

The Sirpur Paper Mills Limited



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Annual Report 2011-12

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**From the desk of Vice-Chairman & Managing Director**

Dear Shareholder,

Early in 2011, we at Sirpur Paper anticipated a slow down in the economy and its impact on the paper industry, and have been proactive in controlling costs and improving our productivity.

Consequently, we closed the financial year 2011-12 with a rise in production and sales volume, higher net sales realization and more important, managed to improve our profit before finance costs, depreciation and tax (PBIDT) over the previous year.

We overcame challenges of high inflation, high interest, tight liquidity conditions, and ensured that we made a cash profit.

Despite the competitive pricing pressures that accompanied slowdown in industry volumes during the year, we at Sirpur Paper experienced satisfactory development in our key indicators. We saved on raw material, improved efficiencies in coal usage and reduced consumption of power and water. We lowered the costs per tonne of paper produced in each of these metrics. Simultaneously, we improved the pulp yield, chemical recoveries and overall machine efficiencies. We sweated our assets and got better value per rupee invested.

I must hasten to add that these improvements were despite significant cost increases in raw materials especially wood, coal, power, fuel, chemicals and manpower. In a high inflationary regime, rising interest costs put pressure on our financial results.

Unfortunately, we had an accident in our chemical recovery section and the mill was shut down in April-May 2012 and we have started the current financial year with a loss. The unrelenting inflationary trend, spiraling wood prices, severe power cuts and subdued paper prices is adding to our complexities. We are working hard to control the situation and are keen

that we do not let events beyond our control and erode our fundamentals.

As a team, we are confident of overcoming challenges and a difficult business environment, by positioning ourselves better with our customers, with our quality assurance as well as by working on our internals. We have several levers to further improve our efficiencies, refine the cost structure and enhance productivity. We have a measure of our challenges and shall strive hard to revert to profitability and demonstrate sustainable growth and do whatever it takes to make it happen. This is a work-in-progress.

These are turbulent times, both for the economy and the paper industry. Our journey cannot be done alone and we believe we need temporary assistance. We are in conversation with our bankers to seek their support to ensure that we revert to profitable growth, as early as possible. While we shall work to regain our financial health and be a high energy business enterprise, we seek relief, more in terms of time. A flexible arrangement will ensure that we stay viable, grow in a calibrated manner and meet all obligations to our stakeholders. In fact, our commitment to our bankers is that we shall stay accountable and be a reliable partner with all those associated with us.

At Sirpur Paper, we have a dedicated leadership, a talented team, strength of our competence and a determination to succeed. We are focused on creating a high-quality, high value robust business that works in the best interest of all our stakeholders. In the long term, we shall prove that temporary setbacks and challenges become staircases of growth and reciprocate the trust of each of our stakeholders.

With best regards

**Devashish Poddar**

Vice-Chairman & Managing Director



## 10 year Financial Highlights

Particulars	UOM	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03
Production - Pulp, paper & board	MT	99,543	93,900	91,126	92,298	72,146	75,828	78,883	78,490	79,170	77,974
Gross operating revenue	₹ Lakhs	410,61	379,32	349,35	368,47	271,16	270,42	268,65	254,29	249,55	231,90
Profit/(Loss) before interest, depreciation & tax	₹ Lakhs	49,79	46,93	53,19	58,72	34,61	30,83	31,86	29,57	34,49	34,60
Profit/(Loss) before depreciation & tax	₹ Lakhs	7,92	12,19	19,31	26,61	28,51	25,77	26,09	23,91	27,86	26,41
Profit/(Loss) before tax	₹ Lakhs	(22,07)	(18,16)	(10,45)	(1,32)	16,79	15,32	16,18	15,28	19,77	18,74
Profit/(Loss) after tax	₹ Lakhs	(17,31)	(17,91)	(11,85)	(1,63)	32,62	13,32	14,59	14,10	17,92	12,47
Share capital	₹ Lakhs	15,89	15,89	15,01	15,01	15,01	15,01	11,01	8,35	8,35	8,35
Reserves & surplus	₹ Lakhs	138,61	155,39	169,03	179,64	183,48	156,70	124,34	93,48	86,09	72,36
Shareholder's funds	₹ Lakhs	154,50	171,28	184,04	194,65	198,49	171,71	135,35	101,82	94,44	80,71
Borrowings	₹ Lakhs	310,08	281,19	296,81	300,17	272,98	247,20	139,60	89,91	70,47	57,37
Deferred tax liability	₹ Lakhs	5,59	10,35	10,60	9,21	9,15	21,43	24,78	25,12	25,12	24,81
Net fixed assets	₹ Lakhs	408,41	436,15	461,10	480,48	483,30	418,59	259,07	168,15	136,95	119,91
Investments	₹ Lakhs	-	-	10	10	4,10	3,37	17,29	20,07	5,76	4,75
PBIDT to gross operating revenue	%	12.13	12.37	15.23	15.94	12.76	11.40	11.86	11.63	13.82	14.92
PBDT to gross operating revenue	%	1.93	3.21	5.53	7.22	10.51	9.53	9.71	9.40	11.16	11.39
Return on net worth	%	(11.20)	(10.46)	(6.44)	(0.84)	16.43	7.76	10.78	13.85	18.98	15.45
Earnings per share	₹	(10.90)	(11.42)	(7.89)	(1.09)	21.73	9.17	13.65	16.91	21.49	14.95
Dividend on ordinary shares	%	-	-	-	15	35	35	35	50	50	30
Book value per share <sup>1</sup>	₹	100.81	114.38	129.66	135.80	138.32	128.66	145.45	152.20	143.34	126.51
Debt (Term loans)/ Equity ratio <sup>1</sup>		1.65	1.45	1.36	1.19	1.03	1.13	0.70	0.43	0.48	0.40

Notes: a. UOM refers to unit of measure.

b. Revaluation of fixed assets not considered.

<sup>1</sup> Deferred tax liability included in reserves.



## Corporate Information

### BOARD OF 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**

### BOARD COMMITTEES

**AUDIT COMMITTEE**

Shri P. Vaman Rao - Chairman

Shri R. L. Lakhota

Shri Laxminiwas Sharma

Shri G. S. Srinivasan

Shri Rakesh Bhartia

**REMUNERATION COMMITTEE**

Dr. M.S. Rajajee, I.A.S.(Retd) - Chairman

Shri Sudhir Jalan

Shri Laxminiwas Sharma

Shri Rakesh Bhartia

**SHAREHOLDERS' GRIEVANCES COMMITTEE**

Shri Laxminiwas Sharma - Chairman

Shri Devashish Poddar

Shri R. L. Lakhota

Shri P. Vaman Rao

**BORROWING COMMITTEE**

Shri Sudhir Jalan - Chairman

Shri R. L. Lakhota

Shri Laxminiwas Sharma

Shri P. Vaman Rao

**COMPANY SECRETARY**

Shri Dinesh Lata

**AUDITORS**

Messrs. Deloitte Haskins & Sells  
Chartered Accountants  
Secunderabad

**REGISTERED OFFICE**

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

**LEGAL ADVISERS**

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

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

**CORPORATE OFFICE**

Sirpur House  
Plot No.39, Sector - 44  
Gurgaon - 122 003  
Haryana

**BANKERS**

Central Bank of India  
State Bank of Hyderabad  
IDBI Bank Limited  
Andhra Bank

**MILLS**

Sirpur-Kaghnaznagar  
504 296  
Andhra Pradesh

**REGISTRAR & SHARE TRANSFER AGENT**

Venture Capital and Corporate  
Investments Private Limited  
12-10-167, Bharat Nagar  
Hyderabad - 500 018



## Notice

NOTICE is hereby given that the seventy third Annual General Meeting of the Members of The Sirpur Paper Mills Limited, will be held on **Friday, the 28th September, 2012 at 3.00 p.m. at Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad 500 063** to transact the following business:

### Ordinary Business

1. To receive, consider, approve and adopt the Audited Accounts of the Company for the year ended March 31, 2012, together with Auditors' Report and the Report of the Directors thereon.
2. a. To appoint a Director in place of Shri Ranjan Kumar Poddar, who retires by rotation and is eligible for re-appointment.  
b. To appoint a Director in place of Shri Sudhir Jalan, who retires by rotation and is eligible for re-appointment.  
c. To appoint a Director in place of Ms. Poonam Bodra, 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 an **Ordinary 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 ₹7,00,000 (Rupees Seven lakhs only) plus reimbursement of service tax, traveling and out of pocket expenses."

### Special Business

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

"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, approval(s) and permission(s) as may be necessary in this regard, consent of the Members of the Company be and is hereby accorded to the re-appointment of Shri Rameshwar Lall Lakhotia, as Whole-time Director designated as Executive Director of the Company, on the terms and conditions as set out below:

**1. Period:** Two years with effect from July 24, 2012.

### 2. Remuneration

- a. Salary: ₹4,75,000 (Rupees Four lakhs seventy five thousand) per month.
- b. Performance bonus: 0.20% of profit before tax.
- c. Perquisites: The perquisites shall be as follows:
  - i. Housing: rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him);
  - ii. Free electricity and water;
  - iii. Club fees (subject to maximum of one club but excluding life membership and admission fees);
  - iv. Personal accident insurance, as per rules of the Company;
  - v. Leave: 45 days in a year, encashable at the end of the tenure;
  - vi. Gratuity (subject to ceiling in the Payment of Gratuity Act), as per rules of the Company;
  - vii. Free use of Company's car with driver;
  - viii. Telephone at residence.

The perquisites shall be valued as per Income Tax Rules, wherever applicable and, in the absence of such rules, shall be valued at actual cost.



### 3. Minimum remuneration

The remuneration as specified in Sl. No.2 shall continue to be paid to Shri R. L. Lakhotia as minimum remuneration notwithstanding the loss or inadequacy of profits, if any, during the tenure of his office.

### 4. Duties and responsibilities

- a. The Whole-time Director will look after the entire operations, technical, managerial and administrative functions.
- b. The Whole-time Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.
- c. The Whole-time Director shall adhere to the Company's code of business conduct and ethics for directors and management personnel.

### 5. Other major terms & conditions

- a. The office of Whole-time Director may be terminated by the Company or by the Whole-time Director by giving the other one-month prior 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 Whole-time Director and vice versa.
- c. The Whole-time Director shall not supplement his earnings by any buying or selling commission. He shall not also become interested or otherwise concerned directly or indirectly or through his wife and/or minor children in any selling or buying agency of the Company.
- d. No sitting fee shall be paid to Whole-time 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 authorized to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution."

By Order of the Board,  
For **The Sirpur Paper Mills Limited**

**Dinesh Lata**  
Company Secretary

Registered Office:  
5-9-22/1/1, 1st Floor  
Ashoka Chambers  
Adarshnagar  
Hyderabad - 500 063  
August 10, 2012





## 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 Item 4 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. and 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 September 22, 2012 (Saturday) to September 28, 2012 (Friday), (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, all the unclaimed/unpaid dividends upto the financial year ended March 31, 1995 have been transferred to the general revenue account of the central government. Members 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 March 31, 1996 to 2004, 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 205C of the said Act, after giving due notice. Members 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 March 31, 2005 will be transferred by the Company to the Investor Education and Protection Fund on or before August 29, 2012. A notice has been sent to the concerned Members requesting them to claim the same immediately.

Hence, the Members who have not encashed the dividend warrants for the financial years ended March 31, 2005 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 Registrar and Share Transfer Agent of the Company quoting their registered folio.
6. The Securities and Exchange Board of India (SEBI) has mandated the submission of income tax Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit the PAN details to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Share Transfer Agent, M/s. Venture Capital and Corporate Investments Private Limited.
7. The Ministry of Corporate Affairs has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by the Companies vide its Circular dated April 21, 2011. Accordingly, if the service of documents is made through electronic mode, it will be deemed as sufficient compliance for the purpose of Section 53 of the Companies Act, 1956.

To support the Green Initiative of the government, it is proposed to send all communications including notices, annual reports and other communications through Email to all Members. For the above purpose, we request you to send an Email confirmation to our Registrar mentioning your name, DP/ Customer ID or Folio number and your Email ID for communication and also inform any changes in the Email address.





Further, Members are requested to visit the Company's website [www.sirpurpaper.com](http://www.sirpurpaper.com) for viewing the quarterly and annual financial results and for more information on the Company.

8. Members holding shares in physical form may please note that SEBI has made trading in the shares of the Company compulsorily 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, Shri Ranjan Kumar Poddar, Shri Sudhir Jalan and Ms. Poonam Bodra, Directors of the Company retire by rotation and are eligible for re-appointment. The Board of Directors at their meeting held on July 23, 2012 re-appointed Shri R. L. Lakhotia, Whole-time Director, designated as Executive Director. Pursuant to Clause 49 of the Listing Agreement, the particulars of the aforesaid Directors are annexed.
11. Members desiring any information on the accounts are requested to write to the Company at an early date so as to enable to keep the information ready.

## EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

### Item 4 of the Notice:

Shri Rameshwar Lall Lakhotia, B. Tech. (Chemical Engg.), aged 67 years, has 44 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liaison, industrial relations etc. He joined the Company on July 24, 2010. During the tenure of 2 years, he gained control over the mill management, operations and overall administration of the Company. He does not hold any shares of the Company.

The Board of Directors re-appointed Shri R. L. Lakhotia as Whole-time Director, designated as Executive Director of the Company, with effect from July 24, 2012 for a further period of two years upto July 23, 2014 on the remuneration and the terms and conditions as stated in the Resolution.

The details of the remuneration of Executive Director as set out in the Special Resolution were approved by the Remuneration Committee and the Board of Directors at their respective meetings held on July 23, 2012.

Shri R. L. Lakhotia has given an undertaking to the Company to the effect that so long as he functions as Whole-time Director of the Company, he shall not become interested or otherwise concerned directly or indirectly or through his wife and/or his minor

children in any buying or selling agency of the Company.

The Resolution is proposed for obtaining your approval to the appointment and the remuneration of Shri R. L. Lakhotia as Executive Director. The appointment will be beneficial to the Company and accordingly the Board recommends the passing of the Resolution as a Special Resolution.

None of the Directors except Shri R. L. Lakhotia is interested in the Resolution.

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 was sent to all the Members individually.

In terms of Schedule XIII of the Companies Act, 1956, a statement giving required information is appended to this Notice.

