

## Form A

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

1	Name of the Company	THE SIRPUR PAPER MILLS LIMITED
2	Annual Standalone Financial Statements for the year ended	31 <sup>st</sup> March 2014
3	Type of Audit Observation	Un-qualified
4	Frequency of Observation	Not Applicable

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

  
**Ganesh Balakrishnan**  
(Partner)  
(Membership No. 201193)



**For The Sirpur Paper Mills Limited**

  
**Vimal Arora**  
Chief Financial Officer

  
**R. L. Lakhota**  
Executive Director

  
**Devashish Poddar**  
Managing Director

  
**P. Vaman Rao**  
Chairman  
Audit Committee

Place: Hyderabad  
Date: May 29, 2014



The Sirpur Paper Mills Limited

*Annual*  
*Report*

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2013-14

# *Annual Report*

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## Contents

**1**

Corporate Information

**2**

10 year Financial Highlights

**3**

Notice

**20**

Directors' Report

**28**

Management Discussion & Analysis

**34**

Report on Corporate Governance

**46**

Independent Auditors' Report

**50**

Balance Sheet

**51**

Statement of Profit and Loss

**52**

Cash Flow Statement

**54**

Notes forming part of the Financial Statements

**75**

Proxy Form



## Corporate Information

### BOARD OF DIRECTORS

**Shri Ranjan Kumar Poddar**  
Chairman

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

**Shri Rameshwar Lall Lakhotia**  
Executive Director

**Shri Laxminiwas Sharma**

**Shri P. Vaman Rao**

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

**Ms. Poonam Bodra**

**Shri Vedula Srinivas**  
(w.e.f. August 11, 2014)

**Shri P. Nagarajan**  
(w.e.f. August 11, 2014)

### BOARD COMMITTEES

#### AUDIT COMMITTEE

Shri P. Vaman Rao - Chairman  
Shri Rameshwar Lall Lakhotia  
Shri Laxminiwas Sharma  
Shri G. S. Srinivasan  
Ms. Poonam Bodra

#### NOMINATION AND REMUNERATION COMMITTEE

Shri P. Vaman Rao - Chairman  
Shri Laxminiwas Sharma  
Ms. Poonam Bodra

#### STAKEHOLDERS' RELATIONSHIP COMMITTEE

Shri Laxminiwas Sharma - Chairman  
Shri Devashish Poddar  
Shri Rameshwar Lall Lakhotia  
Shri P. Vaman Rao

#### AUDITORS

Messrs. Deloitte Haskins & Sells  
Chartered Accountants  
Secunderabad

#### REGISTERED OFFICE

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

#### CHIEF FINANCIAL OFFICER

Shri Vimal Arora

#### 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

#### COMPANY SECRETARY

Shri Dinesh Lata

#### BANKERS

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

#### MILLS

Sirpur-Kaghnaznagar  
504 296  
Telangana

#### REGISTRAR & SHARE TRANSFER AGENT

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



## 10 year Financial Highlights

Particulars	UOM	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05
Production - Pulp, paper & board	MT	89,256	83,085	99,543	93,900	91,126	92,298	72,146	75,828	78,883	78,490
Gross operating revenue	₹ Lakhs	44,728	376,52	410,61	379,32	349,35	368,47	271,16	270,42	268,65	254,29
Profit/(Loss) before interest, depreciation & tax	₹ Lakhs	(13,92)	(28,54)	49,79	46,93	53,19	58,72	34,61	30,83	31,86	29,57
Profit/(Loss) before depreciation & tax	₹ Lakhs	(62,14)	(73,42)	7,92	12,19	19,31	26,61	28,51	25,77	26,09	23,91
Profit/(Loss) before tax	₹ Lakhs	(90,98)	(102,69)	(22,07)	(18,16)	(10,45)	(1,32)	16,79	15,32	16,18	15,28
Profit/(Loss) after tax	₹ Lakhs	(90,98)	(97,10)	(17,31)	(17,91)	(11,85)	(1,63)	32,62	13,32	14,59	14,10
Share capital	₹ Lakhs	16,99	16,44	15,89	15,89	15,01	15,01	15,01	15,01	11,01	8,35
Reserves & surplus	₹ Lakhs	(45,38)	43,78	138,61	155,39	169,03	179,64	183,48	156,70	124,34	93,48
Shareholders' funds	₹ Lakhs	(28,39)	60,22	154,50	171,28	184,04	194,65	198,49	171,71	135,35	101,82
Borrowings	₹ Lakhs	353,34	343,20	310,08	281,19	296,81	300,17	272,98	247,20	139,60	89,91
Deferred tax liability	₹ Lakhs	-	-	5,59	10,35	10,60	9,21	9,15	21,43	24,78	25,12
Net fixed assets	₹ Lakhs	356,24	382,83	408,41	436,15	461,10	480,48	483,30	418,59	259,07	168,15
Investments	₹ Lakhs	-	-	-	-	10	10	4,10	3,37	17,29	20,07
PBIDT to gross operating revenue	%	(3.11)	(7.58)	12.13	12.37	15.23	15.94	12.76	11.40	11.86	11.63
PBDT to gross operating revenue	%	(13.89)	(19.50)	1.93	3.21	5.53	7.22	10.51	9.53	9.71	9.40
Earnings per share	₹	(54.22)	(60.80)	(10.90)	(11.42)	(7.89)	(1.09)	21.73	9.17	13.65	16.91
Dividend on ordinary shares	%	-	-	-	-	-	15	35	35	35	50
Book value per share <sup>§</sup>	₹	(16.71)	36.64	100.81	114.38	129.66	135.80	138.32	128.66	145.45	152.20
Debt (Term loans)/ Equity <sup>§</sup>	Times	11.10	5.12	1.65	1.45	1.36	1.19	1.03	1.13	0.70	0.43

Notes: a. UOM refers to unit of measure.

b. Revaluation of fixed assets not considered.

§ Ignoring deferred tax liability

## Notice

NOTICE is hereby given that the seventy fifth Annual General Meeting of the Members of The Sirpur Paper Mills Limited, will be held on **Monday, the 29th September, 2014 at 12.30 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, 2014, together with Auditors' Report and the report of the Directors thereon.
2. To appoint a Director in place of Shri Ranjan Kumar Poddar (DIN: 00290949) who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this connection, to consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, and pursuant to the recommendations of the audit committee of the Company, Messrs. Deloitte Haskins & Sells, Chartered Accountants (ICAI Firm 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 seventy eighth Annual General Meeting of the Company to be held in the year 2017 (subject to ratification of the appointment by the members at every subsequent Annual General Meeting) and that their remuneration be and is hereby fixed at ₹7,50,000 (Rupees seven lakhs fifty thousand only) per annum plus reimbursement of service tax, travelling and out of pocket expenses."

### Special Business

4. To appoint Shri Laxminiwas Sharma (DIN: 00010899) as an Independent Director and in

this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and Clause 49 of the Listing Agreement, Shri Laxminiwas Sharma (DIN: 00010899), Director of the Company who retires by rotation at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a Member signifying his intention of proposing the candidature of Shri Laxminiwas Sharma for the office of director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from September 29, 2014 for a term up to the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019."

5. To appoint Shri Pendyala Vaman Rao (DIN: 00069771) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and Clause 49 of the Listing Agreement, Shri Pendyala Vaman Rao (DIN: 00069771), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a Member signifying his intention of proposing the candidature of Shri Pendyala



Vaman Rao for the office of director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from September 29, 2014 for a term up to the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019."

6. To appoint Shri Vedula Srinivas (DIN: 06947908) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and Clause 49 of the Listing Agreement, Shri Vedula Srinivas (DIN: 06947908) who was appointed as an Additional Director by the Board of Directors, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013, from a Member signifying his intention of proposing the candidature of Shri Vedula Srinivas for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from September 29, 2014 for a term up to the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019, whose period of office shall not be liable to retire by rotation."

7. To appoint Shri Padmanabhan Nagarajan (DIN: 00110344) as Director of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and

all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and Clause 49 of the Listing Agreement, Shri Padmanabhan Nagarajan (DIN: 00110344) who was appointed as an Additional Director by the Board of Directors, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a Member signifying his intention of proposing the candidature of Shri Padmanabhan Nagarajan for the office of director, be and is hereby appointed as a director of the Company and whose period of office shall be liable to determination by retirement of directors by rotation."

8. To re-appoint Shri Rameshwar Lall Lakhota (DIN: 00282738) as a Whole-time Director, designated as Executive Director of the Company and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and 203 read with Schedule V to the Act and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) 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 Lakhota (DIN: 00282738) as a Whole-time Director, designated as Executive Director of the Company, on the following terms and conditions, including remuneration and perquisites as approved by the Remuneration Committee:

1. **Period:** 2 years with effect from July 24, 2014.

## 2. Remuneration

- a. Salary ₹4,75,000 (Rupees Four lakhs and 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 Rameshwar Lall 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 act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
- d. 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 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 authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution."

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

"RESOLVED THAT in supersession of the ordinary resolution adopted through postal ballot





on January 21, 2013 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee thereof) to borrow money from time to time for the purpose of the business of the Company, from any one or more banks, financial institutions etc together with the money already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business) may exceed, at any time, the aggregate of its paid up share capital and free reserves upto an amount of ₹600 crore (Rupees Six hundred crore only) apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby also authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds, matters and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

10. To adopt new Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this 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  
CIN:L21010TG1938PLC000591

August 30, 2014



## NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL 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. Proxies submitted on behalf of companies, societies, etc must be supported by an appropriate resolution/ authority, as applicable. A person shall not act as a Proxy for more than 50 members and holding in the aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a proxy for any other person.

