	Bank A/c MPML-Public Issue-NR"
Indian Mutual Funds, Indian & Multilateral Development Financial Institutions, and Scheduled Banks.	Bank A/c MPML-Public Issue-Institutions"

5. Investors will not have facility of applying through stock invest instruments as RBI has withdrawn the stock invest scheme vide notification no.DBOD.NO. FSC.BC. 42/24.47. 001/ 2003-04 dated 5/11/2003.

xv. Submission of Completed Application Forms:

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should not be sent to the office of the Company or the Lead Manager to the Issue.

Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, superscribing the envelope "Malu Paper Mills Limited- Public Issue" so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Mumbai only.

The Company will not be responsible for postal delays and loss in transit. The Company will not entertain any claims, damage or loss due to postal delays or loss in transit.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

xvi. Other Instructions

a. Joint Applications in case of Individuals

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.

b. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

NRIs/FIIs applying on a repatriation basis or Indian Mutual Funds & Indian and Multilateral Development Financial Institutions shall not make an application in the public category and such applications made in both the categories i.e. reserved category and Public Category shall be treated as multiple applications.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications. Unless the Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/draft must accompany each application form.

c. PAN/ GIR Number

Where application(s) is/are for Rs.50,000 or more, the applicant or in the case of a application in joint Names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Applicant should not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground. In case the Sole/First Applicant and Joint Applicant(s) is/are not required to obtain PAN, each of the Applicant(s) shall mention "Not Applicable" and in the event that the sole Applicant and/or the joint Applicant(s) have applied for PAN which has not yet been allotted each of the Applicant(s) should mention "Applied for" in the Application Form. Further, where the Applicant(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Applicant and each of the Joint Applicant(s), as the case may be, would be required to submit Form 60(Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a)Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g)Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All applicants are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

d. Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) a tripartite agreement dated [●] with NSDL, the Company and Registrar to the Issue;

b) a tripartite agreement dated [●] with CDSL, the Company and Registrar to the Issue.

- ✓ An applicant has the option of seeking allotment of Equity Shares only in electronic form. However, the allottee has an option to hold shares in physical mode.
- ✓ Separate applications for electronic and physical shares by the same applicant shall be considered as multiple applications and would liable to be rejected.
- ✓ The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the Beneficiary Account No. and Depository Participant's ID no.) appearing under the heading 'Request for Shares in Electronic Form'.
- ✓ An applicant who wishes to apply for shares in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
- ✓ Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
- ✓ For subscription in electronic form, names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
- ✓ The Registrar to this Issue will directly send non-transferable allotment letters/refund orders to the applicant.
- ✓ Incomplete/incorrect details given under the heading 'Request for Shares in Electronic Form' in the application form shall be treated as an invalid application and shall be liable to be rejected.
- ✓ The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/her DP.
- ✓ It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- ✓ One time cost of dematerialisation of shares would be borne by the Company. The one time cost refers to the demat charges for the shares opted for in this Issue by an investor in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors would have to be borne by the investor.

Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment/ / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

For further instructions regarding application for the Equity Shares, investors are requested to read the application form carefully

Disposal of Applications and Application Money

The Company reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded. Refund will be made by Cheque or demand drafts drawn in favour of the sole/first applicant (including the details of his/her savings/current account number and the name of the bank with whom the account is held) to the Issue and will be despatched by Registered Post/ Speed Post for amounts above Rs.1,500 and by Certificate of Posting otherwise. Such refund orders will be payable at par at all the collection centres.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Company shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed has been obtained.

The Company has undertaken to make adequate funds available to the Registrar to the Issue for complying with the requirements of despatch of Allotment Letters/Refund Orders by Registered Post/Speed Post.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

BASIS OF ALLOTMENT

In the event of public Issue of Equity Shares being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. 200 shares as explained below:

Reservation

Out of the Present Issue, 5,00,000 Equity Shares have been reserved for allotment to NRIs and FIIs and 5,00,000 Equity Shares have been reserved for allotment to Indian Mutual Funds, Indian & Multilateral Development Financial Institutions and Scheduled Banks on proportionate basis.

The total number of shares to be allotted to the reserved category shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.

1. All the Application Forms where the proportionate allotment works out to less than 200 shares per Applicant, the allotment shall be made as follows:
 - i) Each successful Applicant shall be allotted a minimum of 200 shares; and
 - ii) The successful Applicants out of the total Applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (1) above.
2. If the proportionate allotment to an Applicant works out to a number that is more than 200 but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and If that fraction is lower than 0.50, the fraction shall be ignored.
3. All Applicants in such categories shall be allotted shares arrived at after such rounding off.

