

Sirpur Paper Mills Ltd reported a cash profit of Rs. 1,219 lakhs in 2010-11. There is light at the end of the tunnel with the prospect of better days. The results of the Company are improving, reflecting the fact that the Company is...

on the  
**right**  
**path**

**Sirpur Paper Mills Ltd is a large integrated pulp and paper manufacturer in India.**

**Present for more than 7 decades in India's paper industry.**

**The Company's brand stands for trust, quality, service and customisation.**

The Sirpur Paper Mills Ltd was incorporated in 1938. Shri Ranjan Kumar Poddar (Chairman) and Shri Devashish Poddar (Managing Director) have spearheaded the Company since 1994.

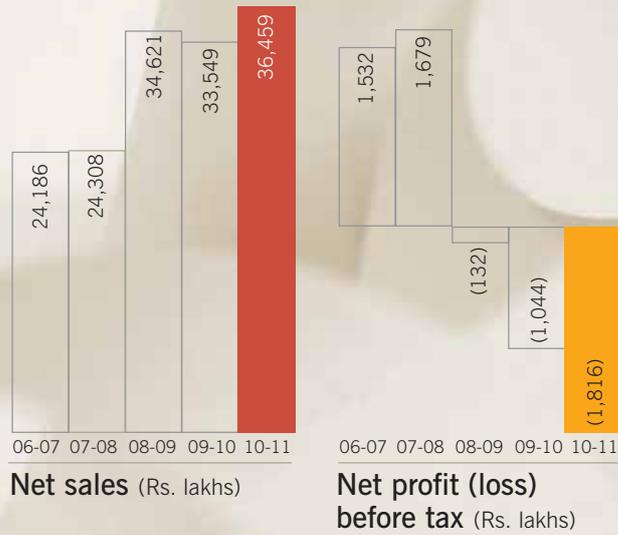
THE COMPANY IS HEADQUARTERED in Gurgaon, India; its registered office is in Hyderabad, India. The Company is listed and actively traded on the Bombay Stock Exchange and National Stock Exchange with a market capitalisation of Rs. 102 crore as on 31st March 2011. The promoters' holding accounted for 46.42% as on 31st March 2011.

WITH ITS MANUFACTURING FACILITY located in Sirpur-Kagaznagar (Andhra Pradesh) and six marketing offices across the country, the Company's products are widely marketed in the Indian and international markets. The manufacturing unit comprises eight operational paper machines (cumulative capacity 1,38,300 TPA), supported by 350 TPD of pulp manufacturing capacity and captive power generation units.

SIRPUR IS ONE OF THE LARGEST integrated manufacturers of niche variety and colour paper in India. The Company's product portfolio comprises a variety of writing and printing paper, cream wove and maplitho paper, ledger, bank and account book paper, specialty grade paper board, parchment, pastel paper, industrial kraft paper, base for coated paper, duplex and triplex board and copier paper, among others.

SIRPUR HAS A STRONG INDIAN presence through a pan-India domestic network comprising 50 dealers. Internationally, the Company's sales presence is visible in Sri Lanka, Nepal and Philippines.

## Performance 2010-11



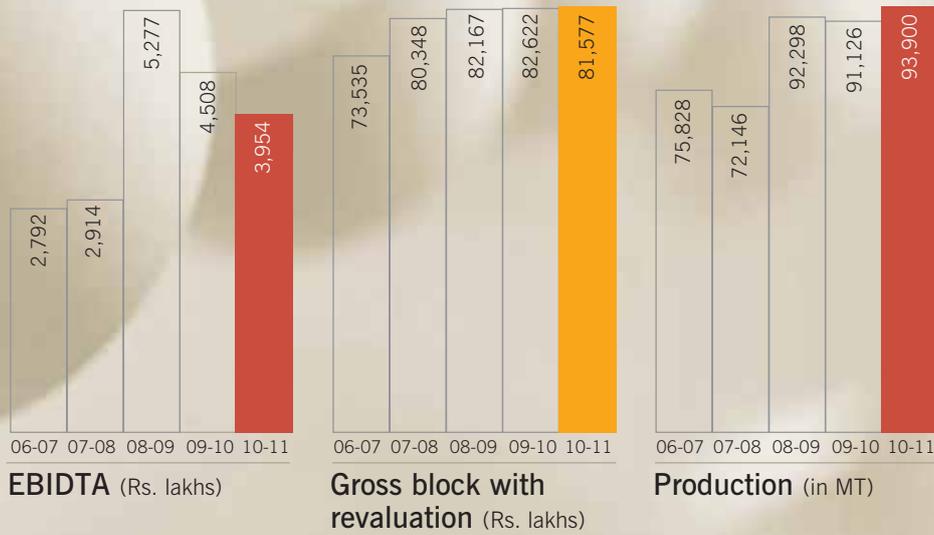
## Milestones

### 2006-07

Installed free flow falling film black liquor evaporation plant with a water evaporation capacity of 161 TPH

### 2007-08

Installed chemical recovery boiler of 675 TPD capacity



### 2008-09

- Installed two drum chippers (capacity of 25 TPH each) along with shaker screens, re-chipper, silo and conveyors
- Installed seven digesters with a capacity of 120m<sup>3</sup> each with preheaters and blow tanks Fibre line plant with the capacity of unbleached 350 mt per day and 320 mt per day bleached capacity
- Commissioned 7.5 TPD ClO<sub>2</sub> plant, Oxygen plant (350 Nm<sup>3</sup> per hour capacity) and nitrogen plant (25 Nm<sup>3</sup> per hour capacity)
- Commissioned Paper Machine number 8 with a capacity of 150 tonnes per day

### 2010-11

- Installed twin roll press with capacity of 30 tonnes per day of wet pulp for sale
- Installed an effluent treatment plant

Vice Chairman and Managing Director's review



**We are cautiously optimistic that we will soon have a significantly better story to report.**

*Dear Shareholders,*

THE PRINCIPAL MESSAGE I WISH TO SEND OUT TO OUR PATIENT SHAREHOLDERS IS THAT FINALLY, I SEE LIGHT AT THE END OF WHAT HAS BEEN A LONG TUNNEL.

Even as our performance for 2010-11 may not appear to be satisfactory – we reported a turnover of Rs. 364.59 crore and a net loss of Rs. 17.91 crore – a study of our half-yearly performance indicates that things are indeed on the mend. Your Company reported a net loss of Rs. 13.30 crore in the first six months and reported a net loss of Rs. 4.61 crore in the period from October to March 2011. This declining loss is

indicative of a technical recovery that eluded our Company for the last few years. We are optimistic that we will be able to sustain this momentum, leading to a positive bottomline for 2011-12.

#### **Downtrend**

The Company reported an overall capacity utilisation of 68 per cent for paper and pulp. The performance of our paper mill was constrained owing to the continued under performance of our 150 MT per day paper machine (PM8). As against an annual production potential of 54,750 MT, our PM8 produced 25,207 MT. In a

business marked by high capital costs, this underperformance prevented us from amortising our fixed costs efficiently. Since this machine was dedicated to value-added varieties, the decline in revenues and profitability was marked, resulting in a net loss during the financial year under review.

Moreover, excessive rain washed away a 11-KVA transmission tower of AP Transco in our vicinity, forcing a suspension of operations for 12 days in September 2010. This translated into a production loss of 1,800 MT with a corresponding revenue loss.

The entire mill's working was disrupted due to water-related issues linked to the construction of a new water dam in Adilabad district, resulting in a production loss of around two days or around 400 MT, and a corresponding revenue loss. Furthermore, we faced an unprecedented number of breakdowns and disruptions in the ClO<sub>2</sub> plant, resulting in a loss of 3,800 MT of production and a corresponding revenue loss.

### Achievements

There was a noticeable increase in input costs - wood and coal, but we managed to contain the cost increase by controlling inputs and reducing steam and

power consumption. During the financial year under review, your Company continued to leverage its existing relationships with buyers, manufacturing a wide range and customising products for consumer satisfaction.

The Company sold around 4,091 MT of pulp (semi dry) that it produced, resulting in an attractive cash flow that helped counter some of the losses arising due to the underperformance of PM8.

An index of the Company's relative success was that operations continued to be cash-positive through the year, resulting in a cash profit of Rs. 12.19 crore. This was an index of the Company's locational advantage, low asset costs and resident plant strengths, developed over the last seven decades.

### Watershed

Despite reverses, the last financial year may well be treated as a technical watershed in the recent existence of our organisation for some good reasons:

- We made large changes in our plant's senior technical team in Kagaznagar in August, 2010. We inducted one of the most respected industry professionals Mr. R. L. Lakhotia, who has a successful track record of having worked with large integrated pulp and paper

mills; in turn, he handpicked a 40-member strong team of some of the best industry hands with the express objective of enhancing the mill's productivity and reducing costs, in the shortest possible time.

- This new team, along with the support of existing workers effected a number of improvements that provide us with optimism that the gains will be sustained. In a few months, the team succeeded in raising production from 240 MT daily to 300 MT daily against an installed capacity of 350 MT daily. Besides, the team succeeded in raising pulp output from 250 MT per day to a peak 320 MT per day as against an installed capacity of 350 MT per day.

- The team also made improvements in consumption that provide us with the optimism that we are indeed headed in the right direction. For instance, the team reduced power consumption from a peak 23 MW per day to 22 MW per day; it rationalised steam consumption from 19 MT per tonnes of paper to 17 MT per tonnes of paper with a clear idea of where further improvements are needed.

Operational improvements were achieved through de-bottlenecking in some areas and the balancing of various equipment. The team

identified an agenda of what needs to be done over the foreseeable future, and we are optimistic that this will soon translate into rated productivity at the lowest possible cost, leading to attractive viability.

### Strategy

Our new technical and production team has its task cut out for 2011-12:

- The Company's power requirement is 22-23 MW per day, of which 14 MW is self-generated. The Company intends to reduce consumption to 20 MW per day during this financial year and raise power generation efficiency to 20 MW per day, resulting in complete self-sufficiency without further capital investments.
- The Company expects to invest in its existing boiler to plug the prevailing gap in steam and power availability on the one hand and provide a buffer to meet additional requirements whenever needed, on the other.

- The Company is engaged in a discussion with technology leader M/s. Voith to de-bottleneck PM8 and enhance productivity.

The results of these initiatives are likely to enhance our asset utilisation from a prevailing 68 per cent to a minimum of 80 per cent initially and then raise our asset utilisation to 100 per cent. We expect to achieve this by raising the daily production of our PM8 from 70 MT to 120 MT in the first stage and then 150 MT in the second stage.

### Outlook

The outlook for paper companies in general and the Company in particular appears optimistic for the following reasons:

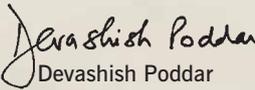
- The Indian paper industry is poised to grow from 9.18 million tonnes in 2009-10 to 11.5 million tonnes in 2011-12 and a projected 20 million tonnes by 2020 (Source: IPMA). India is among the world's fastest growing paper markets; an increase in consumption by one kg per capita can

potentially increase annual paper demand by a million tonnes. India's paper production is forecast to grow at a CAGR of 8.4% while consumption is pegged at a CAGR of 9% till 2012-13 (Source: Business Line).

- An exorbitant increase in all major input prices will be offset by increased productivity and reduced input consumption.
- The Company expects to reduce costs and increase asset utilisation that should translate into a quarter-on-quarter profit.
- The industry valuation improved, following the sale of Andhra Pradesh Paper Mills to International Paper, which should enhance the value of our shareholders' holdings.

Given these realities, I am cautiously optimistic that we will have a significantly better story to report to our shareholders next year.

Sincerely,

  
Devashish Poddar

### Quality

The Company's products are subject to over 24 stringent shop floor quality checks.

### Brand

The Company evolved as a reputed brand with a seven-decade presence in the business. Its experience and varied product portfolio enhanced brand credibility.

## Strengths

### Product range

The Company's product portfolio comprises writing and printing paper, duplicating paper, creamwove, maplitho paper, ledger, bank account book paper, bond, parchment, fancy wrapping, pastel paper, cover paper, pulp board, lofty greeting, industrial Kraft, base paper for coated paper, duplex and triplex board, among others.

### Proximity to raw material sources

The plant in Kagaznagar (Andhra Pradesh, India) is strategically located near multiple raw material sources and a perennial river source. Kagaznagar's 63,813 sq. km of surrounding area under forest cover enables the Company to meet its raw material volume requirements comfortably.

### Presence

Sirpur's products are widely marketed across India through six depots – Delhi, Mumbai, Kolkata, Chennai, Jaipur and Hyderabad – and 50 authorised dealers and sub-dealers.

### Captive power

The Company's captive power generation is 60% of its requirement, which protects it from rising energy costs.

# Management's discussion and analysis

## Global economy overview

The global economy witnessed a negative growth of 0.5% in 2009 following the global downturn. However, it rebounded at 5% in 2010 but is expected to grow at a lower rate of 4.2% in 2011, The GDP growth in developing and emerging economies was 7.3% in 2010 (Source: *International Monetary Fund*), higher than the world average. Growth in these developing economies slowed by the end of 2010, as stimulus was slowly removed and policies were tightened to contain rising inflation.

## Indian economy overview

Overall GDP growth was at 8.5% in 2010-11: Rising inflation coupled with stringent RBI policies, increase in crude oil prices, impact of natural calamities and financial crisis in certain

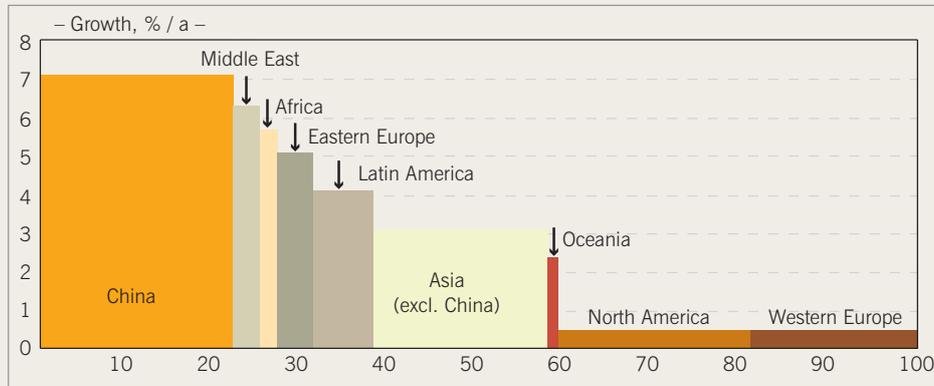
countries may affect Indian growth.

## Global paper industry

Global paper demand is unevenly distributed; 72% of the world's paper is consumed by 22% of its population – especially in the US, Europe and Japan (Source: *wrm.org.uy*). Global paper demand is expected to grow around 3% annually, reaching an estimated 490 million tonnes by 2020, with significant growth coming out of Asia and Eastern Europe (Source: *pulpandpaper.net*).

Developed countries like the US, Canada, Germany and the UK enjoy a higher per capita consumption of 230 kg to 300 kg. Average global per capita consumption is estimated at around 56 kg whereas the Asian average is around 46 kg. Given this background, India's per capita consumption is a mere 9 kg, indicating considerable room for growth.

**Paper demand forecast, 2010-15**



Source: RISI, Vision Hunters

**Indian paper industry**

Paper consumption is one of the most important indices of national educational and cultural growth. The Indian paper industry accounts for about 1.6% of the world's production of paper and paperboard even as India accounts for nearly 16% of the global population. The industry provides employment to over 0.12 million people directly and 0.34 million people indirectly.

The Indian paper industry enjoys a close linkage with economic growth; a higher industrial output leads to increased industrial paper demand in packaging. Increased marketing spends catalyse the newsprint and value-added segments, while increased education and office activities catalyse the demand for writing and printing paper.

In the last few years, India emerged as one of the fastest-growing global paper markets. India's paper industry is poised to grow from 9.18 million tonnes in 2009-10 to an estimated 11.5 million tonnes in 2011-12 (Source: ASSOCHAM), and an estimated 20 million tonnes by 2020 (Source: Indian Paper Manufacturers Association).

**Industry threats and concerns**

The major issues that confront India's paper industry comprise high production costs caused by inadequate and high-cost raw materials and power, concentration of mills in select pockets, non-availability of quality fibre, uneconomical plant size, technological obsolescence and environmental challenges.

**Raw materials costs and availability:**

The three principal raw material sources comprise wood/bamboo (32% of production), while waste paper and agro residue account for 38% and 30% respectively. The dearth of raw materials is affecting all Indian paper companies as Indian paper manufacturers are not allowed to own land to raise plantations for captive pulpwood supply, affecting their capability to grow and achieve higher economies of scale. The paper industry's wood requirement by 2012-13 is estimated at about 8 million tonnes, which will require the afforesting of two million Ha to maintain the ecological balance (Source: IPMA).

**Environmental concerns:** Use of agro residues for pulp manufacture makes it imperative to recycle and use

cost-effective technology. The chemicals used in paper manufacture, including dyes, inks and bleach, can be harmful if released untreated in the external environment.

**Coal and power:** Paper mills encounter rising power costs and declining coal availability in what is essentially an energy-intensive business. Integration of electrical systems, including efficient motor control centres with mill distributed control systems, will help monitor overall energy consumption.

**Transport costs:** A rebound in crude prices increased

transport and delivery costs of inputs and outputs. Besides, the industry's competitiveness was affected by India's inadequate transport infrastructure.

**Forest management:** A revision of India's forest policy is required for the wood-based paper industry so that plantations can be raised by the industry, farmer co-operatives and state governments on degraded forest land.

**Taxes and duty:** Excise duty on paper increased from 4% to 5%.

The Indian paper industry accounts for about 1.6% of the world's production of paper and paperboard even as India accounts for nearly 16% of the global population.