2. A statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto. Relevant documents referred to in the above notice and statement, are open for inspection by the members at the Registered Office of the Company between 2.00 p.m. to 4.00 p.m. on all working days between Monday and Friday.
3. The Register of Members and the share transfer books of the Company will remain closed from September 25, 2014 to September 29, 2014 (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 & Telangana, 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 2006 (including interim dividend declared on March 21, 2006), 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, 2007 will be transferred by the Company to the Investor education and protection fund on or before October 13, 2014. 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 year ended March 31, 2007 and thereafter are requested to immediately forward the same to the Company for revalidation.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2013 (date of last AGM) on the Company's website: [www.sirpurpaper.com](http://www.sirpurpaper.com) as also on the website of the Ministry of Corporate Affairs.

Further, as on March 31, 2014, no unclaimed share certificates are lying with the Company in terms of Clause 5A(I) and Clause 5A(II) of the Listing Agreement.

5. Any change in address of the Members may please be notified to the registrars and share transfer agents of the Company quoting their registered folio.
6. The 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. In order to send all communications including Notices, Annual Reports and other communications through Email, we request Members to send a confirmation to the Registrars (RTA) mentioning your name, DP/Client ID or Folio number and Email ID for communication and also inform any changes in the Email address.

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

8. Members holding shares in physical form may please note that the Securities and Exchange Board of India has made trading in the shares of the Company compulsorily in dematerialised 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 dematerialised.

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. Details under Clause 49 of the Listing Agreement with the stock exchanges in respect of Directors seeking appointment/re-appointment at the Annual General Meeting, forms an integral part of the Notice. The particulars of the aforesaid directors are also annexed.

11. **Members desiring any information as regards the accounts for the year 2013-14 are requested to send their queries in writing to the Company's registered office not less than 72 hours before the commencement of the AGM, for effective participation in the proceedings.**

12. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the Meeting.

13. Members/Proxies are requested to kindly take note of the following:

- a. Attendance slip, as sent herewith, is required to be brought at the venue duly filled in and signed, for attending the meeting.
- b. Folio No./DP & Client ID No. may please be quoted in all correspondence with the

Company and/or the Registrar and Share Transfer Agent.

#### 14. **Green Initiative**

Electronic copy of the Notice of the 75th Annual General Meeting of the Company *inter alia* indicating the process and manner of E-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their Email address, physical copies of the Notice of the 75th Annual General Meeting of the Company *inter alia* indicating the process and manner of E-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

Members may also note that the Notice of the 75th Annual General Meeting and the Annual Report for 2013-14 will also be available on the Company's website [www.sirpurpaper.com](http://www.sirpurpaper.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Hyderabad for inspection between 2:00 p.m. to 4:00 p.m. on all working days from Monday to Friday. Even after registering for E-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the Members may also send requests to the Company or to its Registrar and Share Transfer Agent, at the following Email IDs:

[info@vccipl.com](mailto:info@vccipl.com)

[complianceofficer@sirpurpaper.com](mailto:complianceofficer@sirpurpaper.com)

#### 15. **Electronic voting** (Voting through electronic means)

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 read with Clause 35B of the Listing Agreement, the Company is pleased to provide to the Members the facility to exercise their right to vote on all resolutions set forth in this Notice, convening the 75th Annual General Meeting (AGM) by electronic means and the business will be transacted through E-voting service provided by National Securities Depository Limited (NSDL). The detailed instructions for E-voting are given as a separate attachment to this Notice (at pages 13 & 14).



## **EXPLANATORY STATEMENT**

**(Pursuant to Section 102(1) of the Companies Act, 2013)**

### **Item 4 and 5 of the Notice:**

Shri Laxminiwas Sharma and Shri Pendyala Vaman Rao are the existing Independent Directors of the Company and their period of office is liable to determination by retirement of directors by rotation. With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed Company to appoint 'Independent Directors' as defined in Section 149 of the Act, which has been notified with effect from April 1, 2014, who are not liable to retire by rotation and shall hold office for a term up to five consecutive years and he shall not be included in the total number of Directors considered for retirement by rotation. The Securities and Exchange Board of India (SEBI) has also revised clause 49 of the Listing Agreement *inter alia* stipulating similar conditions for the appointment of Independent Directors by a listed company.

Accordingly, at the ensuing Annual General Meeting of the Company, it is proposed to appoint Shri Laxminiwas Sharma and Shri P. Vaman Rao, as Independent Directors under Section 149 of the Act and revised Clause 49 of the Listing Agreement to hold office for five consecutive years from September 29, 2014 for a term up to the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019, whose office shall not be liable to retire by rotation.

The Company has received declarations from Shri Laxminiwas Sharma and Shri P. Vaman Rao that they meet with criteria of Independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

Brief resume of Shri Laxminiwas Sharma and Shri P. Vaman Rao, nature of their expertise in specific functional areas and names of Companies in which they hold directorships and memberships/ chairmanships of board committees, shareholding etc, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, are provided in the annexure to this notice and in the Corporate Governance Report forming part of the Annual Report.

The Company has received notices in writing from Members, along with the deposit of requisite amount, under Section 160 of the Act, proposing the candidature of each of Shri Laxminiwas Sharma and Shri P. Vaman Rao for the office of Directors of the Company.

Shri Laxminiwas Sharma and Shri P. Vaman Rao are not disqualified from being appointed as Directors in terms of Section 164 of the Act.

The Board of Directors of your Company, after reviewing the provisions of the Act, are of the opinion that Shri Laxminiwas Sharma and Shri P. Vaman Rao fulfil the conditions specified in the Act and the Rules made thereunder to be eligible to be appointed as Independent Director pursuant to the provisions of Section 149 of the Act and Clause 49 of the Listing Agreement. The Board of Directors of your Company is also of the opinion that Shri Laxminiwas Sharma and Shri P. Vaman Rao are independent of the management of the Company.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Shri Laxminiwas Sharma and Shri P. Vaman Rao as Independent Directors. Accordingly, the Board recommends the Resolutions in relation to appointment as Independent Directors pursuant to the provisions of Section 149 read with Schedule IV of the Act and Clause 49 of the Listing Agreement for approval by the Members of the Company.

Copy of the draft letters for respective appointments of Shri Laxminiwas Sharma and Shri P. Vaman Rao as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

Shri Laxminiwas Sharma and Shri P. Vaman Rao are interested in the Resolutions set out respectively at Items 4 and 5 of the Notice with regard to their respective appointments.

The relatives of Shri Laxminiwas Sharma and Shri P. Vaman Rao may be deemed to be interested in the Resolutions set out respectively at Items 4 and 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors/key managerial personnel of the Company/ their relatives is, in any way concerned or interested, financially or otherwise, in these resolutions.

The Board recommends the Ordinary Resolutions set out at Items 4 and 5 of the Notice for approval by the Members.

**Item 6 of the Notice:**

The Board of Directors of the Company appointed Shri Vedula Srinivas as an Additional Director of the Company with effect from August 11, 2014 pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company. In terms of the provisions of Section 161(1) of the Act, he holds office up to the date of the ensuing Annual General Meeting.

Shri Vedula Srinivas is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

Section 149 of the Act *inter alia* stipulates the criteria of independence should a company propose to appoint an independent director on its Board. As per the said Section, an independent director can hold office for a term up to five consecutive years on the Board of a company and he shall not be included in the total number of directors for retirement by rotation.

Accordingly, Shri Vedula Srinivas being eligible is proposed to be appointed as an Independent Director for a term of five consecutive years up to the conclusion of Eightieth Annual General Meeting of the Company to be held in the calendar year 2019.

The Company has received a declaration from Shri Vedula Srinivas that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

Brief resume of Shri Vedula Srinivas, nature of his experience in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of board committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is annexed to this notice.

The Company has received, along with requisite deposit, a notice under Section 160 of the Act in writing from a Member proposing the candidature of Shri Vedula Srinivas for the office of Director of the Company.

In the opinion of the Board, Shri Vedula Srinivas fulfils the conditions for his appointment as an Independent Director as specified in the Act and rules made thereunder and the Listing Agreement, for his appointment as an Independent Director of the Company and he is independent of the management.

Copy of the draft letter for appointment of Shri

Vedula Srinivas as an Independent Director setting out the terms and conditions is available for inspection by Members at the Registered Office of the Company.

The Board considers that keeping in view his expertise and knowledge, it would be of immense benefit to the Company that Shri Vedula Srinivas is appointed as an Independent Director of the Company. Accordingly, the Board recommends the Resolution in relation to appointment of Shri Vedula Srinivas as an Independent Director of the Company, for approval by the Members of the Company.

Save and except Shri Vedula Srinivas, none of the other Directors/key managerial personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item 6 of the Notice.

The statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

**Item 7 of the Notice:**

The Board of Directors of the Company appointed Shri Padmanabhan Nagarajan as an Additional Director of the Company with effect from August 11, 2014 pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company. In terms of the provisions of Section 161(1) of the Act, he holds office up to the date of the ensuing Annual General Meeting.

He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

It is proposed to appoint Shri Padmanabhan Nagarajan as Director of the Company, whose period of office shall be liable to determination by retirement of directors by rotation.

The Company has received, along with requisite deposit, a notice under Section 160 of the Act in writing from a Member proposing the candidature of Shri Padmanabhan Nagarajan for the office of Director of the Company.

Brief resume of Shri Padmanabhan Nagarajan, nature of his experience in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, is annexed to this notice.

The Board of Directors of your Company, after reviewing the provisions of the Act, are of the opinion that Shri Padmanabhan Nagarajan fulfils the conditions specified in the Act and the Rules made thereunder to be eligible to be appointed as Director of the Company.

The Board considers that keeping in view his expertise and knowledge, it would be of immense benefit to the Company that Shri Padmanabhan Nagarajan is appointed as a Director of the Company. Accordingly, the Board recommends the Resolution in relation to appointment of Shri Padmanabhan Nagarajan as a Director of the Company, whose period of office shall be liable to determination by retirement of directors by rotation, for the approval by the Members of the Company.