By Order of the Board,  
For **The Sirpur Paper Mills Limited**

Registered Office:  
5-9-22/1/1, 1st Floor  
Ashoka Chambers  
Adarshnagar  
Hyderabad - 500 063  
August 10, 2012

**Dinesh Lata**  
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 appointment of Shri Rameshwar Lall Lakhota, Executive Director (Please refer Special Resolution No.4 of the Notice dated August 10, 2012).**

<b>I. General information</b>																					
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	The key performance indicators of the Company during the previous three years are given under:  ₹ Lakhs																				
	<table border="1"> <thead> <tr> <th><b>Particulars</b></th> <th><b>2009-10</b></th> <th><b>2010-11</b></th> <th><b>2011-12</b></th> </tr> </thead> <tbody> <tr> <td>Sales &amp; other income</td> <td>348,57</td> <td>375,31</td> <td>400,23</td> </tr> <tr> <td>Operating profit (PBIDT)</td> <td>53,19</td> <td>46,93</td> <td>49,79</td> </tr> <tr> <td>Profit before depreciation &amp; tax</td> <td>19,31</td> <td>12,19</td> <td>7,92</td> </tr> <tr> <td>Net profit/(loss) before tax</td> <td>(10,45)</td> <td>(18,16)</td> <td>(22,07)</td> </tr> </tbody> </table>	<b>Particulars</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	Sales & other income	348,57	375,31	400,23	Operating profit (PBIDT)	53,19	46,93	49,79	Profit before depreciation & tax	19,31	12,19	7,92	Net profit/(loss) before tax	(10,45)	(18,16)	(22,07)
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<i>Note: For further details please refer Annual Report and Financial Highlights.</i>																					
5. Export performance and net foreign exchange earnings	During the three years from 2009-10 to 2011-12, there were no exports except sales through merchant exporters and sales to Nepal.																				
6. Foreign investments or collaborators, if any	Amba Investments Private Limited, a foreign company invested in 11,84,967 ordinary shares of ₹10 each of the Company, constituting 7.46% of the paid up capital of the Company. There is no foreign collaboration.																				
<b>II. Information about the appointee</b>																					
1. Background details																					
i. Age	67 years																				
ii. Academic qualifications	B. Tech. (Chemical Engg.)																				
iii. Experience	Shri R. L. Lakhota has 44 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liaison and industrial relations etc.																				
iv. Particulars of previous employment as whole-time director	Appointed as Whole-time Director, designated as Executive Director, from June 24, 2010 to July 23, 2012.																				
v. Date of approval of last appointment	He was appointed as Whole-time Director, designated as Executive Director, by the Members of the Company at the annual general meeting held on September 30, 2010 for a period of two years w.e.f. July 24, 2010.																				
vi. Approval for increase in remuneration, if any	Not Applicable																				

<p>2. Past Remuneration: For the financial year 2011-12</p> <p>i. Salary</p> <p>ii. Allowances/Perquisites</p> <p>iii. Remuneration payable in case of inadequacy of profits in any year</p>	<p>₹3,75,000 per month</p> <p>Rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him). Performance bonus @0.20% of PBT, free electricity and water, club fees (subject to maximum of one club but excluding life membership and admission fees). LTC: ₹3,750 per month, medical reimbursment ₹1,275 per month. Free use of Company's car with driver; telephone at residence</p> <p>Same as above</p>
<p>3. Recognition and awards</p>	<p>'Innovative Environmental Project - 2012' award for best Effluent Treatment Systems for Modern Fiber lines - Mist Cooling System was awarded to the Company by Confederation of Indian Industry.</p>
<p>4. Job profile and his suitability</p>	<p>a. The Whole-time Director will look after entire operations, technical, managerial and administrative functions.</p> <p>The Whole-time Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.</p> <p>b. Shri R. L. Lakhotia has 44 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liasioning and industrial relations etc.</p>
<p>5. Remuneration proposed</p>	<p>a. Salary: ₹4,75,000 (Rupees Four lakhs and seventy five thousand) per month.</p> <p>b. Performance bonus: 0.20% of profit before tax.</p> <p>c. Perquisites: The perquisites shall be as follows:</p> <p>i. Housing: rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him);</p> <p>ii. Free electricity and water;</p> <p>iii. Club fees (subject to maximum of one club but excluding life membership and admission fees);</p> <p>iv. Personal accident insurance: As per rules of the Company;</p> <p>v. Leave: 45 days in a year, encashable at the end of the tenure;</p>



<p>Remuneration payable in case of inadequacy of profits in any year</p>	<p>vi. Gratuity (subject to ceiling in Payment of Gratuity Act), as per rules of the Company;</p> <p>vii. Free use of company's car with driver;</p> <p>viii. Telephone at residence.</p> <p>Perquisites shall be valued as per Income Tax Rules, wherever applicable and, in the absence of such rules, shall be valued at actual cost.</p> <p>d. Minimum Remuneration: The above shall be paid to the Executive Director.</p>
<p>6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person</p>	<p>The details of remuneration available as per published accounts of a few companies for the year ended March 31, 2011 are given below and their involvement, contribution in the growth of the Company may not be same and comparable:</p> <p>a. Ballarpur Industries Limited: Whole-time director ₹276.63 lakhs (for the year ended June 30, 2011)</p> <p>b. J.K. Paper Mills Limited: Whole-time director ₹184.12 lakhs (including commission and performance bonus).</p> <p>c. West Coast Paper Mills Limited: Executive director ₹114.36 lakhs</p> <p>d. The Andhra Pradesh Paper Mills Limited: Whole-time director ₹73.78 lakhs (including arrears of earlier years paid in 2010-11).</p>
<p>7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any</p>	<p>Shri R. L. Lakhotia does not hold any shares in the Company and except employment with the Company does not have any other pecuniary relationship directly or indirectly. He is not related to any other Director of the Company or managerial personnel.</p>
<p><b>III. Other information</b></p> <p>1. Reasons of loss or inadequate profits</p>	<p>The Company has commissioned Mill Development and Expansion Plan in 2008-09. The Company faced problems due to delay in plant stabilization and synchronization resulting in subdued production levels and rising input prices. During the year, capacity utilization increased by 4% over the previous year to 72%. The production was also affected due to grid power restriction, Telangana agitation and unplanned breakdown in power house. There was steep increase in prices of wood, coal, electricity, furnace oil and other major inputs which could not be passed on to customers due to sluggish market conditions, particularly during second half of the year, which resulted in losses/inadequate profits. However, the Company has not suffered any cash losses.</p>



<p>2. Steps taken or proposed to be taken for improvement</p>	<p>a. The Company strengthened its technical team at higher level. Concerted efforts made by the Company towards cost control, yield management and productivity improvement has resulted in significant savings in consumption of coal, power, chemicals, wood and other materials which to a large extent offset the impact of input price rise.</p> <p>b. Built additional checks to achieve economy in cost, at every stage.</p> <p>c. Further increase in production by optimum utilization of plant capacity.</p>
<p>3. Expected increase in productivity and profits</p>	<p>Production and profits in 2012-13 have since suffered due to an unfortunate accident and severe power cut. However, over a period, barring unforeseen circumstances, the capacity utilization is expected to improve by 10-12%, with corresponding improvement in profitability.</p>
<b>IV. Disclosures</b>	
<p>1. Remuneration package of the managerial personnel and also of all the Directors</p>	<p>The required disclosures have been made in the Report on Corporate Governance forming part of the Annual Report.</p>
<p>2. Details of fixed component and performance linked incentives along with the performance criteria</p>	<p>Performance bonus not exceeding 0.20% of profit before tax.</p>
<p>3. Service contracts, notice period, severance fees</p>	<p>The re-appointment of the Executive Director is contractual which can be determined by a one-month notice by either party.</p> <p>Except above, no other severance fees is payable.</p>
<p>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</p>	<p>Not issued so far.</p>



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

<b>Name</b>	<b>Shri Ranjan Kumar Poddar</b>	<b>Shri Sudhir Jalan</b>	<b>Ms. Poonam Bodra</b>	<b>Shri Rameshwar Lall Lakhota</b>
Date of birth	August 12, 1949	November 7, 1944	November 3, 1956	July 26, 1945
Appointed on	September 20, 1975	January 31, 2000	August 9, 2010	July 24, 2010
Qualifications	B.A. Economics (Hons.)	B. Com, M.B.A. from IIM, Kolkata	M. Sc. (Zoology)	B.Tech (Chemical Engg.)
Expertise in specific functional areas	Industrialist	He is an industrialist and has been associated in senior management positions as chairman and managing director/ CEO of various companies and diversified industries, President of International Chamber of Commerce (ICC India), Vice President of All India Management Association, Honorary Consul General of Greece in Kolkata and past president of FICCI.	Principal, Zonal Training Centre, LIC of India	Has 44 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liaison, industrial relations etc.
Directorships in other companies	Aravali Securities and Finance Limited; Boutique Hotels India Private Limited; Devi Business Hotels Private Limited.	Meenakshi Tea Company Limited, Bells Softech Limited, SES (India) Limited, Sublime Agro Limited, Rice Lake Weighing Systems India Limited, The Shahjahanpur Electric Supply Company Limited, ASA Holdings Private Limited, Brar Properties & Holdings Private Limited, Neo Foods Private Limited, Rieter India Private Limited, Anchor Investments Private Limited, Dhawalgiri Holdings Private Limited.	Nil	Nil
Memberships/ Chairman of committees across public companies	<b>Audit Committee</b> Aravali Securities and Finance Limited (Member) <b>Shareholders Grievances Committee</b> Aravali Securities and Finance Limited (Member)	<b>Audit Committee</b> Sublime Agro Limited (Member) Rice Lake Weighing Systems India Limited (Member) <b>Remuneration Committee</b> The Sirpur Paper Mills Limited (Member) Sublime Agro Limited (Member) Rice Lake Weighing Systems India Limited (Member)	Nil	<b>Audit Committee</b> The Sirpur Paper Mills Limited (Member) <b>Shareholders' Grievances Committee</b> The Sirpur Paper Mills Limited (Member)



## Directors' Report

Dear Members,

Your Directors have the pleasure in presenting the Annual Report and audited accounts of the Company with Auditors' Report for the year ended March 31, 2012.

### Economic scenario

Your Company experienced satisfactory development during the year under review despite challenging and volatile business conditions, especially in the second half of the year. Paper manufacturers had to cope with several pressures including the depreciating rupee, high inflation, rising input prices, short supply of grid power, low liquidity, high interest rates, low demand growth and global recessionary trends. The industry is highly correlated to the country's GDP and the slowing trend of the economy affected the confidence level, business sentiments, weakening demand growth and selling prices.

₹ Lakhs

Working results	2011-12	2010-11
Production MT	99,543	93,900
Sales MT	98,079	93,984
Net operational revenue	389,50	364,59
Profit before finance costs, depreciation & tax	49,79	46,93
Finance costs	41,87	34,74
Profit before depreciation and tax	7,92	12,19
Depreciation	29,99	30,35
Profit/(loss) before tax	(22,07)	(18,16)
Less: Provision for taxation	(4,76)	(25)
Profit/(loss) after tax	(17,31)	(17,91)
Balance brought forward from previous year	1,78	19,69
Balance carried to Balance Sheet	(15,53)	1,78

### Dividend

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

### Performance

Your Company produced 99,543 MT of pulp and paper during the year as compared to 93,900 MT produced in the previous year. Sales too were higher

at 98,079 MT as compared to 93,984 MT in the previous year. As a result, the gross operating revenue increased to ₹410,61 lakhs during 2011-12 as compared to ₹379,32 lakhs in 2010-11, recording a growth of 8.25%. Capacity utilisation increased by 4% over the previous year to 72%. Production was affected mainly due to problems in the electric rectifier in ClO<sub>2</sub> plant, non-synchronisation of the plant with the utilities, grid power restriction, Telangana agitation and unplanned shutdown in power house.

The profit before finance costs, depreciation and tax was higher at ₹49,79 lakhs compared to ₹46,93 lakhs in the previous year. There was steep increase in prices of wood, coal, electricity, furnace oil and other major inputs which could not be passed on to customers due to sluggish market conditions, particularly during second half of the year. Concerted efforts made by your Company towards cost control, yield management and productivity improvement resulted in significant savings in the consumption of coal, power, wood, chemicals and other materials per MT of product which to a large extent offset the impact of the input price rise and resulted in a marginal increase in operating profits.

Profit before finance costs and tax was higher at ₹19,80 lakhs as compared to ₹16,58 lakhs in the previous year. It is gratifying that under severe pressure in the market, your Company was cash positive. However, as a result of increase in the finance costs during the year, net loss before tax adjustment increased to ₹22,07 lakhs as against ₹18,16 lakhs in 2010-11.

### Market conditions

The year took off with a positive note on account of seasonal demand during the first quarter but this situation proved to be very short lived. Additional supplies from the new capacities from competing mills came to the market and in order to maintain sale of the products, various discounts, etc, had to be given.

Internationally, American and European markets also showed financial instability and lower consumption. Pulp prices tended to remain weak and export opportunities were limited. However, in the last quarter of the year, there was pick up in domestic demand, mainly from government and education sector, which provided price stability thereby improving net sales realization.





## Finance

All the installments including interest on term loans due during the year have been paid. Your Company continues to avail sales tax deferment loan under Andhra Pradesh State Government policy and remains eligible for incentives under Industrial Incentive Scheme, 2005.

During the year, average cost of funds was higher by approximately 200 basis points per annum. Your Company's finances have been strained due to continuous losses for the past three years. Further, there had been an unfortunate accident in the chemical (soda) recovery plant at the Mills at Sirpur-Kaghnagar on April 7, 2012 which resulted in complete shutdown of the production process. The necessary repairs and restoration work was carried out which got completed on May 14, 2012 and the production was resumed in a phased manner. Necessary claim for the losses has been filed with the insurance company.

The production at plant was completely shut for 37 days due to the accident and resumed in phases thereafter, which led to loss of production and profitability during this period. Additional expenditure incurred on the repairs to machinery and restoration of production has further aggravated the liquidity situation of your Company.

Your Company believes that in the long term interest of all stakeholders, it is essential to keep the business momentum despite the challenges and temporary setbacks. The team at Sirpur Paper is determined to climb the value chain on a sustainable basis and has examined several possibilities.

