



“There are not many industries around the world that can aspire to becoming genuinely sustainable. The pulp and paper industry however, is one of them. It is inherently sustainable.”

– **Hon. Jonathon Espie Porritt**,  
Chairman, Sustainable Development Commission, U.K.

## **The Andhra Pradesh Paper Mills Limited**

46th Annual Report 2009-2010

## ON THE COVER

### Paper industry is inherently sustainable:

- ✓ Paper industry worldwide plants 1.7 million trees every single day, more than 3 times what is harvested.
- ✓ As per US Department of Energy, carbon sequestered on forest lands is greater than the carbon released from harvesting wood over the same period.
- ✓ Its primary raw materials are renewable.
- ✓ Paper is truly sustainable, with waste fully recoverable, ready for recycling into new paper.
- ✓ Pulp and paper industry is one of the biggest users of low carbon energy in the world.
- ✓ Paper is biodegradable, recyclable and reusable.
- ✓ Paper manufacturing is a truly sustainable process.

APPM has taken great strides in reducing the environmental impact. It helps plant more than twice the number of trees that are utilised. Energy consumption has hugely reduced, with minimum use of fossil fuels. Use of water has been reduced every year and waste generation nearly eliminated. Overall, the Company benchmarks itself with the best in the industry.

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## FORWARD LOOKING STATEMENTS

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In this Annual Report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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

# Corporate Information

(As on 27th May, 2010)

## BOARD OF DIRECTORS

**Shri L.N. Bangur**, Executive Chairman

**Smt. Alka Bangur**

**Shri N. Srinivasan**

**Shri R.C. Sarin**

**Shri P.J.V. Sarma**

**Shri P. K. Paul**

**Shri Rajiv Kapasi**

**Shri M.K. Tara**, Managing Director & Chief Executive Officer

**Ms. Sheetal Bangur**, Director (Commercial)

**Shri Shreyash Bangur**, Director (Corporate)

**Shri P.K. Suri**, Director (Operations)

## EXECUTIVES

### CORPORATE OFFICE

**Shri E. Sairam**

Senior Vice President (Finance & Accounts) &  
Chief Finance Officer

**Shri C. Prabhakar**

Senior Vice President (Corporate Affairs) &  
Company Secretary

**Shri Amit Mehta**

Principal Executive to Chairman

**Shri Jaspal Singh**

Vice President (Marketing)

**Shri Hemant Kumar Singh**

Chief Information Officer

**Shri Yogesh Jain**

General Manager (Commercial)

**Shri C. Sankar**

General Manager (Accounts)

**Shri Y. Uday Shankar**

General Manager (Product Development &  
Technical Services)

**Shri Shalab Agarwal**

General Manager (Marketing)

**Shri S. Vasudevan**

General Manager (Marketing Support)

### DELHI OFFICE

**Dr. Alok Prakash**

Associate Vice President (Marketing)

### WORKS

**Shri C.S. Murty**

Senior Vice President (Projects)

**Shri J.K. Jain**

Vice President (Raw Materials)

**Shri V.V.B. Vasantha Rao**

Associate Vice President (Works)  
(Unit:APPM)

**Shri R.G. Mandhanja**

Associate Vice President (Works)  
(Unit:CP)

**Shri K.M. Kasetty**

General Manager (Paper)

### REGISTERED OFFICE

Rajahmundry - 533 105

East Godavari District,

Andhra Pradesh, India

Tel. : +91(883) 247 1831 to 247 1838

Fax : +91(883) 246 1764

E-mail: appmrjy@andhrapaper.com

### CORPORATE OFFICE

501-509, Swapnalok Complex,

5th Floor, 92/93 Sarojini Devi Road

Secunderabad - 500 003,

Andhra Pradesh, India

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### WORKS

**Unit:APPM**

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**Unit:CP**

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# Notice

NOTICE is hereby given that the 46th Annual General Meeting of the Members of The Andhra Pradesh Paper Mills Limited will be held **on Thursday, the 15th day of July, 2010 at 3.00 p.m. at Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104**, East Godavari District, Andhra Pradesh to transact the following business:

## ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2010, Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the Equity Shares for the year ended 31st March, 2010.
3. To appoint a Director in place of Shri P.J.V. Sarma who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment.
4. To appoint a Director in place of Shri P.K. Paul who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs B S R & Co. (Firm Registration No.101248W), Chartered Accountants, Hyderabad, be and are hereby appointed as Auditors of the Company, in place of the retiring auditors Messrs Brahmaya & Co., Chartered Accountants, who are not seeking re-appointment, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board of Directors of the Company."

## SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification the following Resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, the Directors of the Company, other than the Managing/Whole-time Director(s) be paid annually such sum, by way of commission, not exceeding in aggregate such percentage of the net profits of the Company prescribed under the provisions of Section 309 of the Companies Act, 1956 and calculated in accordance with the provisions of Sections 198, 349 and 350 of

the Companies Act, 1956 or any amendment or modification thereof, to be divided amongst the Directors, who are not in whole time employment of the Company, in such manner and subject to such limitations as the Board of Directors of the Company may from time to time determine and that such payment be made for each of five financial years commencing from 1st April, 2010 and further that the payment of the sum in the above manner shall be in addition to the fee per meeting of the Board/Committee of Board which each such Director is entitled to receive under the provisions of the Articles of Association of the Company."

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any other statutory modification(s) or re-enactment thereof, the consent of the Company be and is hereby accorded to the re-appointment of Ms. Sheetal Bangur as a Whole-time Director designated as Director (Commercial) of the Company, who will not be liable to retire by rotation, for a further period of five years from 1st April, 2010 and to the payment of remuneration to Ms. Sheetal Bangur, Director (Commercial) during her tenure of re-appointment on the terms and conditions set out below:

- i. **Salary:** Rs.2,75,000 per month with such annual increments as may be determined by the Board of Directors of the Company from time to time in the salary range of Rs.2,00,000 to Rs.5,00,000 per month.
- ii. **Personal Allowance:** 30% of the salary per month.
- iii. **Special Allowance:** 15% of the salary per month.
- iv. **Perquisites:**
  - a. **Housing**

The expenditure incurred by the Company in providing furnished/unfurnished accommodation to the Director (Commercial) shall not exceed 60% of her salary per month. In case no accommodation is provided by the Company, she shall be entitled to House Rent Allowance at 60% of salary per month.
  - b. **Security, Gardner, Helper Allowance and Food Coupons:** Actuals subject to a ceiling of Rs.10,000 per month.
  - c. **Conveyance:** Car with petrol and driver to be provided by the Company.

- d. *Telephone:* Provision of telephone at residence and cell phone.
- e. *Leave:* Leave in accordance with the Rules applicable to the senior staff of the Company.
- f. *Production Bonus, Leave Travel Concession, Medical reimbursement, contribution to Provident Fund, Gratuity and other monetary benefits:* As applicable to the senior staff of the Company.
- g. *Club Fees:* Fees of clubs subject to a maximum of two clubs.
- h. *Personal Accident Insurance Premium:* Not exceeding Rs.7,500 per annum.
- i. Such other benefits, amenities, facilities and perquisites as may be permitted by the Board of Directors to the Director (Commercial).
- v. Use of Company's car for official purposes, cellphone, telephone at residence and encashment of leave at the end of the tenure and contribution to Provident Fund and Gratuity will not be considered as perquisites.
- vi. In the event of loss or inadequacy of profits in any financial year, the Director (Commercial) shall be paid remuneration by way of salary, allowances and perquisites as specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 and as may be amended or re-enacted from time to time.
- vii. The Director (Commercial) shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- viii. The re-appointment of five years may be determined by either party by giving six months' notice in writing to the other party."
8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution:**
- "RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any other statutory modification(s) or re-enactment thereof, the consent of the Company be and is hereby accorded to the appointment of Shri L.N. Bangur as Executive Chairman of the Company, who will be liable to retire by rotation, for a period of 5 years from 27th May, 2010 and to the payment of remuneration to Shri L.N. Bangur during his tenure of appointment on the terms and conditions set out below:
- i. *Salary:* Rs.8,00,000 per month with such annual increments as may be determined by the Board of Directors from time to time in the salary range of Rs.8,00,000 to Rs.16,00,000 per month.
- ii. *Personal Allowance:* 200% of the salary per month.
- iii. *Perquisites*
- a. *Conveyance:* Car with petrol and driver to be provided by the Company.
- b. *Telephone:* Provision of telephone at residence and cell phone.
- c. *Leave:* Leave in accordance with the Rules applicable to the senior staff of the Company.
- d. *Contribution to Provident Fund, Superannuation Fund, Gratuity and other monetary benefits:* As applicable to the senior staff of the Company.
- e. *Club Fees:* Fees of clubs subject to a maximum of two clubs.
- f. *Personal Accident Insurance Premium:* Not exceeding Rs.7,500 per annum.
- g. Such other benefits, amenities, facilities and perquisites as may be permitted by the Board of Directors to the Executive Chairman.
- iv. Use of Company's car for official purposes, cell phone, telephone at residence and encashment of leave at the end of the tenure and contribution to Provident Fund, Superannuation Fund and Gratuity will not be considered as perquisites.
- v. In the event of loss or inadequacy of profits in any financial year, the Executive Chairman shall be paid remuneration by way of salary, allowances and perquisites as specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 and as may be amended or re-enacted from time to time.
- vi. The Executive Chairman shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
- vii. The appointment of five years may be determined by either party by giving six months' notice in writing to the other party."

9. To consider and if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the revised remuneration payable to Shri M.K. Tara, Managing Director for the remainder of the tenure of his office as per the details given below:

- i. *Salary Range*: Rs.5,00,000 to Rs.10,00,000 per month with effect from 1st April, 2009 with such annual increments as may be determined by the Board of Directors of the Company within the said range.
- ii. *Personal Allowance*: 35% of salary per month with effect from 1st November, 2008.

FURTHER RESOLVED THAT the other terms of his remuneration package remain unchanged."

10. To consider and if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the revised remuneration payable by way of Personal Allowance (in place of gas, electricity and water) at 30% of salary per month to Ms. Sheetal Bangur, Director (Commercial) for the period from 1st April, 2008 to 31st March, 2010.

FURTHER RESOLVED THAT the other terms of her remuneration package remain unchanged."

11. To consider and if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the revised remuneration payable to Shri Shreeyash Bangur, Director (Corporate) for the remainder of the tenure of his office as per the details given below:

- i. *Salary Range*: Rs.2,00,000 to Rs.5,00,000 per month with effect from 1st April, 2010 with such

annual increments as may be determined by the Board of Directors of the Company within the said range.

- ii. *Personal Allowance*: 30% of salary per month with effect from 1st April, 2009 (in place of gas, electricity and water)
- iii. *Special Allowance*: 15% of salary per month with effect from 1st April, 2010 (in place of contribution to Superannuation Fund)

FURTHER RESOLVED THAT the other terms of his remuneration package remain unchanged."

12. To consider and if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the revised remuneration payable to Shri P.K. Suri, Director (Operations) for the remainder of the tenure of his office as per the details given below:

- i. *Salary Range*: Rs.2,00,000 to Rs.5,00,000 per month with effect from 1st April, 2010 with such annual increments as may be determined by the Board of Directors of the Company within the said range.
- ii. *Personal Allowance*: 20% of salary per month with effect from 1st April, 2009 (in place of gas, electricity and water).

FURTHER RESOLVED THAT the other terms of his remuneration remain unchanged."

**By Order of the Board  
For The Andhra Pradesh Paper Mills Limited**



**C. Prabhakar**

Sr. Vice President (Corporate Affairs) &  
Company Secretary

Registered Office:  
Rajahmundry - 533 105  
East Godavari District,  
Andhra Pradesh  
27th May, 2010

## Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos.6 to 12 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 21st June, 2010 to 25th June, 2010 (both days inclusive).
4. Trading in equity shares and detachable warrants of the Company through stock exchanges is permitted only in dematerialised form. Members can dematerialise their Equity Shares and Detachable Warrants in the Company through their Depository Participant(s). The ISIN in respect of Equity Shares is INE435A01028 and ISIN in respect of Detachable Warrants is INE435A13015.
5. Dividend, as recommended by the Board, if declared, at this Annual General Meeting will be payable on and from 26th July, 2010, to those Members holding shares in physical form whose names appear in the Company's Register of Members as on 19th June, 2010. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by NSDL and CDSL as on that date for this purpose. Members holding shares in electronic form may please note that their bank account details as furnished by their depositories to the Company will be printed on the dividend warrants and the Company will not entertain any direct request from such Members for deletion/change in such bank details. **Members who wish to change their bank account details are advised to intimate to their Depository Participants (DPs) about such change with complete details of bank accounts.**
6. Members holding shares in physical form are requested to notify any change in their address immediately to the Registrars/Company and those Members holding shares in electronic form should inform change in their address to their Depository Participant(s).
7. Members are requested to bring their copies of Annual Report to the Meeting.
8. As per provisions of the amended Companies Act, 1956 facility for making nomination is available to the investors in respect of the shares/detachable warrants

held by them in physical form. The investors holding shares/detachable warrants in physical form can download the nomination form as prescribed under the Companies Act, 1956 from our Website: [www.andhraper.com](http://www.andhraper.com). In respect of shares/detachable warrants held in electronic form, the nomination should be recorded with the respective Depository Participants. The Company would not accept any nomination in respect of the shares/detachable warrants held in electronic form.

9. ECS Mandate form is also placed on our website. Interested Members can download this form from the website.

### 10. INFORMATION REQUIRED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

#### 1. Shri P.J.V. Sarma

Shri P.J.V. Sarma, a Non-Executive Independent Director, is a Graduate in Chemical Engineering from Andhra University, Associate Member of Institute of Cost and Works Accountants of India and Management Graduate from IFMR, Chennai. He had served ICICI group for over 25 years in various managerial capacities. His areas of specialization include corporate finance, project finance, corporate banking, marketing & relationship management, leasing and other financial products, M&A, restructuring and general insurance, structured products, design, credit enhancement and financial products, strategy formulation, corporate planning and risk management. He was General Manager of corporate banking and presently he is heading the general insurance business of ICICI group based at Hyderabad. During the entire period of his continuing service with ICICI group besides providing banking and other financial and advisory services, he got associated with major industrial groups such as L&T, Jindal, Videocon etc. He has sound knowledge of finance and marketing and has evolved major strategies for some of the larger corporates at the board level. He is a Director on the board of Regency Ceramics Limited, Chairman of its Audit Committee and is also member of Share Transfer Committee.

He does not hold any shares in the Company.



## 2. Shri P.K. Paul

Shri P.K. Paul, a Non-Executive Independent Director, is a graduate in Chemical Engineering with Post Graduate Diploma in Pulp & Paper Technology. He had rich experience in different facets of manufacturing, pulp and paper companies. He was associated with Phoenix Pulp & Paper Public Company Limited, Thailand and Panjapol Pulp and Paper Company Limited, Thailand as Managing Director for 10 years. He was the Executive Director for 12 years with European Overseas Development Corporation (Asia) and was Chairman of Evergreen Pulp & Paper Company Limited, Thailand for 2 years. He is the Chairman of Ospark International Private Limited, Ospark Cyfox Paper Company Private Limited, Cyfox Paper India (Private) Limited, and Cyfox Paper PTE. Limited and Director of International Venture and Travel (India) Private Limited.

He does not hold any shares in the Company.

## 3. Ms. Sheetal Bangur

Ms. Sheetal Bangur, Promoter Director, is a Post Graduate in Commerce and Business Administration. She has been associated with the Company as Director since 28th January, 2002 and as Director (Commercial) since 1st April, 2005.

She is a Director of Samay Books Limited, The Swadeshi Commercial Co., Limited, Apurva Export Private Limited, and also Managing Committee Member of Mugneeram Ramcoowar Bangur Charitable & Religious Co.

She does not hold any shares in the Company.

## 4. Shri L.N. Bangur

Shri L.N. Bangur, Promoter Director, has been associated with the Company as Director from May, 1985 and as Chairman from September, 1992. He hails from the Bangur family well-known in the trade and industry for over a century. He is a commerce graduate having experience in the field of trade and industry for more than three decades. He has a long and varied experience with many industrial undertakings pertaining to industries like paper, plantations, textiles apart from trading and investment activities.

He is the Chairman of Digvijay Investments Limited, The Kishore Trading Company Limited, Shree Krishna Agency Limited, Maharaja Shree Umaid Mills Limited (Chairman & Managing Director), The Peria Karamalai Tea & Produce Company Limited, and is also Director of The Swadeshi Commercial Company Limited, The General Investment Company Limited, Peria Karamalai Tea (India) Limited, M.B. Commercial Company Limited, Amalgamated Development Limited, Placid Limited, Samay Books Limited, Allied Dealcomm Limited, Apurva Export Private Limited, and The Marwar Textiles (Agency) Private Limited. In addition, he is also a Managing Committee Member of Mugneeram Ramcoowar Bangur Charitable & Religious Company and also Committee Member of Federation of Indian Chambers of Commerce & Industry. He is also Chairman of Audit Committee of Digvijay Investments Limited and Chairman of Investors' Grievance Committee and Remuneration Committee of The Peria Karamalai Tea & Produce Company Limited.

He holds 2,27,627 Equity Shares of Rs.10 each in the Company.



# Explanatory Statement

## pursuant to Section 173 (2) of the Companies Act, 1956

### Item No.6

Section 309 of the Companies Act, 1956 provides for payment of commission to Directors, who are not in whole time employment of the Company, if authorised by a Special Resolution. As per provisions of this Section, commission can be paid to all the Directors in aggregate not exceeding 1% of the net profits of the Company where there is a Managing Director/Whole Time Director and 3% of the net profits of the Company where there is no Managing Director/Whole Time Director(s).

The earlier Resolution passed by the Members at the Annual General Meeting held on 16th September, 2005 expired on 31st March, 2010.

It is, therefore, proposed that Non-Executive Directors be paid, in aggregate, a commission not exceeding such percentage per annum of the net profits of the Company prescribed under Section 309 of the Companies Act, 1956 and computed as per provisions Sections 198, 349 and 350 of the Companies Act, 1956, as may be determined by the Board of Directors from time to time for a further period of 5 years for each financial year commencing from 1st April, 2010. The proportion of such payment and distribution amongst the eligible Directors is proposed to be left to the discretion of the Board of Directors.

All the Directors of the Company except Shri L.N. Bangur, Shri M.K. Tara, Ms. Sheetal Bangur, Shri Shreeyash Bangur and Shri P.K. Suri are interested or concerned in the said Resolution.

The Board commends the Resolution as set out at Item No. 6 of the Notice for approval by the Members.

### Item No.7

The Members of the Company at the 41st Annual General Meeting held on 16th September, 2005 accorded their consent for appointment of Ms. Sheetal Bangur as a Whole time Director, designated as Director (Commercial) of the Company for a period of five years from 1st April, 2005 and her term expired on 31st March, 2010.

The Board of Directors of the Company at the meeting held on 30th January, 2010 re-appointed Ms. Sheetal Bangur as Director (Commercial) for a further period of 5 years from 1st April, 2010 in accordance with the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 on the terms set out in Resolution given in Notice. Her remuneration package for the period of reappointment was approved by the Board at the meeting held on 20th May, 2010 on the recommendation of Remuneration Committee.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Ms. Sheetal Bangur for re-appointment as Director (Commercial) of the Company.

Ms. Sheetal Bangur is not disqualified from being appointed as Director in terms of Section 274 (1) (g) of the Companies Act, 1956. The Company has received from Ms. Sheetal Bangur

the necessary declaration under Section 274(1)(g) of the Companies Act, 1956 confirming her eligibility for such appointment.

The above may be treated as an abstract of the terms of re-appointment of Ms. Sheetal Bangur, Director (Commercial), under Section 302 of the Companies Act, 1956.