The process of rounding off to the nearest integer subject to a minimum allotment being equal to 200, which is the minimum application size in this Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10 % of the net offer to public.

For Net Offer to the Public

1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Equity Shares of or for a value of not more than Rs.100,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case, allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/ Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the net Issue to Indian public shall be made available to investors including Corporate Bodies/ Institutions and individual Applicants who have applied for allotment of Equity Shares for a value of more than Rs.100,000/-.
3. The Unsubscribed portion of the net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each Applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than 200 shares per Applicant, the allotment shall be made as follows:
 - i) Each successful Applicant shall be allotted a minimum of 200 shares; and
 - ii) The successful Applicants out of the total Applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (6) above.
8. If the proportionate allotment to an Applicant works out to a number that is more than 200 but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and If that fraction is lower than 0.50, the fraction shall be ignored.
9. All Applicants in such categories shall be allotted shares arrived at after such rounding off.
10. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful Applicants in that category.
11. The balance shares, if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

The Company shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalisation of the basis of allotment of Equity Shares. The Company Shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant's sole risk. The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made within 30 days from the Issue closing date
- Dispatch of refund orders will be done within 30 days from the Issue closing date
- The Company shall pay interest at 15% per annum (for delay beyond 30 day time as mentioned above), if refund orders are not dispatched and/or demat credit are not made to investors within the 30 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques or pay-orders drawn on the bank(s) appointed by the Company, as refund banker(s). Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant.

UNDERTAKING BY THE COMPANY:

The Company undertakes:

- a) that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- b) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares are to be listed are taken within seven working days of finalisation of basis of allotment.
- c) that the funds required for despatch of refund orders/ allotment letters/certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- d) that the promoter's contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription.
- e) that the refund orders to the non-resident Indians shall be despatched within specified time.
- f) that no further Issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.

UTILIZATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a) all monies received out of this Issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b) details of all monies utilized out of the Issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c) details of all unutilized monies out of the Issue of Equity Shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company further certifies that:

- a) the utilisation of monies received under promoter's contribution shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised.
- b) the details of all unutilised monies out of the funds received under promoter's contribution shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalisation of basis of allotment or completion of offer formalities.

VIII.MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

INCREASE OF CAPITAL BY THE COMPANY AND HOW CARRIED INTO EFFECT

4. The Company in General Meeting may, from time to time, increase the Capital by the creation of new Shares. Such increase to be of such aggregate amount and to be divided into such shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, or otherwise and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company in conformity with Section 87 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

INTEREST MAY BE PAID OUT OF CAPITAL

27. Where any shares are issued for the purpose of raising money to defray the expenses of the Construction of any work or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of the share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

LIEN

40. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest of such shares and equitable interest in any shares shall be created except upon the footing, and upon the condition that Article 22 thereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The directors may at any time declare any shares wholly or in part to be exempt from the provision of this clause.

FORFEITURE OF SHARE

43. If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remains unpaid, Serve notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.
44. The notice shall name a day (not being less than thirty days from the date of the notice) and a place or places on at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state a day in the event of non-payment at or before the time, and at the place appointed the shares in respect of which such call was made or installment is payable will be liable to be forfeited.

DEMATERIALISATION OF SECURITIES

67. The provisions of this Article shall apply notwithstanding anything to the contrary contained in any other Articles.

1.For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such With a depository, 'SEBI' means the Securities & Exchange Board of India; established under Section 3 of the Securities & Exchange Board of India Act, 1992 and

'Depository' means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under Securities & Exchange Board of India Act, 1992; and wherein the securities of the Company are dealt With in accordance With the provisions of the Depositories Act, 1996.

2. The Company shall be entitled to dematerialise securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.
3. Every holder of or subscriber to securities of the Company shall have the option to receive certificates for such securities or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted bylaw, in respect of any securities in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates for the Securities.

If a person opts to hold his Securities with the depository, the Company shall intimate such depository the details of allotment of the Securities, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the Securities.