#### Duty structure

Excise duty	Pre Budget 2010-2011	Post Budget 2011-12
Maplitho/Board/Duplex/ Coated paper	4	5
Newsprint	4	5
Corrugated boxes	4	5

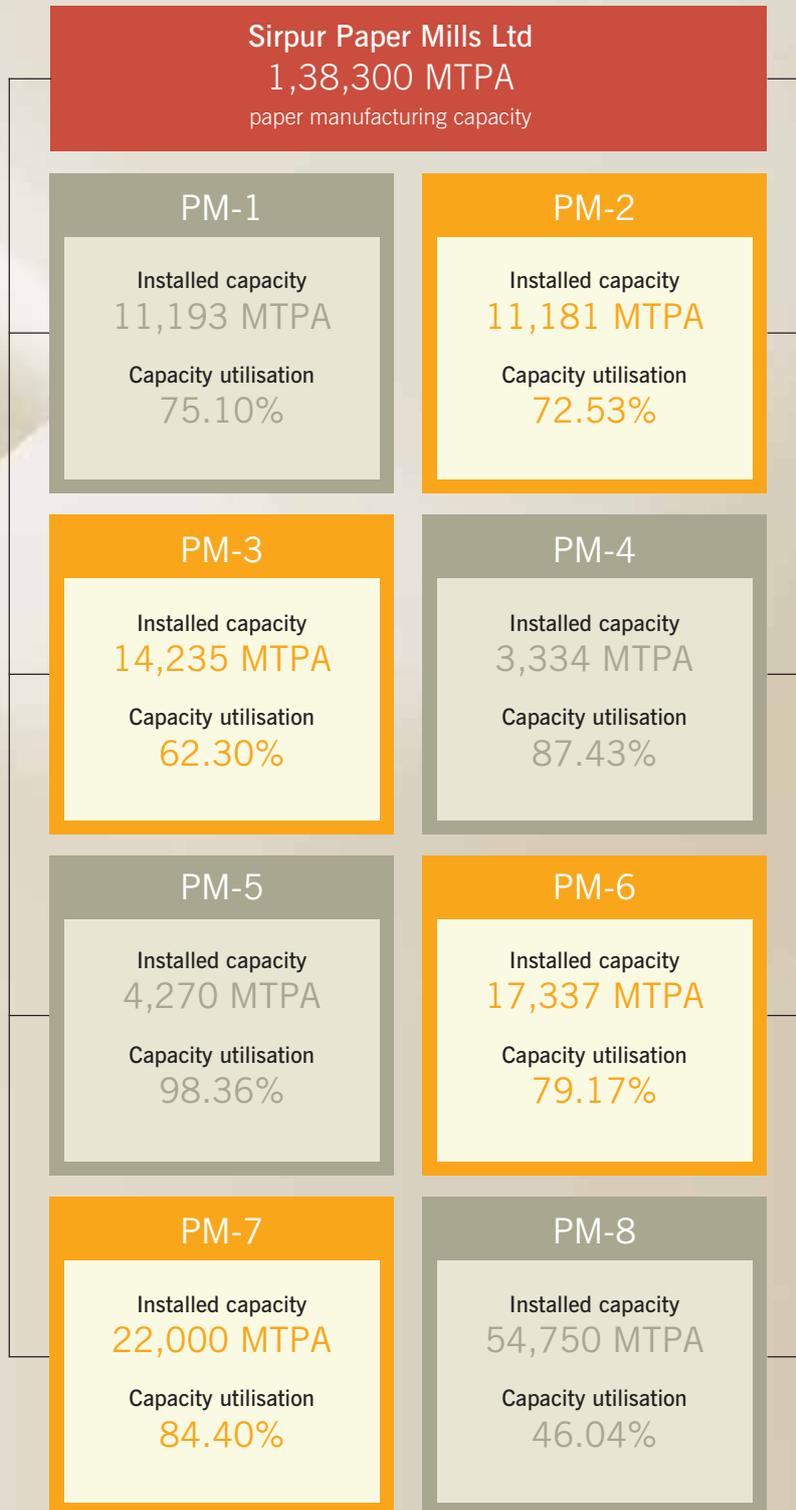
#### Outlook

Paper demand in India is expected to grow at a rate around 8%

The demand outlook appears positive owing to the following factors:

- Increasing government investment in education
- Rising literacy
- Higher urbanisation
- Growth in FMCG and retail sectors
- Growing pharmaceutical sector
- Increasing size of the service and packaging industry

Capacities at Sirpur



## Our operations

### Inputs management

IN THE CAPITAL-INTENSIVE BUSINESS OF PAPER MANUFACTURE, IT IS IMPERATIVE TO KEEP PRODUCTION LINES RUNNING TO AMORTISE FIXED COSTS BETTER. IN TURN, THIS MAKES IT IMPERATIVE TO KEEP ADEQUATE RAW MATERIAL AT HAND TO FEED PRODUCTION LINES SOURCED FROM PROXIMATE PLANTATIONS AT A REASONABLE COST.

#### Overview

The Company met 97% of its wood requirement through the Agricultural Marketing Committee (AMC), a government regulated body. The Company sourced 95% of its raw materials from within a distance of 500 km from Sirpur's plant situated in Kagaznagar in Andhra Pradesh.

#### Highlights, 2010-11

During the year under review, excessive rain and growing demand strengthened wood prices nearly 15% - from an average Rs. 3,278 per tonnes in 2009-10 to Rs. 3,760 per tonnes in 2010-11. As a result of the changes made by the AMC system, the Company stacked raw materials at its depot for subsequent transportation to its plant as opposed to the conventional practice of transportation done by suppliers. The result was that raw material procurement costs increased due to

related loading and transportation. The Company distributed seedlings of subabul and eucalyptus clones at subsidised rates and covered an area of 2,570 Ha.

The Company's raw material procurement increased to match its growing production. The Company trained farmers and imparted technical guidance.

#### Outlook

With raw material costs projected to increase and procurement continuing to be uncertain in the catchment area, the Company is planning next year's procurement to de-risk operations. The Company intends to encourage the development of pulp wood and eucalyptus plantations in its catchment area through the supply of plantation material and technical guidance, in addition to captive eucalyptus plantation on its vacant mill area.

### Research and development

#### Highlights, 2010-11

- Switched from acid sizing to alkaline sizing; alkaline sizing reduced costs and improved paper brightness
- Introduced cooking aids in cooking to reduce cooking chemical consumption
- Developed dyes compatible to AKD sizing in machines producing coloured papers

- Identified and conducted enzyme trials to reduce power consumption during pulp refining

#### Outlook

Following successful implementation, the Company aims to use ground calcium carbonate and precipitated calcium carbonate fillers to enhance paper quality.

## Quality

### Quality initiatives

Sirpur embarked on the following quality-enhancing initiatives in 2010-11:

- Implemented strict quality assurance at every stage of its operations
- Optimised the bleaching sequence leading to consistent paper brightness
- Used 90% freshly cut wood to achieve quality output
- Enhanced the use of superior additives
- Started trials of bleaching enzyme to reduce bleach chemical consumption

- Started AKD sizing of papers to improve paper quality and shelf life

The result is that the Company's products continued to be preferred among its longstanding buyers.

### Outlook

Sirpur's various quality-enhancing initiatives will lead to product consistency in terms of brightness, thickness, consistency and colour, strengthening customer acceptance.

## Manufacturing

SIRPUR ENCOUNTERED A NUMBER OF CHALLENGES RELATED TO PAPER MACHINE 8. THE MACHINE, COMMISSIONED IN 2008, CONTINUED TO OPERATE BELOW ITS RATED CAPACITY DURING THE YEAR UNDER REVIEW. HOWEVER, THE MACHINE SHOWED AN INCREASE IN UTILISATION DURING THE LATER PART OF THE YEAR FOLLOWING A CHURN IN THE OPERATIONAL MANAGEMENT TEAM.

### Highlights, 2010-11

- Achieved an overall capacity utilisation of 68%. Raised paper production from 250-260 tonnes daily to 300 tonnes on normal working days.
- Own power generation equipment generated 60% of the Company's energy needs
- Controlled steam consumption through leak plugging and effective control of the cooking cycles
- Optimised bleaching process by using back water, reducing chemical and

water consumption; reduced fibre loss by reusing back water

- Installed and commenced 30 TPD twin press to produce wet pulp for sale

### Outlook

Sirpur expects to optimise manufacturing costs and increase asset utilisation. The Company plans to reduce water, power and steam consumption, plug wastage and increase yield.

## Marketing and distribution

IN THE COMPETITIVE PAPER INDUSTRY, IT IS IMPERATIVE TO MARKET PRODUCTS AROUND NEEDS AND THEN DISTRIBUTE WITH SPEED ACROSS MARKETS.

### Highlights, 2010-11

- The Company retained its institutional clients through efficient marketing.
- The Company maintained its market share through a challenging year.
- The Company offered multiple paper requirements (standard writing and printing paper, niche varieties), industrial varieties (absorbent Kraft,

duplex and triplex board) and high-end brightness varieties (copiers, corporate and customised stationary).

### Outlook

- Increase business volumes by adding more products
- Enhance the Sirpur brand through marketing initiatives

## Intellectual capital

SIRPUR RECRUITS, TRAINS AND ENHANCES EMPLOYEE MORALE, LEADING TO BETTER PRODUCTIVITY. FOR INTELLECTUAL CAPITAL DEVELOPMENT, THE COMPANY STREAMLINED VARIOUS HR PROCESSES AND SYSTEMS. THE COMPANY FOCUSED ON TRAINING AND DEVELOPMENT TO ACHIEVE ORGANISATIONAL OBJECTIVES.

**Recruitment:** The Company recruited experienced professionals during the year. The Company's top priority is the induction and orientation of new personnel, which lays a strong foundation for retaining talented freshers.

**Training:** The Company identified requisite training areas based on the discussions and suggestions of the respective departmental heads. The employees undergo regular training for personal development, enhancing technical, safety, behavioural and communication skills.

The training programmes were conducted in regional languages besides Hindi, covering all levels of employees,

with a focus on strengthening attitude, knowledge and skills. The Company ensures experienced training faculties with vast industry experience.

**Other events:** As a measure of motivation and retention, SPM provides accommodation to their employees, replete with necessary facilities. The Company organises various sports, cultural and recreational events for employees and their families.

### Outlook

The Company is in the process of revamping its performance appraisal and exit interview system to ensure employee retention, and improve the existing HR processes and systems to meet emerging challenges.

## Information technology

### Highlights, 2010-11

- Implemented project production planning, sub-contracting module and banking module of SAP
- Installed fibre networking across the factory
- Upgraded the operating systems of the SAP server and data base
- Implemented Project Parivarthan comprising a biometric attendance

### Initiatives taken in the past five years

- Enhanced SAP functionalities such as online connectivity of depots with SAP,

integrating weighbridge and electronic reel weighing machines with SAP

- Technological upgradation of the payroll system
- Increased IT support capabilities, reducing external dependence

### Outlook

Going ahead, the Company will implement SAP BI modules for better data analysis and reporting. It plans to implement an online system for the issue of materials from stores for dealers and distributors.

## Health, safety and environment

### Health and safety

In a labour-intensive business like paper, it is necessary to provide a favourable working condition for employees.

### Sirpur's safety policy

The Company provided a safe work place through the following priorities:

- Compliance with statutory regulations
- Compliance with necessary safety appliances, devices and gadgets to employees
- Compliance with employee training in the area of safety and occupational health

### Environment

In the modern world, it is imperative to focus on environmental concerns and utilise resources in a sustainable way. Sirpur recognises the need to reduce resource inefficiencies in its manufacturing process and comply with CREP (Charter on Corporate Responsibility for Environmental Protection) norms.

### Highlights, 2010-11

- Utilised back water to reduce chemical use
- Stabilised the fibre line effluent treatment system

## Analysis of our financial statements

### Income analysis

**Total income:** The gross revenue of the Company increased by 8.28% from Rs. 340.45 crore in 2009-10 to Rs. 368.66 crore in 2010-11.

**Performance:** The net sales of the Company registered a growth of 8.67% from Rs. 335.49 crore in 2009-10 to Rs. 364.59 crore in 2010-11, due to increased production and prices. The Company installed twin press to manufacture wet pulp for sale.

The production of pulp and paper was 93,900 tonnes as against 91,126 tonnes in the previous year. During the year, production increased by 3% and capacity utilisation was higher by 2%.

On the other hand, capacity utilisation was affected due to heavy rains, floods and the collapse of A P Transco's HT transmission line tower. The profit before interest, depreciation and tax was Rs. 39.54 crore as against 45.08 crore in the previous year.

### Cost analysis

Despite an increase in sales realisations and volumes, EBIDTA declined due to an increase in production costs. The cost of wood increased by around Rs. 500 per tonnes. The cost of coal, other inputs and employees increased. The Company's borrowing cost on term loans and working capital increased on an average by 1.5% per annum.

### Net worth

**Equity share capital:** The equity share capital of the Company increased from Rs. 1,501.19 lakhs in 2009-10 to Rs. 1,588.85 lakhs in 2010-11, as the Company issued 8,77,869 ordinary shares of Rs.10 each at a premium of Rs. 47 on a preferential basis. Pursuant to the provisions of the Articles of Association, the Company's Board of directors forfeited 9,154 partly paid ordinary shares, on which call money remained unpaid.

**Reserves and surplus:** The reserves and surplus of the Company (without revaluation reserve) stood at Rs. 155.39 crore, which was

9.78 times of the paid up capital.

### Finance

The financial commitment towards term loan instalments and interest were duly met in time during 2010-11. The Company drew Rs. 40 crore as long-term funding from banks. The funds raised from the preferential issue of Rs. 5 crore strengthened the Company's liquidity. The Company continued to avail a sales tax deferment loan under the Andhra Pradesh state government policy; an unsecured loan of Rs. 500 lakhs was repaid during the year.

### Utilisation of funds

#### Gross block

The Company's gross block decreased from Rs. 826.22 crore to Rs. 815.77 crore. There was an addition to fixed assets amounting to Rs. 7.88 crore. However, owing to the sale or discarding of old and obsolete assets, there was a decline in gross block.

#### Working capital

The Company's working

capital reduced from Rs. 30.25 crore as on 31 March 2010 to Rs. 25.31 crore as on 31 March 2011.

**Inventory:** Inventory declined from Rs. 35.21 crore as on 31 March 2010 to Rs. 30.29 crore as on 31 March 2011, owing to better inventory management. The Company's inventory cycle decreased from 34 days in 2009-10 to 32 days in 2010-11.

**Debtors:** The Company's debtors increased from Rs. 48.88 crore in 2009-10 to Rs. 53.93 crore in 2010-11. The debtors' cycle was maintained at 52 days.

### Internal controls

The audit division continuously monitored the effectiveness of the internal controls with an objective to provide to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance of the adequacy and effectiveness of the organisation's risk management, control and governance processes. The division also assessed

opportunities for improvement in business processes, systems and control. The audit plan was focused on the following objectives:-

- Significant financial, managerial and operating information that is relevant, accurate and reliable is provided on time.
- Review of identification and management of risks.
- Resources are acquired economically, used efficiently and safeguarded adequately.
- Employee's actions are in accordance with the Company's policies and procedures, Code of Conduct and applicable laws and regulations.
- Significant legislative and regulatory provisions impacting the organisation are recognised and addressed appropriately.

Opportunities identified during audits to improve management control, business targets and profitability, process efficiency and the organisation's image were communicated to the

appropriate level of management.

Shareholders' and other stakeholders' wealth and welfare were preserved, protected and enhanced.

The Audit Committee met the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the Company. The Audit Committee's observations and suggestions were acted upon by the management.

The net sales of the Company registered a growth of 8.67% from Rs. 335.49 crore in 2009-10 to Rs. 364.59 crore in 2010-11

## Risk management

EVERY BUSINESS CARRIES RISKS AND UNCERTAINTIES THAT CAN AFFECT OPERATIONS AND PROSPECTS. THE COMPANY IDENTIFIED AND ASSESSED RISKS ASSOCIATED WITH ITS BUSINESS AND CORRESPONDINGLY COORDINATED OPTIMUM RESOURCE APPLICATION TO MINIMISE THEM AND MAXIMISE REALISATIONS

### Industry risk

AN INDUSTRY DOWNTURN COULD ADVERSELY AFFECT GROWTH

India's economic growth is expected to strengthen paper demand. The Company offers one of the widest product ranges among Indian paper manufacturers across the writing, printing and industrial segments. The increase in literacy, per capita income, preference for packaged food and articles and a ban on polythene packaging will increase demand.

### Raw material risk

UNAVAILABILITY OF KEY RAW MATERIALS COULD AFFECT BUSINESS SUSTAINABILITY

The Indian paper industry is marked by the risk of wood resource scarcity. The Company sourced its raw material requirements from within Andhra Pradesh, a state with a 63,813-sq. km forest cover. Being proximate to raw material sources, nearly 95% of the Company's wood requirement was sourced from within 500 km. The Company supported farmers to improve plantation practices, developed nurseries to propagate clonal seedling varieties and distributed these to farmers at subsidised rates. This helped securitise the Company's raw material procurement.

### Product risk

INABILITY TO STRENGTHEN THE BRAND COULD IMPACT REVENUES

There are few product differentiators in the paper industry. The Company markets value-added products under the Sirpur brand through a well-established supply chain, and produced 40 paper varieties. The Company installed a twin press to manufacture wet pulp for sale.

### Technology risk

INABILITY TO IMPLEMENT TECHNOLOGICAL CHANGES COULD AFFECT PRODUCTIVITY

The Company invested in technology and infrastructure to address global quality standards. The Company addressed technology-affected production issues and is expected to soon report normal production.

### Demand risk

INCREASING USE OF INFORMATION TECHNOLOGY COULD LEAD TO A LOWER CONSUMPTION OF PAPER

While it is true that the growing use of computers can affect paper demand, the reality of data thefts and virus attacks encourage the use of paper as a backup. Only 6% of India uses the internet, so the writing and printing segment still enjoys attractive prospects (*Source: Economic Times*). The development of new and high-end printing equipment increased the demand for value-added paper.

### Geographic risk

CONCENTRATION ON A PARTICULAR GEOGRAPHY COULD RESTRICT GROWTH

The Company's products are sold across the country, reducing client concentration in a single geography. Its wide product basket, comprising smoother and brighter writing and printing paper, widened the customer base.

## Corporate social responsibility

THE SIRPUR PAPER MILLS LTD IS A SOCIALLY RESPONSIBLE CORPORATE AND CONTINUOUSLY INVESTED IN COMMUNITY DEVELOPMENT. IN THIS REGARD, THE COMPANY PROVIDED FINANCIAL AID TO VARIOUS EDUCATIONAL INSTITUTIONS, TEMPLES, MOSQUES, SPORTS AND RECREATIONAL PROGRAMMES. ADDITIONALLY, THE COMPANY UNDERTOOK THE FOLLOWING INITIATIVES DURING 2010-11:

### Educational initiatives

- Provided scholarships to 89 students through the SPM Co-operative Society.
- Provided in-plant training to engineering and MBA students from various branches.
- Provided note books to students at subsidised rates.

### Health Initiatives

- Provided free medical checkups and medicines to employees as well as for the general public through the SPM health centre.
- Conducted monthly free eye camps and cataract operations for the public in general.
- Conducted free medical camps and provided free medicines in the aegis of ESI.

### Social welfare initiatives:

- Provided water supply to Kagaznagar township through water taps and water tankers.
- Provided total electric equipments including 80 polls for electrical supply at Thumhideti Village for Pushkar Mela organised by the A.P Government for 20 days, attended by lacs of devotees from various states.
- Provided land for the construction of a government public school building.
- Maintained a children's park along with cricket and football grounds for employees and the general public.

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## Outlook

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Paper prices increased in the first two months in 2011-12, but there was a subsequent withdrawal on account of over supply from new capacities and a decrease in international pulp and paper prices.

The impact of new production capacities is expected to be neutralised by an increase in demand, owing to higher literacy levels, increase in population and disposable income, leading to demand for packaged food.

The prices of all major inputs further increased in 2011-12 – wood by almost 20%, coal by 30% and diesel by 9%, thereby increasing the overall cost of production. During 2011-12, interest rates have further hardened.

To arrest pressure on the Company's working, steps were taken to increase productivity, reduce break down and wastages, reduce energy consumption and control input per tonnes of output. This will increase capacity utilisation and will control production costs. With these measures, performance is expected to be better.

# Directors' Report

## To the Shareholders

Your directors have the pleasure in presenting their Annual Report and audited accounts of the company with Auditors' Report for the year ended 31st March 2011.

### Economic scenario

The GDP growth in developing and emerging economies was 7.3% in 2010 (Report by International Monetary Fund). It was higher than the world average. The growth in these developing economies slowed by the end of 2010 as stimulus was slowly removed and policies were tightened to contain rising inflation.

The GDP growth in Indian economy for 2010-11 was 8.5% and is estimated to remain around 8% during 2011-12. However, the rising inflation coupled with stringent RBI policies, increase in crude oil prices, impact of natural calamities and financial crisis in certain countries are cause of concern which may affect Indian growth.