None of the Directors except Ms. Sheetal Bangur, Shri L.N. Bangur, Smt. Alka Bangur and Shri Shreeyash Bangur are concerned or interested in the said Resolution.

The Board commends the Resolution as set out at Item No.7 of the Notice for approval by the Members.

### Item No.8

The Board of Directors of the Company at the meeting held on 20th May, 2010 appointed Shri L.N. Bangur as Executive Chairman for a period of five years from 27th May, 2010 pursuant to the provisions of Section 269 read with Schedule XIII and any other applicable provisions of Companies Act, 1956 and also his remuneration package on the recommendation of Remuneration Committee.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Shri L.N. Bangur for appointment as Executive Chairman of the Company.

Shri L.N. Bangur is not disqualified from being appointed as Director in terms of Section 274 (1) (g) of the Companies Act, 1956. The Company has received from Shri L.N. Bangur the necessary declaration under Section 274(1)(g) of the Companies Act, 1956 confirming his eligibility for such appointment.

Shri L.N. Bangur has been receiving remuneration as Chairman & Managing Director from Maharaja Shree Umaid Mills Limited and he will draw remuneration from Maharaja Shree Umaid Mills Limited or The Andhra Pradesh Paper Mills Limited or both companies provided that the total remuneration does not exceed the higher limit admissible from any one of the Companies of which he is a managerial person.

The above may be treated as an abstract of the terms of appointment of Shri L.N. Bangur, Executive Chairman, under Section 302 of the Companies Act, 1956.

None of the Directors except Shri L.N. Bangur, Smt. Alka Bangur, Ms. Sheetal Bangur and Shri Shreeyash Bangur are concerned or interested in the said Resolution.

The Board felt that his appointment as Executive Chairman will provide immense value to the Company and commends the Resolution as set out at Item No.8 of the Notice for approval by the Members.

### Item No.9

The Members of the Company at the Annual General Meeting held on 27th September, 2008 appointed Shri M.K. Tara as Managing Director of the Company for a period of five years from 7th November, 2007 and for the payment of remuneration as mentioned therein.

The Board of Directors of the Company at their meeting held on 20th May, 2010 revised the remuneration payable to Shri M.K. Tara, Managing Director with effect from 1st April, 2009 on the recommendation of Remuneration Committee as mentioned in the Resolution included in the notice convening this Annual General Meeting subject to the approval of Members. The revised remuneration is within the limits laid down in the Schedule XIII of the Companies Act, 1956.

The above may be treated as an abstract of the variation of the terms of appointment of Shri M.K. Tara, Managing Director, under Section 302 of the Companies Act, 1956.

None of the Directors except Shri M.K. Tara is concerned or interested in the said Resolution.

The Board commends the Resolution as set out at Item No. 9 of the Notice for approval by the Members.

#### **Item No. 10**

The Members of the Company at the Annual General Meeting held on 16th September, 2005 appointed Ms. Sheetal Bangur as Wholetime Director designated as Director (Commercial) of the Company for a period of five years from 1st April, 2005 and for the payment of remuneration as mentioned therein. The Members of the Company at the Annual General Meeting held on 27th September, 2008 revised the remuneration payable to Ms. Sheetal Bangur, Director (Commercial) from Rs.1,00,000 to Rs.2,00,000 with effect from 1st April, 2007 for the remainder of the tenure of her office.

The Board of Directors of the Company at their meeting held on 20th May, 2010 further revised the remuneration payable to Ms. Sheetal Bangur as Whole-time Director with effect from 1st April, 2008 on the recommendation of Remuneration Committee as mentioned in the Resolution included in the notice convening this Annual General Meeting subject to the approval of Members. The revised remuneration is within the limits laid down in the Schedule XIII of the Companies Act, 1956.

The above may be treated as an abstract of the variation of the terms of appointment of Ms. Sheetal Bangur, Director (Commercial), under Section 302 of the Companies Act, 1956.

None of the Directors except Ms. Sheetal Bangur, Shri L.N. Bangur, Smt. Alka Bangur, and Shri Shreeyash Bangur are concerned or interested in the said Resolution.

The Board commends the Resolution as set out at Item No.10 of the Notice for approval by the Members.

#### **Item No.11**

The Members of the Company at the Annual General Meeting held on 21st September, 2007 appointed Shri Shreeyash Bangur as Wholetime Director designated as Director (Corporate) for a period of five years from 19th February, 2007 and for the payment of remuneration as mentioned therein. The Members at the Annual General Meeting held on 27th September, 2008 revised the remuneration payable to Shri Shreeyash Bangur

from Rs.1,00,000 to Rs.2,00,000 with effect from 1st February, 2008.

The Board of Directors at their meeting held on 20th May, 2010 further revised the remuneration payable to Shri Shreeyash Bangur, Director (Corporate) with effect from 1st April, 2010 on the recommendation of Remuneration Committee as mentioned in the Resolution included in the Notice convening this Annual General Meeting subject to the approval of Members. The revised remuneration is within the limits laid down in the Schedule XIII of the Companies Act, 1956.

The above may be treated as an abstract of the variation of the terms of appointment of Shri Shreeyash Bangur, Director (Corporate), under Section 302 of the Companies Act, 1956.

None of the Directors except Shri Shreeyash Bangur, Shri L.N. Bangur, Smt. Alka Bangur and Ms. Sheetal Bangur are concerned or interested in the said Resolution.

The Board commends the Resolution as set out at Item No.11 of the Notice for approval by the Members.

#### **Item No.12**

The Members of the Company at the Annual General Meeting held on 27th September, 2008 appointed Shri P.K. Suri as Whole-time Director designated as Director (Operations) for a period of five years from 12th May, 2008 and for the payment of remuneration as mentioned therein.

The Board of Directors at their meeting held on 20th May, 2010 revised the remuneration payable to Shri P.K. Suri, Director (Operations) with effect from 1st April, 2010 on the recommendation of Remuneration Committee as mentioned in the Resolution included in the notice convening this Annual General Meeting subject to the approval of Members. The revised remuneration is within the limits laid down in the Schedule XIII of the Companies Act, 1956.

The above may be treated as an abstract of the variation of the terms of appointment of Shri P.K. Suri, Director (Operations), under Section 302 of the Companies Act, 1956.

None of the Directors except Shri P.K. Suri is concerned or interested in the said Resolution.

The Board commends the Resolution as set out at Item No.12 of the Notice for approval by the Members.

**By Order of the Board  
For The Andhra Pradesh Paper Mills Limited**



**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary

Registered Office:  
Rajahmundry - 533 105  
East Godavari District,  
Andhra Pradesh  
27th May, 2010

# Directors' Report

Your Directors have pleasure in presenting the 46th Annual Report and the Audited Accounts for the year ended 31st March, 2010.

Rs. Crore

Financial Results	2009-10	2008-09
Sales and other income (after accounting for increase/(decrease) in stocks)	638.92	669.05
Earnings before Interest, Depreciation and Taxation (EBIDTA)	153.03	125.37
Less: Interest	32.16	49.37
Depreciation	55.82	54.11
Profit before Tax	65.05	21.89
Less: Provision for Tax	10.86	2.93
Profit for the year	54.19	18.96
Add: Profit brought forward from previous year	119.61	104.06
Profit available for appropriation	173.80	123.02
<b>Appropriations:</b>		
Transfer to General Reserve	100.00	1.90
Proposed Equity Dividend	3.27	1.29
Corporate Tax on Dividend	0.54	0.22
Balance carried to Balance Sheet	69.99	119.61
	173.80	123.02

During the year under review, your Company achieved the highest ever performance in terms of,

- Earnings before interest, depreciation and tax (EBIDTA) Rs.153.03 crore
- Profit before tax (PBT) Rs.65.05 crore and
- Profit after tax (PAT) Rs.54.19 crore

reflecting operational efficiency and incremental contribution. The increase in performance compared to previous year in terms of EBIDTA was 22%, PBT 197% and PAT 186%.

## Change in the share capital

On 30th March, 2010, the Company allotted 70,18,242 Equity Shares of Rs.10 each for cash at a premium of Rs.40 per share aggregating to Rs.3509.12 lakhs on rights basis in the ratio of 3:11 to the equity shareholders and also 70,18,242 detachable warrants simultaneously. These detachable warrants would be converted into Equity Shares at any time before the expiry of eighteen months from the date of allotment i.e. 30th September, 2011 on payment of warrant exercise price of Rs.50 per warrant.

Consequently, the equity share capital had gone up from Rs.25,73,35,550 divided into 2,57,33,555 Equity Shares of

Rs.10 each to Rs.32,75,17,970 divided into 3,27,51,797 Equity Shares of Rs.10 each. The newly issued Equity Shares and Detachable Warrants have since been listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

## Dividend

Your Directors are pleased to recommend a dividend of Rupee One per Share on 3,27,51,797 Equity Shares of Rs.10 each including the Equity Shares allotted in March, 2010 involving an outgo of Rs.381.92 lakhs including Dividend Distribution Tax.

## Marketing and Exports

Sales for the year were 1,77,351 MT as compared to 1,70,239 MT in the previous year. In 2009-10, paper sales comprised 1,52,646 MT and sale of surplus pulp was 24,705 MT. In comparison, paper sales in 2008-09 was 1,38,630 MT and that of pulp was 31,609 MT. While the slowdown in the economy had limited impact on the volumes, it did have an impact on the price realizations both in the pulp and paper segments.

## New Products

In the second half of the year, the Company introduced a new 90+ brightness range of papers in a bid to re-establish and grow our volumes in both copier and graphic papers including India's first copier with Colour Freeze technology - **Copyrite**. Apart from this, the other introductions are **Reflection** a premium grade 70 GSM copier, a high bright paper **Andhra Starwhite**, high-end writing and printing paper **Andhra Primavera**, a premium grade Maplitho paper **Andhra Royal Silk** and a superior special grade paper **Andhra Hi Brite SG Maplitho** in the surface size segment. **Andhra Skytone** and **Andhra Starliner** in the premium non-surface sized category were introduced to primarily cater to the notebook conversion segment. All these products are positioned and benchmarked to the best in competition and have not only been very well received but are also being increasingly demanded by the end customer.

## Power Generation

During the year under review, your Company started exporting surplus generated power of 5 MW to Transmission Corporation of Andhra Pradesh Limited resulting in additional revenue of Rs.15 crore.

## Raw Material Procurement

In the field of social/farm forestry, efforts were made to increase the area under plantation activities in order to meet the demand of pulpwood in tune with the mill development plan. Concerted efforts by APPM have enabled to meet and overcome the stiff competition in the catchment for pulpwood procurement.

## Raw Material Resource Development

97.74 million quality seedlings were developed during the year 2009-10 covering an area of 14,500 hectares under plantation against 95.2 million seedlings covering an extent

of 14,000 hectares during the 2008 planting year. Research on clonal development has resulted into introduction of high yielding, disease resistant clones and versatile to a wide variety of agro-climatic conditions in inland and coastal areas.

Research and Development initiatives with low cost planting techniques, quality seed material and high yielding, short rotation planting stock have enhanced raw material availability spread over more than 1 Lakh hectares. These benefits are extended to around 39,000 families creating employment resource pool of 50 million man-days especially in rural areas so far.

### **Forestry Targeting Marginal and Wastelands**

The ongoing farm forestry activities focused on agrarian community of small and marginal land holdings which could be better utilised for plantations with minimal investment by adopting low cost planting technology. Wasteland development also geared up by introducing site specific superior clones. Introduction of Casuarina hybrid has come out with higher yield ensuring quality raw material to mills and higher returns to farmers.

The mills farm forestry activities have helped in generating the pulpwood requirement to mills and also in sustaining the local needs of farmers by means of generating employment and upliftment of socio-economic conditions of the villagers, tribal communities and self-help groups.

### **Projects implemented**

#### **Unit:APPM**

Your Company successfully started commercial production from Paper Machine No.6 on 19th May, 2010 at its Unit:APPM at Rajahmundry. Currently, the Voith made machine imported from Salach, Germany has a paper production capacity of 67,000 MTPA of UFS (Uncoated Free Sheet) and Copier Grades. However, with some modifications, the machine can be scaled up to manufacture an additional 20,000 MTPA. With the startup of this machine, your Company now has approximately 250,000 MTPA of Pulp and Paper manufacturing capacity.

The start up of Paper Machine No.6 marks the end of the final phase of the Mill Development Plan worth almost USD 205 million at Unit:APPM. Earlier, your Company had commissioned a 500 Bone Dry Metric Tonnes (BDMT)/day Elementary Chlorine Free (ECF) pulp mill of Andritz make, a 105 TPH coal fired boiler and a 34 MW turbine at the same location. With its new ECF pulp mill, de-inking plant and rice straw pulp mill, your Company is among a handful of fully integrated paper manufacturers in India who are not dependent on market pulp.

#### **Unit:CP**

### **Projects implemented**

#### **Sludge de-watering machine**

Sludge de-watering press of 35 BD MTPD sludge handling capacity was commissioned on 25th August, 2009 for disposal of sludge. The performance has been satisfactory.

### **Awards**

The Company received the following awards during the year under review:

- i. A special award by CAPEXIL (sponsored by Ministry of Commerce & Industry, Government of India) in recognition of outstanding export performance in respect of paper and paperboards for the year 2008-09.
- ii. Forest Stewardship Council's (FSC) Chain-of-Custody (COC) Certificate for responsible sourcing of pulpwood fibre for manufacture of pulp and paper.
- iii. First Prize under National category for design and concept of the stall at the International Exhibition and Conference in New Delhi by PAPEREX.
- iv. Gold Medal from the Governor of Andhra Pradesh & President - Red Cross Society, AP State Branch for assisting Red Cross Society in mobilising resources for its various humanitarian activities in East Godavari District for the year 2008-09.

### **Corporate Social Responsibility**

The Company installed a Reverse Osmosis plant with a capacity to process 3,000 litres/hr along with a dedicated borewell and water storage tank to hold 20,000 litres to supply safe drinking water to Venkatanagaram Village. Another initiative in the farm-forestry area was the construction of a check dam at Mamidilova near Pendurthi in Visakhapatnam District for enhancing the land productivity through optimum utilization of site resources. With the involvement of the local people and a goal of environment amelioration, the Company has succeeded in the upliftment of socio-economic status of the farmers living in the areas near the dam.

Free tailoring and embroidery training has been provided to women and youth of weaker sections of society through Company developed tailoring centers. 220 ladies underwent a six months training programme, which has helped them to provide financial support to their individual families.

Our Company has also continued its support to local socio-cultural-religious functions and sports & games events in and around Rajahmundry. Activities such as conducting eye camps (Drushtee), assistance for construction of dressing rooms at the newly developed skating ring etc. were initiatives taken in this area.

### **Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo**

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules, 1988, are given in the Annexure attached hereto and forms a part of this report.

### **Particulars of Employees**

The information required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder is provided in the Annexure forming part of the Report. However,



in terms of Section 219 (1) (b) (iv) of the Companies Act, this Annual Report is being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

#### **Public Deposits**

Three deposits totalling Rs.1.05 lakhs due for repayment on or before 31st March, 2010 were not claimed by the depositors as on that date.

During the year under review, there was no unclaimed deposit amount which is required to be transferred to Investor Education and Protection Fund.

#### **Auditors**

In view of rotational policy of the Company, Messrs Brahmaya & Co., Chartered Accountants, Visakhapatnam, Auditors of the Company informed that they would not seek re-appointment at the conclusion of the ensuing Annual General Meeting. On the recommendation of the Audit Committee, your Board of Directors decided to propose the appointment of Messrs B S R & Co., Chartered Accountants, Hyderabad as statutory auditors to hold office from 15th July, 2010 being the date of 46th Annual General Meeting till the conclusion of next Annual General Meeting.

The Board placed on record its appreciation of the long association with the outgoing firm of auditors viz. Messrs Brahmaya & Co. and the valuable assistance rendered by them during their tenure as auditors.

#### **Directors**

Pursuant to Article 142 of the Articles of Association of the Company, Shri P.J.V. Sarma and Shri P.K. Paul will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The Board at the meeting held on 30th January, 2010 decided to re-appoint Ms. Sheetal Bangur as Whole-time Director designated as Director (Commercial) for a further period of five years from 1st April, 2010 subject to approval of shareholders.

Shri R. V. Raghavan, resigned on 14th May, 2010 from the Directorship of the Company. The Board placed on record its appreciation of the valuable services rendered by Shri Raghavan during his tenure as Director of the Company.

The Board at the meeting held on 20th May, 2010 appointed Shri L. N. Bangur, Chairman as Executive Chairman for a period of five years from 27th May, 2010 subject to approval of Members.

#### **Directors' Responsibility Statement**

Your Directors hereby confirm and declare that:

- a. in the preparation of Annual Accounts for the year ended 31st March, 2010, the applicable Accounting Standards had been followed along with proper explanation relating to material departures as mentioned in Note No.10 of Schedule No.19 of the said Annual Accounts;

- b. they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state-of-affairs of the Company at the end of the financial year i.e. 31st March, 2010 and of the profit of the Company for that period;
- c. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting the fraud and other irregularities;
- d. they had prepared the accounts for the year ended 31st March, 2010 on a going concern basis.

#### **Industrial Relations**

Industrial relations during the year under review were cordial.

#### **Employee Training and Development**

Thrust has been continued by providing training in their respective functional areas, safety, management systems and behavioral skills to enhance individual competence to meet the current challenges and thereby improve organizational performance. During the year 2009-10, total training manhours were 39,736 which worked out to 6.5 hours per participant.

#### **Cost Accounting Records**

Cost accounting records for the year ended 31st March, 2010 were maintained as per Cost Accounting Records Rules. M/s. Narasimha Murthy & Co., Cost Accountants were appointed as Cost Auditors of the Company with the approval of Central Government to audit the cost accounts for the year ended 31st March, 2010.

#### **Response to the Auditors' observation**

As regards Auditors' observation vide Item Nos. 4 (d) and (e) of Auditors' Report dated 4th May, 2010 regarding Accounting Standard 22 on Accounting for Taxes on Income, an explanation has been given in Note No.10 of Schedule No.19 of the Annual Accounts for the year ended 31st March, 2010.

#### **Acknowledgements**

Your Directors wish to place on record their gratitude to Central Government and the Government of Andhra Pradesh, IFC, DEG, Finnish Fund for Industrial Cooperation Limited, State Bank of India, Canara Bank, IDBI Bank and Axis Bank for their continued support during the year. Your Directors also wish to convey their thanks to the valued customers and dealers for their continued patronage during the year. Your Directors also place on record their appreciation of the contribution made by all the employees during the year.

For and on behalf of the Board

Secunderabad  
27th May, 2010

  
**L.N. Bangur**  
Executive Chairman

# Annexure

**Information under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.**

**Conservation of Energy: The Company has implemented the following measures for energy conservation in the year 2009-10:**

1. Replacement of high pressure steam ejector with medium pressure steam ejector in 34 MW turbine resulted in increased power generation of 30 KW.
2. Rising of de-aerator water temperature of coal fired boiler No.6 resulted in increase in HP steam generation. Resultant increase in power generation is 160 KW.
3. Use of warm water in place of fresh water in DM water plant, reduction of soot blowing steam pressure in recovery boiler and installation of vent condenser for de-aerator of recovery boiler No.4 resulted in reduction of steam consumption by 13 MTPD.
4. Installation of flash steam recovery system of CBD system of recovery boiler No.4 resulted in steam saving of 5 MTPD.
5. Improved utilization of secondary condensate of evaporation plant, re-circulation of pumps sealing water in fiber line and installation of Marx save all in stock preparation resulted in reduction of water consumption in by 90 M<sup>3</sup>/hr.