Save and except Shri Padmanabhan Nagarajan, none of the other Directors/key managerial personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item 7 of the Notice.

The statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the stock exchanges.

**Item 8 of the Notice:**

Shri Rameshwar Lall Lakhotia is a B. Tech. (Chemical Engg.) and aged 69 years. He will be attaining the age of 70 years in July 2015. He has 46 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 liaisoning, industrial relations etc. The Board of Directors re-appointed Shri Rameshwar Lall Lakhotia as Whole-time Director, designated as Executive Director of the Company, with effect from July 24, 2014 for a further period of two years upto July 23, 2016, on the remuneration and the terms and conditions as stated in the Resolution.

The remuneration of Executive Director as set out in the special resolution was approved by the remuneration committee and the Board of Directors at their meetings held on May 29, 2014.

Shri Rameshwar Lall 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 Rameshwar Lall 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.

Shri Rameshwar Lall Lakhotia satisfies all the conditions set out in Part I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for re-appointment. The Resolution is proposed as a Special Resolution, both for the purposes of Part II of Schedule V and proviso to sub-section 3(a) of Section 196 of the Act. He is not disqualified from being appointed as Director in terms of Section 164 of the Act. Requisite confirmations have been obtained.

None of the Directors/key managerial personnel of the Company/their relatives except Shri Rameshwar Lall Lakhotia is, in any way concerned or interested, financially or otherwise, in the Special Resolution set out at Item 8 of the Notice.

The above may be treated as a written memorandum setting out of the terms of re-appointment of Shri Rameshwar Lall Lakhotia under Section 190 of the Companies Act, 2013.

In terms of Schedule V of the Companies Act, 2013 a statement giving required information is appended to this Notice.

**Item 9 of the Notice:**

**Borrowing powers**

In terms of Section 293(1)(d) of the Companies Act, 1956, the Members had passed requisite resolution, by way of Ordinary Resolution on January 21, 2013 through Postal Ballot process. The Board of Directors was duly delegated powers for making borrowings upto an aggregate outstanding amount of ₹600 crore.

The Central Government has since enacted the Companies Act, 2013 in place of the Companies Act, 1956 and the provisions of new law are being effectuated in a phased manner. In terms of Section 180 of the Companies Act, 2013, the authorisation by Members for the aforesaid purposes shall require to be given by way of Special Resolution. Ministry of Corporate Affairs, by General Circular No.04/204, dated March 25, 2014 has clarified that the resolutions passed under Section 293 of the



Companies Act, 1956 prior to September 12, 2013 with reference to borrowings will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from the said notification date.

It has, thus, become necessary for the Company to revalidate the sanction already accorded by passing a fresh resolution by way of a Special Resolution. Having regard to the current business plans of the Company, the existing limit is considered sufficient and no enhancement of limit has been sought at the current juncture.

None of the Directors/key managerial personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the Special Resolution set out at Item 9 of the Notice.

#### **Item 10 of the Notice:**

The existing Articles of Association (AoA) are based on the Companies Act, 1956 and several regulations in the existing AoA contain references to specific sections of the Companies Act, 1956 and some regulations in the existing AoA are no longer in conformity with the Companies Act, 2013 (Act).

The Act is now largely in force. On September 12, 2013, the Ministry of Corporate Affairs (MCA) had notified 98 sections for implementation. Subsequently, on March 26, 2014, MCA notified most of the remaining sections (barring those provisions which require sanction/confirmation of the National Company Law Tribunal ('Tribunal') such as variation of rights of holders of different classes of shares (Section 48), reduction of share capital (Section 66), compromises, arrangements and amalgamations (Chapter XV), prevention of oppression and mismanagement (Chapter XVI), revival and rehabilitation of sick companies (Chapter XIX), winding up (Chapter XX) and certain other provisions including, *inter alia*, relating to Investor Education and Protection Fund (Section 125) and valuation by registered valuers (Section 247). However, substantive sections of the Act which deal with the general working of companies stand notified.

With the coming into force of the Act, several regulations of the existing AoA of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing AoA by a new set of Articles.

The new AoA to be substituted in place of the existing AoA are based on Table 'F' of the Act which sets out

the model articles of association for a company limited by shares. Members' attention is invited to certain salient provisions in the new draft AoA of the Company viz:

- a. Company's lien now extends also to bonuses declared from time to time in respect of shares over which lien exists;
- b. The nominee(s) of a deceased sole member are recognised as having title to the deceased's interest in the shares;
- c. New provisions regarding application of funds from reserve accounts, when amounts in reserve accounts are to be capitalised;
- d. New provisions relating to appointment of chief executive officer and chief financial officer, in addition to manager and company secretary;
- e. Existing articles have been streamlined and aligned with the Act;
- f. The statutory provisions of the Act which permit a company to do some acts 'if so authorised by its articles' or provisions which require a company to do acts in a prescribed manner 'unless the articles otherwise provide' have been specifically included; and
- g. Provisions of the existing AoA which are already part of statute in the Act have not been reproduced in the new draft AoA as they would only lead to duplication - their non-inclusion makes the new AoA crisp, concise and clear and aids ease of reading and understanding.

None of the Directors/key managerial personnel of the Company/their relatives is, in any way concerned or interested, financially or otherwise, in the Special Resolution set out at Item 10 of the Notice.

The Board recommends the Special Resolution set out at Item 10 of the Notice for approval by the Members.

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  
CIN: L21010TG1938PLC000591

August 30, 2014.



## INSTRUCTIONS FOR E-VOTING

### E-Voting Process:

- I. Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, read with Clause 35 B of the Listing Agreement, the Company is pleased to offer E-voting facility to the Members to cast their votes electronically on all resolutions set forth in the Notice convening the 75th Annual General Meeting to be held on Monday, the 29th September, 2014 at 12.30 p.m. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the E-voting facility.

The E-voting facility is available at the link <https://www.evoting.nsdl.com>

The E-voting Event Number and period of E-voting are set out below:

EVEN (E-VOTING-EVENT NUMBER)	COMMENCEMENT OF E-VOTING	END OF E-VOTING
100804	17th September, 2014 at 9.00 a.m.	19th September, 2014 at 6.00 p.m.

### The instructions for E-voting are as under:

- A. In case a Member receives an Email from NSDL [for members whose email IDs are registered with the Company/Depository Participant(s)]:
- i. Open email and open PDF file viz; Sirpurpaper e-Voting.pdf with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for E-voting. Please note that the password is an initial password.
  - ii. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - iii. Click on Shareholder - Login
  - iv. Type user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - v. Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - vi. Home page of E-voting opens. Click on e-voting: Active Voting Cycles.
  - vii. Select 'EVEN' of The Sirpur Paper Mills Limited.
  - viii. Now you are ready for E-voting as Cast Vote page opens.
  - ix. Cast your vote by selecting appropriate option and click on 'submit' and also 'confirm' when prompted.
  - x. Upon confirmation, the message 'Vote cast successfully' will be displayed.
  - xi. Once you have voted on the resolution, you will not be allowed to modify your vote.
  - xii. Institutional Members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant board resolution/authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer through Email to [scrutiniserajsharma@gmail.com](mailto:scrutiniserajsharma@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)





- B. In case a Member receives physical copy of the Notice of AGM [for members whose Email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy]:
- i. Initial password is provided as below/ at the bottom of the Attendance Slip for the AGM: EVEN (E-Voting Event Number) USER ID PASSWORD/PIN
  - ii. Please follow all steps [from Sl.No.(ii) to (xii)] as mentioned above, to cast your vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the Downloads Section of <https://www.evoting.nsdl.com> or contact NSDL at the following telephone number: +91 22 2499 4600.
- III. If you are already registered with NSDL for E-voting, then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and Email ID in the user profile details of the folio which may be used for sending future communication(s).
- V. The E-voting period commences on September 17, 2014 (9.00 a.m.) and ends on September 19, 2014 (6:00 p.m.). During this period, Members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date (record date) of August 22, 2014, may cast their vote electronically. The E-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.
- VI. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of August 22, 2014.
- VII. Shri A. J. Sharma of M/s. A.J. Sharma & Associates, Practicing Company Secretary (Membership No. CP-2176, FCS-2120) has been appointed as the Scrutinizer to scrutinise the e-voting process in a fair and transparent manner.
- VIII. The Scrutiniser shall within a period not exceeding three working days from the conclusion of the E-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IX. The result shall be declared on or after the Annual General Meeting of the Company. The results declared along with Scrutinizer's Report shall be placed on the Company's website [www.sirpurpaper.com](http://www.sirpurpaper.com) and the website of NSDL within two days of passing the resolution at the Annual General Meeting of the Company and communicated to the stock exchanges.