### Working results

	Rs. in lakhs	
	2010-11	2009-10
Profit before interest, depreciation and tax	3954.35	4,507.86
Interest	2735.16	2,576.81
Profit before depreciation and tax	1219.19	1,931.05
Depreciation	3035.32	2,975.40
Profit / (Loss) before tax	(1816.13)	(1,044.35)
Less: Provision for taxation		
- Wealth Tax	--	1.20
- Deferred Tax	(24.84)	139.00
Profit/(Loss)after tax	(1791.29)	(1,184.55)
Balance brought forward from previous year	1968.87	3153.42
Balance carried to Balance Sheet	<b>177.58</b>	<b>1968.87</b>

### Dividend

In view of the loss during the year, no dividend is being recommended by the Board.

### Forfeiture of shares

Pursuant to provisions of Articles of Association of the company, the Board of directors of your company forfeited 9154 partly paid ordinary shares, which were allotted in the year 2005 and on which call money remained unpaid.

### Performance

During the year, the company installed a twin press to manufacture wet pulp for sale. The company's production of pulp and paper was 93900 tonnes as compared to 91126 tonnes produced in the previous year. The production was marginally higher by 3% as compared with previous year. Capacity utilization was 67.90% i.e. an increase of 2% over the previous year. The capacity utilisation was affected by heavy rains and floods. Due to fall of HT transmission line tower of A P Transco, 12 days production was adversely affected and thereafter due to frequent tripping of power, the production was further affected for next 3 to 4 days. The gross turnover increased to Rs.37932 lakhs during 2010-11 as compared to Rs.34935 lakhs in

previous year, recording growth of 8.6%, due to increased production and price increase.

The profit before interest, depreciation and tax was Rs.3954 lakhs compared to Rs.4508 lakhs in previous year. Though there was increase in sales realisation but due to increase in prices of wood, coal, diesel and other major inputs, higher employees' cost, there was decrease in earnings. Further, as a result of increase in interest and depreciation, net loss before tax also increased to Rs.1816 lakhs against Rs.1044 lakhs in previous year.

### Market Conditions

The year 2010-11 started on a very positive note and demand during the 1st quarter was robust and order booking was healthy. The earthquake in Chile affected the supply of pulp in the world and International paper prices moved up to \$1100 per ton.

This resulted in an increase of paper prices in domestic market also. The new capacities which were commissioned in India also got absorbed because of sudden opening of the export market on account of higher pulp and paper prices.

However, from the second quarter, demand started settling down and had an adverse impact on market prices. Mills had to give

discounts to push their sales volumes. However, in the fourth quarter, on account of seasonal demand and government buying, the demand of paper started firming up again which led to an opportunity of increase in prices in the middle of fourth quarter. Excise duty on writing and printing paper was increased from 4% to 5% in the budget. It was perceived by the market that things have settled and general buoyancy in the demand was expected to be continued and year ended with an optimistic positive note.

Due to increase in diesel prices, the transport costs of all inputs have increased. Wood cost increased by almost Rs 500/- per ADMT due to increase in transport, labour and logistic cost. Prices of furnace oil and other major chemicals increased exorbitantly during the financial year.

### Finance

The financial commitment towards term loan instalments and interests were duly met in time during the financial year 2010-11. The company has drawn Rs.40 crore as long term funding from banks. The funds raised from preferential issue of Rs. 5 crore also eased the company's liquidity position. The company continues to avail sales tax deferment loan under Andhra Pradesh State Government policy and also eligible for incentives under Industrial Incentive Scheme 2005.

The borrowing cost to the company on term loans and working capital increased on an average by 1.5% per annum.

Due to tight liquidity position, the principal amount of instalment due on 1st July 2011 has not been paid for which necessary arrangements are being made.

### Plantation

Various initiatives to ensure availability of raw materials are being continued by distributing large quantities of seedlings of subabul. Quality clones of eucalyptus at subsidised rates are also distributed to achieve higher yield. Technical support and guidance is also imparted to farmers for better results.

### Human Resources development

All round focus is on training, health, safety of employees and creating a good working environment. Industrial relations remained cordial during the entire period.

### Outlook

On account of seasonal demand and cost push, paper prices in April and May had increased but over supply from the new capacities resulted in a subsequent withdrawal of the price increase. Internationally also, the pulp and paper prices have reduced.

The impact of new production capacities is expected to be neutralised by increase in demand as a result of higher literacy level, increase in individual disposable income resulting into a thrust for packaged foods and articles and ban on polythene packaging.

It is expected that the domestic excess supply versus the growth would get balanced and market will remain stable during the year.

The prices of all major inputs have further increased during the year 2011-12 such as wood by almost 20%, coal by 30 %, diesel by 9 %, thereby increasing overall cost of production.

During the year 2011-12, interest rates have further hardened, which is further accelerating pressure on financial results.

To arrest pressure on working of the company, steps have been taken to increase productivity, reduce break down and wastages, reduce energy consumption and control input per ton of output. This will increase capacity utilization and will control the cost of production.

With these measures, performance is expected to be better than before.

#### **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 u/s 217 (1) (e) of the companies Act, 1956, read with the companies (Disclosure of particulars in the report of the Board of directors) rules, 1988, are given in annexure 'A' attached hereto and forms a part of this report.

#### **Particulars of employees**

Statement on particulars of employees drawing Rs.60 lakhs or more per annum, if employed for whole of the year or Rs.5 lakhs or more per month, if employed for a part of the year pursuant to the provisions of section 217(2A) of the companies Act, 1956, is given in annexure 'B' attached hereto and forms a part of this report.

#### **Directors' responsibility statement**

The directors confirm

- a) That in the preparation of the annual accounts, all applicable accounting standards have been followed and that no material departures have been made from the same;
- b) That they have selected such accounting policies and applied them consistently and

made judgments 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 and of the loss of the company for the year ended on that date;

- c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) That they have prepared the annual accounts on a going concern basis.

#### **Auditors' Report**

The observations made in the auditors' report are self-explanatory and therefore, do not call any further comments under section 217(3) of the companies Act, 1956.

#### **Corporate governance**

Your directors affirm commitment to good corporate governance practices. During the year under review, the company was in compliance with the provisions of clause 49 of the listing agreement with the stock exchanges relating to corporate governance.

A report on 'Corporate Governance' along with the certificate of practicing company secretaries for its due compliance are annexed hereto as part of this annual report.

#### **Directors**

Shri G. S. Srinivasan was nominated on the Board by IDBI Bank Ltd, as its nominee director w.e.f. 20th June 2011 in place of Shri S. V. Satyanarayana. The Board records its appreciation for the valuable advice received from Shri S. V. Satyanarayana during

his tenure as nominee director of the company.

The term of office of the Vice-chairman & managing director, Shri Devashish Poddar, expires on 31st July 2011. At the meeting of the Board of directors of the company held on 11th May 2011, he has been reappointed as Vice-chairman & managing director with effect from 1st August 2011 for a further period of two years on remuneration and other terms as approved by the remuneration committee. The proposal for the reappointment of Shri Devashish Poddar as Vice-chairman & managing director, remuneration and other terms are being placed for approval of the shareholders at the ensuing annual general meeting. Approval of central government will be sought, where required. The Board recommends for passing of a special resolution confirming his reappointment.

Dr. M. S. Rajajee, I.A.S. (retd), Shri P. Vaman Rao and Shri Rakesh Bhartia, directors of the company, retire by rotation under article 122 of the Articles of Association of the company at the ensuing annual general meeting and are eligible for re-election.

### **Auditors**

M/s Deloitte Haskins & Sells, Chartered Accountants, Secundrabad, the Company's Statutory Auditors, retire at the conclusion of the forthcoming annual general meeting and are eligible for re-appointment. The Board, on the recommendation of the audit-committee, has proposed that M/s Deloitte Haskins & Sells, Chartered Accountants, Secundrabad be

re-appointed as the statutory auditors of the company to hold office till the conclusion of the next annual general meeting of the company. M/s Deloitte Haskins & Sells, Chartered Accountants, Secundrabad have forwarded their certificate to the company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section (1B) of section 224 of the companies Act, 1956.

### **Cost accounting records**

Pursuant to the provisions of section 233B of the companies Act, 1956, your directors have appointed M/s S.S.Zanwar & Associates, cost accountants, Hyderabad as the cost auditors to conduct the cost audit of your company for the financial year ended 31st March 2011, which has been approved by the central government. The Cost Audit Report for the year 2010-11 will be submitted to the central government before the due date.

### **Acknowledgements**

The directors thank the customers, suppliers, farmers, financial institutions, banks and shareholders for their continued support and also recognise the contribution made by the employees towards company's growth.

By order of the Board

**Ranjan Kumar Poddar**  
*Chairman*

Date: July 27, 2011

Place: Hyderabad

## Annexure 'A' to Directors' Report

Particulars as required u/s. 217 (1) (e) of the Companies Act, 1956 and forming part of the Directors' report for the year ended 31st March, 2011

### A. Conservation of Energy:

#### a) Measures taken for Conservation of Energy:

- 1 1500 KVA, power transformer which was running under loaded was stopped and its load was diverted to other E T Plant transformer and no load losses were saved.
- 2 Replacement of old inefficient failed motors with Energy efficient motors rather than getting rewound and efficiency gain obtained.
- 3 Grid power factor increased from 0.96 to 0.99. This higher PF benefits SPM, by way of lower demand (KVA) requirement for the same quantum of Energy Consumption and per unit gain also obtained.
- 4 At many places in the plant individual light on/off switches provided for Energy saving.
- 5 Infrared sensors and automatic timers and photo cells were provided in the lighting circuit for auto cut of lights during day time (6.00 AM to 6.00 PM )
- 6 In Paper Machines and Fibre Line areas all the incandescent lamps were replaced with Compact Fluorescent Lamps (CFLs ). Conventional fan regulators were replaced with Electronic Regulators.
- 7 2 nos. 75 HP motors for Mist cooling tower pumps were provided with Variable Frequency Drives (VFDs) and saved the energy.
- 8 Coal savings by using non-conventional fuels in NBH Boilers.

#### b) Additional Investments & proposals, if any:

- 1 Installation of variable frequency drives and New BHEL, Primary Air Fan, Secondary Air Fan, Tertiary Air Fan and Black liquor pump motors.

- 2 Installation of AFBC Boiler in place of old BHEL Recovery Boiler 1 x 50 Ton capacity 32 kg/cm<sup>2</sup> at 450<sup>o</sup> C.
- 3 Installation of new ATLAS CAPCO Compressors in place of old compressors at Paper Machines.
- 4 Installation of variable frequency drives for ID, FD fan motors and combustor drive, coal feeder drive motors at FBC I & II Boilers.
- 5 Pre-heating of air before F.D. Fans of FBC Boilers I & II.

#### c) Impact of the above measures on Consumption of Energy:

The implementation of above Energy Conservation measures has reduced the distribution losses and saved Energy.

#### d) Total energy consumption and energy consumption per unit of production as per Form-A:

Form -A Enclosed.

### B. Technology Absorption:

Efforts made in technology absorption as per Form - B  
Form - B Enclosed.

### C. Foreign Exchange Earnings and Outgo:

- a) During the year under review there are no exports except sales through merchant exporters. Efforts are being made to augment exports.
- b) Total foreign exchange used and earned
 

Used	Rs. 202.72 Lakhs*
Earned	Rs. N I L

\* On Actual Payment Basis.

## Form - A

(Form for disclosure of particulars with respect to conservation of energy)

### A. Power and Fuel Consumption\*:

	2010-11	2009-10
<b>1 Electricity :</b>		
a) Purchased Units - Lakhs Kwh	736.87	676.90
Total Amount - Rs. Lakhs	2435.67	1978.94
Rate / Unit - Rs.	3.31	2.92
b) Own Generation :		
i) Through Diesel Generator		
Units - Lakhs Kwh	-	-
Units per Ltr. of Diesel Oil	-	-
Cost / Unit - Rs.	-	-
ii) Through Steam Turbine / Generator		
Units - Lakhs Kwh	1140.00	1214.00
Units per Ltr. of Fuel Oil / Gas	-	-
Cost / Unit - Rs.	1.67	1.34
<b>2 Coal {Grade C to F (R.O.M.) used in Boiler &amp; Rotary Lime Kiln}* :</b>		
Quantity - M.T.	307471	319628
Total Cost - Rs. Lakhs	5312.45	4993.29
Average Rate - Rs. per Tonne	1728	1562
<b>3 Furnace Oil :</b>		
Quantity - ( K.Ltrs )	2707	2281
Total Amount - Rs. Lakhs	753.48	571.26
Average Rate - Rs. per K.Ltr.	27831	25045
<b>4 Others / Internal Generation :</b>		
Quantity	-	-
Total Cost	-	-
Cost / Unit	-	-

### B. Consumption per unit of production\* :

Product	2010-11			2009-10		
	Electricity (Kwh)	Furnace Oil (Ltrs)	Coal (MT)	Electricity (Kwh)	Furnace Oil (Ltrs)	Coal (MT)
a) Paper, Paper Board and Pulp (for sale)	1999	29	3.274	2075	25	3.507

\* Excluding consumption in Colony

## Form - B

(Form for disclosure of particulars with respect to Technology Absorption)

### Research and Development (R&D):

#### 1 Specific areas in which R & D was carried out by the Company

##### a) New Products development:

- 1 Alkaline sized High Bright Writing and Printing Paper
- 2 Better and appealing Yellow Maplitho, Blue Maplitho, Blue Printing, Green Printing and Unbleached Triplex Board.

##### b) New process development :

- 1 Introduction and switch over to Alkaline sizing in all premier quality products.
- 2 Adoption of Biotechnology with respect to use of enzymes in bleaching as well as refining of pulp during processing.

#### 2 Benefits derived as a result of above R&D:

- 1 Products developed have been released for regular production.
- 2 Process developments have helped in improving quality.
- 3 Better quality acceptance.
- 4 Better environmental footprint.

#### 3 Future plans of Action:

- a) New products development.
- b) Product quality enhancement.

#### 4 Expenditure on R & D:

a) Capital (Rs. in lakhs)	-
b) Recurring (Rs. in lakhs)	20.72
c) Total	20.72
d) Total R & D Expenditure as a percentage of total turnover	0.06%

### Technology Absorption, Adaptation and Innovation:

1 Efforts made in brief towards Technology absorption, adaptation and innovation	- Technology developed as a result of R & D activities has been successfully absorbed for the optimisation of process parameters and efficient utilization of inputs.
2 Benefits derived as a result of the above	- Customer satisfaction - Improvement in quality
3 In case of Imported Technology : (imported during the last 5 years reckoned from the beginning of the financial year)	
a) Technology Imported	- Elemental Chlorine Free Bleaching from Andritz, Finland.
b) Year of Import	- 2006-07
c) Has technology fully absorbed	- Yes
d) If not fully absorbed areas where this has not taken place, reasons therefore and future plan of action	- Not applicable

## Annexure 'B' to **Directors' Report**

Statement of particulars of employees as required u/s 217(2A) of Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 and forming a part of the Directors' Report for the year ended 31st March 2011.

Name	Shri Devashish Poddar
Age (years)	38
Designation	Vice Chairman & Managing Director
Remuneration (Rs.)	96.15 lakhs
Nature of duties	Oversees the future strategies and growth of the Company
Qualification	B.B.A (London)
Total Experience	12
Date of joining	01-08-1999
Last employment held	-
Designation	-
Period (years)	-

### Notes

1. Remuneration includes actual payment and/or taxable value of perquisites and the Company's contribution to provident and other funds but excluding provision for gratuity, accumulated leave and long service award.
2. Nature of employment: On contract
3. Other terms and conditions: As per rules of the Company.
4. He does not hold 2% or more of the ordinary shares of the company by himself or along with his spouse and dependent children.
5. Shri Devashish Poddar is the relative of a director.

# Corporate Governance Report

The Directors present the Company's report on Corporate Governance.

## **1. The Company's Corporate Governance.**

Corporate Governance is the application of management practices, compliance of law and adherence to ethical standards to achieve the company's objective to enhance shareholder value. The corporate governance is the structure by which responsibilities are assigned and authority entrusted among the Board of directors, senior management and employees etc.

The core principles of Corporate Governance are based on transparency, integrity, accountability and commitment to values. Empowerment is given to employees with full freedom but with responsibility. This governance structure and the core principles ensure performance discipline, meet shareholders' aspirations and lead to public confidence.

## **2. Composition of the board**

I. The Board of directors of the Company consists of eminent persons with professional expertise. SPM's Board comprises one managing director, one whole time director and eight non-executive directors, of whom six are independent directors as on 31st March 2011. Accordingly, the composition of the Board is in conformity with the requirements of the listing agreement.

Directors	Executive/ Non Executive Director	Independent Status	No. of other directorships held	Committee Membership of other companies Member/Chairman	
Shri Ranjan Kumar Poddar Chairman	Non Executive	Promoter	2	1	1
Shri Devashish Poddar	Executive	Vice-Chairman & Managing Director	2	-	-
Shri R L Lakhotia*	Executive	Whole-time Director	-	-	-
Shri Sudhir Jalan	Non Executive	Independent	13	4#	-
Dr. M.S. Rajajee, IAS (Retd)	Non Executive	Independent	-	-	-
Shri Laxminiwas Sharma	Non Executive	Independent	5	1#	2#
Shri P. Vaman Rao	Non Executive	Independent	2	1#	2
Shri Rakesh Bhartia @	Non Executive	Independent	1	-	-
Shri S.V.Satyanarayana	Non Executive	Nominee of IDBI Bank – lender	1	1	-
Ms Poonam Bodra\$	Non Executive	Independent	-	-	-

# Including memberships in remuneration committee

\* Shri Rameshwer Lall Lakhotia was appointed as whole-time director designated as Executive director w.e.f. 24-7-2010.

\$ Ms. Poonam Bodhra was appointed as Director to retire by rotation w.e.f. 9th August, 2010.

## II. Directors' interest in the Company and attendance records.

Director	No. of board meetings attended during the year	Last AGM attended	No. of ordinary shares held
Shri Ranjan Kumar Poddar	4	Not Present	2330
Shri Devashish Poddar	6	Present	-
Shri R. L. Lakhotia*	4	Present	-
Shri Sudhir Jalan	2	Not Present	-
Dr. M.S. Rajajee	4	Present	-
Shri Laxminiwas Sharma	6	Present	-
Shri P. Vaman Rao	6	Present	2
Shri Rakesh Bhartia	5	Present	-
Shri S.V.Satyanarayana	6	Present	-
Ms. Poonam Bodra**	3	Present	-
Shri L.K. Dash#	2	Not Present	-
Shri M. P. Dokania (retired)*	-	-	-
Shri T.V.V.Satyanarayana*	1	-	-

**Note:** During the year, six board meetings were held on 26th April 2010, 10th May 2010, 9th August 2010, 30th September 2010, 11th November, 2010 and 2nd February 2011.

\* Shri M. P. Dokania was executive director upto 29th April, 2010.

\* Shri T.V.V.Satyanarayana was executive director from 30-4-2010 to 9-8-2010.

\* Shri R. L. Lakhotia was appointed as executive director w.e.f. 24th July 2010.