## FORM 'A' 2009-2010

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	Current Year	Previous Year
<b>A. Power &amp; Fuel Consumption</b>			
1. Electricity:			
a. Purchased Units	KWH/Lakhs	317.24	431.49
Total amount	Rs./Lakhs	959.52	1351.78
Rate/Unit	Rs.	3.02	3.13
b. Own Generation			
i. Through Diesel Generator			
Units	KWH/Lakhs	2.13	3.40
Units/Ltr of Diesel Oil	KWH	2.87	2.91
Cost/Unit	Rs.	14.24	14.67
ii. Through Steam Turbine (Condensing)			
Units	KWH/Lakhs	6.25	3.22
Cost/Unit	Rs.	5.20	4.29
iii. Through Steam Turbine (Double extraction-cum-Condensing)			
Units	KWH/Lakhs	2256.25	1708.67
Cost/Unit	Rs.	1.57	2.17
iv. Through Steam Turbine (Single extraction-cum-Condensing)			
Units	KWH/Lakhs	387.94	345.64
Cost/Unit	Rs.	3.00	2.98
2. Coal (Steam/Slack) <sup>1</sup>			
Quantity	MT	224195	262146
Total Cost	Rs./Lakhs	4108.37	4605.25
Average Rate	Rs./MT	1832	1757
3. Furnace Oil			
Quantity	KL	382	1419
Total Amount	Rs./Lakhs	109.23	404.28
Average Rate	Rs./KL	28594	28491
4. Husk/Saw Dust/Others			
Quantity	MT	18935	13457
Total amount	Rs./Lakhs	8.64	37.17
Average Rate	Rs./MT	617	993
<b>B. Consumption per tonne of production</b>			
Electricity <sup>1</sup>	KWH	1632	1606
Furnace Oil	KL	0.002	0.010
Coal <sup>1</sup>	MT	1.470	1.794
Husk/Saw Dust/Others	MT	0.124	0.092

<sup>1</sup> Excludes quantity of consumption meant for sale of power.

**FORM 'B'**  
**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**

**A. Technology Absorption**

**Unit:APPM**

**a. Efforts made towards technology absorption, adoption and innovation: Nil**

**b. Benefits derived as a result of the above efforts: Nil**

**c. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year)**

- |    |    |  |      |  |
|----|----|--|------|--|
| 1. | a. | Technology imported                    | i.   | Adoption of state-of-the-art technology of CD Filter in causticizing plant.  |
|    |    |  | ii.  | Adoption of state-of-the-art technology of Drum Chipper in Chipper House.  |
|    | b. | Year of import                         |      | 2005-2006  |
|    | c. | Has the technology been fully absorbed |      | Technology has been fully absorbed.  |
| 2. | a. | Technology imported                    | i.   | Adoption of state-of-the-art technology of low solids cooking system and fiber line.   |
|    |    |  | ii.  | Adoption of state-of-the-art technology of high efficiency Turbo Generator Set.  |
|    |    |  | iii. | Adoption of state-of-the-art technology of Chlorine Dioxide Plant.   |
|    |    |  | iv.  | Adoption of state-of-the-art technology of A4 Cutting line.  |
|    |    |  | v.   | Adoption of state-of-the-art technology of Centralized Refining System.  |
|    | b. | Year of import                         |      | 2006-2007  |
|    | c. | Has the technology been fully absorbed |      | Technology has been fully absorbed.  |
| 3. | a. | Technology imported                    |      | Adoption of state-of-the-art technology of Duo-former, size press and calendar including heating and cooling system in Paper Machine No.3. |
|    | b. | Year of import                         |      | 2007-2008  |
|    | c. | Has the technology been fully absorbed |      | Technology has been fully absorbed.  |



**Unit:CP**

- |  |  |
|--|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation                                    | As a part of augmentation of capacity of sludge handling, incorporated a high capacity 35 BD MTPD dry solids handling Belt Press (Sludge De-watering machine) at ETP, for which Design and main components such as rollers, belts, cylinders, etc., were imported from Andritz - Singapore & China and assembled at Andritz Separation (India) Private Limited, Chennai. |
| 2. Benefits derived as a result of the above efforts   | High capacity of ETP sludge handling to cater to higher production of paper.   |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) |  |
| a. Technology imported   | Technology from Andritz Singapore.   |
| b. Year of import  | 2009-2010  |
| c. Has technology been fully absorbed  | Technology has been fully absorbed.  |

**B. Research & Development**

**Unit:APPM (Plant)**

1. Specific areas in which R&D carried out by the Company	<ul style="list-style-type: none"> <li>- New Product Development.</li> <li>- Product quality improvement.</li> <li>- Process optimisation studies.</li> <li>- Identification of functional additives and plant trials for cost reduction/quality improvement.</li> </ul>
2. Benefits derived as a result of the above R&D.	<ul style="list-style-type: none"> <li>- Development and introduction of Copyrite, a Special Inkjet paper with Color Freeze technology.</li> <li>- Development and introduction of Reflection copier.</li> <li>- Development of new products Andhra Primavera, AHB CCS (C), Andhra SG Maplitho etc. to meet market requirement.</li> <li>- Improvement in quality and introduction of products Andhra Royal Silk, Andhra Starwhite, Andhra Skytone for domestic markets.</li> <li>- Identification and trials of additives such as special surface size starches, wet end additives for quality improvement.</li> <li>- Enzyme treatment of unmodified starch for on-site modification compared to modified starches from market for use in size press.</li> </ul>
3. Future plan of action	<ul style="list-style-type: none"> <li>- New Product Development.</li> <li>- Evaluation of alternate fibrous raw materials.</li> <li>- Process optimisation studies.</li> <li>- Identification of functional additives/chemicals for product development, process/quality improvement and cost reduction.</li> </ul>

**Unit:APPM (Forest)**

1. Specific areas in which R&D carried out by the Company	Development of quality seedlings by means of low cost planting techniques in farm forestry.
	Macro propagation of Casuarina and Eucalyptus for high yielding clones.
	Wasteland development projects for resource development.
	Clonal demonstration plots.
	Establishment of Casuarina clonal seed orchards.
2. Benefits derived as a result of the above R&D	Quality seedlings by low cost planting technique has sustained farming community in their marginal lands by giving higher yield with minimal investment.
	Macro propagation has helped in increased productivity per unit area within a short rotation cycle.
	Plantation activities on wastelands have helped in meeting the raw material requirement and improving the socio-economic conditions of the local communities.
	Demonstration plots giving first hand information to farmers and the benefits derived from clones under field conditions.
	Clonal seed orchards to derive quality seed material with identity for utilisation in farm forestry activities.
3. Future plan of action	To enhance farm forestry for resource development, by cost effective technologies.
	Introduction of more site-specific clones by means of macro propagation.
	Development of superior genotypes of Casuarina by micro propagation.
	Clonal demonstration plots as a tool to promote clones for the benefit of farmers.
	Planning for development of check dam construction at Mamidilova and plantation development with Casuarina clones as a part of CSR activity.

**Unit:CP (Plant)**

1. Specific areas in which R&D carried out by the Company	New Products: a. Andhra Star Liner, and b. Andhra Deluxe Maplitho (NB) developed.
2. Benefits derived as a result of the above R&D	Improved market orders.
3. Future plan of action	-

**C. Expenditure on Research & Development**

a. Capital	:	-
b. Recurring	:	Rs.129.24 Lakhs
c. Total	:	Rs.129.24 Lakhs
d. Total R&D expenditure as a percentage of Total Turnover	:	0.19%

**D. Foreign Exchange Earnings and Outgo**

a. Foreign exchange earned	:	Rs.4417.98 Lakhs
b. Foreign exchange utilised	:	Rs.6269.69 Lakhs

For and on behalf of the Board


**L.N. Bangur**  
Executive ChairmanSecunderabad  
27th May, 2010

# Management Discussion & Analysis

## INDIAN PAPER INDUSTRY - BRIEF OVERVIEW

Paper has been a medium for propagation and communication of thoughts and ideas. Despite the growth of electronic media, paper remains the most popular mode of communication in the lettered world. The paper industry has been growing at a steady clip in the past few years across the world, especially in the developing countries such as India and China. Currently, the industry in India finds demand outstripping supply. With increasing focus on literacy, growing demand for packaged products and packaging, the latent or potential demand is huge and is waiting to be tapped.

The domestic paper industry seems set to demonstrate robust growth in the coming years. A large number of well known paper companies in the country have expanded or planned for expansion of capacities. All of them stand to gain from using eco-friendly modes of producing paper and from growing emphasis on recycling paper. With increasing consumption of paper, the paper companies are expected to show robust growth in volumes, revenues and bottom line.

## BACKGROUND

The Indian paper industry is more than 140 years old with the first mill having been commissioned in 1867. Over the years, in line with the improvement in the well-being of people and rising literacy and aspiration levels, paper usage has increased. Today almost every person uses paper in one form or the other. The industry has responded to the growth in demand and the installed capacity in India has risen from 0.137 million MT per annum in 1951 to 10 million MT. This includes capacity expansion of approximately 0.7 million MT during the past year.

Domestic production of paper and paperboards is estimated to be around 10 million MT as per industry estimates. Overall paper consumption (including newsprint) has also touched 10 million MT and per capita consumption stands at approximately 9 kgs. However, the momentum in paper usage has neither kept pace with the growth in population, nor does it match the global per capita consumption of 55 kgs.

While India has 15% of the world population, it consumes only 1.6% of the world paper production. The low consumption pattern remains both a challenge in the short term as well as an opportunity in the long term to tap the future aspiration requirements of the Indian society.

At present, there are about 515 units engaged in the manufacture of paper, paperboards and newsprint across the country. India is nearly self-sufficient in the manufacture of most varieties of paper and paperboards. Import is confined only to certain specialty papers and newsprint.

Paper manufacturers use a variety of raw materials like hardwood, bamboo, recycled fibre, bagasse, wheat and rice straw. Approximately 30% of the paper manufacturing units in India are based on chemical pulp, 39% on recycled fibre

and 31% on agro-residues. A substantial part of the raw material needs of the country is met through wood procured indigenously and imported pulp and waste paper accounts for 6 to 7% of the domestic production.

The geographical spread of the industry as well as the paper markets is mainly responsible for the regional balance of production and consumption.

Most paper mills in India have been in existence for several years and therefore use a wide spectrum of technologies ranging from the oldest to the most modern.

Performance of the industry has been constrained due to high cost of production characterized by rising raw material and power cost. The industry needs large quantity of pulpwood and water and often faces supply limitations for them. Furthermore, they are subject to very strict environmental regulations.

Paper industry in India is highly fragmented. The sector is dominated by small and medium sized units and the number of mills with capacity of more than 50,000 MTPA is not more than 30. In products such as newsprint, less than half a dozen mills account for almost 90% production in the country. In recent times, the industry is striving to modernize its manufacturing locations, improve productivity and build new production capacities with the induction of pulp and paper machines with capabilities of producing more than 50,000 MTPA.

Industry pressures have been managed better by forward looking entrepreneurs. Large modern mills which are environment conscious and are reasonably assured of raw material supplies are presently able to expand capacities, derive advantages of size, enhance production efficiencies, improve productivity and quality and respond to the challenges of the market. These units place premium on latest technology and environmental standards and have derived productivity gains which in turn have helped them climb up the value chain both in terms of product and process efficiencies.

The Union Government has completely delicensed the paper industry with effect from 17th July, 1997. Entrepreneurs are required to file an Industrial Entrepreneur Memorandum with the Secretariat for Industrial Assistance for setting up a new paper mill or substantial expansion of the existing mill in permissible locations.

Paper industry has been granted the status of a priority sector for foreign collaboration and foreign equity participation up to 100% and is entitled to receive automatic approval from Reserve Bank of India. Several fiscal incentives have also been provided particularly to those mills which are based on non-conventional raw materials.

Estimated turnover of the industry is approximately Rs.29,600 crore and its contribution to the exchequer is around Rs.2,900 crore. The industry provides employment to more than 1,20,000 people directly and to 3,40,000 indirectly.

CRISIL in its latest report has categorized industrial papers as the highest market segment which accounts for approximately 41% of the paper market; the writing and printing (W&P) segment constitutes about 39%; newsprint and specialty segments make up the balance 15% and 5%, respectively.

Demand for paper and paperboard closely follow the economic growth of a country and have a positive correlation to the prevailing economic trends. In India, the demand drivers and growth triggers have come from a combination of factors:

- ✓ the rising level of national income;
- ✓ the growing per capita disposable income;
- ✓ rising aspiration levels of the people;
- ✓ increasing size of the population;
- ✓ increasing size of the service industry;
- ✓ spread of education and literacy throughout the country;
- ✓ government's several initiatives that focus on education; and
- ✓ higher level of industrial activity and corporate spending.

Historically, strong economic growth has been accompanied by equally robust demand for paper. So far, the growth in Indian paper industry has mirrored the growth in GDP which, has grown on an average 8 % over the past few years. During the past five years, while newsprint registered a growth of 13%, W&P, containerboard, carton board and others registered growth of 7.5%, 11% and 9%, respectively.

## GLOBAL TRENDS

Economic slowdown across countries in latter half of 2008 and early 2009 did adversely affect the demand for paper, paperboards, pulp and waste paper across the world. The global recessionary pressures have affected the paper industry in India too.

According to present estimates, global growth in the paper industry is likely to witness CAGR of 2% up to 2012. To put it in perspective, this is half of what was achieved during the period 2002-2007.

Growth in the Asian region and other developing countries is expected to far outweigh the sluggishness in more matured markets of North America, Europe and Japan. The consumption pattern is undergoing a change partly due to the recessionary conditions in developed countries and partly due to demand pull in the Asian region. Asia's consumption is estimated to grow to 45% of the global demand by 2012 as compared to 34% in 2002. In contrast, the share of North America is likely to decline to 21% by 2012 from a peak of 30% achieved in 2002.

Aggregate global demand for paper and paperboard is estimated to be approximately 427 million MT in 2012 from the present 403 million MT. While the demand is estimated to climb by 24 million MT, capacity increase of 20 million MT is expected primarily in Asia. Larger proportion of such additions is expected in the higher growth economies of China and India. Aggregate global capacity is estimated to be 448 million MT by 2012.

The trend of slower growth in worldwide demand accompanied by capacity expansion in the BRIC nations put pressures on price of paper and paperboards especially in the developed countries in early 2009. Several European units turned unviable and have remained shut. Paper Manufacturers making paper out of bought-out pulp also suffered due to substantial increase in pulp prices primarily due to elimination of black liquor subsidies and the earthquake in Chile. Overall, the mismatch in paper demand and supplies reversed from the last quarter of 2009 with paper demand exceeding supplies.

Pulp prices which had fallen to their lowest levels ever seen in early 2009 have more than doubled and continue to rise in 2010. It is estimated that going forward, pulp prices will continue to remain firm. Waste paper prices also have increased in the latter half of 2009 and are expected to stay firm in 2010.

It is estimated that in the next 5 years, the domestic industry would have a CAGR of 8.5%. It is also relevant to take into account that incremental capacity would exceed incremental demand over the short term. The additional capacity is expected to be absorbed by the market in a year's time wiping out the demand-supply gap.

From 2010 onwards, demand is estimated to rise for all varieties and the industry economics would see an uptrend. Demand for paper is expected to grow by 9% in 2010 as against 6% in 2009.

## OUTLOOK AND OPPORTUNITIES FOR THE INDUSTRY

The paper industry's challenges would offer opportunities for the best integrated mills with the ability to produce high quality products at the most competitive prices. Vertically integrated producers with the latest technology would be able to offer the best quality products while containing their costs. Improved processes and cost controls would facilitate margins and manage competitive pressures.

APPM has been one of the first to recognize the potential in actively promoting farm forestry with private land holders/farmers to meet its raw material needs in a sustainable manner. This has helped the Company to access pulp of the highest quality, modernise the processes by incorporating the latest state-of-the-art production technology, enhance production capacity, conserve fossil fuel, recover and recycle chemicals and water, improve productivity and quality of products, upgrade environmental technologies and be cost competitive in manufacturing economics. APPM has hugely improved its

competitive strength and presently has the ability to overcome the pressure points that confront the industry.

#### PERSPECTIVE AT APPM MILLS

Andhra Pradesh Paper Mills (APPM) is one of the largest integrated pulp & paper manufacturers in India and has done pioneering work in several areas in the pulp and paper industry in India. The Company holds ISO 14001, ISO 9001 & OHSAS 18001 certifications as well as the Forest Stewardship Council (FSC) Chain of Custody (COC) certification.

The Company owns & operates two units, one at Rajahmundry and another at Kadiam. The Rajahmundry based Unit:APPM is an integrated wood based paper mill with a rated capacity to produce 1,74,000 MTPA of finished paper production and 1,82,500 MTPA of bleached pulp production. The unit manufactures uncoated writing and printing paper mainly copiers, industrial papers and posters using Casuarina and Subabul as main source of pulpwoods.

Unit:CP the second manufacturing unit at Kadiam, has a rated capacity to produce 67,000 MTPA of finished paper such as creamwove, azurelaid, coloured copiers, kraft liner and newsprint using agri-residue, recycled fiber and purchased pulp as base raw materials.

APPM has done pioneering work to develop its unique model of farm forestry that has helped the Company not only to create adequate supplies of wood in the catchment area but also develop a sustainable source of pulpwood for the future. The Company sells seedlings from its nurseries and counsels farmers on the best methods to grow them thereby conserving natural resources and creating a healthier environment. The farm forestry programme is based on developing massive plantations on marginal and degraded farm lands. As of today, the Company ensures that it gets 100% of its requirement of hardwood from its farm forestry efforts. While doing so, APPM supports farmer welfare programs and champions the cause of an eco-friendly environment.

The Company has always been conscious of its corporate responsibilities and for decades followed a strict environmental policy. Investments continue to be made in achieving ambitious benchmarks to remain ahead of all compliance standards. Such efforts have helped protect and regenerate the natural resources, conserve energy and water, improve productivity and set environment track record at the mills.

Paper industry is capital intensive and has a large gestation period. Payback is partly earned through better product characteristics and value realisation and partly by improving productivity. In its endeavor to match global standards, APPM has invested heavily in environment friendly technologies that facilitate increasing the overall quality of products and demonstrating productivity gains.

As part of the Mill Development Plan, the Company has installed:

- a. A chipper line which enables more homogenous chips which in turn help produce good quality pulp;
- b. A continuous digester that works on low solid and low temperature cooking of chips;
- c. A two stage oxygen delignification plant followed by an elemental chlorine free bleaching plant;
- d. A non-condensable gas burning system suitable for high volume and low concentration gases;
- e. A chemical recovery system based on high steam economy evaporation plant with crystallization technology for higher solids concentration;
- f. A high efficiency and low odour recovery boiler;
- g. A recausticizing plant;
- h. A rotary lime kiln;
- i. A 34 MW turbine and a power boiler to supplement captive power;
- j. A diffused aeration system with cooling tower to improve the efficiency of the effluent treatment plant; and,
- k. Rebuilt of Paper Machine No.3.

These plants and processes ensure consistent pulp quality with high strength properties, low consumption of utilities and chemicals and offer economies of scale. The Company has improved the economics of production in the mill and exceeded current environmental norms applicable in the country.

Recently on 19th May 2010, at APPM the paper production capacity has been enhanced with commissioning of the Paper Machine No. 6 which will further augment the marketable quantities of paper by 67,000 MTPA and add to both top and bottom lines of the Company.

The Company has been striving to produce higher grade varieties of paper that are in demand in the addressable markets. During the year, several newer and high-end writing and printing varieties were introduced. In the copier and graphic papers, 90+ brightness paper was launched.

In the second half of the year, the Company introduced a new 90+ brightness range of papers in a bid to re-establish and grow volumes in both copier and graphic papers including India's first copier with Colour Freeze technology - **Copyrite**. APPM with its in-house R&D efforts developed the new technology (ColourFreeze) for improved inkjet performance of copier papers by enhancing the print densities of both black and color prints. Its technical superiority is evidenced by faster drying of inkjet inks compared to ordinary copier papers. ColourFreeze is a unique technology developed by APPM and is the intellectual property of APPM.