Members would appreciate that finance costs of the Company for the year under review was ₹41,87 lakhs, significantly higher than ₹34,74 lakhs incurred in 2010-11. Interest costs account for approximately 10% of the revenues, which adds to the complexity of the business. Your Company's management is committed to honoring its obligations, while it finds ways and means to lower costs, improve volumes and enhance profitability.

After considerable deliberations, your Company believes that it is advisable to seek flexibility from the lenders and has sought a comprehensive restructuring of its outstanding debt through the Corporate Debt Restructuring (CDR) platform. The referral to the CDR was filed by the lead bank on June 29, 2012. Your Company awaits formal approval from the CDR - EG (Empowered Group).

## Plantation

The Company continued its initiative to augment raw material availability by distributing large quantities of planting material i.e. seeds, seedlings of subabul & quality clones of eucalyptus plants at subsidized rates to achieve higher yield. It also gave technical guidance and trained the farmers in various farming activities for achieving better results.

## Outlook

Your Company is focused on profitable growth in the long-term and is taking several steps to reduce costs, minimize waste, improve quality and customer interface, enhance profitability per tonne of product while stepping up volumes. The operations team also recognizes that input costs are firm and rising, power availability remains at an unacceptably low level and there is sluggishness in the general economy. These are challenges that need to be met and your Company shall strive to organize its resources, pay special attention to making its products competitive and be increasingly visible to the customers.

## Awards & accolades

Confederation of Indian Industry, popularly known as CII, has conducted a competition for the 'CII Environmental Best Practices Award' for the year 2012. Sirpur Paper presented its best practice under a title 'New Effluent Treatment Systems for Modern Fiberlines - Mist Cooling System' and received the 'Innovative Environmental Project - 2012' award.

## Human resources development

During 2011-12 your Company has maintained cordial industrial relations throughout the year. Top priority is given to human resources initiatives i.e. recruitment, training and development.

## Particulars of employees

Statement on particulars of employees drawing ₹60 lakhs or more per annum, if employed for whole of the year or ₹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' and forms a part of this report.

## Directors' responsibility statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- a. 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. 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. 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; and
- d. they have prepared the annual accounts on a 'going concern' basis.

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

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

**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.

**Auditors**

M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad, 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, Secunderabad be re-appointed as the statutory auditors of the Company to hold office until the conclusion of the next Annual General Meeting. M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad 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.

**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 forms part of this annual report.

**Directors**

The term of office of the Executive Director, Shri R. L. Lakhotia, ended on July 23, 2012. At the meeting of the Board of Directors held on July 23, 2012, he has been re-appointed as Whole-time Director designated as Executive Director with effect from July 24, 2012 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 R. L. Lakhotia as Executive 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 passing of a Special Resolution confirming his reappointment.

Shri Ranjan Kumar Poddar, Shri Sudhir Jalan and Ms. Poonam Bodra, 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.

**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 March 31, 2012 which has been approved by the central government. Your Company has filed the Cost Audit Report for the year ended March 31, 2011 on September 22, 2011. Further, the Cost Audit Report for the financial year ended March 31, 2012 will be filed within the stipulated time.

**Acknowledgements**

Your 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 the Company's growth.

By Order of the Board

Hyderabad,  
August 10, 2012

**Ranjan Kumar Poddar**  
Chairman



## Annexure 'A' to Directors' Report

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended March 31, 2012

### A. CONSERVATION OF ENERGY

#### 1. Measures taken for conservation of energy

- i. At FBC boiler, ID & FD fan motors starting panels were replaced with variable frequency drives (VFD)
- ii. At new BHEL boiler, primary air fan, secondary air fan, tertiary air fan & HBL pump motors were provided with VFD drives.
- iii. At Alfa Laval evaporator, two liquor supply pumps and two cooling water supply pumps were provided with VFD drives.
- iv. At Paper Machines No.2, 4, 5 & 6, main drive motors connected to VFDs in place of MG drives.
- v. At boosting pump house, two 160 KW VFD drives installed in place of old oil starters.
- vi. At Digesters, blow heat recovery system installed.
- vii. Compressor air leakages were stopped, thereby usage of compressed air reduced considerably.
- viii. Six old, inefficient NBH boilers were removed from daily use.
- ix. Condensate recovery leakages arrested.
- x. Separate conveyor laid from coal crusher screen to FBC boiler for transporting coal fines to boilers.
- xi. Old inefficient motors at DM Plant & ET Plant replaced with energy efficient motors.

#### 2. Additional investments & proposals, if any

- i. New Atlas Capco compressors to be installed in place of old screw type compressors at FBC boiler.
- ii. Replacement of old PCC panel at causticizing plant with new PCC.
- iii. Insulation of remaining steam lines in the plant.

#### 3. Impact of the above measures on consumption of energy

The implementation of above energy conservation measures has reduced the distribution losses and saved energy.

#### 4. Total energy consumption and energy consumption per unit of production

Form - A annexed.

### B. TECHNOLOGY ABSORPTION

#### Efforts made in technology absorption

Form - B annexed.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i. During the year under review, there were no exports except sales through merchant exporters. Efforts are being made to augment exports.
- ii. Total foreign exchange used and earned:  
Used<sup>1</sup> : ₹180.80 lakhs  
Earned : Nil

<sup>1</sup> On actual payment basis.



## FORM - A

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

### A. POWER AND FUEL CONSUMPTION<sup>1</sup>

	2011-12	2010-11
<b>Electricity</b>		
a. Purchased units (Lakhs Kwh)	8,23.28	7,36.87
Total amount (₹ Lakhs)	27,99.48	24,35.67
Rate/unit (₹)	3.40	3.31
b. Own generation through steam turbine/generator		
Units (Lakhs Kwh)	9,78.59	11,40.00
Units per litre of fuel oil/gas	-	-
Cost/unit (₹)	1.37	1.67
<b>Coal<sup>1</sup></b> {Grade C to F (R.O.M.) used in boiler & rotary lime kiln}		
Quantity (M.T.)	2,30,710	3,07,471
Cost (₹ Lakhs)	48,46.95	53,12.45
Average rate/MT (₹)	2,101	1,728
<b>Furnace oil</b>		
Quantity (KL)	3,584	2,707
Cost (₹ Lakhs)	13,56.03	7,53.48
Average rate/KL (₹)	37,833	27,831

### B. CONSUMPTION PER UNIT OF PRODUCTION<sup>1</sup>

Product	2011-12			2010-11		
	Electricity (Kwh)	Furnace oil (Ltrs)	Coal (MT)	Electricity (Kwh)	Furnace oil (Ltrs)	Coal (MT)
Paper, paper board and pulp (for sale)	1810	36	2.318	1999	29	3.274

<sup>1</sup>Excluding consumption in colony



## FORM - B

(Form for disclosure of particulars with respect to technology absorption)

### RESEARCH AND DEVELOPMENT (R&D)

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

##### a. New product development

- i. Alkaline sized and binary sized high bright writing and printing paper.
- ii. Better and appealing coloured maplitho, coloured pastel and coloured unbleached triplex boards in alkaline/neutral sizing conditions.

##### b. New process development

- i. Switch over to alkaline/neutral sizing in all premier quality products.
- ii. Optimized process conditions with respect to use of enzymes in bleaching as well as refining of pulp during processing.
- iii. Use of AKD/neutral size compatible single dyes in powder form for production of coloured pastels and coloured maplitho varieties.
- iv. Adoption of process with respect to use of food grade organic flocculent along with alum in raw water clarification to conserve water and chemicals.

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

- i. Products developed have been released for regular production.
- ii. Process developments have helped in improving quality.
- iii. Better quality acceptance.
- iv. Reduction in specific consumption of natural resources and better environmental footprint.

#### Future plan of action

- a. New products development.
- b. Product quality enhancement.
- c. Resource development studies with respect to digester additives, chemical stabilizers, dyes, wet end additives and bio-enzymes.

#### Expenditure on R&D

(₹ Lakhs)

a. Capital	-
b. Recurring	11.40
c. Total	<u>11.40</u>
d. Total R&D expenditure as a percentage of total turnover	0.03



## 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
  - Reduction in bleaching chemicals
  - Reduction in energy consumption
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 been 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 Director's Report

Statement of particulars of employees as required under Section 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 March 31, 2012.

Name	Shri Devashish Poddar
Age	39 years
Designation	Vice-Chairman & Managing Director
Remuneration (₹)	99.14 lakhs
Nature of duties	Oversees the growth and future strategies of the Company
Qualification	B.B.A. (London)
Total experience	13 years
Date of joining	August 1, 1999
Last employment held	-

### 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 a relative of a Director.





## Management Discussion & Analysis

### GLOBAL PERSPECTIVE

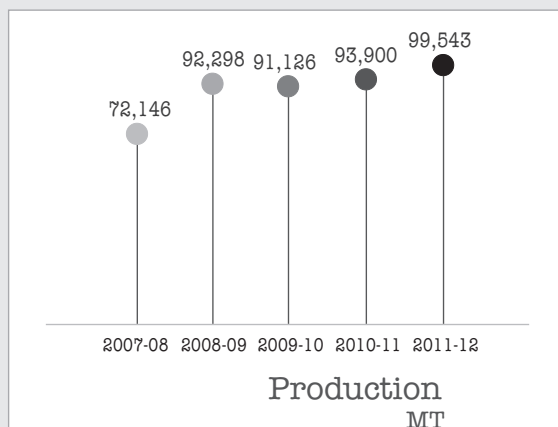
Worldwide, the pulp and paper industry is reflecting the macro economic trends. Europe is facing a potential economic recession due to declining demand and overcapacity for paper products. Meanwhile, growth in South America is slowing, with only an incremental increase in pulp and paper demand expected for 2012. Modest growth is anticipated in North America overall, but several subsectors will still face difficulties ahead.

The forecast for the global industry is closely tied to economic and operational dynamics at the regional level, and how they impact the global supply chain of the industry. China is expected to lead the sector in growth for 2012 due to increasing demand in the Asia Pacific region. However, Chinese companies are confronted with profitability challenges because of raw material cost and producer fragmentation.

The global forest, paper, and packaging companies that have made the necessary adjustments to strengthen their position through liquidity, operational efficiencies, and opportunistic growth will likely have a strong performance year in 2012 and will continue to influence the on-going evolution of the industry. (Source: Deloitte Touche Tohmatsu Limited's (DTTL) Global Manufacturing Industry Group, April 2012)

### INDIAN PAPER INDUSTRY

India is the fastest growing market for paper globally and it presents an exciting scenario; the growth in paper industry has mirrored the growth in GDP and has grown on an average 6-7% over the last few years. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million



MT. As per industry estimates, paper production is likely to grow at a CAGR of 8.4% while paper consumption will grow at a CAGR of 9% till 2012-13. Paper consumption is poised for a big leap forward in sync with the economic growth and is estimated to touch 13.95 million tons by 2015-16. (Source: IPMA)

On a slightly longer term perspective, the outlook for the paper industry is positive, and is expected to double to reach 20 million MT over the next eight years, according to PaperTech 2012. The growth is expected to be driven by the rising demand for paper products, which is majorly supported by various government education programmes.

There is a cautionary note for the industry, as well. Fitch Ratings expects Indian paper companies' credit ratings to largely remain stable in 2012, though weak operating profitability could affect credit metrics of the companies that are either in the midst of capex plans or have recently concluded one. The Indian paper sector is likely to register volume growth in 2012, but higher operating costs will lead to lower profitability despite firm paper prices.

Growth in writing and printing paper (WPP) is linked to economic growth, which, in Fitch's view, will moderate slightly in 2012. However, lower per capita consumption in India compared with the world average will drive the domestic demand for paper over the medium term. Growth in newsprint volumes is likely to be met from imports as domestic production has almost been static for the past four years.

According to them, operating profitability of Indian paper companies will remain under pressure due to the high input costs such as power, chemicals and labour, though raw material costs could moderate to some extent. However, depreciating rupee is likely to keep raw material costs high in import-dependent sub-segments.

Indian WPP manufacturers have witnessed high capacity utilisation levels over the past four years due to significant demand growth in this segment. This led to large capacity additions in recent years and will drive more additions over the next 18-24 months. Though the growth in paper demand is likely to sustain in 2012, it may not be adequate to absorb all new capacities, and would create a short-term surplus supply.

Furthermore, domestic paper manufacturers have outlined capex for increasing control over input supplies to meet pulp and energy needs in-house



and plug the slide in profitability over the longer term. Fitch believes that weaker profitability as expected would lead to stretched credit metrics for domestic paper manufacturers during 2012, with growth in sales volume providing only a little respite.

## SIRPUR PAPER – A PERSPECTIVE

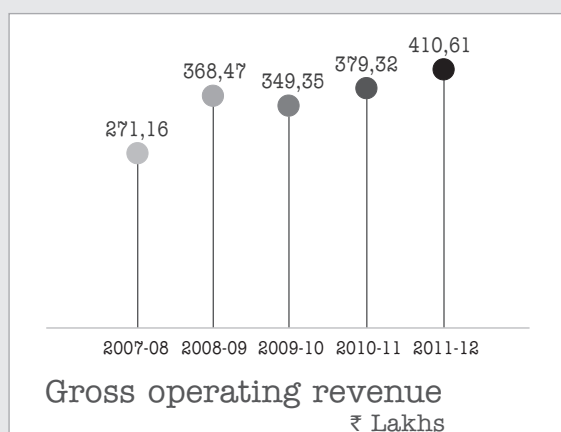
### MARKETING AND DISTRIBUTION

The year took off with a positive note on account of seasonal demand during the first quarter but this situation proved to be very short lived. Additional supplies from the new capacities from competing mills came to the market and in order to maintain sale of the products, various discounts etc, had to be given.

Pulp prices remained weak and export opportunities were limited. However, in the last quarter of the year, there was pick up in domestic demand, mainly from government and education sector, which provided price stability thereby improving net sales realization marginally.

Despite a challenging year, the Company could sell its entire production and the inventory at the year end was at manageable levels.

The Company plans to expand its range with its own branded copier and xerox paper and strengthen its marketing network and increase customer contacts to deliver better value to the buyers.



### RAW MATERIAL

Wood & bamboo represent primary raw material in paper production. The Company uses wood (Subabul, Casuarina & Eucalyptus) and bamboo besides small quantities of waste paper as raw material. During the year under review, Subabul was used as preferred raw material on account of technical and commercial advantages.