\*\* Ms. Poonam Bodra was appointed as director, retire by rotation w.e.f. 9th August 2010

# Shri L. K. Dash resigned as director of the Company w.e.f. 9th August, 2010.

### 3. Audit Committee

I. Presently, the Audit Committee comprises of one executive director and four non-executive directors, one of whom is the IDBI nominee. Two directors are chartered accountants having accounting and financial background. Shri P. Vaman Rao is the Chairman of the Committee. The Committee met four times on 10th May, 2010, 9th August, 2010, 11th November, 2010 and 2nd February, 2011 during the year and the attendance of the members at the meetings was as follows:

Name of member	Status	No. of meetings attended
1. Shri P. Vaman Rao	Chairman	4
2. Shri R. L. Lakhotia*	Member	3
3. Shri Laxminiwas Sharma	Member	4
4. Shri Rakesh Bhartia	Member	4
5. Shri S.V. Satyanarayana	Member	4
6. Shri T.V.V.Satyanarayana	Member	1

\* Appointed as member from 24.07.2010.

The Chief finance officer, Head of internal audit and, statutory auditors are the permanent invitees. The company secretary is the secretary of the committee.

The chairman of the audit committee was present at the Annual General Meeting of the company held on 30th September 2010.

The object of audit committee is to monitor and effectively supervise your company's financial reporting process with a view to provide accurate, timely and proper disclosure. The audit committee has power to investigate any activity, seek information from any employee and obtain legal and other professional advice.

#### Terms of Reference

The terms of reference of the audit committee includes the following:

1. Oversee the company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditors/cost auditors and the fixation of audit fees.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Review with the management, the annual financial statements before submission to the Board for approval, with particular reference to:-

- a) Matters to be included in the directors' responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
- b) Changes, if any, in accounting policies and practices and reasons for the same.
- c) Major accounting entries involving estimates based on the exercise of judgment by management.
- d) Significant adjustment made in the financial statements arising out of audit findings.
- e) Compliance with listing and other legal requirements relating to financial statements.
- f) Disclosure of any related party transactions.

5. Review with the management, performance of statutory and internal auditors and adequacy of the internal control system.

6. Review the adequacy of internal audit functions including the structure of the internal audit department, staffing and seniority of the

official heading the department, report structure coverage and frequency of internal audit.

7. Discussion with internal auditors any significant findings and follow up thereto.

8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

During the year, the committee has reviewed the internal controls put in place to ensure that accounts of your company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the committee found no discrepancy or weakness in the internal control system of your company.

#### 4. Remuneration Committee

##### I. Composition:

The Remuneration Committee comprises of four Independent directors. The Committee met two times on 26th April 2010 and 23rd July 2010 during the year and the attendance of the members at the meetings was as follows:

Name of member	Status	No. of meetings attended
1. Dr. M. S. Rajajee, IAS(Retd)	Chairman	2
2. Shri Sudhir Jalan	Member	-
3. Shri Laxminiwas Sharma	Member	2
4. Shri Rakesh Bhartia	Member	-

##### II. Terms of Reference

To review, decide and recommend the remuneration package of the managerial personnel of the company including pension rights and any compensation payment, in accordance with the provisions of the Companies Act, 1956.

##### III. Remuneration Policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentive, which vary for cadres and are governed by industry pattern, qualification and experience of the employee, responsibilities handled and individual performance etc. The remuneration committee while approving the remuneration of managerial personnel takes into account the financial position of the company and trend in the industry. Besides, the above remuneration policy, the company ensures to bring about the objectivity in determining the remuneration package while striking a balance between interest of the company and the shareholders.

#### IV. Details of directors' remuneration paid for the year 2010-2011.

##### (a) Executive Directors

###### Remuneration details

(Rs.)

Name and Designation	Salary Perquisites & allowances	Performance Bonus	Employers' contribution to Provident Fund/- Super-annuation Fund	Total	Retirement benefits
Shri Devashish Poddar (Vice-chairman & managing director)	82,32,208	-	13,82,400	96,14,608	As per company's rules
Shri Rameshwer Lall Lakhotia* (Executive director)	32,36,051	-	-	32,36,051	-Do-
Shri M. P. Dokania** (Executive director)	4,56,145	-	14,795	4,70,940	-Do-
Shri T.V.V. Satyanarayana*** (Executive director)	9,04,271	-	-	9,04,271	-Do-

\* Appointed on 24-07-2010

\*\* Upto 29-04-2010

\*\*\* from 30-4-2010 to 9-8-2010.

###### Notes:

- As the provision for gratuity, leave encashment and long service award is made on an actuarial basis for the Company as a whole, the amount pertaining to managerial personnel is not included above.
- Notice period for termination of appointment of managing director is three months and whole-time directors is one month, from either side.
- No severance pay is payable on termination of appointment of managing/ whole-time directors.
- No stock option has been given.

##### (b) Non-Executive Directors

Name of Directors	Sitting fees paid during 2010-11 (Rupees)
Shri. Ranjan Kumar Poddar	40,000
Shri Sudhir Jalan	20,000
Dr. M.S. Rajajee	48,000
Shri Laxminiwas Sharma	92,000
Shri P. Vaman Rao	84,000
Shri Rakesh Bhartia	66,000
Shri S.V.Satyanarayana*, IDBI Nominee	80,000
Ms. Poonam Bodra**	30,000
Shri L.K. Dash	20,000

\* Sitting Fee was remitted to IDBI Bank Ltd as per terms of appointment of nominee director.

\*\* Sitting fee was remitted to LIC of India as per terms of appointment of director.

No remuneration except sitting fees for attending board /committee meetings was paid to any non-executive directors.

## 5. Shareholders' Grievances Committee

Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, namely Venture Capital and Corporate Investments Private Limited. The Board also constituted the Shareholders' Grievances' Committee. The Committee comprises of two executive directors and two non-executive directors as on 31st March 2011.

The Committee met once during the year on 2nd February 2011 and reviewed the grievances/complaints received and the action taken on the grievances/complaints. Attendance of the members is as follows:

Name of member	Status	No. of meetings attended
Shri Laxminiwas Sharma	Chairman	1
Shri R. L. Lakhotia	Member	1
Shri P. Vaman Rao	Member	1
Shri Devashish Poddar	Member	1

### Terms of reference

The functioning and broad terms of reference of the Shareholders' Grievances Committee as adopted by the Board is as under:

- To look into redressing of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- To do all other acts or deeds as may be necessary or incidental thereto. The main object of the committee is to strengthen the investor relations.

The Company Secretary and the compliance officer is entrusted with the responsibility to specifically look into the redressal of the shareholders' complaints and report the same

to Shareholders' Grievances Committee.

During the year One (1) complaint was received from a shareholder. The same was resolved to the satisfaction of the shareholder.

As on 27th July 2011, no requests involving transfer of shares are pending for processing.

In order to expedite the process of share transfers, the Board has delegated the powers of approving transfer of shares to the Company Secretary and Senior manager (legal). The delegated authority is attending to share transfer formalities at least once in a fortnight. All valid share transfers during the year ended 31st March, 2011 have been acted upon. The company had no complaints pending at the close of the financial year.

## 6. General Body Meetings.

a) Details of the last three Annual General Body Meetings of the Company are as under:

Details of General Body Meetings:

Year	Date	Day	Time	Venue
2009-2010	30th September 2010	Thursday	2.30 P.M.	"Surana Auditorium", FAPCCI Buildings, Red Hills, Hyderabad.
2008-2009	10th September 2009	Thursday	11.00 A.M.	"Bhaskara Auditorium", B.M. Birla Science Centre, Adarshnagar, Hyderabad.
2007-2008	28th August 2008	Thursday	2.00 P.M.	"Bhaskara Auditorium", B.M. Birla Science Centre, Adarshnagar, Hyderabad.

**b) The following Special Resolutions were passed at the last three annual general meetings**

(i) Re-appointment of M/s. Deloitte Haskins & Sells as Auditors.

(ii) Appointment of Shri M.P. Dokania, whole-time director designated as executive director for a period of one year (from 30-4-2009 to 29-4-2010) and fixing his remuneration.

(iii) Appointment of Shri Devashish Poddar as vice-chairman & managing director for a period of two years (from 1st August, 2009 to 31st July 2011) and fixing his remuneration.

(iv) Issue, allotment of 8,77,869 ordinary shares of Rs.10/-each at a price of Rs.57/- per share to promoter of the Company pursuant SEBI (ICDR) Regulations, 2009.

(v) Appointment of Shri T. V. V. Satyanarayana as executive director of the Company for a period of one year (from 30th April 2010 to 29th April 2011)

(vi) Appointment of Shri Rameshwer Lall Lakhota as executive director of the Company for a period of two years (from 24th July 2010 to 23rd July 2012)

**c)** During last year, none of the resolutions passed at the annual general meeting was required to be put through postal ballot as per the Companies (passing of resolution by Postal Ballot) Rules, 2001.

**7. Code of Conduct**

The Board of directors has adopted the Code of business conduct and ethics for directors and senior management. The said Code has been communicated to the directors and members of the senior management. The said code has been posted on the company's website. A declaration has been given by the executive director stating that all directors and senior management of the company have affirmed compliance with the company's code of conduct for the financial year ended 31st March 2011. The said declaration is annexed herewith.

**8. Disclosures**

1. During the year, there were no transactions with the promoters, directors or the management or their relatives that had potential conflict with the interest of the Company. The Company has no subsidiaries.

Transactions with related parties as per requirements of Accounting Standard (AS-18) – 'Related Party Disclosures' are disclosed in Note No. 23 of Schedule 21 to the Accounts in the Annual Report.

2. In the preparation of the financial statements, the Company has followed the Accounting Standards as prescribed by Companies (Accounting Standards) Rules, 2006. The significant accounting policies, which are consistently applied, are disclosed in Schedule 20 to the accounts in the Annual Report.

3. The company has laid down procedures to inform Board about the risk assessment and minimization. The Board periodically discusses the significant business risks identified by the management and the mitigation measures to address such risks.

4. There were no instances of non-compliance by your company on any matter related to the capital markets, during the last three years and no strictures or penalties have been imposed on your company by the stock exchange or any statutory authority.

5. The whole time director and the chief financial officer of your company have issued necessary certificate pursuant to clause 49 of the listing agreement and the same is attached and forms part of the annual report.

**9. Means of Communication**

1. Quarterly results and statutory notices are published in prominent daily newspaper viz. Business Standard/ Financial Express/ Economic Times and Andhra Bhoomi/ Andhra Prabha/ Vaartha.

2. Share holding pattern, quarterly results and annual report are sent to the stock exchanges,

where securities of the Company are listed, within time. The above data is also provided in the Company's website [www.sirpurpaper.com](http://www.sirpurpaper.com) and also provided to the web site [www.corpfiling.co.in](http://www.corpfiling.co.in).

3. Separate E-mail ID for registering Investors

grievances 'complianceofficer@sirpurpaper.com' has been created in compliance of Clause 47(f) of the listing agreement.

4. Management discussion and analysis forms part of the annual report, which is mailed to the shareholders of the company individually

### 10. General Shareholders' information:

1. Annual General Meeting will be held on Thursday, the 29th September, 2011 at 11.00 AM at Bhaskara Auditorium, B. M. Birla Science Centre, Adarsh Nagar, Hyderabad – 500 063 (A.P.)

2. <b>Financial calendar:</b>	1st April to 31st March
Financial reporting for the –	
First Quarter results	- Before 15th August,
Annual General Meeting	- Before 30th September,
Second Quarter results	- Before 15th November,
Third Quarter results	- Before 15th February,
Fourth Quarter results	- Before 30th May
3. <b>Dates of book closure:</b>	24th September 2011 to 29th September 2011 (both days inclusive)

4. **Listing on Stock Exchanges:** The Bombay Stock Exchange Limited, Mumbai (BSE), National Stock Exchange of India Limited (NSE). Annual Listing Fees for the year 2011-2012 has been paid to the above stock exchanges.

#### 5. Stock codes & demat ISIN:

	For fully paid shares:
On The Bombay Stock Exchange Limited	502455
On National Stock Exchange of India Limited	SIRPAPER EQ.
NSDL & CDSL	INE: 202C01010

6. (a) The Company has issued and allotted 8,77,869-ordinary shares of Rs.10/-each at a premium of Rs.47/- per share on preferential basis to M/s. Aravali Securities & Finance Ltd., a promoter of the Company on 28th May, 2010, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009. The said shares are listed on BSE and NSE. The ordinary shares issued under the preferential offer shall bear a lock-in of three years i.e. from the date of allotment (28th May 2010) till 28th May, 2013.

(b) The Company has forfeited 9,154 ordinary shares of Rs.10/- each partly paid Rs.4/- each due to non-payment of arrears of call money.

## 7. Stock Market Price data for the year 2010-11

### i. Share price on BSE & NSE

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	66.25	49.70	66.45	49.60
May, 2010	60.00	46.60	59.50	46.20
June, 2010	57.00	47.50	56.85	50.10
July, 2010	62.00	52.65	61.55	52.90
August, 2010	70.90	56.10	71.00	56.10
September, 2010	64.65	58.50	64.50	57.25
October, 2010	67.00	57.00	66.90	57.60
November, 2010	61.50	50.50	61.25	50.50
December, 2010	55.50	46.00	57.40	48.10
January, 2011	57.25	50.05	56.00	45.35
February, 2011	54.80	46.15	54.90	45.00
March, 2011	63.55	41.00	63.60	47.00

### ii. BSE SENSEX

Month	Open	High	Low	Close
April, 2010	17,555.04	18,047.86	17,276.80	17,558.71
May, 2010	17,536.86	17,536.86	15,960.15	16,944.63
June, 2010	16,942.82	17,919.62	16,318.39	17,700.90
July, 2010	17,679.34	18,237.56	17,395.58	17,868.29
August, 2010	17,911.31	18,475.27	17,819.99	17,971.12
September, 2010	18,027.12	20,267.98	18,027.12	20,069.12
October, 2010	20,094.10	20,854.55	19,768.96	20,032.34
November, 2010	20,272.49	21,108.64	18,954.82	19,521.25
December, 2010	19,529.99	20,552.03	19,074.57	20,509.09
January, 2011	20,621.61	20,664.80	18,038.48	18,327.76
February, 2011	18,425.18	18,690.97	17,295.62	17,823.40
March, 2011	17,982.28	19,575.16	17,792.17	19,445.22

### 8. Share Transfer System:

The Company's shares are traded in the stock exchanges compulsorily in demat mode. The Company has appointed a registrar as common agency to look after both physical and demat share work. The shares, which are lodged for transfer at the Registrars and Transfer Agents of the Company, are processed and returned to shareholders within stipulated time. The address of the Registrars and Transfer Agents for correspondence is as under:

Venture Capital and Corporate Investments Private Limited

Unit: The Sirpur Paper Mills Limited, 12-10-167, Bharat Nagar, Hyderabad-500 018.

Tel.No.040-23818475/23818476, Fax No.040-23868024

E-Mail: info@vccilindia.com

E-Mail ID for registering investor grievances: complianceofficer@sirpurpaper.com

## 9. (a) Distribution of Shareholding as on 31st March 2011

Number of ordinary Shares held	Number of Shareholders		Shareholdings	
	Nos.	%	Nos.	%
1 to 500	8,427	85.19	11,82,403	7.44
501 to 1000	732	7.40	5,84,345	3.68
1001 to 2000	337	3.40	5,05,389	3.18
2001 to 3000	103	1.04	2,53,982	1.59
3001 to 4000	64	0.64	2,28,387	1.43
4001 to 5000	47	0.47	2,17,460	1.36
5001 to 10000	78	0.78	5,63,603	3.54
10001 and above	103	1.04	1,23,44,251	77.73
<b>Total</b>	<b>9,891</b>	<b>100.00</b>	<b>1,58,79,900</b>	<b>100.00</b>

## (b) Categories of shareholders as on 31st March 2011

Category	Number of Shares held	Percentage (%)	Number of shareholders	Percentage (%)
Promoters & persons acting in Concert	73,71,374	46.42	5	0.05
Public Financial Institutions, Insurance Companies & Government Companies	16,45,511	10.36	5	0.05
Banks and Mutual Funds	2,37,612	1.50	23	0.23
Non-resident Individuals	76,623	0.48	78	0.79
Other Bodies corporate	13,91,881	8.77	298	3.01
Others	51,56,899	32.47	9,482	95.86
<b>Total</b>	<b>1,58,79,900</b>	<b>100.00</b>	<b>9,891</b>	<b>100.00</b>

**11. Dematerialisation of shares and liquidity**

Trading in Sirpur shares is permitted only in dematerialised form and 1,54,77,778 Ordinary shares (representing 97.47% share capital of the Company) have been dematerialised upto 31st March 2011.

**12. Books of Account:** The Books of Account of the Company with respect of items mentioned in Clause (a) to (d) of sub-section (1) of Section 209 of the Companies Act, 1956 are kept at the Mills Office at factory. The address of the factory is as mentioned below.

**13. The addresses for correspondence are as mentioned below.**

**Registered Office:**

The Sirpur Paper Mills Ltd

5-9-22/1/1, 1st Floor

Ashoka Chambers, Opp: New MLA Quarters  
Adarshnagar, Hyderabad – 500 063

Tel No. (040) 23236301/23298705

Fax no. (040) 23232470

E-Mail: [registeredoffice@sirpurpaper.com](mailto:registeredoffice@sirpurpaper.com)  
[spmregdoff@gmail.com](mailto:spmregdoff@gmail.com)

**Factory Location:**

Sirpur- Kaghaznagar- 504296

Adilabad District

Andhra Pradesh

Tel. No.(08738)238044,238045

Fax No.(08738) 238323

E-Mail: [accounts@sirpurpaper.com](mailto:accounts@sirpurpaper.com)

14. The Company has also formed certain other committees such as borrowing committee, preferential issue allotment committee etc. for closely monitoring the Company's activities, and make recommendation to board of directors.

15. Non Mandatory requirements

a. At present, the Chairman does not have any separate office with the Company. The Corporate Office of the company supports the Chairman for discharging the responsibilities.

b. As the financial performance of the Company is well publicised, individual communication of half-yearly results is not sent to the shareholders.

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## Declaration

As provided under Clause-49 of the listing agreement with the stock exchanges, I affirm that the Board members and the senior management personnel have confirmed compliance with the Code of Conduct, as applicable to them, for the year ended March 31, 2011.

For The Sirpur Paper Mills Limited

Hyderabad,  
27th July, 2011

**R. L. Lakhotia**  
*Executive director*

## Compliance Certificate on Corporate Governance

**TO THE MEMBERS OF  
THE SIRPUR PAPER MILLS LIMITED**

We have examined the compliance of conditions of Corporate Governance by The Sirpur Paper Mills Limited, for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the directors and the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that the Shareholders/Investor Grievance Committee has maintained records to show the investor grievance and certify that as at March 31, 2011 there were no investor grievances remaining unattended/pending for more than 30 days.