Apart from this, the other introductions are **Reflection** a premium grade 70 GSM copier, a high bright paper **Andhra Starwhite**, high-end writing and printing paper **Andhra Primavera**, a premium grade Maplitho paper **Andhra Royal**



**Silk** and a superior special grade paper **Andhra Hi Brite SG Maplitho** in the surface size segment. **Andhra Skytone** and **Andhra Starliner** in the premium non-surface sized category were introduced to primarily cater to the notebook conversion segment. All these products are positioned and benchmarked to the best in competition and have not only been very well received but are also being increasingly demanded by the end customer.

As part of the long term strategy, newsprint production was suspended.

For all grades, marketing and distribution is done primarily through a network of 75 dealers. Some large consumers are also being catered directly and the Company participates in government tenders. Exports are undertaken through a network of indenting agents across 20 countries.

Domestic prices of paper have tended to align with the global trends. They remained subdued in the first half of the financial year, while they firmed up in the latter half.

## PERFORMANCE REVIEW

### Profitability

The domestic pulp and paper market was impacted by the global slowdown in the early part of the year, with drop in both volumes and prices. Both pulp and paper prices were aligned with the global trends, which witnessed resurgence from around November 2009. APPM managed the challenges better throughout the year and reported a higher Profit before Depreciation and Tax (PBDT) of Rs.12087.25 lakhs for 2009-10 as compared to Rs.7599.92 lakhs in the previous year. The PBDT as a percentage of Sales increased to 18.06% in the year under review from 11.56% earned a year ago.

The Profit after Tax (PAT) was also higher by approximately 185.92% at Rs.5419.34 lakhs over Rs.1895.39 lakhs achieved in 2008-09. PAT as a percentage of Sales increased to 8.10% as compared to 2.88% in the earlier year.

### Production

Production for the year 2009-10 was 1,76,452 MT including paper production of 1,51,747 MT and surplus bleached wood pulp production of 24,705 MT. In comparison, the production was 1,77,748 MT in 2008-09. The lower capacity utilization was due to lower demand and depressing market conditions in the initial months of the financial year as well as annual planned shut down for 10 days in April/May 2009.

Surplus pulp production was lower for the year at 24,705 MT as compared to 31,609 MT in the previous year. Pulp transfer to Unit:CP was stepped up at 44,019 MT for captive consumption in 2009-10 as compared to 28,093 MT in 2008-09.

Paper production at Unit:APPM was lower at 92,078 MT as compared to 94,828 MT in the previous year. However, Unit:CP produced 60,755 MT as compared to 51,311 MT in 2008-09.

During the year, both Unit:APPM and Unit:CP continued to upgrade their product qualities.

### Sales

Sales for the year were 1,77,351 MT as compared to 1,70,239 MT in the previous year. In 2009-10, paper sales comprised 1,52,646 MT and sale of surplus pulp was 24,705 MT. In comparison, paper sales in the financial year 2008-09 was 1,38,630 MT and surplus pulp of 31,609 MT accounted for the balance. The slow down in the economy in the first half of the year impacted volumes and price realizations both in the pulp and paper segments. There was lower volume of pulp sales, consequent to higher captive utilization.

Net Sales Realisation (NSR) per MT over the previous year was lower both in the domestic and export markets. In the domestic market, the NSR was lower due to higher volume sales in the tender business and sluggish prices given the bearish market conditions. Improved prices and change in product mix in the second half did not fully compensate the depressed realizations of the first half.

The NSR was lower from exports primarily because of realizations being low throughout the region. Export markets were subdued and volumes exported were lower at 13,646 MT as against 14,546 MT in the previous year.

### Raw Material

APPM could source all its requirement of pulpwood within a radius of 200 kms (primarily within Andhra Pradesh) and almost 100% of the procurement was obtained from the Company's own farm forestry initiative.

The clonal seedlings distributed by the Company have started yielding results and the farmers have reported more than 100% improvement in yield per acre of wood produced.

During the year 2009-10, about 97.74 million quality seedlings were developed covering an area of 14,500 hectares under plantation against 95.2 million seedlings covering an extent of 14,000 hectares the previous planting year. The farm forestry programme has raised plantations in over 1,00,000 hectares since 1989 when the initiative was started with a goal of achieving raw material self sufficiency and sustained availability. These benefits have extended to around 39,000 families creating employment resource pool of 50 million mandays especially in rural areas.

Research on clonal development has resulted in introduction of high yielding, disease resistant clones and versatile to a wide variety of agro-climatic conditions in inland and coastal areas. Low cost planting techniques, quality seed material and high yielding varieties and short rotation planting stock have enhanced raw material availability.

APPM's ambitious farm forestry schemes emphasise conservation of natural resources and healthier environment, massive plantations on marginal and degraded farm lands and supports farmer friendly practices.

The Company reduced its usage in the year to two species of hardwood from five in the previous year. The ratio of bamboo and hardwood for 2009-10 was 2:98 as against 5:95 in 2008-09.

Reduction in consumption mix, lower utilization of bamboo and procurement from catchment areas nearer to the mill enabled APPM to reduce its raw material cost per tonne of product.

### Utilities

There were several areas in which APPM improved process efficiencies and reduced cost of utilities, primarily due to gains from implementing the Mill Development Plan.

For the third consecutive year, power & fuel costs stood reduced. Cost of power & fuel stood at Rs.5960.21 lakhs as against Rs.6473.05 lakhs in the previous year.

Power & fuel as a percentage of manufacturing cost was 11.03%, higher than 10.84% in 2008-09. The cost includes purchase of coal required for generation of surplus power, which was exported to APTRANSCO. The Company commenced export of surplus power of 5 MW per day to the state grid from 12th June 2009 and earned additional revenue of Rs.1501.71 lakhs during the financial year. Surplus power sold to APTRANSCO was 349.75 lakh kWh.

Coal consumption was lower by 6,639 MT in Unit:APPM due to use of imported coal and higher steam generation from recovery boiler. Commissioning of the CF Boiler No.6 also improved the operational efficiency.

Power consumption for 2009-10 was 1,261 kWh/MT of product as compared to 1,247 kWh/MT in 2008-09 in Unit:APPM.

The ratio of grid power to self generated power was reduced to 10.7:89.3 in 2009-10 as compared to 17.3:82.7 in 2008-09 and 21.4:78.6 in 2007-08. This is to be seen in the background of the cost per unit from both the sources. APPM purchased power from the grid at Rs.3.02 while its own generation through steam turbine (Double extraction-cum-condensing type) cost only Rs.1.57 per unit.

Furnace oil consumption in the recovery boiler was 2.4 litres per MT of unbleached pulp as against 9.1 litres per MT in 2008-09 and 39 litres per MT in 2007-08.

Water consumed was lower at 85.6 M<sup>3</sup> per MT of product in Unit:APPM as compared to 100.5 M<sup>3</sup> per MT in 2008-09. Water consumption has consistently come down from 103 M<sup>3</sup> per MT in 2007-08.

### Stores, Chemicals and Spares Consumption

Their consumption at Rs.14699.91 lakhs was lower by Rs.2655.72 lakhs from the previous year. The saving was Rs.1,519 per MT of product over the year due to improved chemical recovery, lower usage of raw material in pulp production and reduction in rates of chemicals such as caustic lye, sodium chlorate, sodium sulphate, hydrogen peroxide,

sulphuric acid etc. Change in raw material mix also reduced the need for chemicals which further optimized the usage of bleaching chemicals.

Chemical recovery efficiency was higher at 96.13% as compared to 95.69% in 2008-09. The improving trend can be seen from the fact that it was 93.05% in 2007-08 and 92.36% in 2006-07.

### Interest & Finance Charges

Interest and finance charges were lower at Rs.3215.45 lakhs over Rs.4937.09 lakhs recorded in the previous year, including loss on account of the exchange rate fluctuation of Rs.152.47 lakhs. It must be recalled that the Company had exchange loss of Rs.868.64 lakhs in 2008-09.

Interest and finance charges per MT of product sold were Rs.1813, almost 37.5% lower than Rs.2900 per MT incurred in 2008-09.

APPM finances its operations through a mixture of retained profits and borrowings from financial institutions and banks. Borrowings are at both fixed and floating rates of interest. Due to the turmoil in the international financial markets, the interest rates remained soft. The overall effective interest rate was 8.59%.

With the commissioning of the pulp mill and the completion of Phase I & II of the MDP, interest costs are now being charged to revenue.

The savings in interest on term loan was due to lower Libor and bank rate, as well as due to repayment of loans. Savings in bank and finance charges was due to optimum utilization of working capital funds and restructuring of short term loans.

The Company has a comprehensive forex policy and hedging of currency exposure helped to mitigate the volatility and losses.

### Depreciation

Depreciation for the year was higher at Rs.5581.72 lakhs, compared to Rs.5411.19 lakhs in the previous year. The new coal fired boiler capitalized in 2008-09 under the Mill Development Plan Phase III was charged depreciation for the full year.

### INTERNAL CONTROLS

The Company has an internal control system commensurate with the size and nature of the business. The Audit Committee of the Company provides reassurance to the Board on the existence of an effective internal control environment.

### IT SUPPORTS BUSINESS

Enterprise Wide IT and ERP infrastructure is monitored and supported by a dedicated in-house IT team in areas of ERP (SAP) support, data centre management, hardware capacity planning, networking, software development and systems



administration. A centralized data center has been installed at Unit:APPM having clusters of IBM P-series servers with AIX operating system to comply with the SAP landscape. MySAP ECC 5.0 and ORACLE database provides 24X7 services to all users within the Company. Connectivity at different locations in APPM is provided through contemporary communication links such as leased lines, SSL VPN/Internet and ISDN through various capable service providers. Firewalls and other security software have been installed for enforcing strict information security practices to mitigate risks and to protect IT assets from any threats & vulnerabilities.

The ERP system supports the complex business with ease. Based on priorities related to the business, the implementation of SAP has been phased in three stages. Implementation has been completed in key function areas such as material management, sales & distribution, production planning, quality management and finance. APPM further envisages the strengthening of ERP Value chain by deploying suitable functional modules and BI suite to improve business dynamics and decision making capabilities across all layers of management.

APPM has implemented an 'Online Web enabled Dealer Portal' which is integrated with MySAP ERP. This enables dealers to process orders, track dispatches online etc., resulting in reduced cycle time.

Highlights of the implemented ERP System are briefly listed below:

- ✓ Streamlined business processes
- ✓ Informed and accelerated decision making
- ✓ Online interaction across the value chain
- ✓ Reduction in paper work by using online use of information system
- ✓ Reduce cycle time of order processing
- ✓ Better connectivity and information flow across APPM
- ✓ Single platform for all users to share and view data

#### HR INITIATIVES

Industrial relations at both the units of the Company have been healthy and participative. As in the earlier years, the employees and the union have been proactive in finding solutions to improve quality, productivity and sustainability.

The wage agreement for Unit:CP expired on 31st December, 2008 and for Unit:APPM expired on 31st December, 2009 and the negotiations are on-going. The Union has been understanding and supportive and discussions are held in a cordial atmosphere.

Investment in training continued to be stepped up at both the units. 6,260 participants were provided formal training in

subjects as varied as state-of-the-art pulping process, paper making technology & process, recovery efficiency, boiler operation, quality maintenance management, safety, ERP, employee development, cost & waste reduction etc. Safety aspects such as handling of chemicals, material handling, industrial safety, emergency preparedness, fire fighting & prevention etc were focused and a significant amount of man days were devoted to imparting knowledge and skills in these areas. Overall, participants received on an average 11 man hours of training.

As at 31st March 2010, there were 2,530 permanent employees in the Company.

#### OUTLOOK

Indian economy showed 7.4% GDP growth in 2009-10 and has been one of the better managed countries protecting itself from sharp decline. It is also estimated that India will demonstrate sustained growth higher than global average, with GDP growth of over 8.5% in 2010-11 and rising to about 10% in subsequent years.

Paper industry in general and APPM in particular, needs to be ready to grab the emerging opportunities by developing an infrastructure that enables higher production, improves productivity and lowers manufacturing costs.

Looked at a wider perspective, we live in a knowledge oriented world where majority of people have increasing aspiration levels and feel a need to improve their quality of life. There is anecdotal evidence that confirms increasing use of paper with rising human development. Demand for paper is expected to keep increasing in times to come especially in developing countries such as India and China. In view of the paper industry's strategic role for the society and for the overall industrial growth, it is imminent that the paper industry performs well.

India is one of the fastest growing markets for paper globally and this presents an exciting scenario. Paper consumption is poised for a big leap forward in sync with the economic growth and is estimated to touch 14.95 million MT by 2015-16.

It is estimated by industry experts that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of more than a million MT of paper. According to estimates made by the Indian Paper Manufacturers Association, paper production is likely to grow at a CAGR of 8.4% while paper consumption will grow at a CAGR of 9% till 2012-13 (as against CAGR of 7% estimated by CRISIL). Imports are expected to supplement indigenous supplies in products wherein Indian players are not actively present.

Presently, there is a balance between the domestic supply and demand for paper products, which both stand at around 10 million MTPA. However, with additional capacity coming in shortly, the supply is set to exceed the demand this year.

The existing total paper production capacity of 10 million MTPA in the country and the additional capacity of around 350,000 MTPA expected to go on stream in 2010 are likely to disturb the existing demand-supply equilibrium for a short while. The additional capacity would be absorbed by the market in a year's time wiping out the demand-supply gap as the demand for paper is expected to grow by 9% in 2010 as against 6% in 2009.

APPM seeks to grow faster than the industry average both in volume and bottom line and is striving to participate in the improving demand scenario for paper by ensuring economies of scale, efficient usage of resources and value chain management. The investments that continue to be made in the systems, processes, product and market are expected to add traction to the Company's operational performance and meet stakeholder expectations. A strong marketing team, revitalized marketing strategy, new product developments and high-end quality products launched over the past year would add to traction at APPM to ride the future with confidence.

#### MANAGEMENT OF RISKS

Every business carries inherent risks and uncertainties that can affect financial conditions, results of operations and prospects. APPM has been conscious of its risk factors and has been taking proactive steps to mitigate/minimise them. The risk management goal is to identify and evaluate risks as early as possible and limit business losses by taking suitable measures. Overall, the Company aims to avoid risks that pose a threat to its sustainable growth.

The management of APPM understands that risks can negatively impact the attainment of both short term operational and long term strategic goals. Risk management is a part of the business planning and controlling process and is vital to ensure effectiveness in business success. Some of the industry specific risks need a review:

The following factors are considered for determining the materiality:

- a. Some events may not be material individually but may be found material collectively.
- b. Some events may have material impact qualitatively instead of quantitatively.
- c. Some events may not be material at present but may have material impact in future.

#### Industry growth trends

*Paper industry has a positive correlation to economic development and lower GDP growth could affect business fortunes.*

Despite the global pressures, the Indian economy is expected to grow much higher than the global average and report a GDP growth of 8.5%. Paper industry would be a beneficiary of the stimulus packages and investment in education being made

by the Union Government. Higher literacy and aspiration levels of the people are expected to further increase the growth rate of the paper industry.

#### Cyclicality of industry

*Cyclical demand of paper could have adverse impact on sales. The reduction in sale prices will have adverse impact on the working of APPM. The cyclicality of the business could depress margins or growth.*

The paper industry is cyclical in nature and its performance depends on the global pulp and paper demand-supply situation. APPM derives majority of its revenue from the sale of paper & pulp and has derisked its business by being an integrated manufacturer which ensures that the production costs are low. More significant, APPM has continuously rationalized its costs, added to its scale of operations and stepped up its volume of value-enhancing products.

#### Company growth momentum

*A failure/inability to manage year-on-year growth could disrupt the business and reduce profitability.*

Over the past few years, APPM has expanded its capacities and has grown in terms of sales and profitability. Consistent long term growth has been planned and the Company would continuously evolve and improve operational, financial and internal effectiveness across the organization. APPM has organised its strategy and systems and has invested in assets that will fast track the Company with improved financials. Growth seems compelling for both the industry and all well managed players such as APPM. The Company strives for sustainable growth higher than industry average.

#### Increased competition in the industry

*There is increased competition from manufacturers and addition to capacities by many of them will add to pressures in the market. Its a highly competitive field with several peers seeking to improve their market presence.*

So far, the growth in paper industry has mirrored the growth in GDP and has grown on an average of 6-7% over the last few years. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million MT. As per industry estimates, paper production is likely to grow at a CAGR lower than paper consumption which is expected to grow at a CAGR of 9% till 2012-13. While demand increase can benefit all industry participants, there is no assurance that the gains will be shared by all the players equally.

APPM has become the most competitive producer of pulp and paper, and with its product development, investment in quality and branding, the Company retains significant competitive edge in the market.

APPM has been recognized for the branding and quality of its grades and the newly introduced varieties have seen

encouraging response in the market. Leadership positions in terms of product quality have been earned over the decades in some of the key segments. Andhra Paper is well known in segments such as copiers and high grade writing and printing papers and is rated amongst the top three in terms of quality in almost all the product segments that it competes in the industry.

#### **Dependence on a few buyers**

*Dependence on few large institutional buyers and dealers could adversely affect the Company's operations, in case these buyers reduce their requirement or discontinue purchase of paper from APPM.*

The Company sells its products through the retail trade and through industrial consumers. Save for market dynamics of prices, the demands from these sources is consistent and the Company has built up a healthy relationship with its large customers. The quality of APPM's products is part of the strong branding and recent product development initiatives are expected to improve the loyalty factor.

#### **Pricing power**

*There is near perfect competition in the industry and prices are a function of supply and demand. Domestic pricing is also influenced by global trends in both availability and price of pulp, paper and waste paper.*

International prices have firmed up and domestic prices have followed the same trend. Since APPM is an integrated manufacturer with proximity to raw materials, often there are advantages to the Company whichever way the price moves. Pulp production buffers paper production cost in a falling market and improves margins in a rising market.

APPM has a marked presence in its addressable markets and differentiates itself in the segments by the value proposition offered to customers. Andhra has a brand value and the Company has the flexibility to price the products appropriately. Emphasis on quality has reduced the possibilities of commoditization. The Company recognized much earlier than its peers that the best mitigation would be ensured by high-end quality and lowering of production costs.

#### **Product Substitution**

*Paper enjoys a unique position with really no low cost substitution threat. However, electronic medium has reduced the archiving needs that were met by lower grades of paper which could impact demand pull within the Creamwove category.*

India is a country with per capita consumption of 8.4 kgs of paper. This is low compared to global standards and can only grow as knowledge and literacy levels increase and aspiration and quality of life improves. Growth in demand and consumption of both lower and high grade writing and printing papers has outpaced the threats with higher usage in the copier and stationery segments. APPM sees no threat in the

short and medium term within its product categories since all of them are growing, especially given the low base in usage.

#### **Technology**

*The best in the industry use state-of-the-art technology and achieve multiple objectives including enhanced productivity, high-end quality and compliance with the environmental norms. This initiative will remain the industry standard to stay globally competitive. Failure to keep pace with production technology can lower the competitive edge indigenously and globally.*

APPM believes in conserving natural resources and benchmarks itself with the best in the global paper industry. Ongoing efforts will continue to enhance its processes and optimize on resources to meet the needs of the market. The Company is committed to consistently reduce its cost of production by adopting the latest in technology while improving its product quality.

#### **Raw Materials**

*Paper industry requires a sustainable supply of wood to survive and flourish. Wood accounts for approximately 30% of the cost of production. Any threat in supplies would adversely affect the survival of the paper industry.*

The raw materials for paper both subabul and casuarina are natural resources. The quality of our products and customers acceptance of our products depends on the quality of raw materials and our ability to deliver in a timely manner and it is imperative that availability is ensured in a timely manner, in the required quantities, of the specified quality/standard/specification for uninterrupted production processes.