**Statement as required in terms of Schedule V of the Companies Act, 2013 annexed to the Notice calling Annual General Meeting for approval of remuneration and terms and conditions of the re-appointment of Shri Rameshwar Lall Lakhota, Executive Director (Please refer Special Resolution No.8 of the Notice dated August 30, 2014)**

<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			
	<b>Particulars</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
	Sales & other income	40023	36520	43059
	Operating profit (EBIDT)	4979	(2854)	(1392)
	Profit before depreciation & tax	792	(7342)	(6214)
	Net profit/(loss) before tax	(2207)	(10269)	(9098)
	<i>Note: For further details please refer Annual Report and Financial Highlights.</i>			
5. Foreign investments or collaborations, if any	Amba Investments Private Limited, a foreign company, invested in 37,90,067 ordinary shares of ₹10 each of the Company, constituting 22.31% of the paid up capital of the Company and there is no foreign collaboration.			
<b>II. Information about the appointee</b>				
1. Background details				
i. Age	69 years			
ii. Academic qualifications	B. Tech. (Chemical Engg.)			
iii. Experience	Shri Rameshwar Lall Lakhota has 46 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.			
iv. Particulars of previous employment as whole-time director	Appointed as Whole-time Director, designated as Executive Director from July 24, 2010 to July 23, 2014 for 2 terms of two years each.			
v. Date of approval of last re-appointment	He was re-appointed as Whole-time Director, designated as Executive Director, by the Members of the Company at the annual general meeting held on September 28, 2012 for a period of two years with effect from July 24, 2012.			
vi. Approval for increase in remuneration, if any	Not Applicable			



<p>2. Past remuneration: For the financial year 2013-14</p> <p>i. Salary, allowances and perquisites</p>	<p>Salary: ₹4,75,000 per month. Rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him); Free electricity and water; Club fees (subject to maximum of one club but excluding life membership and admission fees); Personal accident insurance as per rules of the Company; Free use of Company's car with driver; telephone at residence.</p>
<p>ii. Remuneration payable in case of inadequacy of profits in any year</p>	<p>Same as above.</p>
<p>3. Recognition and awards</p>	<p>During the year 2013, the Company in appreciation of its achievements in energy conservation in the paper &amp; pulp sector, has been awarded second time consecutively the First Prize by Ministry of Power, Government of India. This prestigious National Award has been received from the Hon'ble President of India, Shri Pranab Mukherjee, in the presence of Hon'ble Minister for Power, Government of India and other distinguished guests on December 16, 2013.</p> <p>The Company has been declared consecutively the winner of the 'First Prize' for Energy Conservation in Small and Medium Scale Industry Category for 2012-13 by New &amp; Renewable Energy Development Corporation of Andhra Pradesh Limited, and the award was received at a function held on December 20, 2013 at Hyderabad.</p>
<p>4. Job profile and his suitability</p>	<p>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>Shri Rameshwar Lall Lakhotia has 46 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 liaisoning 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> <ol style="list-style-type: none"> <li>i. Housing: Rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him);</li> <li>ii. Free electricity and water;</li> <li>iii. Club fees (subject to maximum of one club but excluding life membership and admission fees);</li> <li>iv. Personal accident insurance as per rules of the Company;</li> <li>v. Leave: 45 days in a year, encashable at the end of the tenure;</li> <li>vi. Gratuity (subject to ceiling in Payment of Gratuity Act), as per rules of the Company;</li> <li>vii. Free use of Company's car with driver;</li> <li>viii. Telephone at residence.</li> </ol> <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</p> <p>In the event of loss or inadequacy of profit, the whole-time director shall be paid and entitled to remuneration - salary, performance bonus and perquisites as minimum remuneration.</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, 2014 are given below and their involvement, contribution in the growth of the Company may not be same and comparable:</p> <ol style="list-style-type: none"> <li>a. Ballarpur Industries Limited: Whole-time director ₹209.45 Lakhs (for the year ended June 30, 2013);</li> <li>b. West Coast Paper Mills Limited: Executive director ₹194.95 Lakhs;</li> <li>c. Seshasayee Paper and Boards Limited: Whole-time director ₹48.78 Lakhs;</li> <li>d. J.K. Paper Mills Limited: Whole-time director ₹168.42 Lakhs (for the year 2012-13).</li> </ol>
<p>7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any</p>	<p>Shri Rameshwar Lall 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 or key managerial personnel of the Company.</p>



<b>III. Other information</b>	
1. Reasons of loss or inadequate profits	The severe power cut by the state grid continued during the year till July 2013 resulting in forced shut down of one paper machine leading to lower production. The rise in cost of major inputs continued during the year and affected working of the company. The availability of prime raw material i.e. wood declined further during the year resulting in increase in price by 42% over & above to increase by 40% over last year. Coal price also increased by 12% during the year besides steep increase in prices of major chemicals ranging from 10% to 70%.
2. Steps taken or proposed to be taken for improvement	Efforts are already put in for improving the productivity further; minimizing the input consumption in terms of per ton of paper; developing new price remunerative paper varieties; and controlling the input costs and wastages.
3. Expected increase in productivity and profits.	Barring unforeseen circumstances, the capacity utilisation is expected to improve by 10 to 12%, with corresponding improvement in profitability.
<b>IV. Disclosures</b>	
1. Remuneration package of the managerial personnel and also of all the Directors	The required disclosures have been made in the Corporate Governance Section in the Annual Report.
2. Details of fixed component and performance linked incentives along with the performance criteria	Performance bonus not exceeding 0.20% of profit before tax.
3. Service contracts, notice period, severance fees	The re-appointment is contractual which can be determined by one month notice by either party.  Except above, no other severance fees is payable.
4. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable	Not issued so far.

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

Name	Shri Ranjan Kumar Poddar	Shri Laxminiwas Sharma	Shri P. Vaman Rao	Shri Vedula Srinivas	Shri Padmanabhan Nagarajan	Shri Rameshwar Lall Lakhotia
Date of birth	August 12, 1949	February 17, 1947	June 12, 1928	March 30, 1959	June 12, 1951	July 26, 1945
Appointed on	September 20, 1975	January 31, 2000	November 10, 2000	August 11, 2014	August 11, 2014	July 24, 2010
Qualifications	B.A. (Economics) (Hons.)	F.C.A.	B. A.	B. Com., IILB, A.C.A.	B. Com, BGL, A.C.A.	B.Tech (Chemical Engg.)
Expertise in specific functional areas	Industrialist	Former President of FAPCCI and a senior Chartered Accountant and Tax Consultant	Public relations and journalism, general administration and liaison	Practicing Advocate in AP High Court since 1982 in corporate, general and other laws.	Has nearly four decades of post qualification work experience in areas like treasury, forex, working capital management, corporate taxation, corporate restructuring, project evaluation etc. Awarded the 'CFO of the Year' in the category of India, in 2005. Presently a member of FICCI's Banking & Financial Institutions (F&I) Committee.	Has 46 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 liaisoning, industrial relations etc.
Directorships in other companies	Aravali Securities and Finance Limited; Boutique Hotels India Private Limited.	B. N. Rathi Securities Limited; Bapuji Estates Private Limited; Brahmshah Co-operative Health Services Private Limited.	Hyderabad Industries Limited; Hyderabad Agencies Private Limited.	Nil	Jasper Industries Private Limited - Finance Director; Jasper Auto Services Private Limited; Jasper Automobiles Private Limited; Bhubaneswar Power Private Limited; Jasper Automobiles Telangana Private Limited; Coromandel Engineering Company Limited.	Nil
Memberships/Chairman of committees across public companies	<b>Audit Committee</b> Aravali Securities & Finance Limited (Member) <b>Stakeholders' Relationship Committee</b> Aravali Securities & Finance Limited (Member)	<b>Audit Committee</b> B. N. Rathi Securities Limited (Chairman); The Sirpur Paper Mills Limited (Member) <b>Nomination and Remuneration Committee</b> The Sirpur Paper Mills Limited (Member) <b>Stakeholders' Relationship Committee</b> The Sirpur Paper Mills Limited (Chairman)	<b>Audit Committee</b> HIL Limited (Chairman) The Sirpur Paper Mills Limited (Chairman) <b>Nomination and Remuneration Committee</b> HIL Limited (Member) The Sirpur Paper Mills Limited (Chairman) <b>Stakeholders' Relationship Committee</b> HIL Limited (Chairman) The Sirpur Paper Mills Limited (Member)	Nil	<b>Audit Committee</b> Coromandel Engineering Company Limited (Member)	<b>Audit Committee</b> The Sirpur Paper Mills Ltd (Member) <b>Stakeholders' Relationship Committee</b> The Sirpur Paper Mills Ltd (Member)



## Directors' Report

Dear Members,

Your Directors have pleasure in presenting their Annual Report and audited accounts of the Company with Auditors' Report for the financial year ended March 31, 2014.

The financial performance of the Company for the year under review is summarized in the table given below:

	₹ Lakhs	
Working results	2013-14	2012-13
Production MT	89,256	83,085
Sales MT	86,323	83,789
Net operational revenue	420,49	354,01
Profit/(loss) before other items, finance cost, depreciation & tax	(13,92)	(14,60)
Other items		
Fuel surcharge adjustment for earlier years being contested	-	10,50
Provision for loss on assets retired from active use	-	3,44
Profit/(loss) before finance cost, depreciation & tax	(13,92)	(28,54)
Finance cost	48,22	44,88
Profit/(loss) before depreciation & tax	(62,14)	(73,42)
Depreciation	28,84	29,27
Profit/(loss) before tax	(90,98)	(102,69)
Less: Provision for taxation	-	(5,59)
Profit/(loss) after tax	(90,98)	(97,10)
Balance brought forward from previous year	(112,63)	(15,53)
Balance carried to Balance Sheet	(203,61)	(112,63)

### Dividend

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

### Performance

Your Company produced 89,256 MT of pulp and paper during the year under review as compared to 83,085 MT produced in the previous year and sales were 86,323 MT as compared to 83,789 MT in the previous year.

The gross operating revenue during the year under review was ₹444,34 lakhs as compared to ₹372,44 lakhs in 2012-13. Capacity utilization was 65% as compared to 60% in 2012-13.

The loss before other items, finance costs, depreciation and tax was ₹13,92 lakhs compared to the loss of ₹14,60 lakhs in the previous year. The severe power cut by the state grid continued during the year till July 2013 resulting in forced shut down of one paper machine leading to lower production. The rise in cost of major inputs continued during the year and affected working of the Company. The availability of prime raw material i.e. wood declined further during the year resulting in increase in price by 42% over & above to increase by 40% over last year. Coal price also increased by 12% during the year besides steep increase in prices of major chemicals ranging from 10% to 70%.

The net sales realization of paper was increased by 15% from ₹42,250 to ₹48,711 per ton of paper during the year to compensate the increase in input cost; however, the impact of increase in production cost could not be passed fully in paper prices.