Following the wide spread depletion of bamboo forest in the last few decades, the paper industry embarked on wood plantations. Considering the large volume required, it became important to develop a supply source closer to its plants. Hence, the Company is promoting wood plantations by providing the farmers subsidized inputs, scientific farming advice and clonal propagation.

The Company encouraged its process engineers to enhance production through research and development in pulping fast growing and thin wood.

During the year under review, wood prices, fixed by the Agricultural Market Committee (AMC) mechanism, were enhanced by 18%. Since the Company meets most of its raw material requirement through purchases through AMC, there was a corresponding increase in the costs of raw material. The Company continued its efforts to mitigate the impact by improving the pulp yield and by rationalizing all the costs including logistics.

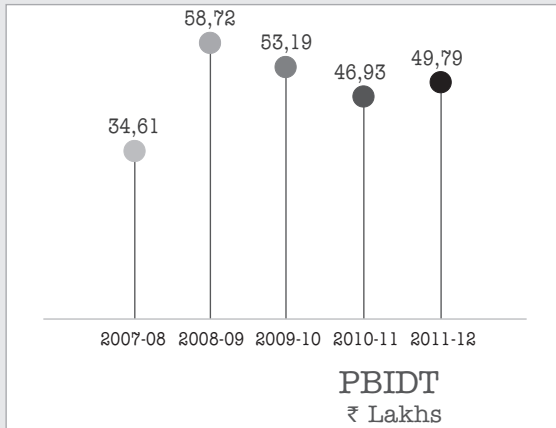
With the increase in pulp capacities by the integrated pulp & paper manufacturers, the demand for wood is set to rise further, whereas the supply side remains uncertain. General inflationary conditions in agricultural goods coupled with the demand supply imbalance would have a bearing on the prices of the pulp wood. The Company continues to encourage the development of pulp wood plantations in its catchment areas through the supply of planting material and technical guidance to the farmers to augment their supplies.

### MANUFACTURING

Production volume was increased from 93,900 MT to 99,543 MT in the year under review, recording a growth of about 6%, with an overall increase of 4% in capacity utilisation. The challenges encountered with respect to Paper Machine 8 in the past are being addressed and there is an improvement in its utilisation.

Efficient use of inputs and process optimisation has reduced the consumption of raw material, chemicals and water. Sustained energy conservation measures have resulted in savings in coal and electricity consumption. Systematic preventive maintenance was carried out to minimise unplanned breakdowns. The Mill utilised back water to reduce the consumption of chemicals. The year also witnessed enhanced efficiency of the fiber recovery system in the unit.

Going forward, the Company expects to produce superior quality copier & xerox paper with its own brand name and expand product mix besides increasing the volumes.



### RESEARCH AND DEVELOPMENT

In its continuous pursuit of producing superior products and enhancing the production process, Sirpur Paper achieved the following notable achievements:

- Switched over to alkaline/neutral sizing in all premier quality products;
- Optimized process conditions with respect to use of enzymes in bleaching as well as refining of pulp during processing.
- Adopted use of AKD/neutral size compatible single dyes in powder form for production of coloured varieties;
- Process improved with use of food grade organic flocculants along with alum in raw water clarification to conserve water and chemicals.

The Company aims to enhance quality, introduce new products and develop digester additives, chemical stabilisers, dyes etc in order to speed up and optimise production process.

### INTELLECTUAL CAPITAL

During the year 2011-12, the Company has maintained cordial industrial relations and has given top priority to human resource initiatives such as training & development and retention. At Sirpur Paper, the management believes that success of an organization starts with meticulous recruitment of professionals. The talent pool added during the year has rich experience in similar fields and is contributing to the development of operational efficiencies.

In order to develop a learning mindset amongst the new recruits, induction and orientation programmes play a significant role in acclimatizing them to the work culture of the Company. Positive attitude with constant upgradation of knowledge and skills is made possible through training programmes, conducted

after extensive discussion with concerned departments. Need based training inputs cover behavioural, technical and safety aspects which create a learning environment with an objective to meet the organizational goal along with overall development of the individuals.

A remarkable aspect of training at Sirpur Paper is that the majority of sessions are conducted by Company's executives who have expertise in their respective areas.

The Company has very low level of attrition as compared to the industry average. Besides rewarding and recognizing performers, welfare of employees' family has an important role in retention. Well maintained accommodation, adequate sports facilities, cultural and recreational activities and a system to appreciate children of employees who excel in academic activities are some of the motivators.

The Company intends to intensify efforts to attract talent, develop and train human resources and use SAP system for value addition for its HR initiatives.

### INFORMATION TECHNOLOGY

Several system enhancement plans got implemented during the year such as:

- Created and hosted customer portal;
- Installed despatch advice with reel information;
- Developed label printing for reels through SAP;
- Installed CCTV in various factory areas for better safety and security;
- Scaled up time and leave management program for staff;
- Launched an out gate pass generation system; and
- Arranged an extensive fibre network in the factory area.

Over the recent years, in order to improve business performance, Sirpur Paper has enhanced its SAP functionalities including:

- Set up an online connectivity of depots;
- Integrated weigh bridge and electronic reel weighing machines;
- Technologically upgraded payroll system;
- Developed in-house IT support capabilities to reduce external dependence.

Going ahead, the Company will upgrade SAP to ECC and implement Business Intelligence modules for

better data analysis and reporting. Attendance System for workers is another area that is planned to be revamped.

## HEALTH, SAFETY AND ENVIRONMENT

### Health and safety

The Company regularly undertakes initiatives to protect the well being of the employees. The Company trains the employees in the use of safety gadgets that are issued to them. The employees are given training in fire fighting, accident prevention.

Medical checkups are conducted at regular intervals for those working in hazardous places like chemical handling, fibre line, etc.

### Environment

Sirpur Paper recognises the importance of protecting the environment and compliance of CREP norms. Concerted efforts in this direction have led to considerable savings in water and energy consumption. The recent advancements include effective use of the mist cooling system and utilising back water thereby reducing use of fresh water.

Sirpur Paper has been recognised across the industry when it presented its best practice under the title 'New Effluent Treatment Systems for Modern Fiberlines - Mist Cooling System' and received the 'Innovative Environmental Project - 2012' award from CII.

## ANALYSIS OF FINANCIAL STATEMENTS

### Income analysis

*Income:* The gross operating revenue of the Company increased by 8.25% from ₹379.32 crore in 2010-11 to ₹410.61 crore in 2011-12.

*Performance:* The revenue from operations (net sales) of the Company registered a growth of 7.75% from ₹358.88 crore in 2010-11 to ₹386.69 crore in 2011-12 due to higher volumes. Production of pulp and paper was higher by 6% in the year 2011-12 at 99,543 MT as against 93,900 MT in the previous year. The capacity utilisation was up by only 4% since it was affected due to problem in the electric rectifier in ClO<sub>2</sub> plant, lower production in PM 8, non-synchronisation of the plant with the utilities, grid power restriction, Telangana agitation and unplanned break down in power house.

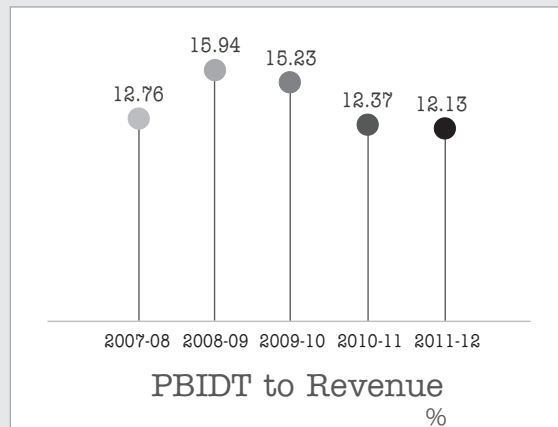
Profit before finance costs, depreciation and tax was ₹49.79 crore in 2011-12 as against ₹46.93 crore in the previous year.

The finance cost during the year was higher at ₹41.87 crore as compared with ₹34.74 crore in the previous year due to increase in interest rates. Depreciation was marginally lower at ₹29.99 crore. There was a write back of provision for deferred tax of ₹4.76 crore. Net loss after tax during the year was ₹17.31 crore as against ₹17.91 crore during the previous year.

### Cost analysis

The weighted average prices of the main raw material i.e. wood increased by 18% and coal by 22%. Though the cost of the inputs and utilities increased considerably, the same could not be passed on to customers due to sluggish market. Concerted efforts made by the Company towards cost control, material management and productivity improvement resulted in significant savings in the consumption of coal, power, wood, chemicals and other materials per tonne of product which offset the impact of the input price rise and resulted in a marginal increase in operating profits.

The borrowing cost of the Company on its term loan and working capital facilities increased by 200 basis points.



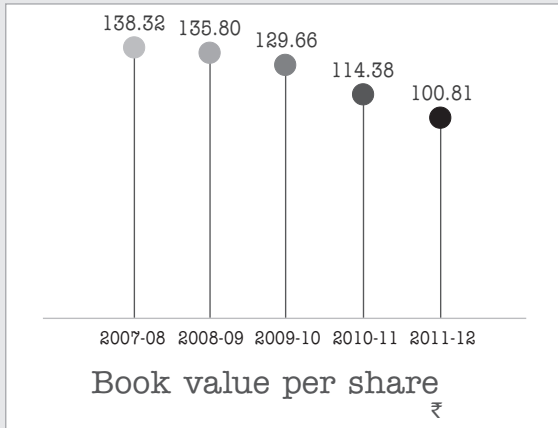
### Networth

*Share capital:* The share capital of the Company during year remains unchanged at ₹15.89 crore.

*Reserves and surplus:* The reserves and surplus of the Company (without revaluation reserve) stood at ₹138.61 crore, which is about 8.72 times of the paid up capital.

### Loan funds

All the instalments and interest on term loans which were due during the year, were duly paid. The Company continues to avail sales tax deferment loan.



### Utilisation of funds

The net fixed assets (without revaluation reserve) decreased from ₹436.15 crore to ₹408.41 crore due to depreciation charged and sale of some old and obsolete assets. Addition during the year was ₹4.11 crore.

### Working capital

Current assets of the Company as at March 31, 2012 were ₹161.96 crore as compared to ₹118.74 crore a year ago.

**Inventories:** Inventory increased to ₹46.21 crore as on March 31, 2012 from ₹30.22 crore as on March 31, 2011 mainly due to the need to stock higher levels of raw materials in a sellers' market with rising costs.

**Trade receivables:** The trade receivables increased from ₹54.34 crore in 2010-11 to ₹62.48 crore during the 2011-12. In a tight liquidity market and high interest rate regime, the debtors' cycle was contained at 55 days as against 52 days in the previous year.

### INTERNAL CONTROLS

The Company is committed to ensuring an effective internal control which provides assurance on the efficiency of operations and security of assets. There is a well established and robust internal audit process which continuously monitors the adequacy and effectiveness of the control systems, policies and regulatory requirements. The Company's information technology platform provides scope for further improvement in the managerial control.

The Audit Committee of the Board reviewed the adequacy and effectiveness of the internal control systems and monitored the implementation of internal audit recommendations.

### RISK MANAGEMENT

Every business carries risks and uncertainties that can affect financial conditions, results of operations and prospects. The Company identified and assessed the risks associated with its business and correspondingly coordinated optimum resource application to minimise their impact.

#### Industry risk

*A slowdown in the paper industry could impact its growth.*

The Indian economy is expected to grow much higher compared to the global average. The paper industry has a positive correlation to the macroeconomic trends which augurs well for the paper industry in India.

Moreover, Sirpur Paper offers one of the widest product ranges among Indian paper manufactures across the writing, printing & industrial segments, which provides some cushion against the adverse market conditions.

#### Raw material risk

*Inadequate availability of raw material could impact production.*

Wood, an agricultural produce, is a principal raw material. The Company recognizes quality of raw material and availability in required quantities in timely manner is imperative for uninterrupted production processes.

Almost entire requirement of wood is procured in the home state of Andhra Pradesh within a distance of 500 kms. In order to augment supplies of raw material, the Company encourages social forestry by supporting farmers to improve plantation practices, develop nurseries to propagate clonal seedling varieties and distribute quality planting material to farmers at subsidized rates.

#### Product risk

*Inability to strengthen the brand could impact revenues.*

There are few product differentiators in the paper industry. Hence, the Company markets value-added products under the 'Sirpur' brand through a well established supply chain. The Company produces a number of varieties and has a presence in writing printing paper, specialty paper, paperboard as well as kraft paper. Further, the Company plans to expand its range with its own branded copier and xerox paper.



### Technology risk

*Failure to keep pace with the production technology can affect productivity.*

The Company has been investing in technology and infrastructure to keep pace with the developments. Ongoing efforts will continue to improvise its processes and enhance productivity.

### Regulatory risk

*Adverse regulatory norms could hamper the business.*

As a responsible corporate citizen, Sirpur Paper is committed to regulatory compliance. While meeting the CREP norms, it has adopted latest technology for elemental chlorine free bleaching of pulp and recycling of water besides undertaking several measures for environment protection.

### Demand risk

*Increasing use of electronic medium could lower demand of paper.*

Per capita consumption of paper in India is around 10 kgs which is low compared to global standards. Paper consumption is expected to grow as knowledge and literacy levels increases. The development of new and high-end printing equipment increases the demand for value-added paper.

### Geographic risk

*Dependence on a particular geography or buyers could adversely affect the operations.*

The Company has its marketing network across the country which is not concentrated in a single geography. The products of the Company are well accepted by a large customer base.

## CORPORATE SOCIAL RESPONSIBILITY

Sirpur Paper always feels socially responsible and continuously puts its efforts for the development of the community. In this regard, the Company provided financial aid to various educational institutions, temples, mosque, sports and re-creational programmes for the society in general. In addition to this, the Sirpur Paper has taken up the following initiatives during the year 2011-12:

### Educational initiatives

- ✓ Granted scholarships to 93 students through the SPM Co-operative Society;
- ✓ Facilitated in-house training to engineering and MBA students for their project work in various

branches from colleges of Andhra Pradesh and other states including BITS-Pilani and Goa;

- ✓ Provided six months industrial training to polytechnic students of various branches;
- ✓ Offered note books to students on subsidized rates.