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

**For A. J. SHARMA & ASSOCIATES**

*Company Secretaries*

Hyderabad,  
27th July 2011

**A. J. Sharma**  
Membership No. CP-2176, FCS-2120

## CEO and CFO Certificate

**THE BOARD OF DIRECTORS OF  
THE SIRPUR PAPER MILLS LIMITED:**

- a. We have reviewed the financial statements and the cash flow statement of The Sirpur Paper Mills Limited (the company) for the year ended March 31, 2011 and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, significant deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Hyderabad,  
27th July, 2011

**R. L. Lakhotia**  
*Executive Director*

**Srikrishna Modani**  
*Vice President (F & C)*

# 10-year Financial Highlights

(Rs. in lakhs)

	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02
1 Production - Pulp, Paper & Board (MT)	93900	91126	92298	72146	75828	78883	78490	79170	77974	60921
2 Turnover (Gross)	37932	34935	36847	27116	27042	26865	25429	24955	23190	17687
3 Profit Before Dep. & Tax	1219	1931	2661	2851	2577	2609	2391	2786	2641	2288
4 Profit Before Tax	(1816)	(1045)	-132	1679	1532	1618	1528	1977	1874	1826
5 Profit After Tax	(1791)	(1185)	-163	3262	1332	1459	1410	1792	1247	1162
6 Retained Earning	(1791)	(1185)	-427	2648	718	974	934	1322	964	953
7 Share Capital	1589	1501	1501	1501	1501	1101	835	835	835	835
8 Reserves & Surplus	15539	16903	17964	18348	15670	12434	9348	8609	7236	6218
9 Shareholder's Funds	17128	18404	19465	19849	17171	13535	10182	9444	8071	7053
10 Loan Funds	28119	29681	30017	27298	24720	13960	8991	7047	5737	6254
11 Deferred Tax Liability	1035	1060	921	915	2143	2478	2512	2512	2481	2224
12 Net Fixed Assets	43751	46110	48048	48330	41859	25907	16815	13695	11991	12127
13 Investments	-	10	10	410	337	1729	2007	576	475	465
14 Net Current Assets	2531	3025	2346	-677	1838	2336	2865	4731	3822	2937
15 PBDT to Turnover (%)	3.21	5.53	7.22	10.51	9.53	9.71	9.40	11.16	11.39	12.94
16 Return on Net Worth (%)	(10.46)	(6.44)	-0.84	16.43	7.76	10.78	13.85	18.98	15.45	16.48
17 Earning Per Share (Rs.)	(11.42)	(7.89)	-1.09	21.73	9.17	13.65	16.41	21.49	14.95	13.93
18 Dividend on Ordinary Shares (%)	0	0	15	35	35	35*	50	50	30	25
19 Book Value/Per Share \$ (Rs.)	114.38	129.66	135.80	138.32	128.66	145.45	152.20	143.34	126.51	111.22
20 Debt (Long Term) Equity Ratio (\$)	1.45	1.36	1.19	1.03	1.13	0.70	0.43	0.48	0.40	0.52

Note:- Revaluation of Fixed Assets not considered.

\$ Ignoring Deferred tax liability

\* for 2005-06 computed on equivalent of paid up value of Rs.10/- per share.



# Auditors' Report

## TO THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED

1. We have audited the attached Balance Sheet of THE SIRPUR PAPER MILLS LIMITED ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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 in paragraph 3 above, we report that:
  - (i) 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;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, 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:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No.008072S)

K. Rajasekhar  
Partner  
(Membership No.23341)

Secunderabad  
July 27, 2011



## Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities, clauses (vi), (xii), (xiii), (xiv), (xv), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. Plant and Machinery include Rs 457.07 Lakhs being cost allocated on the basis of technical estimates to assets installed prior to 1961-62.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms and other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account 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 in respect of paper and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (ix) According to the information and explanations given to us in respect of statutory dues:



- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income tax, Sales Tax, Service Tax, Excise Duty and Cess which have not been deposited as on 31 st March, 2011 on account of disputes are given below:

Sl. No.	Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
1	Central Excise Act, 1944	MODVAT	CESTAT	2000 – 2007	36.51
2	Central Excise Act, 1944	Excise duty	CESTAT	2002 – 2009	152.78
3	Central Excise Act, 1944	Excise duty	High Court	2006 – 2007	184.25
4	Central Excise Act, 1944	Service Tax	CESTAT	2005 – 2008	970.45
5	Value Added Tax	Value Added Tax	Sales Tax Appellate Tribunal	2005 - 2008	305.77
6	Value Added Tax	Value Added Tax	Appellate Deputy Commissioner	2008 - 2011	459.16
7	Value Added Tax	Value Added Tax	AP High Court	2005 - 2009	32.30

- (X) The Company does not have any accumulated losses and has not incurred cash losses in the financial year and in 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 the repayment of dues to banks.
- (XII) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (XIII) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (XIV) According to the information and explanations given to us, the price at which the Company has made preferential allotment of shares to a company covered in the Register maintained under Section 301 of the Companies Act, 1956 is not prima facie prejudicial to the interests of the Company.
- (XV) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No.008072S)

K. Rajasekhar  
Partner  
(Membership No.23341)

Secunderabad  
July 27, 2011



## Balance Sheet As at 31 March 2011

Schedule	As at 31 March 2011		As at 31
	(Rs. Lakhs)	(Rs. Lakhs)	March 2010
			(Rs. Lakhs)
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a) Share Capital	1	1,588.85	1,501.19
b) Reserves & Surplus	2	20,760.21	22,499.50
		22,349.06	24,000.69
<b>2. LOAN FUNDS</b>			
a) Secured Loans	3	26,530.75	27,793.66
b) Unsecured Loans	4	1,588.45	1,887.62
		28,119.20	29,681.28
<b>3. DEFERRED TAX LIABILITY (NET)</b>			
(Refer note 26 of Schedule 21)		1,035.40	1,060.24
<b>TOTAL</b>		<b>51,503.66</b>	<b>54,742.21</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>4. FIXED ASSETS</b>	5		
a) Gross Block		80,929.53	81,946.80
b) Less: Depreciation		32,604.77	30,914.35
c) Net Block		48,324.76	51,032.45
d) Capital Work-in-Progress (Includes Advance for Capital Goods Rs.135.70 lakhs (31-3-2010 Rs.163.25 lakhs)		647.42	674.71
		48,972.18	51,707.16
<b>5. INVESTMENTS</b>	6		10.00
<b>6. CURRENT ASSETS, LOANS AND ADVANCES</b>			
a) Inventories	7	3,029.76	3,521.30
b) Sundry Debtors	8	5,392.73	4,887.98
c) Cash and Bank Balances	9	827.30	468.27
d) Loans and Advances	10	4,084.15	4,152.66
		13,333.94	13,030.21
<b>7. Less: CURRENT LIABILITIES AND PROVISIONS</b>			
a) Current Liabilities	11	9,676.30	9,012.30
b) Provisions	12	1,126.16	992.86
		10,802.46	10,005.16
<b>NET CURRENT ASSETS</b>		<b>2,531.48</b>	<b>3,025.05</b>
<b>TOTAL</b>		<b>51,503.66</b>	<b>54,742.21</b>
Contingent Liabilities (Refer note 1 of Schedule 21)			
Significant Accounting Policies	20		
Notes on Accounts	21		

As per our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

K. Rajasekhar  
Partner

Ranjan Kumar Poddar  
Chairman

Devashish Poddar  
Vice-Chairman &  
Managing Director

R. L. Lakhota  
Executive Director

Priya Sharma  
Company Secretary

Secunderabad, 27 July 2011



## Profit and Loss Account For the year ended 31 March 2011

Schedule	2010-11		2009-10
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
<b>INCOME</b>			
Sales	13	37,931.86	34,934.82
Less: Excise Duty		1,472.66	1,385.90
		36,459.20	33,548.92
Other Income	14	406.50	496.43
<b>TOTAL</b>		<b>36,865.70</b>	<b>34,045.35</b>
<b>EXPENDITURE</b>			
Raw Materials consumed	15	9,082.56	7,979.04
(Accretion to) / Depletion of Stocks	16	171.00	133.45
Manufacturing and Other Expenses	17	23,657.79	21,425.00
		32,911.35	29,537.49
Interest (Net)	18	2,735.16	2,576.81
Depreciation		3,242.96	3,202.87
Less: Transfer from Revaluation Reserve		207.64	227.47
		3,035.32	2,975.40
<b>TOTAL</b>		<b>38,681.83</b>	<b>35,089.70</b>
<b>(LOSS) BEFORE TAX</b>		<b>(1,816.13)</b>	<b>(1,044.35)</b>
Taxation	19	(24.84)	140.20
<b>(LOSS) AFTER TAX</b>		<b>(1,791.29)</b>	<b>(1,184.55)</b>
Profit brought forward from last year		1,968.87	3,153.42
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>177.58</b>	<b>1,968.87</b>
		177.58	1,968.87
Significant Accounting Policies	20		
Notes on Accounts	21		
Loss per Share Basic & Diluted (Face Value of Rs. 10 each)		Rs.(11.42)	Rs. (7.89)
(Refer note 24 of Schedule 21)			

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the Board

**K. Rajasekhar**  
Partner

**Ranjan Kumar Poddar**  
Chairman

**Devashish Poddar**  
Vice-Chairman &  
Managing Director

**R. L. Lakhota**  
Executive Director

**Priya Sharma**  
Company Secretary

Secunderabad, 27 July 2011



## Cash flow Statement For the year ended 31.03.2011

	2010-11		2009-10	
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>A Cash flow from operating activities:</b>				
Profit / (Loss) Before Tax		(1,816.13)		(1,044.35)
<b>Adjustments For</b>				
Depreciation	3,035.32		2,975.40	
(profit)/Loss on Sale of Assets	(60.91)		(12.69)	
(profit)/Loss on Sale of Current Investments	(30.81)		-	
provision for doubtful debts/Advances w/back	-		(43.67)	
Interest Income	(665.22)		(811.55)	
Interest on Borrowings	3,400.38		3,388.36	
		5,678.76		5,495.85
<b>Operating profit before working capital changes</b>		<b>3,862.63</b>		<b>4,451.50</b>
Adjustments for changes in				
Trade and Other Receivables	(420.13)		485.45	
Inventories	491.54		(456.77)	
Trade payables and other Liabilities	795.36		(1,121.36)	
		866.77		(1,092.68)
Cash Generated from Operations		4,729.40		3,358.82
Direct Taxes/Refund received		(67.08)		(15.62)
<b>Net cash from operating activities</b>		<b>4,662.32</b>		<b>3,343.20</b>
<b>B Cash flow from investing activities:</b>				
Capital expenditure incl, advance paid for purchase of Fixed Assets		(760.05)		(934.44)
Sale of fixed assets		161.04		32.40
Purchase of Investments		(2,800.19)		-
Sale of Investments		2,841.00		-
<b>Net cash used in investing activities</b>		<b>(558.20)</b>		<b>(902.04)</b>
<b>C Cash flow from financing activities:</b>				
Interest and financing charges paid		(3,400.38)		(3,392.95)
Interest received on deposits with Banks, Suppliers and other deposits etc.,		716.19		861.41
Proceeds from issue of Captial & Calls in arrear received		501.18		0.12
Proceeds from Borrowings		4,390.12		5,407.83
Repayment of Borrowings		(5,952.20)		(5,743.72)
Inter corporate loans received		-		8.00
Dividend paid		-		(263.44)
<b>Net cash used in financing activities</b>		<b>(3,745.09)</b>		<b>(3,122.75)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>359.03</b>		<b>(681.59)</b>
Cash and cash equivalents as at 31st March 2010		468.27		1,149.86
Cash and cash equivalents as at 31st March 2011		827.30		468.27

**Note:**

- 1 Bank balance includes restricted amount of Rs 148.34 lakhs (31-3-2010: Rs 123.26 lakhs) towards margin money deposits with banks and Rs 27.81 lakhs (31-3-2010: Rs31.93 lakhs) towards unclaimed dividend.
- 2 The Cash flow statement is prepared under 'indirect method' as set out in Accounting Standard - 3 on Cash Flow Statements as notified in the Companies (Accounting Standards) Rule, 2006.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the Board

**K. Rajasekhar**  
Partner

**Ranjan Kumar Poddar**  
Chairman

**Devashish Poddar**  
Vice-Chairman &  
Managing Director

**R. L. Lakhotia**  
Executive Director

**Priya Sharma**  
Company Secretary

Secunderabad, 27 July 2011



## Schedules forming part of Accounts

	As at 31 March 2011 (Rs. Lakhs)	As at 31 March 2010 (Rs. Lakhs)
<b>1 SHARE CAPITAL</b>		
<b>Authorised</b>		
250,00,000 Ordinary Shares of Rs.10 each (31-3-2010: 250,00,000 ordinary shares of Rs.10 each)	2,500.00	2,500.00
10,00,000 Preference Shares of Rs. 100 each (31-3-2010: 10,00,000 preference shares of Rs.100 each)	1,000.00	1,000.00
	<b>3,500.00</b>	<b>3,500.00</b>
<b>Issued</b>		
158,91,074 Ordinary shares of Rs.10 each (31-3-2010: 150,13,205 ordinary shares of Rs.10 each)	1,589.11	1,501.32
<b>Subscribed and Called up</b>		
158,79,900 Ordinary Shares of Rs.10 each fully paid up (31-3-2010: 150,11,185 ordinary shares of Rs.10 each (inclusive of Rs.10.41 lakhs transferred from General Reserve)	1,587.99	1,501.12
7,052 Less Call in arrears at Rs.6 each (31-3-2010: 7,052 Ordinary Shares of Rs.6 each)	-	0.42
Add : Forfeited Shares (amount originally paid up)	0.86	0.49
<b>TOTAL</b>	<b>1,588.85</b>	<b>1,501.19</b>

(Of the above, 877869 shares of Rs.10 each were issued at a premium of Rs.47/- to M/s Aravali Securities and Finance Limited, Promoter, on preferential basis)

	As at 31 March 2010 (Rs. Lakhs)	Additions during the year (Rs. Lakhs)	Deductions/ Adjustments during the year (Rs. Lakhs)	As at 31 March 2011 (Rs. Lakhs)
<b>2 RESERVES AND SURPLUS</b>				
Capital Reserve	9.16			9.16
Capital Redemption Reserve	70.93			70.93
Securities Premium Account	6,635.19	411.59		7,046.78
General Reserve	8,217.90	16.49 *		8,234.39
Revaluation Reserve	5,597.45		376.08 **	5,221.37
Profit & Loss Account	1,968.87		1,791.29	177.58
<b>TOTAL</b>	<b>22,499.50</b>	<b>428.08</b>	<b>2,167.37</b>	<b>20,760.21</b>

\* Includes transfer from Revaluation Reserve Rs. 16.49 lakhs on account of Assets Sold / Discarded

\*\* Deduction on account of assets sold / discarded Rs.151.95 lakhs and depreciation provided on Revalued portion of fixed assets Rs. 207.64 lakhs

	As at 31 March 2011 (Rs. Lakhs)	As at 31 March 2010 (Rs. Lakhs)
<b>3 SECURED LOANS</b>		
<b>Cash Credit / Overdrafts from Banks</b>		
Central Bank of India	1,027.82	741.15
State Bank of Hyderabad	502.85	370.19
Andhra Bank	126.62	398.76
Industrial Development Bank of India (IDBI)	42.09	-
		1,699.38
<b>Term Loans from Financial Institutions, Banks and Others</b>		
IDBI Bank (IDBI)	7,920.00	9,405.00
State Bank of Hyderabad (SBH)	3,964.71	4,741.18
State Bank of Patialia (SBP)	2,400.00	2,850.00
State Bank of Mysore (SBM)	1,280.00	1,520.00
Syndicate Bank (SYB)	1,600.00	1,900.00
State Bank of Bikaner & Jaipur (SBBJ)	1,666.66	2,291.66
Central Bank of India (CBI)	4,000.00	-
Andhra Bank (AB)	2,000.00	2,375.00
Axis Bank (AXIS)	-	1,200.00
		24,831.37
<b>Vehicle Loan</b>		
ICICI Bank	-	0.72
<b>TOTAL</b>	<b>26,530.75</b>	<b>27,793.66</b>



## Schedules forming part of Accounts

### Notes:

#### (i) Nature of Security

- (a) Cash Credit / Overdraft against book debts with banks are secured by a first charge by way of hypothecation of the Company's Stock of finished goods, raw materials, stock in process, consumable stores and spares, bills receivables, book debts and all other movable current assets of the Company, both present and future and also by a second charge created and / or to be created, ranking after charge created and / or to be created in favour of the Term Lenders of the Company on the Company's immovable properties and movable properties both present and future.
- (b) Term Loans from IDBI, SBH, SBP, SBM and SYB are secured / to be secured by a mortgage by deposit of title deeds in respect of Company's immovable properties and a first charge by way of hypothecation of the Company's movable assets including movable machinery, spares, tools and accessories, both present and future, subject to prior charges created and or to be created in favour of Banks on Current Assets for securing the borrowings for the Working Capital requirements.

The mortgage and charges referred to above rank pari passu inter se

- (c) Term Loan from SBBJ, CBI and Andhra Bank is secured by a first pari passu charge on the fixed assets of the Company.
- (ii) IDBI has the option to convert the loan outstanding upto Rs.7920 lakhs into fully paid Ordinary Shares in the event of default in repayment of principal amount of loan or interest thereon or any combination thereof.
- (iii) Instalments of Term Loan repayable within one year Rs.5668.63 lakhs (31-3-2010: Rs.6869.35 lakhs)

	As at 31 March 2011 (Rs. Lakhs)	As at 31 March 2010 (Rs. Lakhs)
<b>4 UNSECURED LOANS</b>		
Inter corporate loan	-	500.00
Sales Tax Deferment Loan from Govt. of Andhra Pradesh (Refer Note 21 of Schedule 21)	1,588.45	1,387.62
<b>TOTAL</b>	<b>1,588.45</b>	<b>1,887.62</b>

Note: Amount repayable within one year Rs Nil lakhs (31-3-2010 Rs.500 lakhs)

<b>5 FIXED ASSETS</b>											(Rs. Lakhs)
PARTICULARS	GROSS BLOCK (At Cost/Revalued)				DEPRECIATION				NET BLOCK		
	As at 31-03-10	Additions	Deletions	As at 31-03-11	Up to 31-03-10	For the Year	Deletions	Up to 31-03-11	As at 31-03-11	As at 31-03-10	
Land	1,122.96	-	-	1,122.96	-	-	-	-	1,122.96	1,122.96	
Buildings	7,564.29	22.32	318.21	7,268.40	3,892.00	126.18	293.34	3,724.84	3,543.56	3,672.29	
Plant & Machinery	72,330.70	738.26	1,453.52	71,615.44	26,590.68	3,052.59	1,233.56	28,409.71	43,205.73	45,740.02	
Railway Sidings	42.48	-	0.82	41.66	11.27	1.92	0.78	12.41	29.25	31.21	
Furniture & Fixtures & Other Office Appliances	373.11	7.73	7.52	373.32	140.63	19.12	6.43	153.32	220.00	232.48	
Motor Cars, Lorries and Other Vehicles	513.26	19.03	24.54	507.75	279.77	43.15	18.43	304.49	203.26	233.49	
<b>TOTAL</b>	<b>81,946.80</b>	<b>787.34</b>	<b>1,804.61</b>	<b>80,929.53</b>	<b>30,914.35</b>	<b>3,242.96</b>	<b>1,552.54</b>	<b>32,604.77</b>	<b>48,324.76</b>	<b>51,032.45</b>	
	(79,898.17)	(2,638.14)	(589.51)	(81,946.80)	(28,281.26)	(3,202.87)	(569.78)	(30,914.35)	(51,032.45)		

Note : Figures in brackets represent previous year's figures.