4. All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by on behalf of the beneficial owners.
5. (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities of the Company on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner of securities in the record of the depository shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository and shall be deemed to be a Member of the Company.
6. Notwithstanding anything contained in the Act or these Articles to the contrary, where securities of the Company are held in a depository, the records of the beneficiary ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
7. Nothing contained in Section 108 of the Act or these Articles, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
8. Notwithstanding anything contained in the Act or these Articles, where a depository deals with securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
9. Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
10. The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

TRANSFER AND TRANSMISSION OF SHARES

54. The Instrument of Transfer shall be in writing and all the provisions of Section 108 of the Act and statutory notification for the time being shall be duly complied with in respect of all transfer of shares and the registration thereof.

55. Every such instrument of transfer shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The Board shall not issue or register a transfer of any share in favour of a minor (except in cases when they are fully paid up).
63. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board of Directors may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board of Directors shall from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors.
64. For the purpose of the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (same as provided in Section 108 of the Act) a properly stamped and executed instrument of transfer.

REGISTER OF TRANSFERS

53. The Company shall keep a book to be called the "Register of Transfers", and therein shall be fairly and directly entered particulars of every transfer or transmission of any share.

FEE ON TRANSFER OR TRANSMISSION

65. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, Power of attorney or similar other document.

DIRECTORS MAY REFUSE TO REGISTER TRANSFER

57. Subject to the provision of section 111 of the act and section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the director shall within 1 month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

REGISTRATION OF PERSONS ENTITLED TO SHARES OTHERWISE THAN BY TRANSFER

61. Subject to the provisions of articles 56 and 57, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member, or the marriage of a female member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board of Directors (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respects of which he proposes to act under this article of his title, as the holder of the shares or elect to have some person nominated by him and approved by the Board of Directors, registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares. This Article is referred to in these Articles as the Transmission Article.

PERSONS ENTITLED MAY RECEIVE DIVIDEND WITHOUT BEING REGISTERED AS MEMBER

62. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, is entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE IN PROHIBITING REGISTRATION OF A TRANSFER

66. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the Prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or deferred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company; but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board of Directors shall so think fit.

POWER TO BORROW

69. The Board may, from time to time, at its discretion subject to the provisions of Section 292 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company; provided that the Board shall not without the sanction of the Company in General Meeting borrow any sum of money which together with money borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose.

CONDITIONS ON WHICH MONEY MAY BE BORROWED

70. The Board may raise or secure the repayment of such sum or sums in such; manner and upon such terms and conditions in all respects as it thinks fit and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock, or any mortgage, or other security on the undertaking of the whole or any part of the property of the Company (both present and future including its uncalled capital for the time being).

REGISTER OF MORTGAGES ETC. TO BE KEPT

74. The Board of Directors shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages and charges specifically affecting the property of the Company; and shall cause the requirements of Sections 118, 125, 127 and 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they are required to be complied with so far they are ought to be complied with by the Board.

ANNUAL GENERAL MEETING

78. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting shall be Extraordinary General Meetings. The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for on a time during business hours, on a day that is not a public holiday, and shall be held in the office of the Company or at some other place within the city in which the office of the Company is situated as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in any Annual General Meeting fix the time for its

subsequent Annual General Meeting. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall be entitled to attend and to be heard at any General Meeting which he attends on any part of the business, concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report (if not already attached in the Audited statement of Accounts) the proxy Register with proxies and the Register of Directors' Share holdings of which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

EXTRAORDINARY GENERAL MEETING

79. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid-up capital as at the date carries the right of voting in regard to the matter in respect of which the requisition has been made.

REGULATION OF THE MEMBERS TO STATE OBJECT OF MEETING

80. Any valid requisition so made by members must state the object or objects of the meeting proposed to be called and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in file form each signed by one or more requisitionists.

ON RECEIPT OF REQUISITIONS DIRECTORS TO CALL MEETING AND IN DEFAULT REQUISITIONISTS MAY DO SO.

81. Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and if they do not proceed within twenty-one days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represents either a majority in value of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, which ever is less, may themselves call the meeting, but in either case, any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

NUMBER OF DIRECTORS

115. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors, (if any) shall not be less than three nor more than twelve.

The first Directors of the Company were the following

Mr. Bhanwarlal Malu
Mr. Punamchand Malu
Mr. Banwarilal Malu
Mr. Damodarlal Malu
Mr. Purushottam Malu
Mr. Vasudeo Malu
Mr. Ghasiram Malu

RETIREMENT AND ROTATION OF DIRECTORS

134. At every Annual General Meeting of the Company, one-third if such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office.

ASCERTAINMENT OF DIRECTORS RETIRING BY ROTATION AND FILLING OF VACANCIES.