### Social welfare initiatives

- ✓ Provided water supply to Kaghaznagar township through water taps and water tankers;
- ✓ Regularly maintained childrens' park along with cricket and football grounds for employees as well as for general public;
- ✓ Continuously contributed financial assistance on monthly and quarterly basis for maintenance of educational and religious organizations;
- ✓ Constructed ten permanent toilets with all amenities like electricity, water facility and wash basins etc to the residents of Kaghaznagar township.

### Health initiatives

- ✓ Enabled free medical checkups and medicines to employees as well as for general public of Kaghaznagar township through SPM Health Care Centre;
- ✓ Sponsored monthly free eye camps and conducting cataract operations to the public in general;
- ✓ Supported free medical camps with free medicines in the aegis of ESI.

### Social forestry

- ✓ As part of a drive for environment protection, Sirpur Paper has planted 2,31,000 plants in 231 acres of land in the surrounding areas covering Adilabad District.

## OUTLOOK

Your Company is focused on profitable growth in the long-term and is taking several steps to reduce costs, minimize waste, improve quality and customer interface, enhance profitability per tonne of product while stepping up volumes. The operations team also recognizes that input costs are firm and rising, power availability remains at an unacceptably low level and there is sluggishness in the general economy. These are challenges that need to be met and your Company shall strive to organize its resources, pay special attention to making its products competitive and be increasingly visible to the customers.



## Report on Corporate Governance

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

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

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. Corporate governance is the structure by which responsibilities are assigned and authority entrusted among the Board of directors, senior management and employees etc.

At Sirpur Paper, the core principles of corporate governance are based on transparency, integrity, accountability and commitment to values. Empowerment to employees is given with freedom to decide, execute and deliver, accompanied however 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

The Board of Directors of the Company consists of eminent persons with professional expertise. The Board comprises one managing director, one whole time director and eight non-executive directors of whom six are independent directors as on March 31, 2012. The composition of the Board is in conformity with the requirements of the Listing Agreement with the stock exchanges.

Name of the 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	2	-
Shri Devashish Poddar	Executive	Vice-Chairman & Managing Director	2	1	1
Shri R.L. Lakhotia	Executive	Whole-time Director	-	-	-
Shri Sudhir Jalan	Non-Executive	Independent	11	4 <sup>a</sup>	-
Dr. M.S. Rajajee, I.A.S. (Retd.)	Non-Executive	Independent	-	-	-
Shri Laxminivas Sharma	Non-Executive	Independent	3	-	1
Shri P. Vaman Rao	Non-Executive	Independent	2	1	2
Shri Rakesh Bhartia	Non-Executive	Independent	2	-	-
Shri G.S. Srinivasan <sup>1</sup>	Non-Executive	Nominee of IDBI Bank (Lender)	-	-	-
Ms. Poonam Bodra	Non-Executive	Independent	-	-	-

<sup>a</sup> Including memberships in remuneration committee.

<sup>1</sup> Nominated by IDBI Bank Limited, with effect from June 20, 2011.



### Directors' attendance details at the meetings and their shareholding

Name of the Directors	No. of board meetings attended during the year	Last AGM attended	No. of ordinary shares held
Shri Ranjan Kumar Poddar	2	Not present	2,330
Shri Devashish Poddar	5	Present	-
Shri R. L. Lakhotia	3	Not present	-
Shri Sudhir Jalan	2	Not present	-
Dr. M.S. Rajajee, I.A.S. (Retd.)	4	Present	-
Shri Laxminiwas Sharma	4	Not present	-
Shri P. Vaman Rao	5	Present	2
Shri Rakesh Bhartia	4	Present	-
Shri G. S. Srinivasan	2	Not present	-
Ms. Poonam Bodra	4	Not present	-
Shri S.V. Satyanarayana <sup>1</sup>	-	Not present	-

Note: During the year, five board meetings were held on May 11, 2011; July 27, 2011; September 29, 2011; November 14, 2011 and February 11, 2012.

<sup>1</sup> IDBI Bank has withdrawn the nomination of Shri S.V. Satyanarayana with effect from June 20, 2011 and in his place Shri G.S. Srinivasan has been nominated.

### 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 during the year on May 11, 2011; July 27, 2011; November 14, 2011 and February 11, 2012 and the attendance of the members at the meetings was as follows:

Name of member	Status	Meetings attended
Shri P. Vaman Rao	Chairman	4
Shri R. L. Lakhotia	Member	3
Shri Laxminiwas Sharma	Member	4
Shri Rakesh Bhartia	Member	3
Shri G. S. Srinivasan <sup>1</sup>	Member	2

<sup>1</sup> Committee re-constituted consequent upon change in IDBI Bank Nominee Director with effect from June 20, 2011.

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 September 29, 2011.

The objective of Audit Committee is to monitor and effectively supervise the 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.





## II. Terms of reference

The terms of reference of the Audit Committee include the following:

1. Oversee the Company's financial reporting process and the disclosure of its 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 them;
4. Review with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required 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 on 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 once during the year on May 11, 2011 and the attendance of the members at the meeting was as follows:

Name of member	Status	Meetings attended
Dr. M. S. Rajajee, I.A.S. (Retd.)	Chairman	1
Shri Sudhir Jalan	Member	–
Shri Laxminiwass Sharma	Member	1
Shri Rakesh Bhartia	Member	1

### 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.

### IV. Details of Directors' remuneration paid for the year 2011-12:

#### a. Executive Directors

(₹)

Name & Designation	Salary, perquisites & allowances	Employers' contribution to provident fund/super-annuation fund	Total	Retirement benefits
Shri Devashish Poddar (Vice-Chairman & Managing Director)	84,88,122	14,25,600	99,13,722	As per Company's rules
Shri Rameshwer Lall Lakhota (Executive Director)	46,62,223	-	46,62,223	-Do-

#### 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 Director 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
Shri Ranjan Kumar Poddar	20,000
Shri Sudhir Jalan	20,000
Dr. M.S. Rajajee, I.A.S. (Retd.)	44,000
Shri Laxminiwas Sharma	64,000
Shri P. Vaman Rao	70,000
Shri Rakesh Bhartia	56,000
Shri G.S. Srinivasan <sup>1</sup> , IDBI Nominee (w.e.f. 20.6.2011)	28,000
Ms. Poonam Bodra <sup>2</sup>	40,000
Shri S.V. Satyanarayana, IDBI Nominee (Upto 20.6.2011)	-

<sup>1</sup> Sitting fee was remitted to IDBI Bank Limited as per terms of appointment of nominee director.

<sup>2</sup> 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

The Board has constituted the Shareholders' Grievances Committee which comprises of two Executive Directors and two Non-Executive Directors as on March 31, 2012. Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, namely Venture Capital and Corporate Investments Private Limited.

The Committee met once during the year on November 14, 2011 and reviewed the grievances/complaints received and the action taken on the grievances/complaints. Attendance of the Members was as follows:

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

Terms of reference

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

- To look into redressing of shareholders' and investors' complaints like transfer of shares, non-receipt of Annual Report, 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 are 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, three complaints were received from the shareholders. The same were resolved to the satisfaction of the shareholders.

As on August 10, 2012, 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 within the stipulated period. All valid share transfers during the year ended March 31, 2012 have been acted upon. The Company had no complaints pending at the close of the financial year.

## 6. General Body Meetings

- Last three Annual General Meetings of the Company were held as under:

Year	Date	Day	Time	Venue
2010-11	September 29, 2011	Thursday	11.00 a.m.	Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad
2009-10	September 30, 2010	Thursday	2.30 p.m.	Surana Auditorium, FAPCCI Buildings, Red Hills, Hyderabad
2008-09	September 10, 2009	Thursday	11.00 a.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 Devashish Poddar as Vice-Chairman & Managing Director for a period of two years (from August 1, 2011 to July 31, 2013) and fixing his remuneration.
  - iii. Appointment of Shri Rameshwer Lall Lakhota as Executive Director of the Company for a period of two years (from July 24, 2010 to July 23, 2012).
- c. During 2011-12, no resolutions were passed through postal ballot as per the Companies (Passing of Resolution by Postal Ballot) Rules, 2011.

## 7. Code of Conduct

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and senior management.

A copy of the Code has been put on the Company's website **www.sirpurpaper.com**. The code has been circulated to all the Directors and senior management personnel and the compliance of the same is affirmed by them annually.

A declaration signed by the Executive Director of the Company is annexed.

## 8. Disclosures

- a. 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 29(s) of the financial statements in the Annual Report.

- b. 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 Note 1 of the financial statements in the Annual Report.
- c. The Company has laid down procedures to inform the 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.
- d. There were no instances of non-compliance by the Company on any matter related to the capital markets, during the last three years and no strictures or penalties have been imposed on the Company by the stock exchange or by any statutory authority.
- e. The Whole-time Director and the Chief Finance Officer of the 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

- a. Quarterly results and statutory notices are published in prominent daily newspapers viz. Financial Express and Andhra Prabha.
- b. Shareholding pattern, quarterly results and annual report are sent to the stock exchanges, where securities of the Company are listed, within the stipulated time. These are provided on the Company's website **www.sirpurpaper.com** and furnished to the website **www.corpfilings.co.in**.
- c. Separate E-mail ID for registering investors' grievances is: **complianceofficer@sirpurpaper.com**.
- d. Management discussion and analysis report forms part of the annual report, which is mailed individually to the Members of the Company.



## 10. General Shareholders' information:

- a. Annual General Meeting will be held on Friday, September 28, 2012 at 3.00 p.m. at Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad - 500 063.

- b. Financial calendar:

Financial year: April 1 to March 31

Financial reporting for the quarterly results: (Tentative)

First quarter ending June 30	on or before August 14
Second quarter ending September 30	on or before November 14
Third quarter ending December 31	on or before February 14
Quarter/year ending March 31	on or before May 15/May 30
Annual General Meeting	on or before September 30

- c. Dates of book closure: September 22, 2012 to September 28, 2012 (both days inclusive)
- d. Listing on stock exchanges: BSE Limited, Mumbai (BSE)  
National Stock Exchange of India Limited (NSE)

Annual listing fees for the year 2012-13 has been paid to the above stock exchanges.

- e. Stock codes & demat ISIN:

BSE Limited	502455
National Stock Exchange of India Limited	SIRPAPER EQ
ISIN No. on NSDL & CDSL	INE202C01010

- f. Stock market price data for the year 2011-12:

- i. Share price on BSE & NSE

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
2011 April	69.80	55.25	70.00	52.40
May	62.80	55.00	63.00	55.10
June	64.80	53.60	63.35	54.10
July	56.45	52.30	58.60	51.00
August	56.50	42.05	56.90	41.00
September	56.70	44.60	53.00	43.05
October	49.90	45.10	50.00	45.15
November	50.00	36.00	49.90	34.75
December	39.75	31.15	40.35	30.60
2012 January	39.90	32.70	44.90	33.00
February	41.50	35.00	43.45	35.00
March	38.80	29.05	41.35	35.00



ii. BSE SENSEX

Month	Open	High	Low	Close
2011 April	19463.11	19811.14	18976.19	19135.96
May	19224.05	19253.87	17786.13	18503.28
June	18527.12	18873.39	17314.38	18845.87
July	18974.96	19131.70	18131.86	18197.20
August	18352.23	18440.07	15765.53	16676.75
September	16963.67	17211.80	15801.01	16453.76
October	16255.97	17908.13	15745.43	17705.01
November	17540.55	17702.26	15478.69	16123.46
December	16555.93	17003.71	15135.86	15454.92
2012 January	15534.67	17258.97	15358.02	17193.55
February	17179.64	18523.78	17061.55	17752.68
March	17714.62	18040.69	16920.61	17404.20

g. Share transfer system

The Company's shares are traded in the stock exchanges compulsorily in demat mode. The Company has appointed a Registrar and Transfer Agent as a common agency to look after both physical and demat share work. The shares, which are lodged for transfer with the Registrar and Transfer Agent, are processed and returned to shareholders within the stipulated time. The address of the Registrar and Transfer Agent 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  
 Andhra Pradesh  
 Tel.: +91 40 2381 8475/2381 8476  
 Fax: +91 40 2386 8024  
 E-Mail: info@vccilindia.com

h. i. Distribution of shareholding as on March 31, 2012

Number of ordinary shares held	Number of shareholders		Shareholding	
	Nos.	%	Nos.	%
1 to 500	7,981	85.45	11,01,836	6.94
501 to 1000	673	7.20	5,32,263	3.35
1001 to 2000	305	3.27	4,55,954	2.87
2001 to 3000	105	1.12	2,60,605	1.64
3001 to 4000	48	0.51	1,73,417	1.09
4001 to 5000	48	0.51	2,21,129	1.39
5001 to 10000	72	0.77	53,08,520	33.43
10001 and above	109	1.17	78,26,176	49.29
TOTAL	9,341	100.00	1,58,79,900	100.00



ii. Categories of shareholders as on March 31, 2012

Category	Number of shares held	%	Number of shareholders	%
Promoters & persons acting in concert	73,71,374	46.42	5	0.05
Public financial institutions, insurance companies & government companies	16,45,611	10.36	6	0.06
Banks and mutual funds	2,37,612	1.50	23	0.25
Non-resident individuals	73,994	0.46	75	0.80
Other bodies corporate	14,25,664	8.98	279	2.99
Others	51,25,645	32.28	8,953	95.85
TOTAL	1,58,79,900	100.00	9,341	100.00

**11. Dematerialisation of shares and liquidity**

Trading in Company's shares is permitted only in dematerialized form and 1,54,87,958 ordinary shares (representing 97.53% share capital of the Company) have been dematerialised upto March 31, 2012.

**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.

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

Registered Office	Factory Location
The Sirpur Paper Mills Limited 5-9-22/1/1, 1st Floor Ashoka Chambers, Opp: New MLA Quarters Adarshnagar, Hyderabad - 500 063 Tel.: +91 40 2323 6301/2329 8705 Fax: +91 40 2323 2470 E-Mail: registeredoffice@sirpurpaper.com	Sirpur - Kaghaznagar - 504 296 Adilabad District Andhra Pradesh

**14.** The Company has also formed certain other committees such as borrowing committee, etc. for closely monitoring the Company's activities and make recommendations to the Board of Directors.