## Schedules forming part of Accounts

	As at 31 March 2011		As at 31 March 2010	
	Nos.	(Rs. Lakhs)	Nos.	(Rs. Lakhs)
<b>6 INVESTMENTS</b>				
<b>NON-TRADE INVESTMENTS</b>				
<b>(A) LONG TERM INVESTMENTS</b>				
(Unquoted - at cost less provision for diminution in value )				
Neptune Paper Mills Limited (in liquidation)				
Equity Shares of Rs.10 each fully paid	167,500	16.75	167,500	16.75
Beloit India Limited (in liquidation)				
Equity Shares of Rs.100 each (paid up Rs.5 per share)				
net of receipts towards return of Capital	60,000	1.18	60,000	1.18
		<b>17.93</b>		<b>17.93</b>
<b>(B) CURRENT INVESTMENTS</b>				
Unquoted (At Lower of Cost and Market Value)				
<b>In Others</b>				
IDBI Flexi Bonds Series 18 of Rs.5,000 each		-	200	10.00
(Redeemed during the Year )		-		10.00
<b>Total of A + B (Gross)</b>		<b>17.93</b>		<b>27.93</b>
Less : Provision for Diminution		17.93		17.93
<b>TOTAL</b>		<b>0.00</b>		<b>10.00</b>
<b>Notes</b>				
1) Aggregate amount of Quoted Investments		-		-
2) Aggregate amount of Unquoted Investments		-		10.00
		-		10.00

During the year the company acquired and sold the following Investments

	Face Value	Number of	Purchase Cost
	Rs	Units	(Rs. Lakhs)
B503G Birla Mutual Fund - Sun Life Cash Plus-Instl. Premium - Growth	10	7374502	1,100.00
B503G Birla Mutual Fund - Saving Fund Instl-Growth	10	6208544	1,100.16
Reliance Mutual Fund -Liquidity Fund-Growth Option	10	1418460	200.00
Reliance Mutual Fund-Money Manager Fund-Institutional Option-Growth Plan	1000	15661	200.03
Reliance Liquid Fund-Cash Plan -Growth Plan	10	1290847	200.00
		<b>16,308,014</b>	<b>2,800.19</b>

	As at 31 March 2011	As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)
<b>7 INVENTORIES</b>		
Chemicals, Stores and Spares	1,438.63	1,540.26
Stores-in-Transit	124.73	140.18
Raw Materials	591.75	795.21
Process Stocks	724.00	766.24
Finished Goods	143.19	269.20
	<b>3,022.30</b>	<b>3,511.09</b>
Excise Duty on Closing Stocks	7.46	10.21
<b>TOTAL</b>	<b>3,029.76</b>	<b>3,521.30</b>



## Schedules forming part of Accounts

	As at 31 March 2011		As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>8 SUNDRY DEBTORS</b>			
<b>Outstanding for a period exceeding six months</b>			
Unsecured - Considered Good	120.71		142.53
Unsecured - Considered Doubtful	56.62		56.62
		177.33	199.15
<b>Other Debts - Considered Good</b>			
Secured	2,923.47		2,816.40
Unsecured	2,348.55		1,929.05
		5,272.02	4,745.45
		5,449.35	4,944.60
Less: Provision for Doubtful Debts		56.62	56.62
<b>TOTAL</b>		<b>5,392.73</b>	<b>4,887.98</b>

	As at 31 March 2011		As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>9 CASH AND BANK BALANCES</b>			
Cash in Hand		35.97	22.67
Balance with Scheduled Banks			
In Current Accounts	615.18		290.41
In Dividend Accounts	27.81		31.93
In Term Deposits (including lodged with banks as margin against Letters of Guarantee Rs.148.34 lakhs (31-3-2010 Rs.123.26 lakhs))	148.34		123.26
		791.33	445.60
<b>TOTAL</b>		<b>827.30</b>	<b>468.27</b>

	As at 31 March 2011		As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>10 LOANS AND ADVANCES - UNSECURED</b>			
Advances recoverable in cash or in kind or for value to be received (Note-1)	860.72		1,164.77
Intercorporate and Other Loans (Refer note 6 of Schedule 21)	924.31		975.68
Interest accrued on loans, deposits/bills	96.30		95.90
Claims lodged with Railways, Insurance Companies and Others	392.59		233.07
Advance Tax and tax deducted at source (Net of Provision for Tax Rs.377.17 lakhs (31-3-2010: Rs.406.12 lakhs))	326.58		259.50
Security and other trade deposits with Public Bodies and Others	1,484.17		1,424.26
		4,084.67	4,153.18
Less: Provision for Doubtful Loans and Advances		0.52	0.52
<b>TOTAL</b>		<b>4,084.15</b>	<b>4,152.66</b>
Of the above:			
Considered good	4,084.15		4,152.66
Considered doubtful	0.52		0.52
	<b>4,084.67</b>		<b>4,153.18</b>

**Note:** Security and other Trade Deposits includes balance with Custom authorities Rs.50.00 lakhs (31-3-2010: 50.00 Lakhs)



## Schedules forming part of Accounts

	As at 31 March 2011		As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>11 CURRENT LIABILITIES</b>			
Acceptances		6.97	30.66
Sundry Creditors			
Dues to Micro and Small Enterprises		29.15	11.37
Dues other than to Micro and Small Enterprises			
for Goods and Services	4,631.72		3,144.19
for Expenses	1,269.64		1,925.95
Others	67.72		14.82
		5,969.08	5,084.96
Investor Education & Protection Fund *		27.81	31.93
Preference Share Redemption amount unclaimed		1.29	1.29
Advance/Deposit from Customers and Contractors		3,607.26	3,822.08
Tax deducted at Source		34.74	30.01
<b>TOTAL</b>		<b>9,676.30</b>	<b>9,012.30</b>

\* Investor Education & Protection Fund represents Unclaimed Dividend required to be transferred to this fund on completion of 7 years. No such amount is due as on the Balance sheet date

	As at 31 March 2011		As at 31 March 2010
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
<b>12 PROVISIONS</b>			
Long Term Employee Benefits		1,126.16	992.86
<b>TOTAL</b>		<b>1,126.16</b>	<b>992.86</b>



## Schedules forming part of Accounts

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>13 SALES</b>		
Sale of Paper and Paper Board	37,361.49	34,785.07
Sale of Coal Ash, Scrap and Other Waste	570.37	149.75
	<b>37,931.86</b>	<b>34,934.82</b>

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>14 OTHER INCOME</b>		
Water Supply Charges	5.70	4.28
Rent	48.03	41.39
Recovery of Doubtful Debts	-	43.67
Sales Tax Incentive	12.68	28.35
Profit on Sale of Fixed Assets	60.91	12.69
Profit on Sale of Current Investments	30.81	-
Miscellaneous Income	248.37	366.05
<b>TOTAL</b>	<b>406.50</b>	<b>496.43</b>

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>15 RAW MATERIALS CONSUMED</b>		
(Refer note 16 of schedule 21)		
Opening Stocks	795.21	621.85
Add: Purchases	8,879.10	8,152.40
	9,674.31	8,774.25
Add/(Less): Closing Stocks	(591.75)	(795.21)
<b>TOTAL</b>	<b>9,082.56</b>	<b>7,979.04</b>

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>16 (ACCRETION TO) / DEPLETION OF STOCKS</b>		
Closing Stocks:		
Finished Goods	143.19	269.20
Process Stocks	724.00	766.24
Excise duty on stock at bonded warehouse	7.46	10.21
	874.65	1,045.65
Less: Opening Stocks:		
Finished Goods	269.20	424.03
Process Stocks	766.24	741.26
Excise Duty on stock at bonded warehouse	10.21	13.81
	1,045.65	1,179.10
<b>(ACCRETION TO)/DEPLETION OF STOCKS</b>	<b>171.00</b>	<b>133.45</b>



## Schedules forming part of Accounts

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>17 MANUFACTURING AND OTHER EXPENSES</b>		
Chemicals, Stores and Spares Consumed	6,501.84	5,951.83
Conversion Charges	76.42	64.20
Power and Fuel	8,680.69	7,701.59
Payments to and Provision for employees		
Salaries, Wages and Bonus etc.	5,565.64	4,856.16
Contribution to Provident and Other Funds	710.83	583.63
Welfare Expenses	184.97	159.83
	6,461.44	
Repairs to:		
Building	145.22	113.98
Plant & Machinery	207.97	216.37
Other Assets	41.48	32.89
Other Expenses:		
Insurance	57.98	59.36
Rent	31.08	35.76
Lease Rent	18.00	18.00
Rates & Taxes	32.04	33.34
Vehicle Expenses	50.41	35.75
Travelling & Conveyance, & Transport Expenses	209.67	226.95
Legal & Professional Expenses	79.57	126.54
Commission to Wholesalers	366.97	402.19
Stationery, Printing, Post, Telephone and Advertisement	73.31	81.67
Directors' Sitting Fees	4.80	4.82
Excise Duty on Opening / Closing Stock Difference	(2.75)	(3.60)
Auditors' Remuneration (Refer note 13 of Schedule 21)	14.32	10.92
Prior Period Expenses	1.92	0.60
Freight, Carriage and Cartage Charges	379.81	418.35
Miscellaneous Expenses	225.60	293.87
<b>TOTAL</b>	<b>23,657.79</b>	<b>21,425.00</b>

**Note:** Research and development expenses amounting to Rs.20.72 lakhs (2009-10 : Rs.21.45 lakhs) have been included in respective primary heads of expenditure.

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>18 INTEREST (Net)</b>		
Expenses		
On Term Loans	2,852.40	2,757.25
Others	547.98	631.11
	3,400.38	3,388.36
Less: Income		
On Term Deposits with Banks	34.91	55.53
On Intercompany and Other Loans	102.05	135.31
Others (from customers/debtors, on deposits, etc.,)	528.26	620.71
	665.22	811.55
<b>TOTAL</b>	<b>2,735.16</b>	<b>2,576.81</b>

**Note:** Tax Deducted at Source on interest received Rs.47.13 lakhs (2009-10: Rs.83.09 lakhs)

	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>19 TAXATION</b>		
Income Tax for the year:		
Current Tax	-	1.20
Deferred Tax	(24.84)	139.00
<b>TOTAL</b>	<b>(24.84)</b>	<b>140.20</b>



## Schedules forming part of Accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Concepts

The financial statements are prepared under the historical cost convention except for certain fixed assets, which has been revalued, in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

#### 2. Use of Estimates

The preparation of Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

#### 3. Fixed Assets

Fixed Assets are valued at revalued cost less depreciation. Pre-operative expenses including trial run expenses (net of revenue) are capitalized. Borrowing costs during the period of construction is added to the cost of eligible fixed assets.

#### 4. Investments

Long-term investments are carried at cost less provision for diminution other than temporary, if any, in value of such investments. Current investments are carried at lower of cost and market value.

#### 5. Inventories

- a. Inventories are valued at lower of cost and net realizable value.
- b. Cost of Finished goods and Goods in Process are ascertained on weighted average basis.
- c. Cost of Raw materials, chemicals and stores and spares comprises purchase price (Net of CENVAT and other deductible taxes wherever applicable), freight and handling, duties and other attributable costs and is valued on weighted average basis.
- d. Excise duty on finished goods awaiting despatch is added to inventory.

#### 6. Sales

Income from Sales is accounted for ex-Mills/ex-depots on despatch. The sale value is inclusive of excise duty, but is exclusive of sales tax and is net of trade discount.

#### 7. Employee Benefits

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are accounted in accordance with Accounting Standard (AS) 15 "Employee Benefits" as notified by Companies (Accounting Standard) Rules, 2006.

The Company has a Defined Contribution Plan for its employees' Retirement benefits comprising of Provident Fund, Superannuation Fund, Employees' State Insurance Fund and Employees' Pension Scheme (Under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952). The Company contributes to Provident Fund, Superannuation Fund and Employees' State Insurance Fund and Employees' Pension Scheme and has no further obligations to the plan beyond its contribution.

The Company has a Defined Benefit Plan comprising of Gratuity Fund, Compensated absence and Long Service Award. The liability for the Gratuity, Compensated absence and Long Service Award is determined on the basis of independent actuarial valuation. Liability for Gratuity is partly funded with a recognized Gratuity Fund managed by Life Insurance Corporation of India.

#### 8. Research & Development Expenses

Revenue expenditure on research and development is charged to the Profit and Loss account of the year in which it is incurred. Capital expenditure on research & development is included in fixed assets.

#### 9. Government Grants

Grants received against specific fixed assets are adjusted to the cost of assets and revenue grants are recognised in the Profit & Loss Account in accordance with the related scheme in the period in which these are accrued and are deducted in reporting the related expenses.

#### 10. Depreciation

- (a) Fixed assets are depreciated on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions/deletions is worked out on pro-rata basis.
- (b) Assets revalued have been depreciated on straight line basis over the balance useful lives estimated by the valuer, and the excess of depreciation so calculated over the depreciation calculated in (a) above is transferred from Revaluation Reserve.



## Schedules forming part of Accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 11. Foreign Currency Transactions

- i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.
- ii) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates.
- iii) The difference in translation of monetary assets and liabilities and realized gains/losses to foreign exchange transactions are recognized in Profit & Loss Account.

#### 12. Deferred Tax

Deferred Tax is accounted for by computing the tax effect of timing differences that arise during the year and reverse in subsequent periods.

#### 13. Provisions and Contingencies

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

#### 14. Impairment of Assets

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount is the greater of the asset's net selling price and value in use which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

### 21 NOTES ON ACCOUNTS

#### 1. Contingent liabilities not provided for:

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>A) Claims / Demands under dispute</b>		
(i) Income Tax	144.23	113.46
(ii) Excise Duty etc.	405.34	165.77
(iii) Value Added Tax	226.93	186.16
(iv) Demand from Government of A.P. for Forest related Cases	2191.55	2191.55
(v) State levies	578.79	454.91
(vi) Labour related cases	407.12	393.24
(vii) Suppliers and service contracts	308.73	121.85
	<b>4262.69</b>	<b>3626.94</b>

2. The Forest Department, Government of Andhra Pradesh has demanded interest of Rs.1,225.52 lakhs (included in Note 1 (A) (iv) above) on delayed payment of differential royalty which had been levied for the period 1980-81 to 1984-85. The Company has contested this demand in the High Court of Andhra Pradesh and in terms of the Order of the Court a sum of Rs.100 lakhs has been deposited and a Corporate Guarantee has been given for the balance amount. Based on the legal opinion, the management is hopeful of a decision in its favour and consequently, no provision has been made for the aforementioned demand of Rs.1,225.52 lakhs.
3. Show Cause Notice was issued claiming full duty on clearance of paper & paper board at concessional rate during Sept. 1994 to Sept. 1999. The amount involved, as per the Show Cause Notice, is Rs 18.08 crore. The case was adjudicated by the Commissioner of Customs & Central Excise in the Company's favour in July 2005 dropping all other proceedings, interest, penalty, duty. However, the Department has gone on an appeal against the order of the Commissioner to CESTAT, where it is pending.
4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs.224.23 lakhs (31-3-2010: Rs.296.98 lakhs) against which advances paid amount to Rs.66.33 lakhs (31-3-2010: Rs. 34.14 lakhs).



## Schedules forming part of Accounts

### 21 NOTES ON ACCOUNTS (Contd.)

5. Total outstanding Bank Guarantees and Letters of Credit as on March 31, 2011, aggregated to Rs.733.13 lakhs (31-3-2010: Rs.792.58 lakhs), which are secured against the Company's assets stated in note (i) of Schedule 3.
6. Inter-corporate and other loans (Schedule – 10) of Rs.924.31 lakhs as on March 31, 2011 are in the opinion of the management considered good and recoverable having regard to the parties from whom the amounts are due and the previous record of the repayment.

#### 7. Details as per the requirement of provisions Under MSMED Act 2006

Rupees Lakhs

Item No	Particulars	2010-11	2009-10
a)	(i) The Principal amount remaining unpaid at the end of the year	29.15	11.37
	(ii) The interest due on above	0.68	0.21
b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	Nil	Nil
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under the Act.	2.93	3.73

#### 8. (A) Managerial Remuneration:

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>Whole-time Directors</b>		
Salary and Allowances	124.29	117.41
Performance Bonus	-	-
Contribution to Funds	13.97	15.51
Perquisites	4.00	9.88
Gratuity	-	3.50
<b>Non Whole-time Directors</b>		
Sitting Fees	4.80	4.82
<b>TOTAL</b>	<b>147.06</b>	<b>151.12</b>

**Note:** As the provision for gratuity, compensated absence and long service award is made on an actuarial basis for the Company as a whole, the amount pertaining to whole-time directors is not included above.

#### (B) Computation of Net Profit for the year ended March 31, 2011 in accordance with Sections 198 and 309(5) of the Companies Act, 1956

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
Profit/ ( Loss ) as per P&L Account (Before tax)	(1816.13)	(1044.35)
<b>Add:</b>		
Managerial remuneration	147.06	151.12
Depreciation in Books	3035.32	2975.40
	1366.25	2082.17
<b>Less:</b>		
Provision for Doubtful Debts & adv.w/back	--	43.67
Profit on Sale of Assets	60.91	12.69
Profit on Sale of Investments	30.81	-
	1274.53	2025.81
<b>Less:</b>		
Depreciation as per Sec.350	3035.32	2975.40
	(1760.79)	(949.59)
<b>Add/Less:</b>		
Surplus on Sale of Assets (Under Sec.350)	60.91	12.69
	(1699.88)	(936.90)
Less : accumulated Loss U/s 349	(1048.77)	(111.87)
	<b>(2748.65)</b>	<b>(1048.77)</b>



## Schedules forming part of Accounts

### 21 NOTES ON ACCOUNTS (Contd.)

9. As per the provisions of Industrial Investment Promotion Policy 2005-10 of Government of Andhra Pradesh, the company is eligible for part reimbursement of power consumption charges. Necessary claim for 2008-09, 2009-10 & 2010-11 have been filed with the relevant authorities. The amount so eligible aggregating to Rs 348.59 lakhs (31-3-2010: Rs.184.36 lakhs) is included in loans and advances with a corresponding credit to Power and fuel expenses of Rs 164.23 lakhs (31-3-2010: Rs.72.64 lakhs)

10. Disclosure in accordance with the revised AS-15 is as under:-

I. Charge to the Profit and Loss Account based on contributions:

(Rs. Lakhs)

	Year Ended 31 March 2011	Year Ended 31 March 2010
Employer's contribution to Provident Fund	118.31	102.52
Employer's contribution to Superannuation Fund	22.79	21.85
Employer's contribution to Employees' State Insurance	130.81	103.87
Employer's contribution to Employees' Pension Scheme	136.99	131.45

II. Disclosures in accordance with the defined benefit plans based on actuarial reports as on March 31, 2011.

(Rs. Lakhs)

	2010-11			2009-10		
	Gratuity	Leave	Long Service award	Gratuity	Leave	Long Service award
<b>A. Change in Defined Benefit Obligation (DBO) during the year</b>						
Present value of (DBO) at the beginning of the year	2058.17	376.74	162.64	1880.57	357.14	159.31
Current Service Cost	102.47	27.70	9.90	81.05	28.36	6.80
Interest Cost	164.65	30.14	12.20	139.16	26.79	11.39
Actuarial Losses/ (Gains)	153.15	(12.49)	7.25	89.60	50.46	(0.94)
Past Service Cost	-	-	-	22.80	-	-
Benefits Paid	(208.78)	(77.86)	(22.63)	(155.01)	(86.01)	(13.92)
Present value of (DBO) at the end of the year	2269.66	344.23	169.36	2058.17	376.74	162.64
<b>B. Change in the Fair Value of Assets during the year</b>						
Plan Assets at the beginning of the year	1604.68	NA	NA	1536.79	NA	NA
Actual Return on Plan Assets	151.19	NA	NA	138.30	NA	NA
Actual Company's Contribution	110.00	77.86	22.63	84.60	86.01	13.92
Benefits Paid	(208.78)	(77.86)	(22.63)	(155.01)	(86.01)	(13.92)
Plan Assets at the end of the year	1657.09	NA	NA	1604.68	NA	NA
<b>C. Net Asset (Liability) recognized in the Balance Sheet as at end of the year</b>						
Present value of Defined Benefit Obligations	2269.66	344.23	169.36	2058.17	376.74	162.64
Fair Value of Plan Assets	1657.09	NA	NA	(1604.68)	NA	NA
Funded status - Surplus (Deficit)	(612.58)	(344.23)	(169.36)	(453.49)	(376.74)	(162.64)
Net Asset (Liability) recognized in Balance Sheet	(612.58)	(344.23)	(169.36)	(453.49)	(376.74)	(162.64)
<b>D. Components of Employer's Expenses</b>						
Current Service Cost	102.47	27.70	9.90	81.05	28.36	6.80
Interest cost	164.65	30.14	12.20	139.16	26.79	11.39
Expected Return on Plan Assets	(128.37)	NA	NA	(112.92)	NA	NA
(Gain) / Actuarial Losses	130.33	(12.49)	7.25	64.22	50.46	(0.94)
Past Service Cost	-	-	-	22.80	-	-
Expenses / (Income) recognized in Profit and Loss Account	269.08	45.35	29.35	194.31	105.61	17.25
<b>E. Actual Contribution and Benefit Payments for the year</b>						
Actual Benefit Payments	208.78	77.86	22.63	155.01	86.01	13.92
Actual Contributions	110.00	77.86	22.63	84.60	86.01	13.92
<b>F. Principal Actuarial Assumptions</b>						
Principal Actuarial Assumptions:						
Discount Rate	8.00%	8.00%	8.00%	7.5%	7.5%	7.5%
Expected Return on Plan Assets	8.00%	NA	NA	7.5%	NA	NA
Salary Escalation						
- Staff	8%	8%	8%	8%	8%	8%
- Workers	7%	7%	7%	7%	7%	7%



## Schedules forming part of Accounts

### 21 NOTES ON ACCOUNTS (Contd.)

#### GRATUITY

The Gratuity Fund is invested in a Group Gratuity Cash Accumulation Policy offered by Life Insurance Corporation (LIC) of India. The invested return earned on the policy comprises bonus declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return to each major class are not readily available. We understand that LIC's overall portfolio of assets is well diversified and as such, the long-term return on the policy is expected to be higher than the rate of return on Central Government bonds.