135. Subject to Section 256(2) of the Act, the Directors to retire by rotation under Article 129 at every Annual General Meeting shall be those who have been longest in the office since their last appointment, but as between persons who became directors on the same day, those who are to retire, shall, in default of, and subject to any agreement among themselves, be determined by lot.

RETIRING DIRECTOR ELIGIBLE FOR RE ELECTION

136. A retiring Director shall be eligible for re-election.

APPOINTMENT OF ALTERNATE DIRECTOR

119. The Board may appoint an Alternate Director to act for-a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original director in whose place he has been appointed and shall vacate the office of the Original Director when he returns to that State. If the terms of office of the Original Director are determined before he so returns to that state, any provisions in the Act or in these Articles for the automatic reappointment of any retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

DIRECTORS POWER TO ADD TO THE BOARD OR THE APPOINTMENT OF ADDITIONAL DIRECTOR.

120. Subject to the provisions of Sections 260 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under the Article 111. Any such Additional Director shall hold office only up to the date of the next Annual General Meeting.

DIRECTORS' POWER TO FILL CASUAL VACANCIES

123. Subject to the provisions of Section 262, 264 and 284(6) of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy Any person so appointed shall hold office only up to the date to which the Director in whose place he is appointed would have held office if it had not been vacated by him.

DIRECTORS MAY ACT NOTWITHSTANDING ANY VACANCY

126. The continuing Directors may act notwithstanding any vacancy in their body but if, and so long as their number is reduced below the minimum number fixed by the Article 111 hereof, the continuing Directors not being less than two, may act for the purpose of increasing the number of directors to that number or for summoning a General Meeting but for no other purpose.

SECRETARY

161. The Directors may from time to time appoint, and at their discretion, remove the Secretary provided that where the Board comprises only three Directors, neither of them shall be the Secretary. The Secretary appointed by the directors pursuant to this Article shall be a whole-time Secretary. The Directors may also at any time appoint some person, who need not be Secretary, to keep the registers required to be kept by the Company.

THE SEAL ITS CUSTODY AND USE

162. (a) The Board shall provide a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
- (b) The Company shall also be at liberty to have an official Seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.
163. Every Deed or other instrument, to which the seal of the Company is required' to be affixed, shall unless the same is executed by a duly constituted attorney, be signed by two Directors or one Director and Secretary or some other person appointed by the Board for the purpose, provided that in respect of the Share, the Seal shall be affixed in accordance with the Article 19(a).

ISSUE OF BONUS SHARES

178. Any General Meeting may resolve that any moneys, investments, or other assets forming part of undivided profits of the Company standing to the credit of the Reserves, or any Capital Redemption Reserve Fund, in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the Share Premium Account be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such members in paying up in full any unissued shares, debentures, or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a Share Premium Account or a Capital Redemption Reserve Fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

UTILIZATION OF UNDISTRIBUTED CAPITAL PROFITS.

179. A General Meeting may resolve that any surplus money arising from the realisation of any capital asset of the Company or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income tax, be distributed among the members on the footing that they receive the same as capital.

RESOLVING ISSUES OF FRACTIONAL CERTIFICATES

180. For the purpose of giving effect to any resolution under the two last preceding. Articles hereof the Board may settle any difficulty which may arise in regard the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value of distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the Board. Where requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the person entitled to the dividend or capital fund, and such appointment shall be effective.

THE COMPANY IN GENERAL MEETING MAY DECLARE A DIVIDEND

165. The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividend shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

DIVIDEND ONLY TO BE PAID OUT OF PROFITS

166. No dividend shall be declared or paid otherwise than out of the profits of the financial year arrived at after providing for depreciation in accordance, with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at

after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that;

- i) If the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or years.
- ii) If the Company has incurred any loss in any previous financial year or years, the amount of the loss or any amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act, or against both.

INTERIM DIVIDEND

167. The Board may, from time to time, pay to the Members such interim dividend as in their judgment, the position of the Company justifies.

CALLS IN ADVANCE NOT TO CARRY RIGHTS TO PARTICIPATE IN PROFITS.

168. Where the capital is paid in advance of calls, such capital may carry interest, but shall not in respect thereof confer a right to dividend or participate in profits.