**15. Non-mandatory requirements**

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





## 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, 2012.

For **The Sirpur Paper Mills Limited**

Hyderabad,  
August 10, 2012

**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 March 31, 2012, 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 Grievances Committee has maintained records to show the investor grievance and certify that as at March 31, 2012 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,  
August 10, 2012

**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, 2012 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,  
August 10, 2012

**R. L. Lakhota**  
Executive Director

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



## Auditors' Report

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 March 31, 2012, the Statement of Profit and Loss 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 enclose 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 as follows:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss 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;
  - e. 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:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - ii. in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
    - iii. 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 March 31, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 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  
Secunderabad,  
August 10, 2012  
(Membership No. 23341)



**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 4(vi), (xii), (xiii), (xiv), (xv), (xviii), (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 ₹308.08 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 explanation 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 explanations 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 or 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 for the sale of goods and services. 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 Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - b. Where each of such transactions is in excess of ₹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 of the Company 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 paper board 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 March 31, 2012 for a period of more than six months from the date they became payable.

c. Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2012 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where dispute is pending	Period to which matter pertains	₹ Lakhs
Central Excise Act, 1944	MODVAT Excise duty	CESTAT	2000-07	36.51
	Excise duty	High Court	2002-09	1,83.93
	Excise duty	High Court	2006-07	1,84.25
	Service Tax	CESTAT	2005-08	9,70.45
Value Added Tax	Value Added Tax	Sales Tax Appellate Tribunal	2005-09	3,11.42
	Value Added Tax	Appellate Deputy Commissioner	2008-11	4,08.23
	Value Added Tax	AP High Court	2005-09	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 financials year.

xi. In our opinion and according to the information and explanations given to us, there have been delays in repayment of dues to banks. Such delays involve a maximum amount of ₹14,17.16 lakhs and maximum period of 87 days.

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. 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**

Secunderabad,  
August 10, 2012

Partner  
(Membership No. 23341)



## Balance Sheet as at March 31, 2012

₹ Lakhs

Particulars	Note	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	15,88.85	15,88.85
Reserves and surplus	3	188,83.06	207,60.21
		<b>204,71.91</b>	<b>223,49.06</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	200,77.11	207,51.19
Deferred tax liabilities (Net)	5	5,59.48	10,35.40
Other long-term liabilities	6	36,95.26	36,71.74
Long-term provisions	7	8,98.71	10,59.66
		<b>252,30.56</b>	<b>265,17.99</b>
<b>Current liabilities</b>			
Short-term borrowings	8	45,93.04	16,99.38
Trade payables	9	57,18.15	46,61.02
Other current liabilities	10	76,02.57	70,78.20
Short-term provisions	11	86.76	67.22
		<b>180,00.52</b>	<b>135,05.82</b>
<b>TOTAL</b>		<b>637,02.99</b>	<b>623,72.87</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	12	447,96.73	483,24.76
Intangible assets	12	36.26	-
Capital work-in-progress		10,29.81	5,11.71
		<b>458,62.80</b>	<b>488,36.47</b>
Non-current investments	13	-	-
Long-term loans and advances	14	16,44.07	16,62.54
		<b>475,06.87</b>	<b>504,99.01</b>
<b>Current assets</b>			
Inventories	15	46,20.95	30,22.31
Trade receivables	16	62,48.47	54,33.83
Cash and cash equivalents	17	13,92.87	8,27.30
Short-term loans and advances	18	30,39.10	21,01.52
Other current assets	19	8,94.73	4,88.90
		<b>161,96.12</b>	<b>118,73.86</b>
<b>TOTAL</b>		<b>637,02.99</b>	<b>623,72.87</b>
Significant accounting policies and notes to financial statements	1 to 29		

In terms of 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

Secunderabad  
August 10, 2012

**R.L. Lakhotia**  
Executive Director

**Dinesh Lata**  
Company Secretary





## Statement of Profit and Loss for the year ended March 31, 2012

₹ Lakhs

Particulars	Note	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>GROSS INCOME</b>			
Gross revenue from operations	20	407,80.41	373,61.49
Less: Excise duty		21,11.04	14,72.66
Net revenue from operations		386,69.37	358,88.83
Other operating revenue	21	2,80.33	5,70.37
Revenue from operations		389,49.70	364,59.20
Other income	22	10,73.42	10,71.72
<b>Total revenue</b>		<b>400,23.12</b>	<b>375,30.92</b>
<b>EXPENSES</b>			
Cost of materials consumed	23	160,57.56	143,23.90
Changes in inventories of finished goods, stock-in-process and stock-in-trade	24	(4,35.42)	1,71.00
Manufacturing expenses	25	110,67.17	103,35.86
Employee benefits expense	26	66,38.36	64,61.44
Finance costs	27	41,87.28	34,73.81
Depreciation and amortisation expense		31,42.73	32,42.96
Less: Transfer from revaluation reserve		1,44.00	2,07.64
		29,98.73	30,35.32
Other expenses	28	17,16.27	15,45.72
<b>Total expenses</b>		<b>422,29.95</b>	<b>393,47.05</b>
<b>LOSS BEFORE TAX</b>		<b>(22,06.83)</b>	<b>(18,16.13)</b>
<b>Tax expenses</b>			
Deferred tax expense/(credit)		(4,75.92)	(24.84)
<b>LOSS FOR THE YEAR</b>		<b>(17,30.91)</b>	<b>(17,91.29)</b>
<b>Loss per share (Face value of ₹10 each)</b>			
Basic and diluted (₹)		(10.90)	(11.42)
<b>Significant accounting policies and notes to financial statements</b>	<b>1 to 29</b>		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. Rajasekhar**  
Partner

Secunderabad  
August 10, 2012

For and on behalf of the Board

**Ranjan Kumar Poddar**  
Chairman

**R.L. Lakhotia**  
Executive Director

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

**Dinesh Lata**  
Company Secretary



## Cash Flow Statement for the year ended March 31, 2012

₹ Lakhs

Particulars	For the year ended March 31, 2012		For the year ended March 31, 2011	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss before tax	(22,06.83)		(18,16.13)	
<i>Adjustments for</i>				
Depreciation	29,98.73		30,35.32	
(Profit)/loss on sale of assets	15.19		(60.91)	
Profit on sale of current investments	-		(30.81)	
Interest income	(8,18.57)		(6,65.22)	
Interest on borrowings	40,64.10	62,59.45	34,00.38	56,78.76
<b>Operating profit before working capital changes</b>	<b>40,52.62</b>		<b>38,62.63</b>	
<i>Adjustments for</i>				
Trade and other receivables	(20,65.29)		(4,20.13)	
Inventories	(15,98.64)		4,91.54	
Trade payables and other liabilities	4,97.37	(31,66.56)	7,95.36	8,66.77
Cash generated from operations	8,86.06		47,29.40	
Direct taxes/refund received	-		(67.08)	
<b>Net cash from operating activities</b>	<b>8,86.06</b>		<b>46,62.32</b>	
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(9,28.95)		(7,60.05)	
Sale of fixed assets	7,42.47		1,61.04	
Purchase of investments	-		(28,00.19)	
Sale of investments	-		28,41.00	
<b>Net cash used in investing activities</b>	<b>(1,86.48)</b>		<b>(5,58.20)</b>	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in capital & calls-in-arrear received	-		5,01.18	
Proceeds from borrowings	85,60.01		43,90.12	
Repayment of borrowings	(56,70.82)		(59,52.20)	
Interest and financing charges paid	(37,67.50)		(34,00.38)	
Interest received on deposits with banks, suppliers and other deposits etc.	7,44.30		7,16.19	
<b>Net cash used in financing activities</b>	<b>(1,34.01)</b>		<b>(37,45.09)</b>	
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>5,65.57</b>		<b>3,59.03</b>	
<b>Opening cash and cash equivalents</b>	<b>8,27.30</b>		<b>4,68.27</b>	
<b>Closing cash and cash equivalents</b>	<b>13,92.87</b>		<b>8,27.30</b>	

Notes: 1. Closing cash and cash equivalents include restricted amount of ₹1,46.04 lakhs (March 31, 2011: ₹1,48.34 lakhs) towards margin money deposits with banks and ₹23.29 lakhs (March 31, 2011: ₹29.13 lakhs) towards unclaimed dividend and redemption account.

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) Rules, 2006.

In terms of 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

Secunderabad  
August 10, 2012

**R.L. Lakhotia**  
Executive Director

**Dinesh Lata**  
Company Secretary

# Notes to the Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a. Accounting concepts

The financial statement 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.

### b. 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/materialised.

### c. Fixed assets

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

### d. 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.

### e. Inventories

Inventories are valued at lower of cost and net realisable value. Cost of finished goods and goods in process are ascertained on weighted average basis. Cost of raw material, 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.

### f. 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.

### g. Employee benefits

Liability for employee benefits, both short term and long term for present and past services which are due as per terms of employment are accounted in accordance with Accounting Standard 15 - Employee Benefits as notified by Companies (Accounting Standards) 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 absences and Long term service award. The liability for the gratuity, compensated absence and long term 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.

### h. Research & Development expenses

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

### i. Government grants

Grants received against specific fixed assets are adjusted to the cost of asset and revenue grants are



## Notes to the Financial Statements

recognised in the Statement of Profit and Loss in accordance with the related scheme in the period in which these are accrued and are deducted in reporting the related expenses.

### **j. Depreciation**

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.

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 above is transferred from revaluation reserve.

### **k. Foreign currency transaction**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the time of transaction.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of year are translated at year end rates.

The difference in translation of monetary assets and liabilities and realised gain/losses to foreign exchange transactions are recognized in the Statement of Profit and Loss.

### **l. 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.

### **m. Provisions and contingencies**

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

### **n. 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 assets 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.

### **o. Leases**

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 Ordinary shares of ₹10 each (March 31, 2011: 2,50,00,000 Ordinary shares of ₹10 each)	25,00.00	25,00.00
10,00,000 Preference shares of ₹100 each (March 31, 2011: 10,00,000 Preference shares of ₹100 each)	10,00.00	10,00.00
	<b>35,00.00</b>	<b>35,00.00</b>
<b>Issued</b>		
1,58,91,074 Ordinary shares of ₹10 each (March 31, 2011: 1,58,91,074 Ordinary shares of ₹10 each)	15,89.11	15,89.11
<b>Subscribed &amp; fully paid up</b>		
1,58,79,900 Ordinary shares of ₹10 each fully paid up (March 31, 2011: 1,58,79,900 Ordinary shares of ₹10 each)	15,87.99	15,87.99
Add: Forfeited shares (Amount originally paid up)	0.86	0.86
<b>TOTAL</b>	<b>15,88.85</b>	<b>15,88.85</b>

**Notes:**

**Subscribed and paid up capital include:**

- a. Shareholders holding more than 5% of the ordinary shares along with the number of shares held is as given below:

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	Number of shares	%	Number of shares	%
Aravali Securities and Finance Limited	56,07,000	35.31	56,07,000	35.31
Amba Investment Private Limited	11,84,967	7.46	11,84,967	7.46

- b. Rights, preferences and restrictions attached to ordinary shares:

The ordinary shares of the Company, having par value of ₹10 per share, rank *pari passu* in all respects including voting rights and entitlement to dividend.

- c. Details of forfeited shares:

Class of shares	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Amount originally paid up	No. of shares	Amount originally paid up
Ordinary shares	9,154	0.86	9,154	0.86



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>3. RESERVES AND SURPLUS</b>		
<b>Capital reserve</b>		
At the beginning and at the end of the year	9.16	9.16
<b>Capital redemption reserve</b>		
At the beginning and at the end of the year	70.93	70.93
<b>Securities premium reserve</b>		
Opening balance	70,46.78	66,35.19
Receipts on account of preferential allotment	-	4,11.59
Closing balance	70,46.78	70,46.78
<b>Revaluation reserve</b>		
Opening balance	52,21.37	55,97.45
Depreciation on account of revaluation	(1,44.00)	(2,07.64)
Unutilised portion, on account of assets sold, transferred to general reserve	(52.81)	(16.49)
Loss on sale of revalued assets transferred to revaluation reserve	(2.24)	(1,51.95)
Closing balance	<b>50,22.32</b>	<b>52,21.37</b>
<b>General reserve</b>		
Opening balance	82,34.39	82,17.90
Transfer from revaluation reserve	52.81	16.49
Closing balance	<b>82,87.20</b>	<b>82,34.39</b>
<b>Surplus/(deficit) in the Statement of Profit and Loss</b>		
Opening balance	1,77.58	19,68.87
Add: Loss for the year	(17,30.91)	(17,91.29)
Closing balance	<b>(15,53.33)</b>	<b>1,77.58</b>
<b>TOTAL</b>	<b>188,83.06</b>	<b>207,60.21</b>





Particulars	Non-current portion		Current maturities	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>4. LONG-TERM BORROWINGS</b>				
<b>a. Term loans</b>				
<b>From banks</b>				
Secured [Refer notes ii(a) to ii(d) below]				
Rupee loan	180,27.47	191,62.74	63,35.29	56,68.63
Vehicle loan	12.21	-	2.98	-
<b>b. Deferred payment liabilities</b>				
Unsecured [Refer note ii(e) below]				
Sales tax deferment loan	20,37.43	15,88.45	-	-
	<b>200,77.11</b>	<b>207,51.19</b>	<b>63,38.27</b>	<b>56,68.63</b>

**Notes:**

- i. Current maturities of long term borrowings are included in 'other current liabilities' in Note 10.
- ii. Nature of security and terms of repayment for long term secured borrowings:

Nature of security	Terms of repayments
a. Term loan from banks amounting to ₹180,29.42 lakhs (March 31, 2011: ₹171,64.71 lakhs) is secured/to be secured by first <i>pari passu</i> charge on immovable and movable assets, present and future, of the company subject to the prior charge created/to be created on specified movables (Current assets) in favour of the Company's bankers for the working capital borrowings.	Repayable in 12-16 quarterly installments. Last installment due on July, 2017. Rate of interest ranges from 12.00% - 14.75% p.a.
b. Term loan from banks of ₹63,33.34 lakhs (March 31, 2011: ₹76,66.66 lakhs) is secured/to be secured by a first <i>pari passu</i> charge on the fixed assets of the Company.	Repayable in 4-12 quarterly installments and 60 monthly installments. Last installment due on May, 2017. Rate of interest ranges from 12.75% - 15.00% p.a.
c. Term loans from banks include ₹111,40 lakhs which are optionally convertible by the lenders into fully paid ordinary shares in the event of default in repayment of principal amount of loan or interest thereon or any combination thereof.	
d. Vehicle loan is repayable in 51 monthly installments ending in June 2016.	
e. 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 ₹184,65 lakhs is eligible for deferment up to a maximum of ₹65,45.85 lakhs. The deferment is to be availed in 14 financial years commencing from March 21, 2002 to March 20, 2016. Each year's deferment is payable after 14 years from the year of deferment without interest. Based on the above, deferred liability of the Company as at March 31, 2012 is ₹20,37.43 lakhs (March 31, 2011: ₹15,88.45 lakhs). During the year, the Company has received a demand of ₹63.08 lakhs towards excess deferment availed, which is grouped under other current liabilities.	