The wood availability in last quarter improved to some extent and the management is hopeful that prices of wood will soften in next season starting from October 2014. The power situation in the state also improved by start of generation of hydel power because of adequate rains in the state. However, the paper market is under price pressure from first quarter of 2014-15 because of duty free import of paper from South Asian countries under bilateral treaties and strengthening of rupee against foreign currency.

Your Company's management is committed to improve the working of the Company and taking necessary efforts to improve the productivity, minimizing of input consumption in terms of per ton of paper, development of new price remunerative paper varieties and by control of wastages.

In a difficult industry environment, your Company ended the year under review with net loss after tax of ₹90,98 lakhs as against ₹97,10 lakhs in 2012-13.

### Finance

Your Company's finances have been strained due to continuous losses for the past five years.

Lenders granted moratorium by sanction of CDR package upto December, 2013 and principal term loan instalment payment will start from end of March

2014. Loans increased due to funded interest term loan resulting in increase of finance cost during the year under review to ₹48,22 lakhs as against ₹44,88 lakhs in 2012-13. Your Company has paid interest on working capital and FITL regularly and there are no dues in respect of these borrowings. The payment of interest on term loans were due from January, 2014 and the first installment of principal became due on the last day of this fiscal year.

Due to erosion of net worth fully on account of continuous losses resulting in the tightness in working capital due to which service of interest and first installment of term loan due in March end were not paid on due date. Your Company has been able to pay interest for the period January to March, 2014 and first installment due on last day of fiscal year during the first quarter of financial year 2014-15.

Your Company is in discussion with lenders and is working out a solution to address short fall in working capital and repayment of term loan & interest thereon. Further, the Company also is in discussion with lenders for disposal of surplus non-productive assets.

Your Company continues to avail sales tax deferment loan under the then Andhra Pradesh State Government policy till March 2015.

#### **Share Capital**

In compliance with the terms and conditions of the CDR package & Master Restructuring Agreement entered with the lenders, a preferential issue of 11,05,100 ordinary shares of ₹10 each at a premium of ₹33 per share was made to a promoter in tranches. The promoter has brought in the balance contribution of ₹2,37 lakhs during the year and the Company has allotted 5,50,000 shares on August 14, 2013. Thus, the entire contribution of ₹4,75 lakhs was brought in by promoters. The new shares were listed on the stock exchanges during the year.

#### **Reference to BIFR**

The Company had submitted an application to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) post erosion of net worth of the Company by more than 50% as per audited accounts for the year ended March 31, 2013. The Company had further submitted the required information in the formats as prescribed by the Hon'ble BIFR on periodical intervals in relation to the performance of the Company.

The net worth of the Company as at March 31, 2014, as per the audited accounts presented before the

Board, has been eroded fully. Under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, the Board of Directors has to make a reference to BIFR, within sixty days from the date of finalisation of the duly audited accounts at the annual general meeting, for determination of the measures which shall be adopted by the Company.

#### **Plantation**

Efforts made for improvement of wood availability in previous years are now showing results as availability of wood has improved over the previous year. It is expected that during the year 2014-15 the same will improve further and also bring down the cost of wood to some extent. The Company has focused all its attention on assistance in plantation in Adilabad district & other catchment area. Your Company is continuing the distribution of subabul seeds to farmers free of cost to improve availability of raw material in the long run and has also established nurseries for development of clonal plantation for better yield. Plantation has also been done on all vacant land owned by your Company. The central and state government has also been approached by Indian Paper Manufacturers Association to allot degraded land for taking up large scale plantation.

#### **Awards & accolades**

During the year 2013, in appreciation of its achievements in energy conservation in the paper & pulp sector, your Company has been awarded consecutively second time the First Prize by Ministry of Power, Government of India. This prestigious National Award was received by Mr. Devashish Poddar, Vice-Chairman & Managing Director from Hon'ble President of India, Shri Pranab Mukherjee, in the presence of Hon'ble Minister for Power, Government of India, and several distinguished guests on December 16, 2013.

Your Company has been once again declared winner of 'First Prize for Energy Conservation' in the Small and Medium Scale Industry Category for the year 2012-13 by New & Renewable Energy Development Corporation of Andhra Pradesh Limited, and the award was received at a function held on December 20, 2013 at Hyderabad.

#### **Human resources development**

During 2013-14, your Company has maintained cordial industrial relations. Top priority is given to human resources initiatives especially 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 to be disclosed 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 for any further comments under Section 217(3) of the Companies Act, 1956.

### **Auditors**

The statutory auditors of the Company, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting.

As per the provisions of Section 139 of the Companies Act, 2013, they are eligible for re-appointment as auditors for a term of three years.

In accordance with the requirements of Sections 139(1) and 141 of the Companies Act, 2013 read with Rule 4 of the Companies (Audit and Auditors) Rules, 2014 they have confirmed in writing, their eligibility and willingness to accept office of the statutory auditors for a period of three years from the conclusion of the forthcoming Annual General Meeting.

The Board, on the recommendation of the Audit Committee, has proposed that M/s. Deloitte Haskins & Sells, Chartered Accountants (ICAI Firm Registration Number: 008072S) be re-appointed as statutory auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of seventy eighth Annual General Meeting.

### **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.

In view of accumulated losses, the provisions relating to constitution of Corporate Social Responsibility (CSR) Committee are not applicable to your Company, till it meets the criteria specified in Section 135 of the Companies Act, 2013 read with rules framed thereunder. Hence, the Company has not constituted CSR Committee.

### **Directors**

The term of office of the Executive Director, Shri Rameshwar Lall Lakhotia ended on July 23, 2014. At the meeting of the Board of Directors held on May 29, 2014, he has been re-appointed as Whole-time Director designated as Executive Director with effect from July 24, 2014 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 Rameshwar Lall Lakhotia as Executive Director, remuneration and other terms are being placed for approval of the Members at the ensuing Annual General Meeting. Approval of the Central Government will be sought, where required. The Board recommends passing of a Special Resolution confirming his re-appointment.



Shri Sudhir Jalan and Shri Rakesh Bhartia, Directors of the Company resigned from the Board of Directors of the Company and vacated the Office as Directors of the Company due to personal reasons with effect from December 11, 2013 and February 10, 2014, respectively. The Board placed on record its high appreciation for the valuable advice rendered by Shri Sudhir Jalan and Shri Rakesh Bhartia, during their tenure as directors of the Company.

In accordance with the provisions of Companies Act, 2013 and the Articles of Association of the Company, Shri Ranjan Kumar Poddar, Director of the Company will retire by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment.

In accordance with the provisions of the Companies Act, 2013 and the Listing Agreement, the office of directorship of Shri Laxminiwas Sharma and Shri P. Vaman Rao, existing Independent Directors pursuant to Clause 49 of the Listing Agreement, was liable to retirement by rotation. Consequent upon commencement of the Companies Act, 2013, Section 149 of the Act provides that every listed Company shall have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation and shall hold office for a term up to five consecutive years.

Accordingly, it is proposed to appoint Shri Laxminiwas Sharma and Shri P. Vaman Rao, as Independent Directors under Section 149 of the Act and revised Clause 49 of the Listing Agreement to hold office for five consecutive years from September 29, 2014 for a term upto the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019.

The Board of Directors appointed Shri Vedula Srinivas as Additional Director with effect from August 11, 2014 in the category of Independent Non-Executive Director under Section 149 of the Act and revised Clause 49 of the Listing Agreement to hold office for five consecutive years from September 29, 2014 for a term upto the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019, whose office shall not be liable to retire by rotation.

The Board recommends the appointment of Shri Laxminiwas Sharma, Shri P. Vaman Rao and Shri Vedula Srinivas as Independent Directors not liable to retire by rotation and to hold office for a period of five years up to the conclusion of the Eightieth Annual General Meeting of the Company to be held in the calendar year 2019.

The Board of Directors appointed Shri Padmanabhan Nagarajan as Additional Director, with effect from August 11, 2014 pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and he shall hold office upto the date of the ensuing Annual General Meeting. The Board recommends the appointment of Shri Padmanabhan Nagarajan as Director of the Company, liable to retire by rotation.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section 6 of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the stock exchanges.

Your Board recommends the above appointment/re-appointment of Directors in the best interest of the Company.

#### **Chief Financial Officer**

Shri Vimal Arora, B.Com., F.C.A., has been appointed as Chief Financial Officer (CFO) of the Company pursuant to the provisions of Section 203 of the Companies Act, 2013 read with Clause 49 of the Listing Agreement with the stock exchanges by the Board of Director in its meeting held on May 29, 2014 in place of Shri S. K. Modani, who has left the services of the Company.

#### **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, 2014, which has been approved by the Central Government. Your Company has filed the Cost Audit Report for the year ended March 31, 2013 on September 21, 2013. Further, the Cost Audit Report for the financial year ended March 31, 2014 will be filed within the stipulated time.

#### **Acknowledgements**

Your Directors thank the customers, suppliers, farmers, financial institutions, banks and Members for their continued support and also recognize the contribution made by the employees towards the Company's growth.

By order of the Board

Hyderabad,  
August 11, 2014

**Ranjan Kumar Poddar**  
Chairman



## Annexure 'A' to Directors' Report

Particulars as required under Section 217 (1) (e) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended March 31, 2014

### A. CONSERVATION OF ENERGY

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

- a. Installation of new VFDs at EOP vat dilution pump weak liquor supply pump to optimize process.
- b. Installed VFD at tower dilution pump & D-1 washer spray pumps to conserve electrical energy.
- c. Upgradation of Paper Machine No. 4 & Paper Machine No. 5 salvage rewinder DC drive to minimize losses.
- d. Old coal crusher & coal feeding arrangement was modified & stopped 2nd stage coal conveyer to save energy.
- e. Installed & commissioned VFD at water supplying booster pump for paper machines to on serve water & electrical energy.
- f. Alfa Laval evaporators' vacuum system was modified and thus saved electrical energy.
- g. Alfa Laval evaporators' liquor solids concentration increased along with black liquor.
- h. Firing system modification and reduced furnace oil consumption and conserved thermal energy.
- i. Replaced aluminum alloy fan with FRP hallow blade fan assembly at turbine cooling tower conserve electrical energy.
- j. Installed VFD at fan pumps in Paper Machine No. 2 for conservation of electrical energy and adjust process parameters.
- k. Installed vibratory screens at Paper Machine No. 1 & 3 to improve the quality.
- l. By providing 2.5 Kg/cm<sup>2</sup> steam in place of 4 Kg/cm<sup>2</sup> steam at evaporator, thermal energy saved.