DIVIDEND TO BE KEPT IN ABEYANCE

170. The Board may retain the dividends payable upon shares in respect of which any person is under Article 60, entitled to become a member on which any person under that Articles is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

DEDUCTION OF MONEY OWED TO THE COMPANY

172. No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares while any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either along or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

DIRECTORS TO KEEP TRUE ACCOUNTS

181. (1) The Company shall keep at the office or at such other place in India as the Board thinks fit, proper Books of Account in accordance with Section 209 of the Act, with respect to
- (a) All the sums of moneys received and expended by the Company and the matters in respect of which the receipts and expenditure take place.
 - (b) All sales and purchases of goods by the Company.
 - (c) the Assets and liabilities of the Company.
- (2) Where the Board decides to keep all or any of the Books of Account at any place other than the office of the Company the Company shall within seven days of the decision file with the Registrar a notice in writing giving, the full address of that other place.
- (3) The Company shall preserve in good order the Books of Account relating to the period of not less than eight years preceding the current year together with the vouchers relevant to any entry in such Books of Account.
- (4) Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with the Article if proper Books of Account relating to tile

transactions effected at the branch office are kept at the branch office and proper summarized returns made up to date at intervals of not more than three months are sent by the branch office to the Company at its offices at other place in India, at which the Company's Books of Account are kept as aforesaid.

- (5) The Books of Account shall give a true and fair view of the state of affairs of the Company or branch office, as the case may be, and explain its transaction. The Books of Account and other books and papers shall be open to inspection by any Directors during business hours.

IX. OTHER INFORMATION**1. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years prior to the date of this Draft Prospectus) which are or may be deemed to be material have been entered into by the Company. Copies of these contracts, together with the copies of the documents referred to below, all of which will be attached to a copy of the Draft Prospectus, which would be delivered to RoC, may be inspected at the registered office of the Company between 10.00 A.M. and 12.00 Noon on any working day of the Company from the date of the Draft Prospectus until the date of closing of the subscription list.

A. Material Contracts

1. The Company's Memorandum of Understanding dated 01.11. 2005 entered into between the LM and the Company.
2. Memorandum of Understanding between Intime Spectrum Registry Limited and the Company dated 28th November '2005
3. Tripartite Agreement between the Company, NSDL and ----- Limited dated _____.
4. Tripartite Agreement between the Company, CDSL and -----Limited dated _____.
5. Copies of underwriting agreements dated----

B. Documents

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Resolution of the Board of Directors of the Company, passed at its Meeting held on 23rd August 2005, and in Annual General Meeting held on 30th September 2005 approving this issue.
3. Resolution of the Board of Directors of the Company for formation of the Audit Committee passed at its Meeting held on 11.11.2005.
4. Resolution of the Board of Directors of the Company for formation of the Investors Grievance Committee passed at its Meeting held on 11.11.2005
5. Agreements signed by the Company with Managing Director and Joint Managing Director.
6. Final Sanction Letter No. AnCBB: LBD:KS: 002483 dated 18.11.2005 and Appraisal Report dated 18.11.2005 received from Bank of India
7. Final Sanction Letter No. ADV: 34/2005/989 dated 16.12.2005 and Appraisal Report dated 18.11.2005 received from Bank of Baroda
8. In-principle approval letter NO MCG/RHK/6021 dated 16.12.2005 received from State Bank of India
9. In-principle approval letter NO ADV/2005-3028 dated 06.12.2005 received from Jammu & Kashmir Bank Limited.
10. Audited financials of the Company for last 5 years 31st March 2001,2002,2003, 2004 and 2005 and half year ended 30th September 2005.
11. The report of the statutory auditors, Demble Ramani & Co , Chartered Accountant dated 15/11/05 prepared as per Indian GAAP and mentioned in the Draft Prospectus.
12. Consent dated 15/11/2005 from Demble Ramani & Co, Chartered Accountant for inclusion of their reports on accounts in the form and context in which they appear in the Draft Prospectus.

13. A copy of the Tax Benefit Report dated 15/11/2005 from Company's statutory auditors, Demble Ramani & Co Chartered Accountant.
14. Consents of Directors, Auditors, Legal Advisors of the Issue, Project Appraisers, Expert named in the Draft Prospectus, LM, Registrar to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their respective capacities.
15. General Power of Attorney executed by 11 Directors of the Company in favour of Mr. Punamchand Malu, Managing Director, Banwarilal Malu, Joint Managing Director and Mr. Girish Malpani, Compliance Officer for signing and making necessary changes to the Draft Prospectus.
16. Due Diligence Certificate dated 15.11.2005 to SEBI from Microsec Capital Limited.
17. SEBI observation Letter No. _____ dated _____.
18. In-principle listing approval dated _____ and _____ from BSE and NSE. Initial listing application dated [] and [], for listing the equity shares at The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, respectively.