11. The following amounts are included under other heads of accounts which are in addition to the amounts shown under respective primary heads:

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
Salary, Wages and Bonus	7.76	8.03
Workmen & Staff Welfare Exp.	18.08	13.70
Repairs to Buildings	86.76	59.34
Medical Aid & Sanitation	20.19	23.68
Stationery, Printing, Telephone etc.	6.40	11.25
Motor Vehicle Expenses	16.49	14.46
Repairs to Plant and Machinery	172.53	151.40

12. The Company's significant leasing arrangements are in respect of operating leases for premises (Residential, Office, Stores, Godowns etc.). These leasing arrangements which are not non-cancellable range between 11 months and 3 years generally or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule-17.

#### 13. Auditors' Remuneration

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
<b>Statutory Auditors</b>		
Audit fees	6.50	5.50
Fees for Limited Review	5.95	3.75
Fees for Certification	0.50	0.10
Reimbursement of Expenditure	1.37	1.57
	<b>14.32</b>	<b>10.92</b>

The above excludes service tax and education cess thereon.

#### 14. Licensed and Installed Capacities and Production

Particulars	Installed Capacity (a)		Production	
	2010-11 MT	2009-10 MT	2010-11 MT	2009-10 MT
<b>Class of Products</b>				
i) Pulp, Paper and Board	138300	138300	93900(b)	91126
ii) Complete Pulp and Paper Making Plant (10 -15TPD)	4 Nos.	4 Nos.	(-)	(-)
iii) Generation of Electricity	MW	MW	MW	KWH lakhs
	32	32	1170.94	1,238.94

Licensed capacity is not applicable in terms of Govt. of India's Notification.

(a) Installed Capacities are as certified by the Executive Director.

(b) Represents Finished Production of Pulp, 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 4091 (Previous Year - Nil MT) meant for external sales.

Note: Generation of electricity is for internal consumption. The installed capacity of these Plants for the current year and for earlier years is as per the original designed capacity.

#### 15. Turnover, Closing and Opening Stocks

	2010-11 MT	2009-10 MT	2010-11 (Rs. lakhs)	2009-10 (Rs. lakhs)
Turnover (net of excise duty)				
(a)Pulp, Paper and Board	93984	91225	35888.83	33399.17
(b)Others (Coal Ash, Scrap and other waste)	-	-	570.37	149.75
<b>TOTAL</b>	<b>93984</b>	<b>91225</b>	<b>36459.20</b>	<b>33548.92</b>



## Schedules forming part of Accounts

### 21. NOTES ON ACCOUNTS (Contd.)

Finished goods	Closing Stocks		Opening Stocks	
	MT	(Rs. lakhs)	MT	(Rs. lakhs)
(a) Paper and Board				
2010-11	433	143.19	819	269.20
2009-10	819	269.20	1244	424.03

### 16. Raw Materials consumed

Particulars	2010-11	2009-10	2010-11	2009-10
	MT	MT	(Rs. lakhs)	(Rs. lakhs)
i) Pulp	89	416	22.03	106.10
ii) Bamboo	2155	3,558	77.18	121.55
iii) Wood	238171	2,37,239	8926.90	7,745.26
iv) Waste Paper Cutting	909	512	56.45	6.13
<b>TOTAL</b>			<b>9082.56</b>	<b>7,979.04</b>

Note: Consumption of Coal and Furnace Oil included in Power and Fuel is as below:

Particulars	2010-11	2009-10	2010-11	2009-10
	Quantity	Quantity	(Rs. Lakhs)	(Rs. Lakhs)
(a) Coal (M.T.)	309437	3,21,056	5346.42	5,015.60
(b) Furnace Oil (Kilo Litre)	1535	2,281	421.97	571.26
(b) Furnace Oil (MT)	1125	-	331.51	-

### 17. Value of Imports (C.I.F.)

Particulars	2010-11	2009-10
	(Rs. Lakhs)	(Rs. Lakhs)
i) Raw Materials	-	106.65
ii) Components & Spare Parts	126.80	50.82
iii) Capital Goods	-	-

### 18. Expenditure in Foreign Currency

Particulars	2010-11	2009-10
	(Rs. Lakhs)	(Rs. Lakhs)
A) Travelling expenses	36.26	25.35
Books	0.08	0.09
Consultancy	10.11	389.59
Raw Materials & Machine Spares	156.27	-
<b>Total A</b>	<b>202.72</b>	<b>415.03</b>
B) Amount remitted in foreign currency on Account of Dividend Payment		
a) Year for which dividend relates	-	2008-09
b) Number of non resident share holders	1	1
c) Number of ordinary shares held	11,84,967	11,84,967
d) Dividend remitted	-	17.77
<b>Total B</b>	<b>-</b>	<b>17.77</b>
<b>TOTAL A+B</b>	<b>202.72</b>	<b>432.80</b>

Note: The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividend have been made to non- resident shareholders.

### 19. Value of consumption of Indigenous and Imported Raw Materials, Stores, Chemicals, Components and Spare Parts and the percentage of each to the total consumption.

	Raw Materials				Chemicals, Stores & Spares			
	2010-11		2009-10		2010-11		2009-10	
	Rs. Lakhs	%	Rs. Lakhs	%	Rs. Lakhs	%	Rs. Lakhs	%
Indigenous	9060.53	99.76	7870.56	98.64	6441.93	99.08	5920.02	99.47
Imported	22.03	0.24	108.48	1.36	59.91	0.92	31.81*	0.53
<b>TOTAL</b>	<b>9082.56</b>	<b>100.00</b>	<b>7979.04</b>	<b>100.00</b>	<b>6501.84</b>	<b>100.00</b>	<b>5951.83</b>	<b>100.00</b>

\* Excluding value of Imported Materials issued and allocated to Capital Expenditure



## Schedules forming part of Accounts

### 21 NOTES ON ACCOUNTS (Contd.)

#### 20. Earnings in Foreign Exchange

Particulars	2010-11 (Rs. Lakhs)	2009-10 (Rs. Lakhs)
Export (F.O.B)	-	-
<b>TOTAL</b>	-	-

**Note:** The above excludes export sales through merchant exports Rs.130.04 lakhs (2009-10: Rs.70.08 Lakhs).

21. As per final eligibility certificate of Commissioner of Industries, Hyderabad the Sales Tax payable on the sale of products manufactured by the Company over and above the turnover of Rs.18,465 lakhs is eligible for deferment up to a maximum tax of Rs.6,545.85 lakhs. The deferment is to be availed in 14 financial years commencing from March 21, 2002 (2001-02) to March 20, 2016 (2015-16). Each year's deferment is payable after 14 years from the year of deferment without interest. Based on the above, deferment liability as at March 31, 2011 has been computed at Rs. 1588.45 lakhs (31-3-2010: Rs1,387.62 lakhs) and considered as part of Unsecured Loans (Schedule - 4).

22. The Company operates only in one business segment viz., Paper and Paper Board. The company's operations predominantly consist of production and sales of Pulp, Paper and Paper Boards. The power generated is for captive use. Hence, there are no reportable segments under Accounting Standard 17. During the year, substantial part of the company's business has been carried out in India. The condition prevailing in India being uniform no separate geographical disclosures are considered necessary.

#### 23. RELATED PARTY DISCLOSURES

##### (a) List of Related Parties and Relationships

Party	Relation
A. Aravali Securities & Finance Ltd.	Promoters holding is more than 20%
<b>B. Key Management Personnel</b>	
Shri M.P.Dokania	Executive Director (Upto 29th April 2010)
Shri TVV Satyanarayana	Executive Director (Upto 09th August 2010)
Shri R.L. Lakhota	Executive Director (24th July 2010 onwards)
Shri Devashish Poddar	Vice Chairman & Managing Director

##### (b) Related Party Transactions

Transactions	(Rs. Lakhs)	
	Promoters	Key Management Personnel
Interest Income	35.00	-
	(35.00)	(-)
Lease Rent paid	18.00	-
	(18.00)	(-)
Rent, Office Maintenance, Fooding Charges & Expenses	6.59	-
	(6.30)	(-)
Interest paid on unsecured Loan	6.99	-
	(1.53)	(-)
Management contracts	-	142.26
	(-)	(146.30)
Unsecured Short Term Loan Received	-	-
	(500)	(-)
Unsecured Short Term Loan Paid	500	-
	(-)	(-)
Outstanding as on March 31, 2011		
Payable	-	-
	(501.53)	(25.00)
Receivable	368.09	-
	(368.09)	(-)

Figures in brackets are for the previous year.

#### 24. Loss per Share

##### BASIC and DILUTED

Particulars	2010-11	2009-10
(Loss) after tax as per accounts (Rs lakhs)	(1791.29)	(1184.55)
Weighted average number of shares (Nos)	1,56,85,721	1,50,11,185
(Loss) per Share (Rs.)	(11.42)	(7.89)



## Schedules forming part of Accounts

### 21 NOTES ON ACCOUNTS (Contd.)

25. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise towards amount payable in foreign currency on account of import of goods and services are as below :-

2010-11				2009-10			
US \$	1561	Rs. 0.96	lakhs	US \$	15700	Rs. 7.07	lakhs
EURO €	5870	Rs. 3.53	lakhs	EURO €	32882	Rs.19.27	lakhs

26. The major components of the net deferred tax liability are as under: (Rs. Lakhs)

	As on 31 March 2010	Expense / (credit) for the year	As on 31 March 2011
<b>Deferred Tax Liability</b>			
Depreciation	5,779.13	(66.75)	5,712.38
	<i>5,197.74</i>	<i>581.39</i>	<i>5,779.13</i>
<b>TOTAL</b>	<b>5,779.13</b>	<b>(66.75)</b>	<b>5,712.38</b>
	<i>5,197.74</i>	<i>581.39</i>	<i>5,779.13</i>
<b>Deferred Tax Assets</b>			
a) Disallowance under Income Tax U/s 43B & other provisions	411.11	(411.11)	-
	<i>415.36</i>	<i>(4.25)</i>	<i>411.11</i>
b) Disallowances under Income tax for Provision for doubtful debts and advances	-	-	-
	<i>28.10</i>	<i>(28.10)</i>	<i>-</i>
c) Carried Forward Depreciation Loss under Income Tax Act	4,307.78	369.20	4,676.98
	<i>3,833.04</i>	<i>474.74</i>	<i>4,307.78</i>
<b>TOTAL</b>	<b>4,718.89</b>	<b>(41.91)</b>	<b>4,676.98</b>
	<i>4,276.50</i>	<i>442.39</i>	<i>4,718.89</i>
<b>Deferred Tax Liability (Net)</b>	<b>1,060.24</b>	<b>(24.84)</b>	<b>1,035.40</b>
	<i>921.24</i>	<i>139.00</i>	<i>1060.24</i>

Deferred Tax asset on unabsorbed depreciation has been recognised as there is virtual certainty of reversal of the same on account of higher deferred tax liability on depreciation.

Figures in italic are for the previous year

27. Figures for previous year have been regrouped wherever necessary.

For and on behalf of the Board

Ranjan Kumar Poddar  
Chairman

Devashish Poddar  
Vice-Chairman &  
Managing Director

R. L. Lakhota  
Executive Director

Priya Sharma  
Company Secretary

Secunderabad, July 27, 2011



## Balance Sheet Abstract and Company's General Business Profile as required under Part IV of Schedule VI to the Companies Act, 1956

### I. Registration Details

Registration No.       State Code

Balance Sheet Date

Date                      Month                      Year

### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="6"/>	Total Assets <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="6"/>
<b>Sources of Funds</b>	<b>Reserves &amp; Surplus</b>
Paid up Capital <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="1"/>
Secured Loans <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="5"/>	Unsecured Loans <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/>
Deferred Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/>	
<b>Application of Funds</b>	<b>Investments</b>
Net Fixed Assets <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Current Assets <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="8"/>	Accumulated Losses <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

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

Turnover (Net of Excise Duty) Gross Income <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="0"/>	Total Expenditure <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="3"/>
+ - Profit before Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="3"/>	+ - Profit after Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="9"/>
+ - Earnings per Share in Rs. <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="4"/> <input type="text" value="2"/>	Dividend Rate % <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

### V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

For and on behalf of the Board

**Ranjan Kumar Poddar**  
*Chairman*

**Devashish Poddar**  
*Vice-Chairman & Managing Director*

**R. L. Lakhotia**  
*Executive Director*

**Priya Sharma**  
*Company Secretary*

Secunderabad, July 27, 2011



THE SIRPUR PAPER MILLS LIMITED

Registered Office:

5-9-22/1/1, 1st Floor, Ashoka Chambers, Adarsh Nagar,  
Hyderabad – 500 063, Andhra Pradesh.

Dated: 27th July 2011

## NOTICE

### TO THE SHAREHOLDERS:

NOTICE is hereby given that the SEVENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED will be held on Thursday, the 29th September, 2011 at 11.00 A.M. at "Bhaskara Auditorium", B. M. Birla Science Centre, Adarshagar, Hyderabad-500 063 (A.P.) to transact the following business:

#### As ordinary business:

1. To receive, consider, approve and adopt the Audited Accounts of the Company for the year ended 31st March 2011, together with Auditors' Report and the report of the directors thereon.
2. (a) To appoint a director in place of Dr. M.S. Rajajee, I.A.S.(Retd), who retires by rotation and is eligible for re-appointment.  
  
(b) To appoint a director in place of Shri P. Vaman Rao, who retires by rotation and is eligible for re-appointment.  
  
(c) To appoint a director in place of Shri Rakesh Bhartia, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider and if thought fit, to pass with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED THAT Messrs. Deloitte Haskins & Sells, Chartered Accountants (Registration No.008072S) 1-8-384 & 385, 3rd Floor, Gowra Grand, S. P. Road, Begumpet, Secunderabad - 500 003, be and are hereby re-appointed as statutory auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and that their remuneration be and is hereby fixed at Rs.6,50,000/- (Rupees six lakhs fifty thousand only) plus reimbursement of service tax, traveling and out of pocket expenses."

#### As Special Business:

4. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company and subject to such consent (s), approval (s) and permission (s) as

may be necessary in this regard, consent of the members be and is hereby accorded to the re-appointment of Shri Devashish Poddar, as Vice-Chairman & Managing Director on the terms and conditions as set out below:

1. **Period:**  
Two (2) years with effect from 1st August 2011.
2. **Remuneration:**
  - a. **Salary:** Rs.4,40,000/- per month
  - b. **Performance Bonus:** 1 % of profit before taxes
  - c. **Perquisites:**
    - i. **Housing:**
      - a. Free furnished accommodation.
      - b. If no accommodation is provided by the Company, he shall be entitled to a house rent allowance equal to 60% of the salary.
      - c. Furniture and fixtures at residence and other amenities such as Gas, electricity, water.
    - ii. **Medical reimbursement, leave, leave travel concession, bonus/ex-gratia, personal accident insurance and long service award as per rules of the company.**
    - iii. **Club fees:** Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
    - iv. **Conveyance:** Free use of Company's car with driver for official work as well as for personal purpose.
    - v. **Telephone and Computer:** Free telephone and computer facility at residence.
    - vi. **Company's contribution to Provident Fund, Superannuation Fund or any annuity fund as per rules of the company.**
    - vii. **Gratuity as per rules of the company.**

#### Note:

Provision of car for use in the company's business and telephone and computer at residence will not be considered in computing the value of perquisites. The perquisites shall be valued as per Income tax rules, 1962. Personal long distance telephone calls shall be billed by the Company.

### 3. Minimum Remuneration:

The remuneration as specified in Sl.No.2, subject to approval of shareholders shall continue to be paid to Shri Devashish Poddar as and by way of minimum remuneration notwithstanding the loss or inadequacy of profits during the tenure of his office.

### 4. Duties and responsibilities:

- a. The Vice-chairman & Managing director shall act under the superintendence, control and directions of the Board of directors and have the powers of the management of the whole or substantially the whole of the affairs of the company and shall perform such duties and exercise such powers as have been or may from time to time be entrusted or conferred upon him by the Board.
- b. The Vice-chairman & Managing director shall have control of overall company's affairs.

### 5. Other major terms & conditions:

- a) The appointment may be terminated by either party by giving the other party three months' notice in writing.
- b) If at any time, the said appointee ceases to be a director of the Company for any cause whatsoever, he shall cease to be Vice-chairman & Managing director.
- c) The Vice-chairman & Managing director shall not supplement his earnings under the contract with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling or buying agency of the Company.
- d) Sitting Fee: No sitting fee shall be paid to Vice-chairman & Managing director for attending the meetings of Board of directors or a Committee thereof of the Company.

"RESOLVED further that the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution".

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Shri G. S. Srinivasan be and is hereby appointed as a Director of the Company with effect from 20th June, 2011, not liable to retire by rotation".