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

- a. Installation of new energy efficient pumps and motors in process operation to achieve the PAT target.
- b. Energy efficient vacuum pumps for Paper Machine No. 3 & Paper Machine No. 6.
- c. Installation of new floating type aerator in aeration lagoon in effluent treatment plant.
- d. Proposed water supply to colony with energy efficient pump & modification in service line dia to conserve water & electrical energy.
- e. Installation of new VFDs at paper machine area.
- f. 250 KW roof top solar energy plant to be put on for the REC compliance.

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

The implementation of above energy conservation has reduced the distribution losses and saved electrical & thermal energy considerably.

#### 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 was 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> : ₹151.65 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>

	2013-14	2012-13
<b>Electricity</b>		
a. Purchased units (Lakhs Kwh)	625.17	485.62
Total amount (₹ Lakhs) <sup>#</sup>	35,32.27	28,24.22
Rate/unit (₹) <sup>#</sup>	5.65	5.82
b. Own generation through steam turbine/generator		
Units (Lakhs Kwh)	891.69	918.00
Units per litre of fuel oil/Gas	-	-
Cost/unit (₹)	1.53	2.05
<b>Coal</b> {Grade C to F (R.O.M.) used in boiler & rotary lime kiln} <sup>1</sup>		
Quantity (MT)	1,95,281	2,01,751
Cost (₹ Lakhs)	55,26.72	50,87.16
Average rate/MT (₹)	2,830	2,521
<b>Furnace oil</b>		
Quantity (KL)	3,996	3,711
Cost (₹ Lakhs)	16,65.66	15,22.62
Average rate/KL (₹)	41,686	41,030

<sup>#</sup> Excluding FSA & PDL charges of earlier years.

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

Product	2013-14			2012-13		
	Electricity (Kwh)	Furnace oil (Ltrs)	Coal (MT)	Electricity (Kwh)	Furnace oil (Ltrs)	Coal (MT)
Paper, paper board and pulp (for sale)	1699	45	2.188	1689	45	2.428

<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 Products development

- i. Unbleached cartridge paper - developed and trial taken on machine.
- ii. Deep coloured yellow, orange and red maplitho - developed as per customer requirement and taken for regular production on machine.
- iii. Black pastel paper - developed and samples sent for customer approval.
- iv. Copier paper - developed and samples sent for customer approval.

##### b. New process development

- i. Adoption of use of GCC as filler in place of talcum powder in paper.
- ii. Adoption of the use of on machine spray starch sizing system.
- iii. Use of spent caustic of other industry in pulp bleaching process.
- iv. Use of EOP stage outlet pulp in the manufacture of coloured varieties of papers.

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

- i. Products developed have enabled us to increase product range, enhance product quality and reduce input cost.
- ii. Meet customer requirement.
- iii. Resource conservation and balancing the chemical circuits.

#### Future plan of action

- i. New product and process development.
- ii. Increasing the GCV of BL solids by innovative methods.
- iii. Optimizing the pulp bleaching process to further improve brightness along with pulp strength preservation.
- iv. Use of refiner enzyme in EOP outlet pulp processing.

#### Expenditure on R&D

(₹ Lakhs)

a. Capital	–
b. Recurring	10.69
c. Total	10.69
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 - Investing in technology absorption to keep pace with development.
  - Innovate in the existing processes to enhance quality and production.
2. Benefits derived as a result of the above - Effective and optimum use of utilities like power, coal and water etc by making use of natural and renewable resource like sunlight.
  - Resource conservation.
  - Customer satisfaction.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
  - a. Technology imported - Not applicable
  - b. Year of import - Not applicable
  - c. Has technology been fully absorbed - Not applicable
  - 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, 2014

Name	Shri Devashish Poddar
Age	41 years
Designation	Vice-Chairman & Managing Director
Remuneration (₹)	67.12 Lakhs*
Nature of duties	Oversees the growth and future strategies of the Company
Qualification	B.B.A. (London)
Total experience	15 years
Date of joining	August 1, 1999
Last employment held	-

\* pending approval of Central Government, the remuneration has been restricted as above.

#### 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

The paper industry performance is influenced by economic growth, industrial production, promotional expenditure, population growth, global trade, corporate prosperity, literacy, advertising and demand-supply dynamics.

Across the world, the paper and paperboard industry produces about 400 million metric tonnes and is dominated by North America, Western Europe and Japan. While over 50% of the consumption is in the developed economies, demand growth for writing and printing paper is modest in these mature markets. Consumption in Asia, primarily China, India and Indonesia are growing faster than in the developed markets attracting fresh investments in these countries.

As in the case of writing and printing (W&P) paper, demand for the packaging grades are also growing faster in the developing economies compared to mature markets of North America & Western Europe.

Major paper producing countries of Latin America, Europe and Asia, including China, Indonesia, Malaysia and a few others have adopted a policy of granting forest concessions to large paper mills to plant, protect and harvest pulpwood in a cost effective manner. In the absence of similar enabling policies, paper mills in India have to necessarily depend upon farmers holding barren, marginal and degraded lands for plantations developed through the industry's social forestry initiative or from government controlled forests. In the process, the cost of collection and transportation works out to be greater than the cost of the pulpwood itself. Raw material cost in India has been continuously going up and has become most non-competitive in comparison to the major paper producing countries in the world.

During the year, the global paper business scenario was mixed with high feedstock prices, low demand growth but with low capacity addition. Global growth picked up in the second half of 2013-14, averaging 3.5% - a marked uptick from the 2.5% recorded during the previous six months. The impulse has come mainly from advanced economies, although their recoveries remain uneven. Global paper activity is expected to improve further in 2014-15.

### INDIAN PAPER INDUSTRY

India's GDP growth is expected to recover from 4.4% in 2013-14 to 5.4% in 2014-15, supported by slightly stronger global growth, improving export competitiveness and heightened industrial activity.

Paper industry is positively correlated to GDP growth trends. Anecdotally, every 100 bps improvement in GDP enhances paper demand in India by 1 kg per capita. The industry therefore hopes that the GDP growth is secular and translates into consistent and continuous growth for the paper industry.

Indian paper industry is among the 15 largest paper industries in the world. The Indian paper industry is a major contributor to the nation's growth and development. It is in this spirit that the Indian paper industry has continued to upgrade its capacities and technologies.

The domestic demand for all varieties of paper in India is estimated at around 13.10 million tonnes per annum which is about 3% of global demand of 400 million tonnes even though Indian population of 121 crore as per 2011 census constitutes 17% of the world population. Of this, writing & printing paper accounts for approx. 4.10 million tonnes, packaging grades approx. 5.90 million tonnes and newsprint about 2.50 million tonnes apart from specialty grade about 0.60 million tonnes.

Even though the domestic paper consumption has been growing steadily, it is still below 10 kg per capita, which is abysmally low when compared to highly populated and developing economies. For instance, per capita consumption in China & Indonesia is estimated at 75 kgs and 23 kgs, respectively.

Paper industry is capital intensive and in order to raise the return on investment, it requires the urgent attention of the government for creation of robust raw material base, fiscal incentive for assimilation of eco-friendly technologies etc. The economic survey of 2013-14 clearly highlights drying of investment in projects in the economy and the paper industry is not isolated from the same. The working results of the Indian paper industry continued to be adversely affected by the overriding sluggish market conditions coupled with a steep hike in the cost of raw materials together with deteriorating quality, chemicals, coal and furnace oil. The upward revision in minimum wages, finance charges etc., put added pressure on the margins.

Continued reduction of peak import tariff by Government of India will expose the industry to flood of import and will significantly alter the fortune of the industry. Mills from South Asia started offering pulp & paper at very low prices as a means of evacuating their production.

Improvement in the market sentiments has had a positive impact on the economy since early 2014.

As a consequence, paper market has taken a positive turn and expects that results for the current year should improve, with better sales realisation.

Key growth drivers for paper industry in India: The growing Indian economy will create more demand for paper due to:

- More jobs will create higher demand for office/printer paper;
- Focus of government on education;
- Increasing literacy levels;
- Circulation/readership of newspapers/periodicals increasing;
- Higher usage of packaged products;
- Focus on marketing campaigns for products;
- Increased demand from hygiene/hospitality sector.

### **SIRPUR PAPER - A PERSPECTIVE**

Indian paper industry witnessed another disappointing year. While paper prices improved to some extent towards the end of the financial year, this has not been adequate to cover the steep increases in input costs of pulp wood, coal, freight etc. Consequently, margins for Sirpur Paper Mills (SPM) remained under severe pressure throughout the year. Production and turnover was higher than previous year despite high level of competition. Efforts were made to improve efficiency at all operational levels, thereby minimizing the impact of cost increase of various inputs. SPM exercised strict control over expenses, however, certain expenses, which are under government control or in short supply, remained beyond the control of management. Paper industry is capital intensive requiring increased funds to ensure business continuity as a result of which cost of debt is a critical determinant of success.