Almost the entire wood requirement is purchased from within Andhra Pradesh and a small quantity is procured from Orissa. The risk is being mitigated by encouraging environment friendly farm forestry practices and assisting land owners to cultivate trees on fallow wastelands.

APPM has taken the leadership role to enhance the generation of raw materials in its catchment area through farm/social forestry year after year for over two decades. The Company ensures conservation and regeneration of natural resources, helps farmers to create sustainable income streams and in the process protects adequate availability of quality raw materials for paper manufacture. These arrangements have been working satisfactorily in the past and APPM has been procuring the required raw material in sufficient quantity at competitive rates.

The Company's endeavour is to ensure raw material security while enabling the farmers to avail remunerative prices.

#### **Utilities**

*The paper industry needs large quantities of power, fuel and water to operate. Lack of availability of any of these utilities can add to the cost sensitivities of the industry. Energy costs form about 15% of the net sales of paper companies.*

APPM has minimised its risk perception by investing in a recovery boiler, a coal fired boiler and in a 34MW turbine that supplements the power drawdown from the grid. Availability and quality of coal supplies have been enhanced.

The Company salvages the residual lignin in wood in its pulping process to fire the boiler and hence uses every part of the wood. APPM has considerably reduced its need for fossil fuels and made adequate plans to protect its needs. Presently, the Company offers its surplus power to the state grid.

There is adequate availability of coal for APPM as the Company has ties with producers such as Singareni Collieries and Mahanadi Coalfields Ltd for uninterrupted supplies.

Unit: APPM mill is adjacent to the River Godavari which has copious availability of water. Yet, the mill has invested in and strives to conserve use of water. As far as possible, the Company recycles water and minimizes wastages. Over the years, APPM has been consistently reducing energy and water costs per MT of product manufactured.

#### **Exchange rate**

*Currency exchange rates could undergo changes with the Indian rupee turning volatile for most part of the year. This could have a potential impact on the export earnings of the Company.*

The Company is conscious of the impact of the volatile movements. Hedging is done wherever necessary and forward covers are taken to protect the Company's interests. The Company is also conservative in booking the unfavorable impact of exchange fluctuations as soon as the impact is determined. Prudential accounting norms are followed in line with the Accounting Standards.

#### **Interest rate**

*The Company's operations are subject to high working capital requirements. Inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, could adversely affect operations, financial condition and profitability. Interest rate risk resulting from changes in prevailing market rates can cause an impact on the financials of the Company.*

APPM's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from operations. The principal risk arising from the Company's financial instruments is liquidity and interest rate risk. Risks from cash flow fluctuations are recognised in a timely manner as part of the liquidity planning.

The Company has managed its finances well with interest and finance charges for the year being Rs.3215.45 lakhs as against Rs.4937.09 lakhs in the previous year. Interest and finance charges per MT of product sold in the financial year ended

31st March 2010 was Rs.1,813 as against Rs.2,900 in year ended 31st March, 2009.

Receivables from customers as at 31st March, 2010 were under control at 25.3 days. The finished goods constituted only 30 days of cost of sales as at 31st March, 2010, lower than 35 days of cost of sales on 31st March, 2009. The current ratio was barely 1.04 as at the balance sheet date on 31st March, 2010. The Debt:Equity ratio was lower at 1.32 at the year end, lower than 1.78 as at the corresponding date in 2009.

On an on-going basis, the Company finances its operations through a mixture of retained profits and borrowings from financial institutions and banks. Borrowings are at both fixed and floating rates of interest. The Company's operations are principally financed by floating rate borrowings whereas, significant investment are generally financed through fixed rate borrowings.

Although interest rates have weakened, APPM is conscious of the dynamics of the market, and has taken effective steps to not only reduce costs and improve margins but also be in a position to report higher post tax profits. Generating free cash flow will remain a priority.

#### **Export obligations**

*The Company has undertaken an export obligation of Rs.65,091 lakhs against licenses issued under the EPCG Scheme for concessional duties paid towards import of equipments.*

The Company is confident of meeting its export obligations.

#### **Environment**

*The pulp and paper industry has a commitment to the environmental protection, and it would be essential to remain sensitive to the needs of the planet.*

APPM has been a responsible corporate citizen and has hugely minimised the impact of mill operations by taking a proactive role. The Company encourages planting twice the number of trees than it harvests and reduces water consumption year after year.

The latest technology has been adopted for elemental chlorine free bleaching of pulp and recycling of water. Efficiency of the effluent treatment plant has been improved with diffused aeration system and by installing a cooling tower.

APPM installed a Non Condensable Gases (NCG) system, both for the collection and incineration of high volume low concentration and low volume high concentration gases. This has made the mill and surrounding environment odour free.

APPM also installed high efficiency ESPs to contain suspended particulate matter to less than 50 ppm.

Several such initiatives have been taken to ensure APPM meets standards much before the standards are laid down or implemented by all regulatory authorities.

# Report on Corporate Governance

## 1. Company's philosophy on Corporate Governance

The Company strongly believes that practice of Corporate Governance should aim at meeting the aspirations of the stakeholders and the expectations of the society. For this purpose, the management follows transparency, professionalism and accountability and performs its role accordingly.

## 2. Board of Directors

i. The Board of Directors comprises of eight Non-Executive Directors and four Executive Directors as on 31st March, 2010.

a. Non-Executive Promoter Directors

Shri L.N. Bangur, Chairman

Smt. Alka Bangur

b. Non-Executive Independent Directors

Shri N. Srinivasan

Shri R.C. Sarin

Shri R.V. Raghavan

Shri P.J.V. Sarma

Shri P.K. Paul

Shri Rajiv Kapasi

c. Non-Promoter Executive Directors

Shri M.K. Tara, Managing Director

Shri P.K. Suri, Director (Operations)

d. Executive Promoter Directors

Ms. Sheetal Bangur, Director (Commercial)

Shri Shreyash Bangur, Director (Corporate)

The Chairman of the Board is a Non-Executive Chairman.

ii. During the financial year 2009-10, four meetings of Board of Directors were held on 12th June 2009, 31st July 2009, 23rd October 2009 and 30th January 2010.

iii. Attendance of each Director at the meetings of Board of Directors held during the financial year 2009-10, last Annual General Meeting and the number of other boards and board committees in which he/she is a member or chairperson:

Name	Attendance Particulars		No. of other directorships <sup>1</sup>	No. of Board Committee(s) of which he/she is the	
	No. of Board Meetings	Last A.G.M.		Member	Chairman
Shri L.N. Bangur	4	Yes	13	1	2
Smt. Alka Bangur	2	No	2	2	-
Shri N. Srinivasan	4	No	14	4	5
Shri R.C. Sarin	3	No	-	-	-
Shri P.J.V. Sarma	4	Yes	1	1	1
Shri R.V. Raghavan	4	No	3	1	-
Shri P.K. Paul	3	No	-	-	-
Shri Rajiv Kapasi	2	No	-	-	-
Shri M.K. Tara	4	Yes	-	-	-
Ms. Sheetal Bangur	4	Yes	2	-	-
Shri Shreyash Bangur	4	Yes	1	-	-
Shri P.K. Suri	4	Yes	-	-	-

<sup>1</sup> Excluding private limited companies, companies having license under Section 25 of the Companies Act, 1956 and alternate directorships.



### 3. Audit Committee

- i. The Company has adopted Clause 49(2)(D) of the Listing Agreement as the terms of reference for the Audit Committee.
- ii. Audit Committee as on 31st March, 2010 comprised of:

Shri P.J.V. Sarma, Chairman  
Shri N. Srinivasan, Member  
Shri R.C. Sarin, Member  
Shri R.V. Raghavan, Member

All the above members are independent Non-Executive Directors. Shri P.J.V. Sarma, Shri N. Srinivasan and Shri R.V. Raghavan possess expert knowledge in the area of finance and accounting.

- iii. During the year, the Audit Committee met on 11th June 2009, 31st July 2009, 22nd October 2009, 24th December 2009, and 30th January 2010.

The following table gives the attendance record:

Name	Number of Meetings held	Number of Meetings attended
Shri P.J.V. Sarma	5	5
Shri N. Srinivasan	5	5
Shri R.C. Sarin	5	4
Shri R.V. Raghavan	5	4

### 4. Remuneration Committee

The Company had constituted a Remuneration Committee with three independent Non-Executive Directors to determine the remuneration package of Executive Directors. The Remuneration Committee as on 31st March 2010 comprised of Shri N. Srinivasan, Shri R.C. Sarin and Shri R.V. Raghavan. The Committee had no occasion to meet during the financial year 2009-10.

#### i. Remuneration to Executive Directors

- a. The details of remuneration paid to M.K. Tara, Managing Director, Ms. Sheetal Bangur, Director (Commercial), Shri Shreeyash Bangur, Director (Corporate) and Shri P.K. Suri, Director (Operations) during the financial year 2009-2010 are given below:

Name	Salary & Allowances	Perquisites	Contribution to Provident Fund, Superannuation Fund and Gratuity	Rs. Lakhs
				Total
Shri M.K. Tara	93.37	1.20	12.98	107.55
Ms. Sheetal Bangur	13.88	4.72	3.82	22.42
Shri Shreeyash Bangur	13.85	1.32	3.82	18.99
Shri P.K. Suri	28.52	2.22	5.51	36.25

- b. The contracts with Executive Directors are terminable by giving six months notice on either side.

#### ii. Payments to Non-Executive Directors & criteria for making payments

- a. The Company pays sitting fees to all the Non-Executive Directors for attending the meetings of Board of Directors and Committees of Board in addition to commission on profits depending on the availability of profits. The sitting fees paid during the financial year ended 31st March, 2010 to the Non-Executive Directors are as follows:

Name	Rs. Lakhs
Shri L.N. Bangur	1.00
Smt. Alka Bangur	0.30
Shri N. Srinivasan	1.35
Shri R.C. Sarin	1.05
Shri P.J.V. Sarma	1.65
Shri R.V. Raghavan	1.20
Shri P.K. Paul	0.45
Shri Rajiv Kapasi	0.30

b. Shareholding of Non-Executive Directors

Name	Number of Equity Shares
Shri L.N. Bangur	2,27,627
Smt. Alka Bangur	1,07,396
Shri N. Srinivasan	-
Shri R.C. Sarin	1,859
Shri P.J.V. Sarma	-
Shri R.V. Raghavan	-
Shri P.K. Paul	-
Shri Rajiv Kapasi	11,000

## 5. Investors' Grievance Committee

The Committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non-receipt of annual report, non-receipt of declared dividends etc. The Committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities. The members of the Investors' Grievance committee as on 31st March, 2010 were Shri L.N. Bangur, Chairman, Shri M.K. Tara and Ms. Sheetal Bangur. The Board designated Shri C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary as Compliance Officer. The Committee met on 22nd October 2009, 30th January 2010 and 30th March 2010 and also passed one circular resolution during the year under review.

The details of the status of complaints received from the shareholders during the financial year 2009-2010 are furnished below:

Pending as on 1st April, 2009	Nil
Received during the year (Includes 58 complaints relating to Rights Issue)	65
Redressed during the year	65
Pending as on 31st March, 2010	Nil

## 6. General Body Meetings

i. The location and time of the last three Annual General Meetings held:

Year	Date and Time	Venue
2006-2007	21st September, 2007 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2007-2008	27th September, 2008 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2008-2009	25th September, 2009 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104



ii. Special Resolutions passed in the previous three Annual General Meetings:

Date	Description of Special Resolutions passed
21st September, 2007	a. Re-appointment of Shri R.C. Mall, Executive Director for a further period of three years from 10th May, 2007. b. Delisting of Equity Shares of the Company from the Hyderabad Stock Exchange Limited pursuant to Clause 5 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003.
27th September, 2008	Nil
25th September, 2009	a. Amendment to Article 6 of Articles of Association consequent upon increase in the authorised capital from Rs.35 crore to Rs.50 crore. b. Rights Issue of 70,18,242 Equity Shares of Rs.10 each with a premium of Rs.40 per Share in the ratio of 3:11 along with detachable Warrants convertible into Equity Shares.

iii. No special resolution was passed through postal ballot during the financial year 2009-10.

iv. At present no special resolution is proposed to be passed through postal ballot. The procedure laid down in Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 would be followed as and when necessary.

#### 7. Disclosure on materially significant related party transactions

During the year, there were no transactions of material nature with the Directors and management or relatives that had potential conflict with the interests of the Company.

#### 8. Details of non-compliance by the Company

There were no penalties, strictures imposed on the Company by the stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

#### 9. Code of Conduct for Directors and Senior Executives

The Company adopted a Code of Business Conduct and Ethics for its Directors and senior executives. The Code has also been posted on the Company's website. The Managing Director has given a declaration that all the Directors and concerned executives have affirmed compliance with the Code of Conduct.

#### 10. CEO/CFO Certification

A certificate duly signed by the Managing Director & CEO and Sr. Vice President (Finance & Accounts) & CFO relating to financial statements and internal controls and internal control systems for financial reporting as per the format provided in Clause 49 of the Listing Agreement was placed before the Board and was taken on record.

#### 11. Adoption of non-mandatory requirements

The Company complies with the following non-mandatory requirements stipulated under Clause 49:

- Chairman's Office:** As the Chairman of the Company is a Non-Executive Chairman, the Company is maintaining a Chairman's Office at Hyderabad at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.
- Remuneration Committee:** The Company has constituted a Remuneration Committee to determine the remuneration package of Executive Directors based on their performance and defined assessment criteria.

#### 12. Means of Communication

Quarterly, half-yearly and annual financial results are usually published in Business Line (English Version) and vernacular regional newspaper viz. Andhra Prabha. Results are displayed on the Company's website: [www.andhrapaper.com](http://www.andhrapaper.com)

Official news releases, detailed presentations are proposed to be made to media, analysts, institutional investors etc.

The Management Discussion and Analysis forms part of the Annual Report.

#### 13. General Shareholder Information

	Date & Time	Venue
46th Annual General Meeting	15th July, 2010 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104

#### 14. Financial Calendar - (Tentative and subject to change)

Financial year: 2010-11

		On or before
Unaudited Financial Results for the quarter ending	30th June, 2010	14th August, 2010
Unaudited Financial Results for the quarter ending	30th September, 2010	14th November, 2010
Unaudited Financial Results for the quarter ending	31st December, 2010	14th February, 2011
Audited Financial Results for the year ending	31st March, 2011	30th May, 2011
Annual General Meeting for the year ending	31st March, 2011	30th September, 2011
Details of Book Closure	21st June, 2010 to 25th June, 2010 (both days inclusive)	
Date of payment of Equity Dividend	on and from 26th July, 2010	

#### 15. Listing on Stock Exchanges

Bombay Stock Exchange Limited (BSE)  
Phiroze Jeejeebhoy Towers, Dalal Street,  
Mumbai - 400 001

National Stock Exchange of India Limited (NSE)  
"Exchange Plaza"  
Bandra-Kurla Complex  
Bandra (East), Mumbai - 400 051

In March 2010, the Company paid the annual listing fees to BSE and NSE for the financial year 2010-11.

#### 16. Stock Code

	Equity Shares	Detachable Warrants <sup>1</sup>
Bombay Stock Exchange Limited	502330	961687
National Stock Exchange of India Limited	Symbol: APPAPER Series: EQ	Symbol: APPAPER Series: W1
ISIN (for Dematerialisation)	INE435A01028	INE435A13015

<sup>1</sup>BSE & NSE had granted listing approval on 31st March, 2010 and 1st April, 2010 respectively.

#### 17. The details of monthly high and low quotations of the Equity Shares of the Company traded on the stock exchanges are given below:

##### a. Bombay Stock Exchange Limited

Month	Share Quotation Rs.		BSE Sensex	
	High	Low	High	Low
2009 April	55.25	40.40	11492.10	9546.29
May	67.00	52.35	14930.54	11621.30
June	79.30	65.00	15600.30	14016.95
July	79.85	63.10	15732.81	13219.99
August	76.90	66.05	16002.46	14684.45
September	75.85	68.45	17142.52	15356.72
October	93.00	69.05	17493.17	15805.20
November	86.95	73.00	17290.48	15330.56
December	129.70	80.00	17530.94	16577.78
2010 January	124.00	90.00	17790.33	15982.08
February	123.40	80.00	16689.25	15651.99
March	87.50	73.60	17793.01	16438.45

**b. National Stock Exchange of India Limited**

Month		Share Quotation Rs.		S & P CNX NIFTY	
		High	Low	High	Low
2009	April	50.75	38.95	3517.25	2965.70
	May	68.50	50.55	4509.40	3478.70
	June	79.75	64.00	4693.20	4143.25
	July	74.00	64.50	4669.75	3918.75
	August	77.00	65.85	4743.75	4353.45
	September	75.75	68.05	5087.60	4576.60
	October	92.90	70.00	5181.95	4687.50
	November	93.50	75.30	5138.00	4538.50
	December	132.00	77.00	5221.85	4943.95
2010	January	124.90	90.00	5310.85	4766.00
	February	123.40	79.20	4992.00	4675.40
	March	87.70	73.50	5329.55	4935.35

**18. Registrar and Transfer Agents**

Sathguru Management Consultants (Private) Limited  
 Plot No.15, Hindi Nagar, Punjagutta, Hyderabad - 500 034  
 Tel. No. +91 40 2335 0586, 2335 6507 & 2335 6975  
 Fax No. +91 40 4004 0554; E-mail: sta@sathguru.com

**19. Share Transfer System**

The Chairman approves the share transfers once in a fortnight. The average time taken for registering the share transfers is approximately 15 days from the date of receipt of request.

**20. Distribution of Equity Shareholding as on 31st March, 2010**

Nominal Value of Equity Shares Rs.	Shareholders		Value	
	Number	%	Rs.	%
1 - 5000	9,148	87.36	1,04,19,700	3.18
5001 - 10000	687	6.56	48,61,850	1.49
10001 - 20000	302	2.88	42,32,730	1.29
20001 - 30000	96	0.92	23,58,130	0.72
30001 - 40000	55	0.52	19,35,980	0.59
40001 - 50000	27	0.26	12,30,000	0.38
50001 - 100000	82	0.78	54,08,950	1.65
100001 and Above	75	0.72	29,70,70,630	90.70
<b>TOTAL</b>	<b>10,472</b>	<b>100.00</b>	<b>32,75,17,970</b>	<b>100.00</b>

### Category of Equity Shareholders as on 31st March, 2010

Category	No. of Shares held	%
A. Indian Promoters & Promoters Group	1,70,64,596	52.10
B. Public Shareholdings:		
1. Institutional Investors:		
a. Mutual Funds, Financial Institutions, Banks and Insurance Companies	22,46,441	6.86
b. Foreign Institutional Investors	6,21,673	1.90
c. Foreign Financial Institutions	57,96,125	17.70
d. Foreign Banks	200	-
Sub-total	86,64,439	26.46
2. Non-Institutions:		
a. Bodies Corporate	20,31,131	6.20
b. Indian Public	49,52,981	15.12
c. Non-Resident Indians	34,853	0.11
d. Trusts	3,797	0.01
Sub-total	70,22,762	21.44
Total public shareholding (1+2)	1,56,87,201	47.90
Total (A+B)	3,27,51,797	100.00

### 21. Dematerialisation of shares as on 31st March, 2010

Depository Name	No. of Shares dematerialised	Percentage on Equity Share Capital
National Securities Depository Limited	2,13,18,226	65.09
Central Depository Services (India) Limited	38,86,779	11.87
Total	2,52,05,005	76.96

54,24,336 equity shares in NSDL and 15,46,913 equity shares in CDSL allotted in the Rights Issue on 30th March, 2010 and credited after 31st March, 2010 are not included.