By Order of the Board,  
For **THE SIRPUR PAPER MILLS LIMITED,**

Place: Hyderabad  
Date: 27th July, 2011

**Priya Sharma**  
Company Secretary

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE DULY COMPLETED, STAMPED AND LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED HEREWITH.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items No. 3, 4 and 5 of the notice is annexed to the notice. All documents referred to in the above notice and explanatory statement are open for inspection at the registered office of the Company between 2.00 P.M. to 4.00 P.M. on all working days between Monday to Friday.
3. The Register of members and the Share transfer books of the Company will remain closed from 24th September, 2011 (Saturday) to 29th September, 2011 (Thursday) (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, all the unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the general revenue account of the Central Government. Shareholders who have not encashed the dividend warrants for the above period may claim their dividends by submitting application in Form-II to the Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad-500 095.

Further, pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, the dividend for the financial years ended 31st March, 1996 to 2003, which remained unclaimed for a period of seven years was transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to section 205 C of the said Act, after giving due notice. Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts which remain unclaimed and unpaid for a period of seven years, from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

The unclaimed dividend for the financial year ended 31st March 2004 will be transferred by the Company to the Investor education and protection fund in due course. A notice has been sent to the concerned shareholders requesting them to claim the same immediately.

Hence, the shareholders who have not encashed the dividend warrants for the financial years ended 31st March 2004 and thereafter are requested to

immediately forward the same to the Company for revalidation.

5. Any change in address of the members may please be notified to the registrars and share transfer agents of the Company quoting their registered folio.
6. The Reserve Bank of India (RBI), has introduced a new electronic fund transfer platform called the National Electronic Clearing System (NECS) for disbursement of dividends. Earlier, Electronic Clearing Service (ECS) was used for payment of dividends directly to the bank accounts of shareholders. The advantages of NECS over ECS include faster credit of remittances to beneficiary's account, coverage of more bank branches and ease of operations for remitting agencies. NECS essentially operates on the new and unique bank account number (having not less than 10 digits) allotted by banks post implementation of the Core Banking Solutions (CBS).

This new (NECS compliant) account number is required to be intimated to your Depository Participant (in case your shares are in demat mode) or the Company's registrar & share transfer agents (M/s. Venture Capital and Corporate Investments Pvt.Ltd., in case your shares are in physical mode) for effecting the dividend payment through the NECS mode. For those shareholders, who have already registered their bank account numbers for receiving dividend through ECS but their bank/branch has not implemented CBS, dividend payment would continue through the ECS facility.

7. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" to allow paperless compliances by the corporate sector. MCA, by its Circular dated April 21, 2011, has now made permissible the service of documents through electronic mode to shareholders.

To support the Green Initiative of the Government,

it is proposed to send henceforth, all Notices, Annual Report and other communications through Email. For the above purpose, we request you to send an Email confirmation to our Registrars (RTA) mentioning your name, DP/Customer ID or Folio number and your Email ID for communication.

Further, members are requested to visit our website of the Company, i.e. [www.sirpurpaper.com](http://www.sirpurpaper.com) for viewing the quarterly, half-yearly and annual financial results and for more information on the Company.

8. Members holding shares in physical form may please note that the Securities and Exchange Board of India has made trading in the shares of the company compulsory in dematerialized form for all investors. Hence, members are requested to open a beneficiary owner account with a depository participant, if not done so far, and may get their physical shares dematerialized.
9. Members holding shares in physical form, who are individuals, holding shares on their own behalf, singly or jointly can make nomination. Nomination form is available on request. Members holding shares in dematerialised form may please contact their depository participants for recording the nomination.
10. At the ensuing Annual General Meeting, Dr. M. S. Rajajee, I.A.S.(Retd), Shri P. Vaman Rao and Shri Rakesh Bhartia, directors of the Company retire by rotation and are eligible for re-appointment. The Board of directors at their meeting held on 11th May 2011 re-appointed Shri Devashish Poddar as Vice-chairman & Managing director. IDBI Bank Ltd has appointed Shri G. S. Srinivasan as its Nominee Director w.e.f. 20th June 2011. Pursuant to Clause-49 of the listing agreement, the particulars of the aforesaid directors are annexed.
11. Members desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable to keep the information ready.

#### EXPLANATORY STATEMENT:

(As required under Section 173 of the Companies Act, 1956)

##### Item No.3 of the Notice:

The provisions of Section 224 A of the Companies Act, 1956, provides for the appointment or re-appointment of auditors of a company at each annual general meeting by a special resolution, if the Company is one in which not less than 25 per cent of its subscribed share capital is held singly or in combination thereof by the public financial institutions or central/state

governments etc. The holding of the aforesaid institutions etc., as on 31st March 2011 was 11.83 percent. As their holdings may exceed 25 per cent of the Company's subscribed share capital, on the date of passing of the resolution at item No.3, the re-appointment of Messrs. Deloitte Haskins & Sells, as statutory auditors of the Company is being proposed to be made by a special resolution by way of abundant precaution.

The Company has already received a certificate from the auditors stating that their re-appointment, if made, will be within limits specified in Section 224(1B) of the Companies Act, 1956.

None of the directors is interested in the resolution.

**Item No. 4 of the Notice:**

Shri Devashish Poddar is a bachelor in Business Administration from London and hails from an industrial and business family. He is a Director of the Company since 1994 and has been involved in various functions of the Company. He became a Whole-time director of the Company with effect from 1st August 1999 and Vice-chairman & Managing director with effect from 1st August 2009.

Shri Devashish Poddar has considerable experience and knowledge of business management and administration and specialised knowledge in management systems.

The Board of directors of the Company in its meeting held on 11th May 2011, has re-appointed Shri Devashish Poddar as Vice-chairman & Managing director of the Company w.e.f. 1st August 2011 for a further period of 2(two) years Upto 31st July 2013 on the remuneration and terms as stated in the resolution.

The details of the remuneration of Vice-chairman & Managing director as set out in the Special Resolution were approved by the Remuneration Committee and Board of directors at the meetings held on 11th May 2011.

The abstract of the terms of re-appointment and remuneration together with memorandum of concern and interest under Section 302 of the Companies Act, 1956, has been sent to the shareholders separately.

The Board of directors considers that his re-appointment will be beneficial to your Company and accordingly recommends for the approval of the resolution as set out in the notice as a special resolution.

Shri Devashish Poddar being the appointee and recipient of remuneration and Shri Ranjan Kumar Poddar being relative of the appointee are interested in the resolution. None of the other directors is interested in the resolution.

**Item No. 5 of the Notice:**

Shri G. S. Srinivasan, General Manager - Support Services Corporate Banking, IDBI Bank Limited (IDBI), was nominated by IDBI as its Nominee Director on the Board of the Company with effect from 20th June, 2011, in place of Shri S. V. Satyanarayana, in terms of the provisions of the Loan Agreement dated 12th May, 2008 entered into between the Company and IDBI.

As per the terms of the loan agreement, IDBI Bank shall have a right to appoint and remove from time to time, a director on the Board of directors of the Company. Such nominee director shall not be required to hold qualification shares and not be liable to retire by rotation.

The Company has received a notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Shri G. S. Srinivasan for the office of nominee director pursuant to the provisions of Section 257 of the Companies Act, 1956.

Your directors recommend the resolution as set out in Item No. 5 of the Notice for your approval. No other director other than Shri G. S. Srinivasan is, in any way concerned or interested in the resolution.

By Order of the Board,  
For THE SIRPUR PAPER MILLS LIMITED,

Place: Hyderabad,  
Date: 27th July, 2011

**Priya Sharma**  
Company Secretary

Statement as required in terms of Schedule XIII of the Companies Act, 1956 annexed to the Notice calling Annual General Meeting for approval of remuneration and terms and conditions of the re-appointment of Shri Devashish Poddar as Vice Chairman & Managing director (Please refer Special Resolution No. 4 of the Notice dated 27th July, 2011)

#### I. General Information

1. Nature of Industry	Manufacture of Pulp, Paper and Paper Board and generation of power.																				
2. Date or expected date of commencement of commercial production.	Not Applicable																				
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable																				
4. Financial performance based on given indicators	<p>The key performance indicators of the Company during the previous three years are given under:</p> <p style="text-align: right;">(Rupees in lakhs)</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>2008-09</th> <th>2009-10</th> <th>2010-11</th> </tr> </thead> <tbody> <tr> <td>Sales &amp; Other Income</td> <td>35046</td> <td>34045</td> <td>36866</td> </tr> <tr> <td>Operating Profit (EBIDT)</td> <td>5277</td> <td>4508</td> <td>3954</td> </tr> <tr> <td>Profit before depreciation &amp; Tax</td> <td>2661</td> <td>1931</td> <td>1219</td> </tr> <tr> <td>Net Profit /(Loss) before tax</td> <td>(132)</td> <td>(1044)</td> <td>(1816)</td> </tr> </tbody> </table> <p><b>Note:</b> For further details please refer Annual Report and Financial Highlights</p>	Particulars	2008-09	2009-10	2010-11	Sales & Other Income	35046	34045	36866	Operating Profit (EBIDT)	5277	4508	3954	Profit before depreciation & Tax	2661	1931	1219	Net Profit /(Loss) before tax	(132)	(1044)	(1816)
Particulars	2008-09	2009-10	2010-11																		
Sales & Other Income	35046	34045	36866																		
Operating Profit (EBIDT)	5277	4508	3954																		
Profit before depreciation & Tax	2661	1931	1219																		
Net Profit /(Loss) before tax	(132)	(1044)	(1816)																		
5. Export performance and net foreign exchange earnings	During the three years from 2008-09 to 2010-11 there are no exports except sales through merchant exporters and sales to Nepal.																				
6. Foreign Investments or collaborators, if any	Amba Investments Pvt. Ltd., a Foreign Company invested in 11,84,967 ordinary shares of Rs.10 each of the Company, constituting 7.46% of the paid up capital of the Company and there is no foreign collaboration.																				

#### II. Information about the Appointee

<b>1. Background details</b>	
i. Age	38 Years
ii. Academic Qualifications	B.B.A. from London
iii. Experience	Over 12 years of experience in pulp & paper industry in almost all the fields of operations like production, technical, commercial, projects, administration etc.
iv. Particulars of Previous Employment	Appointed as Whole-time Director designated as Director (Corporate Planning) from 1st August 1999 to 31st July 2005 for 2 terms of three years each. He has been re-appointed as Whole-time Director designated as Chief Operating Officer for 2 terms of two years each from 1st August 2005 to 31st July 2009. He has also been re-appointed as Vice-chairman and Managing director for a period of two years from 1st August 2009 to 31st July 2011
v. Date of approval of last re-appointment	He was re-appointed as Vice-chairman and Managing director by the Members of the Company at the annual general meeting held on 10th September 2009 for a period of 2 years w.e.f. 1st August 2009 to 31st July 2011.
vi. Approval for increase in Remuneration, if any	–

<b>2. Past Remuneration:</b>	
For the financial year 2009 - 10	
i. Salary	Rs.4,40,000 per month.
ii. Allowances/Perquisites	HRA at 60% of salary. Performance bonus @ 1% of PBT. Gas, electricity, water and furnishings, valued as per Income Tax Rules, 1962. LTC, Leave, telephone, medical reimbursement, contribution to PF, superannuation fund, gratuity, club fee subject to maximum two clubs, personal accident insurance premium, encashment of leave as per rules of the company.
iii. Remuneration payable in case of inadequacy of profits in any year	Same as above.
<b>3. Recognition and awards:</b>	Nil
<b>4. Job profile and his suitability</b>	He currently oversees the future strategies and growth path of the Company. He has considerable experience and knowledge of business management and administration and specialized knowledge in management systems.
<b>5. Remuneration proposed</b>	Basic Salary: Rs.4,40,000 per month. HRA at 60% of salary, Performance Bonus @ 1% of PBT. Gas, electricity, water and furnishings, valued as per Income Tax Rules, 1962. LTC, Leave, telephone, medical reimbursement, contribution to PF, superannuation fund, gratuity, club fee subject to maximum two clubs, personal accident insurance premium, encashment of leave as per rules of the company. <b>Minimum Remuneration:</b>
Remuneration payable in case of inadequacy of profits in any year.	The above shall be paid to the Vice Chairman & Managing Director
<b>6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person. (in case of expatriates the relevant details would be w.r.t. the country of his origin)</b>	The details of remuneration available as per published accounts of few companies for the year ended 31/03/2010 are given below and their involvement, contribution in the growth of the Company may not be same and comparable. a. Ballarpur Industries Ltd: Managing director Rs.343.19 Lakhs (for the year ended 30th June 2010) b. J.K. Paper Mills Limited: Managing director Rs. 521.47 Lakhs (including commission and performance bonus). c. West Coast Paper Mills Ltd: Chairman-Managing director Rs.405.05 lakhs d. The Andhra Pradesh Paper Mills Limited: Managing Director Rs.107.55 lakhs.
<b>7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any</b>	Shri Devashish Poddar does not hold any Shares in the Company. Shri Ranjan Kumar Poddar holds 2330 Ordinary Shares of the Company and Aravali Securities & Finance Ltd, holds 5607000 Ordinary Shares as Promoter of this Company in which Shri Devashish Poddar is director and Shri Ranjan Kumar Poddar is the managing director. Except the above and his employment with the Company he does not have any other pecuniary relationship directly or indirectly. He is son of Shri Ranjan Kumar Poddar, Chairman of the Company.

### III. Other Information

<b>1. Reasons of loss or inadequate profits</b>	Mill Development and Expansion Plan including capacity expansion of 54750 MT per annum was undertaken by the Company. Inordinate delay in supply of machinery, cost overrun, long trial runs, technical problem in synchronization of various utilities and plants, commissioning of MDP delayed and finally commissioned on 1st May 2008. Even after commissioning of new project, the company faced teething problems in stabilization such as technology could not be absorbed smoothly, not achieving rated capacity of fiber line, speed of paper machine no.8 and synchronization of various plants and instrumentation. All these factors coupled with strike, labour unrest and political disturbances have lead to non stabilization as desired both in terms of volume as well as quality resulting into low capacity utilization between 65% to 70% and losses/ inadequate profits. However, the company has not suffered any cash losses.
<b>2. Steps taken or proposed to be taken for improvement</b>	For further improvement, following steps have been taken: 1) Strengthen technical team at higher level, 2) Improve quality, 3) Strengthen HR department to improve upon industrial relations, 4) Reduce waste generation, 5) In house group discussions and review of performance of each plant, 6) Analysis of input/output and efficiency ratios, 7) In built checks to achieve economy in cost at every stage,
<b>3. Expected increase in productivity and profits.</b>	Production of paper is expected during F Y 2011-2012 to be 1.15 lakh M.T. capacity utilization 83.4%. Gross Profit before depreciation and net profit after depreciation are expected to be Rs.38.29 crore and Rs.12.26 crore respectively.

### IV. Disclosures

<b>1. Remuneration Package of the Managerial Personnel and also of all the Directors</b>	The required disclosures have been made in the Corporate Governance Section in the Annual Report.
<b>2. Details of fixed component and performance linked incentives along with by the performance criteria</b>	Performance Bonus @ 1% of PBT.
<b>3. Service contracts, notice period, severance fees</b>	The re-appointment of the Vice-Chairman & Managing Director is contractual which can be determined by a notice of three months by either party. Except above no other severance fees is payable.
<b>4. Stock option details, if any, and whether the same been issued at a discount as well as the period over which accrued and over which exercisable</b>	Not issued so far.

**INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED/APPOINTED:**

Name	Dr. M. S. Rajajee, IAS (Retd)	Shri P. Vaman Rao	Shri Rakesh Bhartia	Shri Devashish Poddar	Shri. G. S. Srinivasan*
Date of Birth	15th June 1939	12th June 1928	26th February 1969	15th September 1972	14th August, 1957
Appointed on	30th May 2000	10th November 2000	29th April 2009	7th November 1994	20th June, 2011
Qualifications	B. A. (Hons), B.L. M.Sc. PhD	B. A.	ACA, AICWA and ACS	BBA from London,	M.Sc, Chemistry, CAIIB
Expertise in Specific functional areas	A retired Civil Servant and held senior positions in Government of Andhra Pradesh, including Chief Secretary and chairman, Andhra Pradesh Public Service Commission.	Public Relations and Journalism, General Administration and liaison	In the field of corporate and investment banking and managing a multi-location large industrial business enterprise	Business Management and Administration and Specialised knowledge in management systems	Nominee Director of IDBI Bank Limited. Presently General Manager-Support Services Corporate Banking
Directorships in other companies	- NIL -	Hyderabad Industries Ltd, Hyderabad Agencies Pvt Ltd	- NIL -	Parul Developers Pvt Ltd, Aravali Securities and Finance Ltd	- NIL -
Memberships/ Chairmanships of committees across public companies	<b>Remuneration Committee:</b> The Sirpur Paper Mills Ltd - Chairman	<b>Audit Committee:</b> Hyderabad Industries Ltd - Chairman The Sirpur Paper Mills Ltd – Chairman <b>Shareholders' Grievances Committee:</b> Hyderabad Industries Ltd - Chairman The Sirpur Paper Mills Ltd - Member <b>Remuneration Committee:</b> Hyderabad Industries Ltd - Member	<b>Audit Committee:</b> The Sirpur Paper Mills Ltd – Member <b>Remuneration Committee:</b> The Sirpur Paper Mills Ltd - Member	<b>Shareholders' Grievances Committee:</b> The Sirpur Paper Mills Ltd - Member	<b>Audit Committee :</b> The Sirpur Paper Mills Ltd - Member

\* was appointed as Nominee director.

# Corporate Information

## Directors:

Shri Ranjan Kumar Poddar, *Chairman*

Shri Devashish Poddar, *Vice-Chairman & Managing Director*

Shri Rameshwar Lall Lakhota, *Executive Director*

Shri Sudhir Jalan

Dr. M. S. Rajajee, I.A.S. (*Retd.*)

Shri Laxminiwas Sharma

Shri P. Vaman Rao

Shri Rakesh Bhartia

Shri G.S. Srinivasan (*IDBI Nominee*)

Ms. Poonam Bodra

## Auditors:

Messrs. Deloitte Haskins & Sells,  
Chartered Accountants,  
Secunderabad, Andhra Pradesh.

## Legal Advisers:

Shri S. Ravi, M.S. (Calif.), LLB, Advocate,  
Hyderabad, Andhra Pradesh.

O.P. Khaitan & Co.,  
Solicitors & Advocates,  
New Delhi.

## Bankers:

Central Bank of India  
State Bank of Hyderabad  
IDBI Bank Ltd,  
Andhra Bank

## Company Secretary:

Ms. Priya Sharma

## Registrars & Share Transfer Agents:

Venture Capital and Corporate Investments Pvt. Ltd.  
Hyderabad, Andhra Pradesh.

## Registered Office:

5-9-22/1/1, 1st Floor,  
Ashoka Chambers, Adarshnagar,  
Hyderabad-500 063, Andhra Pradesh.

## Corporate Office:

“Sirpur House”, Plot No.39, Sector – 44, Gurgaon – 122 003. (Haryana)

## Mills:

Sirpur – Kaghaznagar – 504 296, Andhra Pradesh.

# Board Committees

## **Audit Committee:**

Shri P. Vaman Rao - *Chairman*

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri G.S. Srinivasan

Shri Rakesh Bhartia

## **Remuneration Committee:**

Dr. M.S. Rajajee – *Chairman*

Shri Sudhir Jalan

Shri Laxminiwas Sharma

Shri Rakesh Bhartia

## **Shareholders' Grievances Committee:**

Shri Laxminiwas Sharma – *Chairman*

Shri R. L. Lakhotia

Shri P. Vaman Rao

Shri Devashish Poddar

## **Borrowing Committee:**

Shri Sudhir Jalan – *Chairman*

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri P. Vaman Rao