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>5. DEFERRED TAX (ASSET)/LIABILITIES</b>		
Deferred tax liability comprises of:		
- Difference between book balance and tax balance of fixed assets	56,90.80	57,12.38
Deferred tax assets comprises of:		
- Unabsorbed depreciation	(51,31.32)	(46,76.98)
<b>Deferred tax liabilities (Net)</b>	<b>5,59.48</b>	<b>10,35.40</b>

Particulars	As at March 31, 2012	As at March 31, 2011
<b>6. OTHER LONG-TERM LIABILITIES</b>		
Deposits from customers and vendors	36,95.26	36,71.74
<b>TOTAL</b>	<b>36,95.26</b>	<b>36,71.74</b>

Particulars	As at March 31, 2012	As at March 31, 2011
<b>7. LONG-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Gratuity [Refer Note (a) below]	4,56.43	6,12.58
Compensated absences [Refer Note (b) below]	3,06.77	3,07.78
Retirement ex-gratia [Refer Note (c) below]	1,35.51	1,39.30
<b>TOTAL</b>	<b>8,98.71</b>	<b>10,59.66</b>

**Notes:**

- a. The gratuity fund is invested in a group gratuity cash accumulation policy offered by Life Insurance Corporation of India. The investment returns earned on the policy comprises bonus declared by LIC having regard to LIC's investment earnings. The information at the allocation of 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.
- b. Provision for compensated absences (leave) is made on the basis of actuarial valuation and the same is unfunded.
- c. Provision for retirement ex-gratia (Long term service award) is made on the basis of actuarial valuation and same is unfunded.



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>8. SHORT-TERM BORROWINGS</b>		
<b>From banks</b>		
Secured (Refer note below)	45,93.04	16,99.38
<b>TOTAL</b>	<b>45,93.04</b>	<b>16,99.38</b>

**Note:**

Short term borrowings from banks are secured by a first charge on the inventory, trade and other receivables of the Company, both present and future and also by second charge created and/or to be created in favour of the term lenders of the Company on the Company's immovable properties and other fixed assets.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>9. TRADE PAYABLE</b>		
Acceptances	2.36	6.97
Trade creditors	57,15.79	46,54.05
<b>TOTAL</b>	<b>57,18.15</b>	<b>46,61.02</b>

Particulars	As at March 31, 2012	As at March 31, 2011
<b>10. OTHER CURRENT LIABILITIES</b>		
Current maturities of long term debt (Refer Note 4)	63,38.27	56,68.63
Interest accrued but not due on borrowings	2,96.60	-
Investor Education & Protection Fund (Refer note below)	21.97	27.81
Statutory remittances	6,01.12	11,00.45
Advances from customers and vendors	2,10.33	1,63.68
Other liabilities	1,34.28	1,17.63
<b>TOTAL</b>	<b>76,02.57</b>	<b>70,78.20</b>

**Note:**

Investor Education and Protection Fund represents unclaimed dividend required to be transferred to this fund on completion of seven years. No such amount is due for deposit as on the Balance Sheet date.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>11. SHORT-TERM PROVISIONS</b>		
<b>Current portion of long term employee benefits</b>		
Compensated absences	55.51	36.44
Retirement ex-gratia	29.25	30.06
Others	2.00	0.72
<b>TOTAL</b>	<b>86.76</b>	<b>67.22</b>



Notes to the Financial Statements

12. FIXED ASSETS

₹ Lakhs

Particulars	Gross block (At cost/revalued)				Depreciation				Net block	
	As at March 31, 2011	Additions	Deletions	As at March 31, 2012	Upto March 31, 2011	For the year	Deletions/ Adjustments	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>A. TANGIBLE ASSETS</b>										
Freehold land	11,22.96	-	-	1,122.96	-	-	-	-	11,22.96	11,22.96
Buildings										
Own use	72,43.70	83.56	3,17.60	70,09.66	37,24.09	1,23.45	2,41.07	36,06.47	34,03.19	35,19.61
Given under operating lease	24.70	-	-	24.70	0.75	0.41	-	1.16	23.54	23.95
	72,68.40	83.56	3,17.60	70,34.36	37,24.84	1,23.86	2,41.07	36,07.63	34,26.73	35,43.56
Plant & machinery	715,30.25	2,32.99	51,95.25	665,67.99	283,24.52	29,48.26	45,69.72	267,03.06	398,64.93	432,05.73
Furniture & fixtures	2,20.25	9.28	0.02	2,29.51	75.45	13.87	0.01	89.31	1,40.20	1,44.80
Vehicles	5,07.75	25.19	2,05.67	3,27.27	3,04.49	40.86	1,70.22	1,75.13	1,52.14	2,03.26
Office equipment	1,53.07	17.18	0.22	1,70.03	77.87	7.59	0.13	85.33	84.70	75.20
Railway sidings	41.66	-	27.67	13.99	12.41	1.88	5.37	8.92	5.07	29.25
<b>TOTAL (A)</b>	<b>808,44.34</b>	<b>3,68.20</b>	<b>57,46.43</b>	<b>754,66.11</b>	<b>325,19.58</b>	<b>31,36.32</b>	<b>49,86.52</b>	<b>306,69.38</b>	<b>447,96.73</b>	<b>483,24.76</b>
<b>B. INTANGIBLE ASSETS</b>										
ERP software (B)	85.19	42.67	72.11	55.75	85.19	6.41	72.11	19.49	36.26	-
<b>TOTAL (A+B)</b>	<b>809,29.53</b>	<b>4,10.87</b>	<b>58,18.54</b>	<b>755,21.86</b>	<b>326,04.77</b>	<b>31,42.73</b>	<b>50,58.63</b>	<b>306,88.87</b>	<b>448,32.99</b>	<b>483,24.76</b>
Previous year	819,46.80	7,87.34	18,04.61	809,29.53	309,14.35	32,42.96	15,52.54	326,04.77	483,24.76	

Particulars	As at March 31, 2012	As at March 31, 2011
<b>13. NON-CURRENT INVESTMENTS</b>		
<b>Equity investments (unquoted, fully paid up)</b>		
1,67,500 (March 31, 2011: 1,67,500) equity shares of ₹10 each of Neptune Paper Mills Limited (in liquidation)	16.75	16.75
<b>Equity investments (Unquoted, partly paid up)</b>		
60,000 (March 31, 2011: 60,000) equity shares of ₹100 each (paid-up ₹5 per share) of Beloit India Limited (in liquidation)	1.18	1.18
	<b>17.93</b>	<b>17.93</b>
Less: Provision for diminution in the value of investments	17.93	17.93
<b>Total investments (Net)</b>	<b>-</b>	<b>-</b>



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>14. LONG-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Capital advances	2,71.21	3,09.55
Security and other deposits	13,72.86	13,52.99
<b>TOTAL</b>	<b>16,44.07</b>	<b>16,62.54</b>

Particulars	As at March 31, 2012	As at March 31, 2011
<b>15. INVENTORIES</b>		
(at lower of cost and net realisable value)		
Raw materials	17,69.47	7,81.54
Work-in-progress (Refer note below)	7,71.07	7,24.00
Finished goods	5,08.18	1,43.19
Stock-in-transit	67.78	1,24.73
Stores, spares and other consumables	15,04.45	12,48.85
<b>TOTAL</b>	<b>46,20.95</b>	<b>30,22.31</b>

**Note:** Work-in-progress represents paper and paper board.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>16. TRADE RECEIVABLES</b>		
<b>Outstanding for a period exceeding six months</b>		
Secured, considered good (Refer note below)	48.00	1,61.81
Unsecured, considered good	99.97	-
Unsecured, considered doubtful	56.62	56.62
Less: Provision for doubtful debts	(56.62)	(56.62)
	<b>1,47.97</b>	<b>1,61.81</b>
<b>Other trade receivables</b>		
Secured, considered good (Refer note below)	27,84.68	27,61.66
Unsecured, considered good	33,15.82	25,10.36
<b>TOTAL</b>	<b>62,48.47</b>	<b>54,33.83</b>

**Note:** Trade receivables are secured by way of security deposit collected from the customers to the extent of ₹28,32.68 lakhs (March 31, 2011: ₹29,23.47 lakhs).



Notes to the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>17. CASH AND CASH EQUIVALENTS</b>		
Cash in hand	15.60	15.97
Cheques, drafts in hand	-	20.00
<b>Balances with banks</b>		
- in current account	2,96.94	6,13.86
- Balances held as margin money deposit (Refer note below)	1,46.04	1,48.34
- in earmarked accounts		
- balance held as security against borrowings	9,11.00	-
- in dividend account	21.97	27.81
- in redemption account	1.32	1.32
<b>TOTAL</b>	<b>13,92.87</b>	<b>8,27.30</b>
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements is	13,92.87	8,27.30

**Note:** Balances with banks include deposits of ₹16.04 lakhs (March 31, 2011: ₹16.04 lakhs) with original maturity of more than 12 months.

Particulars	As at March 31, 2012	As at March 31, 2011
<b>18. SHORT-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advance tax and tax deducted at source	3,71.90	3,27.31
[Net of provision ₹3,74.57 lakhs (March 31, 2011: ₹3,77.17 lakhs)]		
Intercompany deposits	9,17.63	9,24.31
Loans and advances to employees	31.49	32.92
Prepaid expenses	30.94	38.54
Balance with customs, central excise etc.	79.39	67.78
Advance to material supplier/contractors	15,88.22	6,97.21
Others	19.53	13.97
	<b>30,39.10</b>	<b>21,02.04</b>
Less: Provision for doubtful loans and advances	-	(0.52)
<b>TOTAL</b>	<b>30,39.10</b>	<b>21,01.52</b>

Particulars	As at March 31, 2012	As at March 31, 2011
<b>19. OTHER CURRENT ASSETS</b>		
<b>Accruals</b>		
Interest accrued on deposits	1,17.95	42.56
Interest accrued on trade receivables	59.30	53.74
Claims receivable from Government of Andhra Pradesh & others	6,26.23	3,92.60
Receivables on account of sale of fixed assets	91.25	-
<b>TOTAL</b>	<b>8,94.73</b>	<b>4,88.90</b>





Notes to the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>20. REVENUE FROM OPERATIONS</b>		
Sale of paper and paper board	407,80.41	373,61.49
<b>TOTAL</b>	<b>407,80.41</b>	<b>373,61.49</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>21. OTHER OPERATING REVENUE</b>		
Sale of coal ash and scrap	2,80.33	5,70.37
<b>TOTAL</b>	<b>2,80.33</b>	<b>5,70.37</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>22. OTHER INCOME</b>		
Interest on		
- Term deposits with banks	83.94	34.91
- Intercorporate and other loans	99.44	1,02.05
- Others (customers/debtors, on deposits, etc.)	6,35.19	5,28.26
Rent	50.14	48.03
Sales tax incentive	-	12.68
Profit on sale of fixed assets	-	60.91
Profit on sale of current investments	-	30.81
Miscellaneous income	2,04.71	2,54.07
<b>TOTAL</b>	<b>10,73.42</b>	<b>10,71.72</b>
Tax deducted at source on interest received is ₹43.56 lakhs (March 31, 2011: ₹47.13 lakhs)		

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>23. COST OF MATERIALS CONSUMED</b>		
Opening stock	8,19.42	10,42.12
Add: Purchases	170,41.99	141,01.20
	178,61.41	151,43.32
Less: Closing stock	(18,03.85)	(8,19.42)
<b>TOTAL</b>	<b>160,57.56</b>	<b>143,23.90</b>
Material consumed comprises:		
Bamboo and wood	104,45.61	90,04.08
Chemicals and other fibers	49,74.96	47,18.36
Packing material	6,36.99	6,01.46
<b>TOTAL</b>	<b>160,57.56</b>	<b>143,23.90</b>



Notes to the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-PROCESS</b>		
Opening stock-in-process	7,24.00	7,66.24
Opening finished goods	1,43.19	2,69.20
	<u>8,67.19</u>	<u>10,35.44</u>
Closing stock-in-process	7,71.07	7,24.00
Closing finished goods	5,08.18	1,43.19
	<u>12,79.25</u>	<u>8,67.19</u>
Adjustment for excise duty on stock	23.36	(2.75)
Net increase/(decrease) in stock	<b>4,35.42</b>	<b>(1,71.00)</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>25. MANUFACTURING EXPENSES</b>		
Stores and spares consumed	13,98.68	12,60.50
Power and fuel	91,51.46	86,80.69
Repairs and maintenance		
- Buildings	1,70.54	1,45.22
- Plant & machinery	3,20.77	2,07.97
- Other assets	25.72	41.48
<b>TOTAL</b>	<b>110,67.17</b>	<b>103,35.86</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>26. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	58,49.06	55,65.64
Contribution to provident and other funds	5,99.32	7,10.83
Workmen and staff welfare expenses	1,89.98	1,84.97
<b>TOTAL</b>	<b>66,38.36</b>	<b>64,61.44</b>

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>27. FINANCE COSTS</b>		
Interest expense		
- On borrowings	36,33.04	29,31.60
- On others	4,31.06	4,68.78
Other borrowing cost	1,23.18	73.43
<b>TOTAL</b>	<b>41,87.28</b>	<b>34,73.81</b>