22. The Company has issued and allotted 70,18,242 Detachable Tradeable Warrants on 30th March, 2010 to the shareholders for every one Equity Share allotted in Rights Issue in terms of the Letter of Offer dated 22nd February, 2010. The Warrants will be converted into Equity Shares at any time before the expiry of 18 months from the date of allotment i.e. 30th September, 2011 on payment of conversion price of Rs.50 per Warrant including premium of Rs.40 per Share and the issued capital of the Company on conversion would be 3,97,70,039 Equity Shares.

### 23. No GDRS or ADRs have been issued by the Company.

### 24. Transfer of unclaimed dividend to Investor Education and Protection Fund

A sum of Rs.1,54,247 representing equity dividend of the Company for the year 2001-2002 which remained unclaimed for seven years has been transferred in November, 2009 to the Investor Education and Protection Fund established by Central Government pursuant to Section 205C of the Companies Act, 1956.

### 25. Plant Locations

Unit:APPM	Unit:CP
Rajahmundry - 533 105 East Godavari District Andhra Pradesh	Industrial Area, M.R.Palem - 533 126 Near Kadiyam Railway Station, Kadiyam Mandalam, East Godavari District, Andhra Pradesh

## 26. Address for correspondence from shareholders

Sathguru Management Consultants (P) Limited Plot No. 15, Hindi Nagar Punjagutta Hyderabad - 500 034	or	Secretarial Department The Andhra Pradesh Paper Mills Limited Rajahmundry - 533 105 East Godavari District, Andhra Pradesh
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## 27. E-mail ID for Investor Grievance Redressal: [sectrjy@andhraper.com](mailto:sectrjy@andhraper.com)

The Assistant Manager (Secretarial) will register the complaints and take necessary follow up action.

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## Declaration by the Managing Director

The Members of  
The Andhra Pradesh Paper Mills Limited

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance, I confirm that, on the basis of confirmations/declarations received, all the Directors and senior management personnel of the Company have complied with the Code of Business Conduct and Ethics framed by the Company for the financial year ended 31st March, 2010.

Secunderabad  
20th May, 2010

  
**M.K. Tara**  
Managing Director

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## Auditors' Certificate on Corporate Governance

The Members of  
The Andhra Pradesh Paper Mills Limited  
Rajahmundry.

We have examined the compliance of conditions of corporate governance by The Andhra Pradesh Paper Mills Limited, Rajahmundry for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

For **Brahmayya & Co.**,  
Chartered Accountants  
(Registration No. 000513S)



**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Visakhapatnam  
21st May, 2010

# Auditors' Report

The Members of  
The Andhra Pradesh Paper Mills Limited,  
Rajahmundry.

1. We have audited the attached Balance Sheet of The Andhra Pradesh Paper Mills Limited as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of such books;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956 with the exception of Accounting Standard 22, on "Accounting for Taxes on Income", referred to in Note no.10 of Schedule 19 (II).
- e. In our opinion and to the best of our information and according to the explanations given to us, subject to not fully providing for deferred tax liability in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India, referred to in Note no 10 of Schedule 19 (II), the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
  - i. in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2010;
  - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and,
  - iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.
- f. On the basis of written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Brahmayya & Co.,**  
Chartered Accountants  
(Registration No. 000513S)



**C.V. Ramana Rao**  
Partner

Membership No. 018545

Bhubaneswar  
4th May, 2010

## ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. During the year under report, items of furniture, fixtures and equipment have been physically verified by the management, in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information furnished to us, no material discrepancies have been noticed on such verification.
- c. The fixed assets disposed off by the Company during the year do not form a substantial part thereof.
- ii. a. Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on such verification between the physical stocks and the book records were not material.
- iii. a. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties to whom the provisions of Section 301 of the Companies Act, 1956 apply. Accordingly, sub clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the Order are not applicable.
- b. The Company has not taken any loans, secured or unsecured from companies, firms, or other parties to whom the provisions of Section 301 of the Companies Act apply. Accordingly, sub clauses (f), (g) and (h) of clause (iii) of paragraph 4 of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any tribunal.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- ix. a. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise duty, service tax, cess, and other material statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, service tax and cess were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable.
- c. As at 31st March 2010, there have been no disputed dues, which have not been deposited with the respective authorities in respect of income-



tax, wealth-tax, excise duty, service tax and cess, except disputed excise duty and service tax under Central Excise Act of Rs.165.08 lakhs pending before the Appellate Commissioner, Customs and Central Excise, Rs.3057.18 Lakhs pending before the Customs, Central Excise and Service Tax Appellate Tribunal and Rs.37.02 Lakhs pending before Hon'ble High Court of Andhra Pradesh, disputed sales tax under Andhra Pradesh General Sales Tax Act and Central Sales Tax Act of Rs.84.69 lakhs pending before Appellate Deputy Commissioner, Rs.129.68 lakhs pending before Sales Tax Appellate Tribunal and Rs.132.67 lakhs pending before Hon'ble High Court of Andhra Pradesh

- x. The Company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause (xii) of paragraph 4 of the Order are not applicable.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other instruments.

Accordingly, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.

- xv. The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of paragraph 4 of the Order are not applicable to the Company.
- xvi. In our opinion, the term loans have been applied for the purposes for which they were raised.
- xvii. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xviii. During the year the Company has not made any preferential allotment of shares. Accordingly, clause 4(xviii) of the Order is not applicable.
- xix. The Company has created securities in respect of secured debentures in earlier years. There are no debentures outstanding at the year end.
- xx. During the year, the Company has not raised any money by way of public issue. Accordingly, the provisions of clause (xx) of paragraph 4 of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Brahmayya & Co.**,  
Chartered Accountants  
(Registration no. 000513S)



**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Bhubaneswar  
4th May, 2010

# Balance Sheet as at 31st March, 2010

Rs.Lakhs

	Schedule No.	As at 31st March, 2010	As at 31st March, 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a. Capital	1	3275.18	2573.36
b. Reserves & Surplus	2	47019.35	39224.40
		<u>50294.53</u>	<u>41797.76</u>
<b>Loan Funds</b>			
a. Secured Loans	3	45695.41	47477.79
b. Unsecured Loans	4	4989.04	8625.38
		<u>50684.45</u>	<u>56103.17</u>
<b>Deferred Tax Liability</b>		3075.25	2165.55
<b>Total</b>		<u>104054.23</u>	<u>100066.48</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
	5		
Gross Block		108122.64	110436.77
Depreciation		40323.38	35349.88
Net Block		67799.26	75086.89
Capital Works-in-Progress		22595.75	15246.21
		<u>90395.01</u>	<u>90333.10</u>
<b>Investments</b>	6	1664.34	1664.34
<b>Current Assets, Loans and Advances</b>			
Inventories	7	11587.20	13524.85
Sundry Debtors	8	4642.46	3874.91
Cash and Bank Balances	9	1376.64	807.00
Other Current Assets			
Interest accrued on Deposits & Investments etc.		131.36	116.66
Loans and Advances	10	7097.75	5577.93
		<u>24835.41</u>	<u>23901.35</u>
<b>Less: Current Liabilities &amp; Provisions</b>	11	12840.53	15975.02
<b>Net Current Assets</b>		<u>11994.88</u>	<u>7926.33</u>
Miscellaneous Expenditure to the extent not written-off or adjusted		-	142.71
<b>Total</b>		<u>104054.23</u>	<u>100066.48</u>
Significant Accounting Policies and Notes on Accounts	19		

As per our report of even date

**For Brahmayya & Co.,**  
Chartered Accountants

**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Bhubaneswar  
4th May, 2010



**E. Sai Ram**  
Sr. Vice President (Finance & Accounts) &  
Chief Finance Officer



**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary

For and on behalf of the Board,



**L.N. Bahgur**  
Chairman



**M.K. Tara**  
Managing Director

# Profit and Loss Account for the year ended 31st March, 2010

Rs.Lakhs

	Schedule No.	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>INCOME</b>			
Sales		66934.10	65733.39
Less: Excise Duty		2026.24	2938.54
Net Sales		64907.86	62794.85
Increase/(Decrease) in Stocks	12	(1844.39)	3086.52
Other Income	13	828.52	1023.29
<b>Total</b>		<b>63891.99</b>	<b>66904.66</b>
<b>EXPENDITURE</b>			
Materials Cost	14	15618.33	18857.55
Employee Costs	15	5648.92	5507.65
Manufacturing Expenses	16	22083.61	24907.10
Other Expenses	17	5095.72	5004.87
Deferred Revenue Expenses Written off		142.71	90.48
<b>Total</b>		<b>48589.29</b>	<b>54367.65</b>
<b>Profit before Interest, Depreciation and Tax (PBITD)</b>		<b>15302.70</b>	<b>12537.01</b>
Interest and Finance Charges	18	3215.45	4937.09
<b>Profit before Depreciation and Tax (PBDT)</b>		<b>12087.25</b>	<b>7599.92</b>
Depreciation		5581.72	5411.19
<b>Profit before Tax (PBT)</b>		<b>6505.53</b>	<b>2188.73</b>
Provision for Taxation			
Current tax		1106.00	248.00
Earlier years' tax		176.49	4.64
Deferred Tax		909.70	251.20
Fringe Benefit Tax		-	37.50
Less: MAT Credit [Refer Note No.18 of Schedule 19 (II)]		(1106.00)	(248.00)
<b>Profit after Tax (PAT)</b>		<b>5419.34</b>	<b>1895.39</b>
Profit brought forward from Previous Year		11961.01	10406.28
<b>Balance available for Appropriation</b>		<b>17380.35</b>	<b>12301.67</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		10000.00	190.00
Proposed Equity Dividend		327.52	128.77
Corporate Tax on Dividend		54.40	21.89
Excess Provision for Equity dividend of earlier year written back		(0.10)	-
Excess Provision for Corporate tax on dividend for earlier year written back		(0.01)	-
Balance carried to Balance Sheet		6998.54	11961.01
<b>Total</b>		<b>17380.35</b>	<b>12301.67</b>
Significant Accounting Policies and Notes on Accounts	19		
Earnings per Equity Share (Basic)/(Diluted) Rs.		21.03	7.37

As per our report of even date

**For Brahmayya & Co.,**  
Chartered Accountants

**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Bhubaneswar  
4th May, 2010



**E. Sai Ram**  
Sr. Vice President (Finance & Accounts) &  
Chief Finance Officer



**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary

For and on behalf of the Board,



**L.N. Bahgur**  
Chairman



**M.K. Tara**  
Managing Director

# Cash Flow Statement for the year ended 31st March, 2010

Rs.Lakhs

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after Extraordinary Items and before Tax	6505.53	2188.73
Adjustments for:		
Depreciation	5581.72	5411.19
Claims, Bad debts, Irrecoverable advances written off	8.40	-
Provision for Bad & doubtful debts	30.70	-
Miscellaneous Expenditure written off	142.71	90.48
Loss on Discarded Assets	12.60	6.57
Provision for Leave encashment & Gratuity	(96.19)	19.33
Provision for doubtful debts written back	(1.39)	-
Profit on Sale of Assets	(282.66)	(26.30)
Income from Investments	(16.51)	(5.74)
Interest Paid	3513.86	5048.96
Interest Received	(98.26)	(173.15)
Operating Profit before Working Capital Changes	15300.51	12560.07
Adjustments for:		
Trade and other Receivables	(1256.52)	668.49
Inventories	1937.65	(3043.49)
Trade Payables	(2333.79)	2695.11
Cash Generated from Operations	13647.85	12880.18
Interest Paid	(3513.86)	(5048.96)
Income Tax Paid	(1265.71)	(192.23)
Net Cash from Operating Activities	8868.28	7638.99
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(439.78)	(4756.98)
Capital Works-in-Progress	(8684.71)	(1460.41)
Sale of Fixed Assets	411.68	50.82
Income from Investments	16.51	5.74
Interest Received	98.26	173.15
Net Cash used in Investing Activities	(8598.04)	(5987.68)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Share Capital	701.82	-
Proceeds from Borrowings	17675.91	5314.71
Repayment of Borrowings	(20685.21)	(7187.45)
Dividends paid including tax on dividend	(150.54)	(301.07)
Share Premium Received (Net of Rights Issue Expenses)	2757.42	-
Net Cash used in Financing Activities	299.40	(2173.81)
Net Increase/(Decrease) in Cash and Cash Equivalents	569.64	(522.50)
Cash and Cash Equivalents as at 1st April, 2009	807.00	1329.50
Cash and Cash Equivalents as at 31st March, 2010	1376.64	807.00

As per our report of even date

For and on behalf of the Board,

**For Brahmayya & Co.,**  
Chartered Accountants

**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Bhubaneswar  
4th May, 2010



**E. Sai Ram**  
Sr. Vice President (Finance & Accounts) &  
Chief Finance Officer



**L.N. Bangur**  
Chairman



**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary



**M.K. Tara**  
Managing Director

# Schedules forming part of the Balance Sheet

Rs.Lakhs

	31st March, 2010	31st March, 2009
<b>Schedule 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
4,00,00,000 Equity Shares of Rs.10 each	4000.00	3000.00
(Previous year 3,00,00,000 Equity Shares of Rs.10 each)		
5,00,00,000 Redeemable Cumulative Preference Shares of Rs.100 each	500.00	500.00
<b>Total</b>	<b>4500.00</b>	<b>3500.00</b>
<b>Issued, Subscribed and Paid Up</b>		
3,27,51,797 Equity Shares of Rs.10 each fully paid up	3275.18	2573.36
(Previous year 2,57,33,555 Equity Shares of Rs.10 each)		
<b>Total</b>	<b>3275.18</b>	<b>2573.36</b>
9,98,500 Equity Shares of Rs.10 each were allotted as fully paid up pursuant to a contract without payment being received in cash		
11,25,000 Equity Shares of Rs.10 each fully paid up were allotted for consideration other than cash as Bonus Shares by Capitalisation of Reserves		
5,80,000 Equity Shares of Rs.10 each were allotted to the shareholders of amalgamating Company, Coastal Papers Limited pursuant to the Scheme of Amalgamation without payment being received in cash		
70,18,242 Detachable Warrants allotted will be converted into equivalent number of Equity Shares of Rs.10 each, on payment of warrant exercise price of Rs.50 per Warrant at any time before the expiry of 18 months from the date of allotment i.e. 30th September, 2011		
<b>Schedule 2</b>		
<b>Reserves &amp; Surplus</b>		
<b>Share Premium</b>		
As per last Balance Sheet	12649.33	12649.33
Add: Premium received on allotment of of Equity Shares on rights issue basis	2807.29	-
Less: Adjustment of rights issue expenses	(49.87) 15406.75	- 12649.33
Capital Redemption Reserve	598.00	598.00
<b>General Reserve</b>		
As per last Balance Sheet	14016.06	15415.97
Less: Adjusted towards long term foreign currency monetary items	-	1589.91
Add: Transfer from Profit and Loss Account	10000.00 24016.06	190.00 14016.06
Surplus in Profit and Loss Account	6998.54	11961.01
<b>Total</b>	<b>47019.35</b>	<b>39224.40</b>

	31st March, 2010	31st March, 2009
<b>Schedule 3</b>		
<b>Secured Loans</b>		
<b>Term Loans from Financial Institutions &amp; Banks</b>		
a. Foreign Currency Loans	14407.02	19909.56
b. Rupee Loans	29654.82	18938.68
c. Buyers credit	–	6019.02
<b>Working Capital</b>		
From Banks	1633.57	2610.53
<b>Total</b>	<b>45695.41</b>	<b>47477.79</b>
1. Term loans from the financial institutions viz. International Finance Corporation, Deutsche Investitions-und Entwicklungsgesellschaft mbH, State Bank of India, Canara Bank, IDBI Bank Limited & Axis Bank Limited are secured by a pari passu first charge on all movable and immovable properties of the Company situated at Rajahmundry, Serinarasannapalem and Kadiyam, in accordance with respective loan agreements and subject to charge under Note No.2. Further, term loans from Axis Bank Limited have a second charge on current assets of the Company. The charge creation in respect of corporate loan of Rs.15 Crore availed from IDBI Bank Limited is pending.		
2. Working capital facilities from State Bank of India and Canara Bank are secured by hypothecation of raw materials, finished stock, stock in process, stores and spare parts etc. along with a second charge on the fixed assets of the Company situated at Rajahmundry, Serinarasannapalem and Kadiyam.		
3. 9,71,115 equity shares of Rs.10 each of the Company held by M/s. Digvijay Investments Limited (Promoters' group) have been pledged in favour of IDBI Trusteeship Services Limited for the benefit of International Finance Corporation and Deutsche Investitions-und Entwicklungsgesellschaft mbH.		
<b>Schedule 4</b>		
<b>Unsecured Loans</b>		
<b>Long Term</b>		
i. Interest free Sales Tax Deferment Loan from Government of A.P.	2951.67	2762.28
ii. Security Deposits from dealers including interest due thereon	1347.86	1317.49
<b>Short Term</b>		
Public Deposits	689.25	543.55
[including unclaimed deposits of Rs.1.05 Lakhs, (Previous Year - Rs.15.90 Lakhs)]		
[Includes from Directors Rs.3.50 Lakhs, (Previous Year - Rs.3.00 Lakhs)]		
[Repayable within one year Rs.404.75 Lakhs, (Previous Year - Rs.438.05 Lakhs)]		
Interest due thereon	0.26	2.06
From Banks	–	4000.00
<b>Total</b>	<b>4989.04</b>	<b>8625.38</b>



Schedule 5  
Fixed Assets

Rs.Lakhs

Particulars	Gross Block at Cost				Depreciation				Net Depreciated Block		
	As at 1st April, 2009	Additions	Sales/ Adjustments	As at 31st March, 2010	As at 1st April, 2009	For the Year	On Sales/ Adjustments	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2009	
<b>Tangible</b>											
Land	259.17	-	-	259.17	-	-	-	-	259.17	259.17	
Roads & Drainages	98.27	1.63	-	99.90	33.21	6.63	-	39.84	60.06	65.06	
Buildings	5052.57	-	38.24 <sup>a</sup>	5014.33	2309.51	210.97 <sup>b</sup>	3.56	2516.92	2497.41	2743.06	
Plant & Machinery	99561.56	272.67	2654.73 <sup>a</sup>	97179.50	29289.32	4915.68 <sup>b</sup>	593.60	33611.40	63568.10	70272.24	
Electrical Installations	1892.38	124.20	47.34 <sup>a</sup>	1969.24	923.10	147.14 <sup>b</sup>	-	1070.24	899.00	969.28	
Furniture & Fixtures	1162.43	18.75	0.75	1180.43	928.77	66.42	0.63	994.56	185.87	233.66	
Trucks & Vehicles	476.42	22.53	12.85	486.10	318.79	41.48	10.43	349.84	136.26	157.63	
<b>Total</b>	<b>108502.80</b>	<b>439.78</b>	<b>2753.91</b>	<b>106188.67</b>	<b>33802.70</b>	<b>5388.32</b>	<b>608.22</b>	<b>38582.80</b>	<b>67605.87</b>	<b>74700.10</b>	
<b>Intangible</b>											
Goodwill <sup>1</sup>	1933.97	-	-	1933.97	1547.18	193.40	-	1740.58	193.39	386.79	
<b>Total</b>	<b>110436.77</b>	<b>439.78</b>	<b>2753.91</b>	<b>108122.64</b>	<b>35349.88</b>	<b>5581.72</b>	<b>608.22</b>	<b>40323.38</b>	<b>67799.26</b>	<b>75086.89</b>	
Capital Works-in-Progress (at cost)									22595.75	15246.21	
<b>Total</b>	<b>110436.77</b>	<b>439.78</b>	<b>2753.91</b>	<b>108122.64</b>	<b>35349.88</b>	<b>5581.72</b>	<b>608.22</b>	<b>40323.38</b>	<b>90395.01</b>	<b>90333.10</b>	
Previous Year	103454.82	7143.66	161.71	110436.77	30110.91	5411.19	172.22	35349.88	90333.10		

<sup>1</sup> Represents cost of acquisition of Coastal Papers Limited and its amalgamation.