To be globally competitive and a low cost producer of paper, SPM focused its attention on the following strategies:

- Effective consumer centric engagement;
- Innovative, effective cost management of materials and production process;
- Efficient and responsive supply chain network;
- Improvement in brand health and market standing;
- Better utilization of human resources, finance & assets;
- Financial re-engineering;
- Upgradation of technology and expansion;
- Customised product development;

- Enhanced accountability & transparency;
- Dedicated social obligation.

### **Marketing & distribution**

Despite such a challenging business scenario, SPM has successfully enhanced its market standing through robust strategies and excellence in execution. SPM will continue to invest in development of products that are 'best-in-class' and offer superior and differentiated value propositions to consumers.

The Company remains confident that despite severe pressures, its robust product portfolio, better quality, innovation in processes and investment in cutting-edge technology and superior execution of competitive strategies will enable SPM to sustain and reinforce the market standing in the years to come.

Gross revenue from operation increased in current year by 19% to ₹444,34 lakhs from ₹372,44 lakhs in the previous year. Net revenue from operation in 2013-14 increased to ₹417,54 lakhs from ₹349,92 lakhs in the previous year.

### **Raw material**

The basic raw material of the Company is bamboo/wood. Wood is in short supply due to both heavy increase in demand and lack of interest of farmers to grow this commodity vis-a-vis other cash crops. A scarcity in raw material supply is a threat. In paper manufacture, the question of raw material security is more relevant than in most other industries because the rampant exploitation of raw material sources could have a climatic impact.

The growing paper demand could soon lead to a sharp increase in raw material costs. Sirpur is advantageously placed in this regard. The Company's plant is situated at Kagaznagar in Telangana, a state where sizeable land is under forest cover. The Company sourced 80% of its wood requirements through Agricultural Marketing Committees - government regulated agency - at government determined prices. The dearth of raw materials is affecting all paper companies as manufacturers are not allowed to own land to raise plantations for captive pulpwood supply, impacting growth and achieving economies of scale. Total cost of material consumed increased in the current year by 42% to ₹243,28 lakhs from ₹172,35 lakhs in the previous year.

### **Research & development**

Over the years, Sirpur has made product research and innovation inseparable from product manufacture. This has helped it expand existing customer business and reach out to new customers while achieving superior realizations. It invested





increasingly in research to upgrade and modernize plant operations. At Sirpur, research and development spending encompassed three areas of trouble shooting, process and quality improvement besides product development.

In its continuous pursuit of increasing the product range, producing superior products and enhancing the production process, SPM notably achieved the following:

- Successful use of certain types of Indian hardwoods with bark, which have not been tried so far in the paper industry. This helped the mill in overcoming the raw material shortage to some extent;
- Keeping in view the market demand, certain new products in different colours have been developed, manufactured and supplied to the market. These are expected to increase the product range apart from opening up new avenues for marketing;
- Introduced machine spray starch sizing system on one paper machine to enhance its paper properties;
- Usage of spent chemicals of some other industry as raw material in the process; thus not only saving the natural resources but also helping the other industry to minimize their waste disposal and associated pollution problems;
- Process modifications had been carried out in the processes to reduce the cost of production of certain grades of paper without sacrificing the quality of the products, particularly the coloured varieties.

SPM aims to relentlessly enhance quality, enhance productivity and introduce new and value added products to meet the customer requirements.

#### **Internal control & audit systems and their adequacy**

The Company has established adequate internal control & audit systems, which provide reasonable assurances with regard to safeguarding Company's assets, promoting operational efficiencies and ensuring compliance with various statutory provisions. The internal audit department regularly reviews internal control systems in business processes and verifies compliance with the laid down policies and procedures. Reports of the internal audit department are reviewed by the senior management and are also placed before and comprehensively discussed at the meetings of the Audit Committee.

The Audit Committee reviews the adequacy of internal control systems, audit findings and suggestions. The internal audit department also keeps a track of and monitors the progress on

implementation of suggestions for improvements. The Company's statutory auditors regularly interact with the Audit Committee to share their findings and the status of actions under implementation.

#### **Human resource development/industrial relations**

The Company takes pride in its record of maintaining congenial and healthy industrial relations. During the year under review, industrial relations were harmonious at our unit. The wages settlement for workmen & staff are due for revision.

The industry is grappling with a decline in the availability of skilled manpower as well as those willing to work in remote locations where most paper factories are based.

The Company has adopted a progressive policy to develop its human resources through continuous training and motivation, to achieve greater efficiencies and competencies. Need based training programmes are conducted by internal faculty who are subject matter experts in their areas. Training programmes cover behavior, technical, health & safety aspect. In addition, on job training is also being provided. The significant progress made by the Company was possible in no small measure by efforts of the entire team.

SPM has taken concrete steps to improve organizational health by creating focused management teams with specific targets for growth in volumes and profitability while building and retaining talent. Safety, welfare and training at all employee levels continue to be areas of major focus for the Company.

Daily & periodic review meetings are conducted for senior executive and staff where developments in various department of the organization are discussed and appreciated. It is an integral activity of the company to give importance to develop the intellectual capital of employees through systematic structured training programmes.

#### **HEALTH**

Occupational Health Hospital has been functioning in the housing colony catering to the health needs of the employees and their dependents. The Company bears medical expenses apart from offering free medicine. Comprehensive medical checkup is done for employees to identify any occupational health hazard.

#### **INFORMATION TECHNOLOGY UPGRADATION & EXPANSION**

In order to progress business performance, SPM has implemented the following new business functionalities:

- Automation of workers attendance reports by discontinuing the manual records maintenance;

- Fine tuning the existing integrated weigh bridge software with SAP;
- Upgrade the customer portal;
- Enhancement of label printing for reams through SAP;
- Performance evaluation of biometric time and attendance system;
- In order to utilize SAP system effectively and efficiently, the central support team has completed the following activities during the financial year 2013-14:
  - a. Refresher training provided to all SAP users;
  - b. Preparation of end-user manual, which helps the users for smooth functioning of their day-to-day activities;
  - c. Development of new reports in FICO, MM & SD modules.

Going ahead, the Company will upgrade the existing SAP 4.7 EE version to latest SAP 6.0 ECC, so as to get continuous support from ERP. Other significant areas are being upgraded. The Company will implement business warehousing to facilitate business intelligence for better data analysis and reporting. Implementation of new pay roll package and integration with attendance system is another area to be planned.

#### **ENVIRONMENT**

SPM ensures that:

- Compliance with all relevant legislative requirement;
- Reducing pollution load in terms of liquid discharge, air emission and land contamination;
- Minimize waste and maximize recycling/reuse;
- Creating human awareness in environment safety and health;
- Promoting comprehensive programme for continual improvement of environmental performance;
- Stimulate rational use of resources through behavioral and technological improvements.

#### **ANALYSIS OF FINANCIAL STATEMENTS**

The Company recorded a production of 89,256 MT of pulp and paper in the year 2013-14 as against 83,085 MT in the previous year, an increase of 7.43%. The capacity utilization remained static on an annualized basis though it could have been better. Shortage of power availability from Government of Andhra Pradesh due to imposition of severe

restriction & control measures impacted all the industries.

The availability of raw material, i.e. wood, continued to be poor in the year resulting in higher cost of raw material. The non-availability of raw material caused impediment in manufacturing. Increment in paper price was finally accepted by the market. In the meantime, sentiment of market was disturbed when the paper prices were increased. Sirpur witnessed accumulation of stock gradually since November 2013 which blocked working capital cycle & availability of funds for raw material.

In a capital intensive business, Sirpur required adequate low cost funds. While the Company mobilised short-term funds to meet working capital needs, long-term loans were raised to meet capital expenditure. Finance cost increased from ₹44,88 lakhs in the previous year to ₹48,22 lakhs in the year under review. Increase in employee cost by ₹2,52 lakhs in 2013-14 is attributed to hike in wages. There was significant reduction in stores & spares consumed by 14.76% from 17,20 lakhs in 2012-13 to ₹14,66 lakhs in 2013-14.

In spite of setbacks, by process optimization Sirpur continued to focus on enhancing competitiveness through improved operational efficiency, conservation of resources, reduction in fiber loss and consumption of steam, power and water.

Several initiatives taken by the Company during the year increased gross revenue from operation by 19% to ₹444,34 lakhs from ₹372,44 lakhs in the previous year. Net revenue from operation in 2013-14 increased to ₹417,55 lakhs from ₹349,93 lakhs in 2012-13.

Loss before other items, finance costs, depreciation and tax was ₹13,92 lakhs in 2013-14 as against a loss of ₹14,60 lakhs in the previous year. Interest cost during the year, in view of the CDR package reduced marginally though fresh loan by way of FITL increased the overall finance cost to ₹48,23 lakhs from ₹44,88 lakhs. Depreciation was marginally lower at ₹23,84 lakhs.

The loss after tax decreased from ₹97,10 lakhs in the previous year to ₹90,98 lakhs during the current year.

#### **Cost analysis**

The weighted average prices of the main raw material i.e. wood increased by over 42% which could not be passed on to customers fully. The impact of the input price hike was marginally set off due to the Company's incessant efforts in cost control, material management and productivity improvement. The borrowing cost of the Company on its term loan and working capital facilities reduced marginally.



The Company has initiated a number of concrete steps to overcome challenges. Most of these initiatives have already started yielding positive results. The team at Sirpur feels confident of significant further improvements as they move forward to reshape the Company into a healthy and fast growing organization.

**Share capital & securities premium:** The share capital of the Company during the year increased to ₹16,99 lakhs from ₹16,44 lakhs & an increase in securities premium by ₹1,81 lakhs with the allotment of fresh ordinary shares during the year to a promoter group company.

**Reserves and surplus:** The reserves and surplus of the Company (without revaluation reserve) stood at ₹(45,38) lakhs

#### **Loan funds**

In view of the CDR package, repayments of term loan have been deferred till March 2014. Interest on term loans has been converted into FITL up to December 2013. Interest on FITL was duly paid during the year. Interest on term loans is payable monthly from January 2014. The Company continues to avail sales tax deferment loan.