## Notes to the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>28. OTHER EXPENSES</b>		
Insurance	58.28	57.98
Rent	33.12	31.08
Lease rent	18.00	18.00
Rates & taxes	25.97	32.04
Freight, carriage and cartage charges	5,00.96	3,79.81
Vehicle expenses	48.82	50.41
Travelling and conveyance expenses	1,15.27	2,09.67
Legal & professional expenses	1,00.11	79.57
Commission to wholesalers	4,62.13	3,66.97
Communication and advertisement	76.84	73.31
Conversion charges	75.90	76.42
Directors' sitting fees	3.42	4.80
Increase/(Decrease) of excise duty on inventory	23.37	(2.75)
Auditors' remuneration	15.89	14.32
Loss on sale of fixed assets	15.19	-
Miscellaneous expenses	1,43.00	1,54.09
<b>TOTAL</b>	<b>17,16.27</b>	<b>15,45.72</b>



Notes to the Financial Statements

29. a. Commitments and contingent liabilities

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Claims/Demands under dispute</b>		
i. Income tax	1,82.26	1,44.23
ii. Excise duty etc.	5,33.70	4,05.34
iii. Value added tax	3,23.48	2,26.93
iv. Demand from Government of Andhra Pradesh for forest related cases	22,01.67	21,91.55
v. State levies	16,20.25	5,78.79
vi. Labour related cases	3,51.31	4,07.12
vii. Suppliers and service contracts	6,95.47	3,08.73
<b>TOTAL</b>	<b>59,08.14</b>	<b>42,62.69</b>

- b. The Forest Department, Government of Andhra Pradesh has demanded interest of ₹12,25.52 lakhs included in the note 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 Hon'ble High Court of Andhra Pradesh and in terms of the order of the Court a sum of ₹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 above mentioned demand of ₹12,25.52 lakhs.
- c. Show cause notice was issued claiming full rate of duty on clearance of paper & paper board at concessional rate during the period from September 1994 to September 1999. The amount involved, as per show cause notice is ₹18.08 crore. The case was adjudicated to the Commissioner of Customs & Central Excise in the Company favour in July 2005 dropping all the proceedings, interest, penalty and duty. However, the Department has gone on an appeal against the order of Commissioner to CESTAT, where it is pending.
- d. Government of Andhra Pradesh had levied electricity duty on power generated and consumed for captive use. The Company had filed a writ petition against the said levy in the Hon'ble High Court of Andhra Pradesh which had granted a stay.
- e. Estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹6,41.42 lakhs (March 31, 2011: ₹2,24.23 lakhs) against which advances paid amount to ₹79.53 lakhs (March 31, 2011: ₹66.33 lakhs).
- f. **Details as per the requirement of provisions under MSMED Act, 2006**

Particulars	As at March 31, 2012	As at March 31, 2011
The principal amount remaining unpaid at the end of the year	37.21	29.15
The interest due on above	2.94	0.68
The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	Nil	Nil
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	3.33	2.93



Notes to the Financial Statements

**g. Managerial remuneration**

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Executive Directors</b>		
Salary and allowances	1,29.48	1,24.29
Performance bonus	-	-
Contribution to funds	14.25	13.97
Perquisites	2.02	4.00
<b>Non-Executive Directors</b>		
Sitting fees	3.42	4.80
<b>TOTAL</b>	<b>1,49.17</b>	<b>1,47.06</b>

**h. Details of imported and indigenous items consumed during the year**

Particulars	Material consumed (Raw material, stores and chemicals)			
	2011-12		2010-11	
	Amount	%	Amount	%
Indigenous	173,86.18	99.60	15502.46	99.47
Imported	70.06	0.40	81.94	0.53
<b>TOTAL</b>	<b>174,56.24</b>	<b>100.00</b>	<b>155,84.40</b>	<b>100.00</b>

**i. CIF value of imports**

Particulars	As at March 31, 2012	As at March 31, 2011
Components and spare parts	153.22	126.80

**j. Expenditure in foreign currency**

Particulars	As at March 31, 2012	As at March 31, 2011
Travelling expenses	7.87	36.26
Books	-	0.08
Consultancy	-	10.11
Raw materials & machine spares	1,72.93	1,56.27
<b>TOTAL</b>	<b>1,80.80</b>	<b>2,02.72</b>

**k. Earning in foreign currency**

Particulars	As at March 31, 2012	As at March 31, 2011
Export (F.O.B.)	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

**Note:** The above excludes export sales through merchant exports ₹61.25 lakhs (March 31, 2011: ₹1,30.04 lakhs).



Notes to the Financial Statements

**l. Auditors' remuneration**

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Statutory Auditors</b>		
Audit fees	6.50	6.50
Fees for limited review	8.60	5.95
Fees for certification	–	0.50
Reimbursement of expenditure	0.79	1.37
<b>TOTAL</b>	<b>15.89</b>	<b>14.32</b>

**Note:** The above excludes service tax and education cess thereon.

- m. Total outstanding bank guarantees and letters of credit as on March 31, 2012, aggregated to ₹10,96.28 lakhs (March 31, 2011: ₹7,33.13 lakhs), which are secured against the Company's assets.
- n. 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 relevant authorities. The amount so eligible aggregating to ₹5,82.00 lakhs (March 31, 2011: ₹3,48.59 lakhs) is included in other current assets under Note 19 with a corresponding credit to power and fuel expenses, in respective years.
- o. 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:

2011-12		2010-11	
Nil	Nil	\$ 1,561	₹0.96 lakhs
Nil	Nil	€ 5,870	₹3.53 lakhs

**p. Contribution to provident fund, superannuation fund, ESI**

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
Employer's contribution to provident fund	1,59.69	1,51.16
Employer's contribution to superannuation fund	20.41	22.79
Employer's contribution to employees' state insurance	1,31.02	1,30.81
Employer's contribution to employees' pension scheme	1,32.89	1,36.99





Notes to the Financial Statements

**q. Employee benefit plans**

**i. Change in defined benefit obligation (DBO) during the year**

₹ Lakhs

Particulars	2011-12		
	Gratuity	Leave	Long service award
Present value of (DBO) at the beginning of the year	22,69.66	3,44.23	1,69.36
	<i>20,58.17</i>	<i>3,76.74</i>	<i>1,62.64</i>
Current service cost	1,10.00	31.13	10.71
	<i>1,02.47</i>	<i>27.70</i>	<i>9.90</i>
Interest cost	1,81.58	27.54	13.54
	<i>1,64.65</i>	<i>30.14</i>	<i>12.20</i>
Actuarial losses/(gains)	19.52	39.43	(5.36)
	<i>1,53.15</i>	<i>(12.49)</i>	<i>7.25</i>
Past service cost	-	-	-
	<i>-</i>	<i>-</i>	<i>-</i>
Benefits paid	(2,18.20)	(80.05)	(23.49)
	<i>(2,08.78)</i>	<i>(77.86)</i>	<i>(22.63)</i>
Present value of (DBO) at the end of the year	23,62.56	3,62.28	1,64.76
	<i>22,69.66</i>	<i>3,44.23</i>	<i>1,69.36</i>

**ii. Change in the fair value of assets during the year**

Particulars	2011-12		
	Gratuity	Leave	Long service award
Plan assets at the beginning of the year	16,57.09	NA	NA
	<i>16,04.68</i>	<i>NA</i>	<i>NA</i>
Actual return on plan assets	1,55.77	NA	NA
	<i>1,51.19</i>	<i>NA</i>	<i>NA</i>
Actual Company's contribution	3,11.47	80.05	23.49
	<i>1,10.00</i>	<i>77.86</i>	<i>22.63</i>
Benefits paid	(2,18.20)	(80.05)	(23.49)
	<i>(2,08.78)</i>	<i>(77.86)</i>	<i>(22.63)</i>
Present value of (DBO) at the end of the year	19,06.13	NA	NA
	<i>16,57.09</i>	<i>NA</i>	<i>NA</i>

**iii. Net Asset/(Liability) recognised in the Balance Sheet as at end of the year**

Particulars	2011-12		
	Gratuity	Leave	Long service award
Present value of defined benefit obligations	23,62.56	3,62.28	1,64.76
	<i>22,69.66</i>	<i>3,44.23</i>	<i>1,69.36</i>
Fair value of plan assets	19,06.13	NA	NA
	<i>16,57.09</i>	<i>NA</i>	<i>NA</i>
Funded status - surplus/(Deficit)	(4,56.43)	(3,62.28)	(1,64.76)
	<i>(6,12.58)</i>	<i>(3,44.23)</i>	<i>(1,69.36)</i>
Net Asset/(Liability) recognized in Balance Sheet	(4,56.43)	(3,62.28)	(1,64.76)
	<i>(6,12.58)</i>	<i>(3,44.23)</i>	<i>(1,69.36)</i>

**Note:** Figures in italics relate to the previous year



Notes to the Financial Statements

**iv. Components of employer's expenses**

₹ Lakhs

Particulars	2011-12		
	Gratuity	Leave	Long service award
Current service cost	1,10.00 <i>1,02.47</i>	31.13 <i>27.70</i>	10.71 <i>9.90</i>
Interest cost	1,81.58 <i>1,64.65</i>	27.54 <i>30.14</i>	13.54 <i>12.20</i>
Expected return on plan assets	(1,40.85) <i>(1,28.37)</i>	NA <i>NA</i>	NA <i>NA</i>
(Gain)/Actuarial Losses	4.59 <i>1,30.33</i>	39.43 <i>(12.49)</i>	(5.36) <i>7.25</i>
Past service cost	- -	- -	- -
Expenses/(Income) recognized in Statement of Profit and Loss	1,55.32 <i>2,69.08</i>	98.10 <i>45.35</i>	18.89 <i>29.35</i>

**v. Actual contribution and benefit payments for the year**

Particulars	2011-12		
	Gratuity	Leave	Long service award
Actual benefit payments	2,18.20 <i>2,08.78</i>	80.05 <i>77.86</i>	23.49 <i>22.63</i>
Actual contributions	3,11.47 <i>1,10.00</i>	80.05 <i>77.86</i>	23.49 <i>22.63</i>

**vi. Principal actuarial assumptions**

Particulars	2011-12		
	Gratuity	Leave	Long service award
Principal actuarial assumptions:			
Discount rate	% 8.0 <i>8.0</i>	8.0 <i>8.0</i>	8.0 <i>8.0</i>
Expected return on plan assets	% 8.5 <i>8.0</i>	NA <i>NA</i>	NA <i>NA</i>
Salary escalation - Staff	% 8.0 <i>8.0</i>	8.0 <i>8.0</i>	8.0 <i>8.0</i>
- Workers	% 7.0 <i>7.0</i>	7.0 <i>7.0</i>	7.0 <i>7.0</i>

**Note:** Figures in italics relate to the previous year

**r. Segment information**

The Company is in the business of manufacture and sale of pulp, paper and paper board. Considering the core activities of the Company, management is of the view that manufacture and sale of pulp, paper and paper boards is a single reportable business segment and hence information relating to primary segment is not required to be disclosed.

Notes to the Financial Statements

s. Related party disclosure

List of related party and relationships

Party	Relation
Aravali Securities and Finance Limited	Entity holding more than 20%
Boutique Hotels India Private Limited	Managerial personnel exercising significant influence
<b>Key management personnel</b>	
Shri R.L. Lakhota	Executive Director
Shri Devashish Poddar	Vice-Chairman & Managing Director

Related party transactions

₹ Lakhs

Transactions	Entity holding more than 20%	Managerial personnel exercising significant influence	Key management personnel
Interest income	35.00	-	-
	(35.00)	-	-
Lease rent paid	18.00	-	-
	(18.00)	-	-
Rent, office maintenance, canteen charges & expenses	6.93	32.53	-
	(6.59)	(32.52)	-
Interest paid on unsecured loan	-	-	-
	(6.99)	-	-
Management contracts	-	-	1,45.75
	-	-	(1,42.26)
Reimbursement of expenses	17.67	-	-
	(5.66)	-	-
Unsecured short term loan paid	-	-	-
	(5,00.00)	-	-
Outstanding as on March 31, 2012			
Payable	-	-	14.03
	-	-	-
Receivable	3,68.09	-	-
	(3,68.09)	-	-

**Note:** Related parties are as identified by the Company based on information available and relied upon by auditors. Figures in brackets are for the previous year.

- t. The Company's significant leasing arrangement are in respect of operating leases for premises (residential, office, stores, godown 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 Note 28.



u. Loss per share

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
Loss after tax as per accounts (₹ lakhs)	(17,30.91)	(17,91.29)
Weighted average number of shares (Nos.)	158,79,900	156,85,721
Loss per share (₹)	(10.90)	(11.42)

- v. The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the Board

**K. Rajasekhar**  
Partner

Secunderabad  
August 10, 2012

**Ranjan Kumar Poddar**  
Chairman

**R.L. Lakhotia**  
Executive Director

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

**Dinesh Lata**  
Company Secretary



**THE SIRPUR PAPER MILLS LIMITED**

Registered Office: 5-9-22/1/1, 1st Floor  
Ashoka Chambers, Adarshnagar, Hyderabad - 500 063  
Website: www.sirpurpaper.com

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

**ATTENDANCE SLIP**

**Day** Friday  
**Date** September 28, 2012  
**Time** 3.00 p.m.  
**Venue** Bhaskara Auditorium  
B.M. Birla Science Centre  
Adarshnagar, Hyderabad-500 063

**Reg. Folio No.**

**Demat Particulars  
DP ID No.**

**Client ID No.**

I hereby record my presence at  
the 73rd ANNUAL GENERAL  
MEETING of the Company

.....  
*Signature of the Member or Proxy*

**MEMBER**

**PROXY**

**No. of Shares**

*(Please tick as applicable)*

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

**FORM OF PROXY**

**Reg. Folio No.**

**Demat Particulars  
DP ID No.**

**No. of Shares**

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

of.....  
(Address)

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

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

.....  
(Name of alternate proxy)

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

as my/our proxy to vote for me/us on my/our behalf at the 73rd ANNUAL GENERAL MEETING of the Company to be held at 3.00 p.m. on Friday, the September 28, 2012 at Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad-500 063 and at any adjournment thereof.

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

Affix a  
15 paise  
Revenue  
Stamp

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



## FORWARD LOOKING STATEMENTS

The Annual Report contains statements that constitute forward looking statements including, without limitation, statements relating to the implementation of strategic initiatives and other statements relating to our future business developments and economic performance.

While these forward looking statements represent our judgements and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that we have indicated could adversely affect our business and financial performance.

The Company undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.

This Annual Report has been printed on pulp board and  
maplitho paper manufactured by The Sirpur Paper Mills Limited.

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Concept, Research, Design & Production

**CAPRICORN**  
Hyderabad





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