<sup>a</sup> Sales/adjustments include decapitalisation of foreign exchange fluctuation gains on restatement of long term foreign currency monetary items amounting to Rs.2004.06 Lakhs.

<sup>b</sup> Depreciation for the year includes Rs.121.92 Lakhs towards depreciation effect on foreign exchange fluctuations upto the end of the year ended 31st March 2010.

	31st March, 2010		31st March, 2009	
<b>Schedule 6</b>				
<b>Investments</b>				
<b>Investments (Long Term) (At cost)</b>				
<b>Non-Trade - Quoted</b>				
Equity Shares of Rs.10 each fully paid up:				
- Tamilnadu Newsprint & Papers Limited (1,000 Shares)	1.10		1.10	
- JK Paper Mills Limited (100 Shares)	0.04		0.04	
- Seshasayee Paper and Boards Limited (100 Shares)	0.08		0.08	
- The Sirpur Paper Mills Limited (100 Shares)	0.09		0.09	
- Star Paper Mills Limited (100 Shares)	0.03		0.03	
- Rama Newsprint & Papers Limited (25 Shares)				
- Kedia Distillery Limited (2,12,800 Shares)	61.71		61.71	
Equity Shares of Rs.2 each fully paid up:				
- The West Coast Paper Mills Limited (500 Shares)	0.18		0.18	
- Ballarpur Industries Limited (300 Shares)	0.05		0.05	
Equity Shares of Re.1 each fully paid up:				
- ITC Limited (1,500 Shares)	1.09		1.09	
- Orient Paper and Industries Limited (1,000 Shares)	0.04		0.04	
		64.41		64.41
<b>Unquoted</b>				
i. 13,40,000 Shares of Rs.10 each fully paid up in Andhra Pradesh Gas Power Corporation Limited	1538.37		1538.37	
ii. Trust Securities UTI Services Industries Fund-Dividend Plan-payout 3,21,759.706 Units of Rs.10 each	183.27		183.27	
iii. Equity Shares 30,000 Shares of Rs.10 each fully paid up in Somar Granites Private Limited	3.00		3.00	
		1724.64		1724.64
Total of quoted & unquoted investments		1789.05		1789.05
Less: Provision for diminution in the value of investments		124.71		124.71
<b>Total</b>		1664.34		1664.34
	Book Value	Market value	Book Value	Market value
Aggregate value of				
Quoted investments	64.41	6.05	64.41	3.96
Unquoted investments	1724.64		1724.64	

Rs.Lakhs

	31st March, 2010	31st March, 2009
<b>Schedule 7</b>		
<b>Inventories</b>		
Stores, Chemicals, Components, Packing Materials, Spare Parts, Building Materials, Loose Tools & Scrap	4020.72	4419.78
Raw Materials	2659.20	2223.50
Materials-in-transit/awaiting inspection	319.28	430.74
Work-in-Process	895.36	2030.35
Finished Goods	3692.64	4420.48
<b>Total</b>	<b>11587.20</b>	<b>13524.85</b>
<b>Schedule 8</b>		
<b>Sundry Debtors</b>		
<b>Secured</b>		
Considered Good	750.76	633.08
<b>Unsecured and outstanding for more than 6 months</b>		
Considered Good	20.68	70.04
Considered Doubtful	38.32	40.71
	59.00	110.75
Other Debts - Considered Good	3871.02	3171.79
	3930.02	3282.54
Less: Provision for Doubtful Debts	38.32	40.71
	3891.70	3241.83
<b>Total</b>	<b>4642.46</b>	<b>3874.91</b>
<b>Schedule 9</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	7.27	6.15
Cheques on hand	43.29	47.15
With Scheduled Banks in:		
Current Accounts [including Rs.13.87 Lakhs on account of unclaimed dividends, (Previous Year - Rs.14.67 Lakhs)]	644.68	431.81
Deposit Accounts	184.18	165.94
Remittances-in-Transit	497.22	155.95
<b>Total</b>	<b>1376.64</b>	<b>807.00</b>

Rs.Lakhs

	31st March, 2010	31st March, 2009
<b>Schedule 10</b>		
<b>Loans, Advances and Deposits</b>		
<b>(Unsecured, considered good)</b>		
Advances recoverable in cash or kind or for value to be received	3439.78	2990.21
MAT Credit Entitlement	2170.64	1087.39
Deposits with Customs, Port Trust and Excise Authorities	422.24	418.80
Other Deposits	512.35	497.46
Claims receivable	552.74	584.07
<b>Total</b>	<b>7097.75</b>	<b>5577.93</b>
<b>Schedule 11</b>		
<b>Current Liabilities and Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors - Capital	874.99	1804.80
- Others <sup>1</sup>	9605.69	11685.21
Advances from Customers	458.28	322.70
Unclaimed Dividends <sup>2</sup>	13.87	14.67
Other Liabilities	758.08	848.70
Interest accrued but not due on Loans	495.76	794.18
	12206.67	15470.26
<b>Provisions</b>		
Leave Encashment	191.77	253.50
Gratuity	-	34.46
Income Tax (Net of prepaid taxes)	60.17	64.49
Fringe Benefit Tax (Net of prepaid tax)	-	1.65
Equity Dividend Payable	327.52	128.77
Corporate Tax on Dividend	54.40	21.89
<b>Total</b>	<b>12840.53</b>	<b>15975.02</b>

<sup>1</sup> Includes Rs.100.86 Lakhs (Previous Year - Rs.28.07 Lakhs) due for less than 45 days to Micro Small and Medium Enterprises to the extent such parties have been identified from the available information.

<sup>2</sup> Amounts due and outstanding to be credited to the Investor Education and Protection Fund Rs.Nil (Previous Year - Rs.Nil).

# Schedules forming part of the Profit and Loss Account

Rs.Lakhs

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Schedule 12</b>		
<b>Increase/(Decrease) in Stocks</b>		
<b>Closing Stocks</b>		
a. Finished Goods	3692.64	4420.48
b. Work-in-Process	895.36	2030.35
	4588.00	6450.83
<b>Opening Stocks</b>		
a. Finished Goods	4420.48	2199.84
b. Work-in-Process	2030.35	1157.39
	6450.83	3357.23
Increase/(Decrease) in Stocks	(1862.83)	3093.60
Adjustment for Excise Duty on Stocks	18.44	(7.08)
<b>Total</b>	<b>(1844.39)</b>	<b>3086.52</b>
<b>Schedule 13</b>		
<b>Other Income</b>		
Income from Investments	16.51	5.74
Profit on sale of Fixed Assets	282.66	26.30
Miscellaneous Income	178.29	380.11
Net income from sale of Carbon Credits	-	211.72
Claims	22.95	9.10
Interest	98.26	173.15
[(Income Tax deducted at source Rs.3.57 Lakhs), (Previous Year - Rs.6.34 Lakhs)]		
Provisions no longer required	163.30	198.10
[(Includes Rs.1.39 Lakhs towards doubtful debts, (Previous Year - Rs.Nil)]		
Sundry credit balances written back	66.55	19.07
<b>Total</b>	<b>828.52</b>	<b>1023.29</b>

Rs.Lakhs

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Schedule 14</b>		
<b>Materials Cost</b>		
<b>Raw Materials</b>		
Opening Stock	2223.50	2677.97
Add: Purchases	16054.03	18403.08
	18277.53	21081.05
Less: Closing Stock	2659.20	2223.50
<b>Total Consumption - Raw Materials</b>	<b>15618.33</b>	<b>18857.55</b>
<b>Schedule 15</b>		
<b>Employee Costs</b>		
Salaries, Wages & Bonus	4859.72	4305.49
Contribution to Provident and other funds	518.32	745.31
Workmen and Staff Welfare Expenses	527.35	456.85
	5905.39	5507.65
Less: Surplus in Employees Gratuity Fund's Investments [Refer Note No.4 of Schedule 19 (II)]	256.47	-
<b>Total</b>	<b>5648.92</b>	<b>5507.65</b>
<b>Schedule 16</b>		
<b>Manufacturing Expenses</b>		
Spare Parts, Components, Stores and Packing Materials consumed	14699.91	17355.63
Power & Fuel	5960.21	6473.05
Repairs & Maintenance - Buildings	157.10	141.09
- Machinery	1055.39	792.03
Others	211.00	145.30
<b>Total</b>	<b>22083.61</b>	<b>24907.10</b>



Rs.Lakhs

	Year ended 31st March, 2010		Year ended 31st March, 2009	
<b>Schedule 17</b>				
<b>Other Expenses</b>				
Rent		202.81		138.86
Rates & Taxes		258.49		164.84
Insurance		255.28		339.66
Commission to Non-Executive Directors		66.30		-
Directors' Fees		7.30		10.40
Auditors' Remuneration				
– Statutory Audit	7.00		7.00	
– Tax Audit	1.00		1.00	
– Certification/Management Services	4.70		5.09	
– Reimbursement of Expenses	1.46	14.16	1.41	14.50
Cost Audit Fee		2.00		2.00
Donations		6.14		0.06
Commission and Discount on Sales		2230.21		2312.91
Forwarding, Transportation & Other Sales Expenses		996.70		1034.60
Research & Development Expenses		129.24		118.57
Miscellaneous Expenses		875.39		861.90
Provision for doubtful debts & advances		30.70		-
Bad debts & Irrecoverable advances written off	8.40		4.33	
Less: Transfer from Provision for Doubtful Debts	-	8.40	(4.33)	-
Loss on Assets Discarded		12.60		6.57
<b>Total</b>		<b>5095.72</b>		<b>5004.87</b>
<b>Schedule 18</b>				
<b>Interest and Finance Charges</b>				
Interest on Term Loans		2441.99		3444.57
[Excludes Rs.1034.55 Lakhs capitalised, (Previous Year - Rs.759.97 Lakhs)]				
Interest on Deposits		173.44		176.06
Other Interest		14.94		0.83
Bank and Finance Charges		432.61		446.99
Exchange Rate Loss		152.47		868.64
<b>Total</b>		<b>3215.45</b>		<b>4937.09</b>

# Schedule forming part of the Accounts

Schedule 19

## Accounting Policies and Notes on Accounts

Annexure to and forming part of Balance Sheet as at and Profit and Loss Account for the year ended 31st March, 2010:

### I. Accounting Policies

#### 1. Accounting Concepts

Financial Statements are prepared on accrual basis under the historical cost convention and in accordance with the accounting standards specified in sub-section 3(C) of Section 211 of the Companies Act, 1956.

#### 2. Fixed Assets

- a. Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is net of CENVAT/VAT and inclusive of freight, duties, taxes, incidental expenses including interest on specific borrowings and pre-operative expenses as allocated.
- b. Expenditure during construction/erection period is included under Capital Works-in-Progress and allocated to the respective fixed assets on completion of construction/erection.
- c. Goodwill is amortised over a period of 10 years.

#### 3. Investments

Investments are stated at cost, inclusive of all expenses relating to acquisition. Provision for diminution in the market value of long-term investments is made, if in the opinion of the management such diminution is permanent in nature.

#### 4. Inventories

Inventories are valued at the lower of the cost (net of CENVAT/VAT Credit) or net realizable value (except scrap/waste which are valued at net realizable value). Cost is computed on average basis. Finished Goods and Work-in-Process include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

#### 5. Borrowing Costs

Borrowing cost is charged to Profit and Loss Account except cost of specific borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.

#### 6. Impairment of Assets

The Company applies the test of impairment of its assets as provided in Accounting Standard (AS) - 28

#### 7. Intangible Assets

Assets those are identifiable, non-monetary in nature and with no physical substance have been

classified as Intangible Assets. Only those assets have been recognized as Intangible Assets, on which future economic benefit/s is/are probable and whose cost can be measured reliably. Assessment of probable future economic benefits has been made by the management on reasonable and supportive assumptions.

#### 8. Revenue Recognition

- a. Sales are inclusive of excise duty, export incentives and net of trade and quantity discounts and rebates.
- b. Interest and dividend income from investments are accounted on accrual basis.
- c. Insurance and other claims/refunds are accounted for as and when admitted by appropriate authorities.
- d. Income relating to Certified Emission Reduction points (CERs) granted by United Nations Framework Convention on Climate Change (UNFCCC) on energy efficient measures are accounted as and when sold to outside third parties.
- e. Inter Division transfers are eliminated in financial statements.

#### 9. Employee Benefits

- i. Defined Contribution Plans:  
Employee benefits in the form of Superannuation Fund, ESIC and Labour Welfare Fund are considered as defined contribution plans and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.
- ii. Defined Benefit Plans:  
Company's liabilities towards provident fund, gratuity, leave encashment are determined based on actuarial valuation using the projected unit credit method as on the date of the Balance Sheet.
- iii. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.
- iv. Payments made under the Voluntary Retirement Scheme are amortised to the Profit and Loss Account over its pay-back period.

#### 10. Depreciation on Fixed Assets

- a. Depreciation on Plant & Machinery of Units:APPM & CP and Buildings of Unit:CP are charged under straight line method applying the rates worked out in accordance

with the provisions of Section 205 (2) (b) of the Companies Act, 1956 prevalent in respective years of acquisition in respect of items acquired prior to 1st July, 1986 and in accordance with Schedule XIV of the Companies Act, 1956 in respect of items acquired after 1st July, 1986.

- b. Depreciation on other fixed assets is charged under written-down value method in accordance with Schedule XIV of the Companies Act, 1956.

#### 11. Deferred Revenue Expenditure

Expenditure other than expenditure on VRS (including expenditure on Research & Development) incurred upto 31st March, 2003 in respect of which benefit is expected to flow into future periods, is amortised over the expected period of benefit.

#### 12. Foreign Currency Transactions

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end.

Exports/Imports are accounted at forward contract rates/exchange rates prevailing on the date of transaction.

Exchange fluctuations relating to fixed assets is adjusted in the cost of the asset upto the time of commissioning or putting to use. Thereafter all such exchange fluctuations are recognised in the Profit and Loss Account.

However, exchange fluctuations arising from long term currency monetary items relating to acquisition of depreciable capital assets from 1st April, 2007 are added to/deducted from the cost of the said assets as the case may be.

However, gain/loss on monetary items which are repayable/receivable within 12 months from the reporting period was charged to Profit and Loss Account.

#### 13. Financial Instruments

The Company uses derivative financial instruments such as forward contracts, currency swap to hedge certain currency exposures relating to the business operations of the Company present and anticipated. Generally such contracts are taken for exposures materializing in the next 12 months.

## II. Notes on Accounts

Rs.Lakhs

	2009-10	2008-09
1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances & Letters of Credit opened)	1692.81	2803.65
<b>2. Contingent Liabilities</b>		
a. Unexpired Bank Guarantees and Letters of Credit	1007.70	791.03
b. Corporate guarantee given to Forest Department of State Government of Andhra Pradesh (against which Rs.100 lakhs deposited as per court orders)	1472.09	1472.09
c. Claims against the Company not acknowledged as debts	438.27	184.44
d. Demands raised by EPDC of AP Ltd. for surplus power supplied by APGPCL disputed by the Company. An amount of Rs.76.98 Lakhs paid under protest, (Previous Year - Rs.72.47 lakhs) is grouped under Loans & Advances. The appeal filed by APTRANSCO is pending before Hon'ble High Court of Andhra Pradesh in which other companies similarly placed are made respondents.	87.66	81.27
e. Demands of statutory authorities disputed by the Company in appeals with higher authorities in respect of:		
i. Income Tax	107.07	239.43
ii. Central Excise & Service Tax	3435.82	1536.34
iii. Sales Tax	347.04	234.94
iv. Vacant Land Tax	228.31	210.88
As against above demands, an amount of Rs.404.87 lakhs (Previous Year - Rs.706.10 lakhs) paid under protest is included in Loans & Advances.		

	2009-10	2008-09
3. 70,18,242 Equity Shares of Rs.10 each at a premium of Rs.40 per Share offered to the shareholders on rights basis were allotted on 30th March 2010. In terms of Letter of Offer dated 22nd February, 2010, 70,18,242 Detachable Warrants were also allotted on the same day which will be converted into equivalent number of Equity Shares of Rs.10 each on payment of warrant exercise price of Rs.50 per Warrant at any time before the expiry of 18 months from the date of allotment i.e. 30th September 2011. A sum of Rs.28,07,29,680 collected on account of premium at Rs.40 per Share on 70,18,242 equity shares of Rs.10 each allotted on rights basis on 30th March, 2010 has been credited to Share Premium Account. Expenses of Rs.49.87 lakhs related to the rights issue have been adjusted against the Share Premium Account.		
4. As the aggregate market value of investments in the employees' gratuity fund as on 31st March, 2010 is more than the actuarially ascertained gratuity liability, no contribution has been made for the year.		
5. Diminution in value of investment held in UTI Service Industries Fund is of Rs.107.46 Lakhs, against which provision made in earlier year of Rs.60 Lakhs which in the opinion of the management is considered adequate.		
6. <b>Employee benefits</b>		
Defined benefit plans		
<b>i. Gratuity</b>		
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation being gratuity</b>		
Obligations at the beginning of the year	1870.78	1789.15
Service Cost	90.79	88.83
Interest on Defined benefit obligation	127.72	139.49
Benefits settled (expected)	(284.09)	(101.25)
Actuarial (gain)/loss	19.43	(45.44)
Past Service Cost	-	-
<b>Obligations at the end of the year</b>	1824.63	1870.78
Defined benefit obligation liability as at the Balance Sheet date is wholly funded by the Company		
<b>Change in plan assets</b>		
Plan assets at the beginning of the year, at fair value	1836.32	1796.37
Expected return on plan assets	141.99	101.40
Actuarial gain/(loss)	265.33	(282.65)
Assets distributed on settlements	-	-
Contributions	121.55	322.44
Benefits settled	(284.09)	(101.24)
<b>Plan assets at the end of the year, at fair value</b>	2081.10	1836.32
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Present value of Obligation at the end of the year	1824.63	1870.78
Present fair value of plan assets at the end of the year	2081.10	1836.32
<b>Funded net Asset/(Liability) recognized in the Balance Sheet</b>	256.47	(34.46)

Rs.Lakhs

	2009-10	2008-09
<b>Expenses recognised in the Profit and Loss Account</b>		
Service cost	90.79	88.83
Interest cost	127.72	139.49
Expected return on plan assets	(141.99)	(101.40)
Effect of limit as per Para 59(b) read with Para 61(g) of AS-15R	4.70	-
Actuarial (gain)/loss	(245.90)	229.98
Net gratuity cost (Adjusted against employee cost)	(164.68)	356.90
<b>Assumptions</b>		
Interest rate	8.00%	8.00%
Discount factor	7.50%	8.00%
Estimated rate of return on plan assets	8.00%	8.00%
Salary increase	5.00%	6.00%
Attrition rate	5%	5%
Retirement age - Executives	60 years	60 years
Retirement age - Workers	58 years	58 years
<b>ii. Reconciliation of opening and closing balances of the present value of the defined benefit obligation being Leave Encashment (Non funded)</b>		
Obligations at the beginning of the year	253.50	268.63
Service Cost	32.89	27.07
Interest on Defined benefit obligation	14.82	16.24
Benefits settled (expected)	(91.19)	(81.69)
Actuarial (gain)/loss	(18.26)	23.25
Past Service Cost	-	-
<b>Obligations at the end of the year</b>	<b>191.76</b>	<b>253.50</b>
Defined benefit obligation liability as at the Balance Sheet is wholly funded by the Company		
<b>Change in plan assets</b>	<b>-</b>	<b>-</b>
Plan assets at period beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain/(loss)	-	-
Assets distributed on settlements	-	-
Contributions	91.19	81.69
Benefits settled	(91.19)	(81.69)
<b>Plan assets at period end, at fair value</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>		
Present value of obligation at the end of the year	191.76	253.50
Closing Fair value of plan assets	-	-
Closing Funded status	191.76	253.50
Unrecognized transitional liability	-	-
Unrecognized past service cost - non vested benefits	-	-
<b>Unfunded net Asset/(Liability) recognized in the Balance Sheet</b>	<b>191.76</b>	<b>253.50</b>

Rs.Lakhs

	2009-10	2008-09
<b>Expenses recognised in the Profit and Loss Account</b>		
Service cost	32.89	27.07
Interest cost	14.82	16.24
Actuarial (gain)/loss	(18.26)	23.25
<b>Net liability towards leave encashment</b>	29.45	66.56
<b>Assumptions</b>		
Discount factor	7.70%	7.13%
Salary increase	5.00%	6.00%
Attrition rate	5%	5%
Retirement age - Executives	60 years	60 years
Retirement age - Workers	58 years	58 years

7. The Company operates mainly in one business segment of paper and paper boards of different varieties. As the sale of surplus power is less than 10% of the total turnover, the same is not considered as a reportable segment. There is no reportable geographical segment.

#### 8. Related Party Transactions

Related parties in terms of AS-18 issued by the Institute of Chartered Accountants of India

##### a. Promoters

##### i. Individuals

Shri L.N. Bangur  
 Smt. Alka Bangur  
 Ms. Sheetal Bangur  
 Shri Shreeyash Bangur  
 Shri Yogesh Bangur  
 Ms. Surbhi Bangur

##### ii. Bodies Corporate

Digvijay Investments Limited  
 Amalgamated Development Limited  
 Apurva Export Private Limited  
 MB Commercial Company Limited  
 Maharaja Shree Umaid Mills Limited<sup>1</sup>  
 Mugneeram Ramcoowar Bangur Charitable & Religious Company  
 Placid Limited  
 Shree Krishna Agency Limited



The General Investment Company Limited  
The Kishore Trading Company Limited  
The Peria Karamalai Tea & Produce Company Limited<sup>1</sup>  
The Swadeshi Commercial Company Limited  
Samay Books Limited

<sup>1</sup>No transactions made during the year

**b. Key Management Personnel**

Shri M.K. Tara, Managing Director  
Ms. Sheetal Bangur, Director (Commercial)  
Shri Shreyash Bangur, Director (Corporate)  
Shri P.K. Suri, Director (Operations)

**Transactions carried out with related parties**

Rs.Lakhs

Nature of Transactions	Promoters	Key Management Personnel	Others-Enterprises in which Promoter Directors hold substantial interest	Relative of Key Management Personnel	Total
Remuneration	-	185.21	-	-	185.21
	-	(164.85)	-	-	(164.85)
Sale of Goods	352.17	-	-	-	352.17
	(499.82)	-	(6.08)	-	(505.90)
Purchase of Goods	334.10	-	-	-	334.10
	-	-	(301.91)	-	(301.91)
Expenses	2.97	-	-	-	2.97
	(3.19)	-	-	-	(3.19)
Dividend	65.12	0.23	-	-	65.35
	(129.93)	(0.45)	-	-	(130.38)
Receivables as at 31st March	4.05	-	-	-	4.05
	(9.51)	-	-	-	(9.51)
Payables as at 31st March	34.06	-	-	-	34.06
	-	-	(127.10)	-	(127.10)

Figures in brackets relate to previous year.

Rs.Lakhs

		2009-10	2008-09
9.	Earnings per Share (EPS)		
a.	Net profit as per Profit and Loss Account	5419.34	1895.39
b.	Weighted average number of Equity Shares used as denominator for calculating EPS	Nos 2,57,72,011	2,57,33,555
c.	Earnings per Share		
	Basic	Rs. 21.03	7.37
	Diluted	Rs. 21.03	7.37
10.	The Company has been recognising Deferred Tax Liability at the effective rate applicable for the respective years. The applicability or otherwise of the effective rate instead of the standard rate is a matter of reference in a writ petition pending before the Hon'ble Calcutta High Court and the matter will be reviewed on disposal of the writ petition. The uncovered notional liability in this regard, if any, in the opinion of the management gets reversed in the next few years.		
11.	The Deferred Tax Liability recognised in the books of accounts as at 31st March, 2010 comprises of the following:		
a.	Deferred Tax Liability		
i.	Related to Fixed Assets	3915.80	3540.51
ii.	Payments considered under Section 43B of I.T. Act	1.83	-
		<u>3917.63</u>	<u>3540.51</u>
b.	Deferred Tax Assets		
i.	Unpaid Interest, Taxes, Staff benefits etc., under Section 43B of I.T. Act	114.85	61.99
ii.	Provision for Doubtful debts, Investments etc.	12.15	13.25
iii.	Unabsorbed Depreciation	715.38	1299.72
		<u>842.38</u>	<u>1374.96</u>
c.	Deferred Tax Liability (Net)	3075.25	2165.55
12.	According to internal technical assessment, there is no material impairment in the carrying cost of cash generating units of the Company in terms of Accounting Standard 28 (AS-28) issued by the Institute of Chartered Accountants of India.		

Rs.Lakhs

	2009-10	2008-09
13. Capital Works-in-Progress comprises of		
Civil works under construction	2679.13	1921.58
Plant under erection	13932.59	12849.90
Advance to suppliers/contractors	611.69	205.27
	<u>17223.41</u>	<u>14976.75</u>
Unallocated Expenditure		
Balance at the beginning of the year	3986.12	2203.88
Incurred during the year		
- Staff Costs	209.04	195.43
- Commitment and Loan/Equity syndication fee	368.55	343.27
- Insurance/Consultancy/Travelling/Others	62.98	504.86
- Interest during construction	1,034.55	982.16
- Start-up/trial run Expenses	-	192.46
- Pre-operating Expenses	29.42	24.58
	<u>5,690.66</u>	<u>4446.64</u>
Total Capital Works-in-Progress	22914.07	19423.39
Less: Capitalised during the year	318.32	4177.18
Closing Capital Works-in-Progress	<u>22595.75</u>	<u>15246.21</u>
14. Miscellaneous Expenditure to the extent not written off or adjusted comprises of Payments under Voluntary Retirement Scheme	-	142.71
15. Managing/Whole-time Directors' Remuneration		
Salary and Allowances	149.62	130.94
Contribution to Provident & other Funds	26.13	25.60
Other perquisites	9.46	8.31
Total	<u>185.21</u>	<u>164.85</u>
16. Commission to Non-Executive Directors:		
Computation of Net Profit under Section 198 of the Companies Act:		
Profit before taxation	6505.53	-
Add: Non Whole-time Directors' - Fee	7.30	-
- Commission	66.30	-
Add: Whole-time Directors' - Remuneration	185.21	-
Adjustment of Deferred Revenue Expenditure	142.71	-
	<u>6907.05</u>	<u>-</u>
Less: Capital profit on sale of immovable property (Mumbai & Hyderabad Flats)	276.83	-
	<u>6630.22</u>	<u>-</u>
Commission to Directors @1%	66.30	-
17. Adjustments in respect of income and expenditure not relating to the year. (Previous Year - net debit)	-	25.58
18. Provision for income tax has been made in accordance with Section 115JB of the Income Tax Act,1961. Based on projections of future profits, management expects that it would be in a position to pay normal tax within the period specified under the Income Tax Act, 1961.		

	Installed Capacity		Production	
	2009-10	2008-09	2009-10	2008-09
19. Quantitative Information in respect of goods manufactured and sold				
a. Licensed, Installed Capacities and Production				
Class of Products	MT	MT	MT	MT
Pulp, Paper and Board <sup>1</sup>	1,74,000	1,74,000	1,76,452	1,77,748
	MW	MW	Kwh Lakhs	Kwh Lakhs
Generation of Electricity <sup>2</sup>	62.94	62.94	2669.94	2078.38
	TPH	TPH	MT	MT
Generation of Steam <sup>2</sup>	573	573	20,01,686	19,38,427

Licensed capacity not applicable in terms of Government of India's Notification. Installed capacities are as certified by the Managing Director.

<sup>1</sup> Represents Finished Production of Paper and Paper Board. Production of Pulp is not separately ascertained as pulp plant is an integral part of paper and paper board plant. Includes pulp production of 24,705 MT (Previous Year - 31,609 MT) meant for external sales.

<sup>2</sup> Generation of steam is for internal consumption and generation of electricity is for internal consumption and for sale of power (effective from 12th June, 2009).

		2009-10	2008-09
b. Sales and Stocks			
Opening Stock - Paper	MT	13,127	6,429
Sales:			
a. Paper & Pulp	MT	1,77,351	170,239
b. Power	Lakh kWh	349.75	-
Closing Stock - Paper	MT	12,228	13,127
c. Value of Sales and Stocks			
Opening Stock - Paper		4420.48	2199.84
Sales:			
a. Paper & Pulp		65432.39	65733.39
b. Power		1501.71	-
Closing Stock - Paper		3692.64	4420.48
d. Consumption of Raw Materials:			
i. Quantities			
a. Bamboo	MT	8,688	25,962
b. Hardwood	MT	5,16,505	5,08,828
c. Waste paper cuttings, wood pulp etc.	MT	25,862	35,248
d. Rice straw, bagasse etc	MT	10,544	12,944
ii. Values (including handling and feeding charges)			
a. Bamboo		305.82	953.81
b. Hardwood		12211.13	12975.31
c. Waste paper cuttings, wood pulp etc.		2965.10	4779.17
d. Rice straw, bagasse etc.		136.28	149.26
iii. Indigenous		12645.43	14903.86
iv. Imported		2972.90	3953.69

Rs.Lakhs

		2009-10	2008-09
v.	Percentage to total raw materials consumption		
a.	Indigenous %	80.97	79.03
b.	Imported %	19.03	20.97
e.	Consumption of stores, chemicals, components and spare parts:		
i.	Values (including duty, freight and handling expenses)		
a.	Indigenous	17629.51	20554.61
b.	Imported	2284.08	2126.82
ii.	Percentage of each to total consumption		
a.	Indigenous %	88.53	90.62
b.	Imported %	11.47	9.38
f.	Value of imports on CIF basis in respect of:		
i.	Capital Goods	1013.39	15.99
ii.	Raw Materials	2602.47	3068.01
iii.	Components, chemicals and spare parts	1575.38	2010.18
g.	Earnings in foreign exchange in respect of export of paper	4417.98	5405.08
h.	Dividend paid in foreign currency	6.87	13.75
20.	Balance export obligation to be fulfilled under EPCG scheme is Rs.579.70 crore.		
21.	Expenditure in foreign currencies in respect of interest, loan syndication fee, commitment charges, travelling, sales expenses etc.	1071.58	1748.54
22. a.	Derivative instruments outstanding		
	Currency Swaps		
	USD/CHF - Bought \$ in Lakhs	-	23.00

## b. Foreign currency exposure not hedged by derivative instrument:

	Currency	Amount (Foreign Currency in Lakhs)		Rs.Lakhs	
		2009-10	2008-09	2009-10	2008-09
I.	Amount receivable in foreign currency on account of the following				
	Exports - Sale of Paper				
	USD	0.62	-	27.81	-
	AED	-	1.52	-	20.63
II.	Amounts payable in foreign currency on account of the following				
1.	Capital goods and services				
	EUR	0.06	-	3.57	-
	SEK	-	8.99	-	55.65
2.	Other goods and services				
	USD	3.58	11.55	166.43	581.80
	EUR	0.06	-	3.73	-
3.	Loans				
	USD	320.83	392.50	14,407.02	19,909.56
4.	Buyer's credit				
	EUR	-	19.25	-	1,298.22

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23. The Board of Directors have recommended a dividend of Re.1.00 per share of Rs.10 each for the year.

24. Previous year's figures have been regrouped wherever necessary.

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As per our report of even date

**For Brahmayya & Co.,**  
Chartered Accountants

**C.V. Ramana Rao**  
Partner  
Membership No. 018545

Bhubaneswar  
4th May, 2010



**E. Sai Ram**  
Sr. Vice President (Finance & Accounts) &  
Chief Finance Officer



**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary

For and on behalf of the Board,



**L.N. Bangur**  
Chairman



**M.K. Tara**  
Managing Director



# Balance Sheet Abstract

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.	0 0 1 0 0 8	State Code	0 1
Corporate Identification No.	L 2 1 0 1 0 A P 1 9 6 4 P L C 0 0 1 0 0 8		
Balance Sheet Date	3 1 0 3 2 0 1 0		

### II. Capital raised during the year (Amount in Rs.thousands)

Public Issue	N I L	Rights Issue	3 5 0 9 1 2
Bonus Issue	N I L	Private Placement	N I L

### III. Position of mobilization and deployment of funds (Amount in Rs.thousands)

Total Liabilities	1 0 4 0 5 4 2 3	Total Assets	1 0 4 0 5 4 2 3
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#### SOURCES OF FUNDS

Paid-Up Capital	3 2 7 5 1 8	Reserves & Surplus	4 7 0 1 9 3 5
Deferred Tax Liability	3 0 7 5 2 5	Unsecured Loans	4 9 8 9 0 4
Secured Loans	4 5 6 9 5 4 1		

#### APPLICATION OF FUNDS

Net Fixed Assets	9 0 3 9 5 0 1	Investments	1 6 6 4 3 4
Net Current Assets	1 1 9 9 4 8 8	Misc Expenditure	N I L
Accumulated Losses	N I L		

### IV. Performance of Company (Amount in Rs.thousands)

Turnover including other income	6 5 7 3 6 3 8	Total Expenditure	5 9 2 3 0 8 5
+ / -	Profit/Loss before Tax	+ / -	Profit/Loss after Tax
+	6 5 0 5 5 3	+	5 4 1 9 3 4
Earnings per Share in Rs.	2 1 . 0 3	Dividend Rate %	1 0

### V. Generic Names of Principal Products/Services of Company


Item Code No.(ITC Code)	4 8 0 2 - 9 9
Product Description	C R E A M W O V E - M A P L I T H O
Item Code No.(ITC Code)	4 8 0 2 - 1 9
Product Description	K R A F T P A P E R
Item Code No.(ITC Code)	4 8 0 5 - 9 0
Product Description	U N C O A T E D P A P E R B O A R D
Item Code No.(ITC Code)	4 8 0 1 - 0 0
Product Description	N E W S P R I N T

As per our report of even date

**For Brahmayya & Co.,**  
Chartered Accountants

**C.V. Ramana Rao**  
Partner  
Membership No. 018545  
Bhubaneswar  
4th June, 2010

  
**E. Sai Ram**  
Sr. Vice President (Finance & Accounts) &  
Chief Finance Officer

  
**C. Prabhakar**  
Sr. Vice President (Corporate Affairs) &  
Company Secretary

For and on behalf of the Board,

  
**L.N. Bangur**  
Chairman

  
**M.K. Tara**  
Managing Director

# Five Years at a Glance

		2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
<b>OPERATING RESULTS</b>						
Production	MT	176452	177748	180681	159574	145998
Sales	MT	177351	170239	176758	155750	151717
Turnover	Rs. Lakhs	66934.10	65733.39	62824.41	53303.00	49756.16
Profit before Depreciation and Tax	Rs. Lakhs	12087.25	7488.05	6497.07	6432.94	6344.49
Depreciation	Rs. Lakhs	5581.72	5411.19	5236.22	4142.64	2124.35
Exceptional items	Rs. Lakhs	-	(111.87)	(705.52)	-	-
Provision for Tax	Rs. Lakhs	176.49	42.14	89.17	(324.78)	336.99
Provision for Deferred Tax	Rs. Lakhs	909.70	251.20	223.20	201.90	380.00
Profit after Tax	Rs. Lakhs	5419.34	1895.39	1654.00	2413.18	3503.15
Dividend on Equity Shares	Rs. Lakhs	327.52	128.77	257.34	257.34	476.39
Tax on Equity Dividend	Rs. Lakhs	54.40	21.89	43.73	43.73	66.82
Retained Profit	Rs. Lakhs	5037.42	1744.73	1352.93	2112.11	2959.94
<b>SOURCES OF FUNDS</b>						
Share Capital – Equity	Rs. Lakhs	3275.18	2573.36	2573.36	2381.97	2381.97
Reserves & Surplus	Rs. Lakhs	47019.35	39224.40	39069.58	36125.63	34013.52
Shareholders' Funds	Rs. Lakhs	50294.53	41797.76	41642.94	38507.60	36395.49
Borrowings	Rs. Lakhs	50684.45	56103.17	53193.05	51109.71	33417.93
Deferred Tax Liability	Rs. Lakhs	3075.25	2165.55	2117.50	1922.10	1720.20
<b>Total</b>	<b>Rs. Lakhs</b>	<b>104054.23</b>	<b>100066.48</b>	<b>96953.49</b>	<b>91539.41</b>	<b>71533.62</b>
<b>APPLICATION OF FUNDS</b>						
Net Fixed Assets	Rs. Lakhs	90395.01	90333.10	86390.19	83922.27	68368.33
Investments	Rs. Lakhs	1664.34	1664.34	1664.34	1664.36	1776.97
Net Current Assets	Rs. Lakhs	11994.88	7926.33	8665.77	5602.12	1115.82
Miscellaneous Expenditure (To the extent not written off)	Rs. Lakhs	-	142.71	233.19	350.66	272.50
<b>Total</b>	<b>Rs. Lakhs</b>	<b>104054.23</b>	<b>100066.48</b>	<b>96953.49</b>	<b>91539.41</b>	<b>71533.62</b>
Book Value per Equity Share	Rs.	155	162.00	162.00	162.00	152.00
Earnings per Equity Share	Rs.	21.03	7.37	6.44	10.13	18.97
Dividend (Equity)	%	10	5	10	10	20

Note: Figures have been regrouped wherever necessary.



### THE ANDHRA PRADESH PAPER MILLS LIMITED

Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh

Mr./Ms. ....  
.....  
.....  
.....

MEMBER  PROXY

(Please tick as applicable)

No. of Shares

- Note: 1. Only Members of the Company or their proxies will be allowed to attend the Meeting ON PRODUCTION OF ATTENDANCE SLIP duly completed and signed.
2. Members are requested to bring their copies of Annual Report with them.
3. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

### ATTENDANCE SLIP

Day	Thursday
Date	15th July, 2010
Time	3.00 p.m.
Venue	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104

Folio No.

Demat Particulars  
DP ID No.

Client ID No.

I hereby record my presence at  
the 46th ANNUAL GENERAL  
MEETING of the Company

.....  
Signature of the Member or Proxy



### THE ANDHRA PRADESH PAPER MILLS LIMITED

Registered Office: Rajahmundry - 533 105, East Godavari District, Andhra Pradesh

No. of Shares

### FORM OF PROXY

Folio No.

Demat Particulars  
DP ID No.

Client ID No.

I/We .....  
(Name of Member)

of .....  
(Address)

being Member(s) of THE ANDHRA PRADESH PAPER MILLS LIMITED hereby appoint..... of  
(Name of proxy)

..... or failing him/  
(Address of proxy)

her .....  
(Name of alternate proxy)

of .....  
(Address of alternate proxy)

as my/our proxy to vote for me/us on my/our behalf at the 46th ANNUAL GENERAL MEETING of the Company to be held at 3.00 p.m. on Thursday, the 15th July, 2010 and at any adjournment thereof.

Date..... Signature.....

Affix a  
15 paise  
Revenue  
Stamp

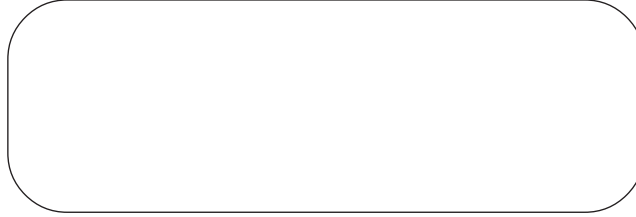
Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. The Proxy need not be a member of the Company.



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