On account of CDR scheme, the Company's long-term borrowings increased from ₹308,46 lakhs to ₹315,15 lakhs.

#### **Utilisation of funds**

The net fixed assets (without revaluation reserve) decreased from ₹382,83 lakhs to ₹356,24 lakhs on account of depreciation charged and sale of some old and obsolete assets. Additions to the fixed assets during the year was to the tune of ₹11,69 lakhs.

#### **Current assets & liabilities**

Current assets as at March 31, 2014 were ₹144,20 lakhs as compared to ₹146,48 lakhs, a year ago. Current liabilities increased from 132,71 lakhs to ₹186,87 lakhs, an increase of ₹54,16 lakhs.

#### **Inventories**

There was an increase of about ₹5,16 lakhs from ₹40,96 lakhs to ₹46,12 lakhs in holding levels of finished goods mainly due to less offtake vis-a-vis production, during the year 2013-14.

#### **Trade receivables & payables**

Trade receivables decreased from ₹63,42 lakhs in 2012-13 to ₹60,08 lakhs during 2013-14. The debtors' cycle was at 55 days as against 65 days in the previous year. Marginal decrease in absolute amount of receivables was due to new market policy

which favorably impacted the cycle time, on a comparative level. The trade payables increased from ₹80,40 lakhs in 2012-13 to ₹94,70 lakhs during 2013-14.

#### **CORPORATE SOCIAL RESPONSIBILITY**

In view of accumulated losses, the provisions of Section 135 of the Companies Act, 2013 are not applicable to the Company, relating to constitution of CSR Committee, till such time it meets the criteria specified in sub-section (1) of the said Act read with CSR Rules, 2014. SPM is always socially responsible and continuously strives to help develop the community. In pursuance of its efforts to make a difference, as always, the Company provided financial aids to various educational institutions, temples, mosque, and conducted sports and recreational programmes for the society at large.

In addition to these, the Company has taken up several initiatives such as providing training to the students in the fields of engineering, technology, business management; industrial training to polytechnic students; supply of water to the nearby villages; maintaining children's park and recreation clubs etc.

#### **OUTLOOK**

SPM continues its relentless focus on strengthening competitiveness in its business. It is the endeavour of the Company to deploy resources in a balanced manner so as to secure the interest of the shareholders in the short, medium & long term. The Company has also taken several steps for operational restructuring which are expected to lead to higher efficiency/cost savings. Despite the challenges of the present, the Company looks forward to the future with confidence.

SPM sought flexibility from the lenders and a comprehensive restructuring of its outstanding debt was approved by the lenders under the aegis of the Corporate Debt Restructuring (CDR) platform. The Company has been sanctioned a moratorium of interest and principal for 21 months from the cut-off date i.e. April 1, 2012 and the payment commenced from January 2014.

In all the operations, the focus will be on improving assets utilization through market expansion & better penetration as well as margin improvement through internal efficiency and cost control measures. The aim is to deliver better value for all the stakeholders. Based on a positive outlook and the Company's inherent strengths, the team is confident of better performance in 2014-15 and beyond.

## Management of Risk

Every business carries risks and uncertainties that can affect financial conditions, results of operations and prospects. The Company regularly identifies and assesses the risks associated with its business and correspondingly coordinates optimum resource application to minimize their impact.

### Industry risk

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

In the medium to long run, 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. Given that literacy and aspiration levels are expected to improve year-on-year, paper companies should be beneficiaries of the demographic dividend.

Further, 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. Requirement of wood is mostly procured from the farmers in a radius of 600 kms.

In order to augment supplies of raw material, the Company encourages social forestry/farm 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.

Yet, the situation turned adverse in the past two years, impacting the economics of the entire industry. Rising wood prices in the previous year created interest in farmers and large scale planting were undertaken by them, reducing the supply-demand mismatch.

### Product risk

*Inability to strengthen the brand could impact revenues.*

There are a 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, paper board as well as kraft paper.

Further, the Company plans to expand its range with its own branded copier and Xerox paper. The Company is striving to manufacture high value products in a bid to improve realisation and sustain the long-term growth of the Company.

### 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 optimise processes and enhance productivity.

Full benefits of the Mill Development and Expansion Plan implemented in 2008-09 are likely to be visible as soon as the plant is able to raise its production capacity, when grid power availability and raw material supplies improve. The Company's unremitting efforts towards cost control, yield management and productivity improvement have already resulted in savings in the consumption of inputs per MT of product which to an extent offset the impact of the input price rise.

As the power availability in the state is improving, the production is being ramped up and the Company's management is making all out efforts to lower its costs, improve volumes and enhance profitability.

### 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.*

With the increase in budgetary allocation for the education sector as per the 2013-14 budget, the per capita consumption of paper, which is low when compared to global average is set to increase. Similarly, improving standard of living and rising literacy rate are expected to accelerate demand for paper and raise the consumption levels.

### Geographic risk

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

The Company has a wide range of products and the marketing network is spread across the country with a large customer base. There is no concentration of customers or market, and the Company enjoys a wider reach.



# 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

I. 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 five non-executive directors, of whom three are independent directors as on March 31, 2014. 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	5	1	1
Shri Rameshwar Lall Lakhotia	Executive	Whole-time Director	-	-	-
Shri Laxminiwas Sharma	Non-Executive	Independent	3	-	1
Shri P. Vaman Rao	Non-Executive	Independent	2	1 <sup>a</sup>	2
Shri G.S. Srinivasan	Non-Executive	Nominee of IDBI Bank - lender	-	-	-
Ms. Poonam Bodra	Non-Executive	Independent	-	-	-
Shri Sudhir Jalan <sup>1</sup>	Non-Executive	Independent	-	-	-
Shri Rakesh Bhartia <sup>1</sup>	Non Executive	Independent	-	-	-

<sup>a</sup> including memberships in remuneration committee

<sup>1</sup> Shri Sudhir Jalan and Shri Rakesh Bhartia resigned as directors with effect from December 11, 2013 and February 10, 2014 respectively.

## II. 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	3	Not Present	2,330
Shri Devashish Poddar	5	Present	–
Shri Rameshwar Lall Lakhotia	4	Present	–
Shri Laxminiwas Sharma	4	Present	–
Shri P. Vaman Rao	4	Present	2
Shri G. S. Srinivasan	4	Not Present	–
Ms. Poonam Bodra	3	Present	–
Shri Sudhir Jalan	–	Not Present	–
Shri Rakesh Bhartia	–	Not Present	–

Note: During the year, five board meetings were held on May 13, 2013; August 14, 2013; September 30, 2013; November 13, 2013 and February 13, 2014.

### 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. One director is a chartered accountant 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 13, 2013; August 14, 2013; November 13, 2013 and February 13, 2014 and the attendance of the Members at the meetings was as follows:

Name of member	Status	Meetings attended
Shri P. Vaman Rao	Chairman	3
Shri Rameshwar Lall Lakhotia	Member	3
Shri Laxminiwas Sharma	Member	4
Shri G. S. Srinivasan	Member	4
Ms. Poonam Bodra <sup>1</sup>	Member	–
Shri Rakesh Bhartia <sup>2</sup>	Member	–

<sup>1</sup> Ms. Poonam Bodra was appointed as Member of the Committee with effect from February 13, 2014.

<sup>2</sup> Shri Rakesh Bhartia resigned as Member with effect from February 10, 2014.

The Chief financial officer, Internal auditor 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 30, 2013.

The objective of the 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<sup>1</sup>

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

Powers of the Audit Committee

- Investigate any activity within its terms of reference;
- Seek information from any employee;
- Obtain outside legal or other professional advice;
- Secure attendance of external resources with relevant expertise, if considered necessary;



Role of the Audit Committee *inter alia*, includes the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, including cost auditors, and fixation of audit fees and other terms of appointment;
- Approving payment to statutory auditors, including cost auditors for any other services rendered by them;
- Reviewing with the management, annual financial statements and auditors' report thereon before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement in the Directors' Report in terms of the Companies Act;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by the management;
  - Significant adjustments made in financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of related party transactions;
  - Qualifications in draft audit report;
- Reviewing with the management the quarterly financial statements before submission to the Board for approval;
- Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice, and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing and monitoring the auditors' independence and performance and effectiveness of audit process;
- Approving or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluating of internal financial controls and risk management systems;
- Reviewing with the management, the performance of statutory auditors, including cost auditors and internal auditors, adequacy of internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussing with internal auditors, any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature, and reporting the matter to the Board;
- Discussing 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;
- Examining the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- Reviewing the functioning of the Whistle Blower mechanism;
- Approving the appointment of the CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background of the candidate;
- Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and/or other Committees of Directors;
- Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries;
- Reviewing the following information:
  - Management Discussion and Analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
  - Management letters/letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - Appointment, removal and terms of remuneration of internal auditors/chief internal auditor;
- Seeking comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.

<sup>1</sup> As revised by the Board in its meeting held on May 29, 2014 in conformity with the revised Clause 49 of the Listing Agreement.

Executives of the accounts department, finance department, corporate secretarial department and internal audit cell and representatives of statutory and internal auditors attend the Audit Committee Meetings. The cost auditors attend the Audit Committee Meeting when cost audit reports are discussed.

During the year, the Committee has reviewed the internal controls put in place to ensure that accounts of the 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 the Company.

#### 4. Nomination and Remuneration Committee<sup>1</sup>

##### I. COMPOSITION

The Committee comprises of three independent directors. The Committee met once during the year on May 13, 2013 and the attendance of the Members at the meeting was as follows:

Name of Member	Status	Meeting attended
Shri P. Vaman Rao	Chairman	1
Shri Laxminiwas Sharma	Member	1
Ms. Poonam Bodra <sup>1</sup>	Member	–
Shri Sudhir Jalan <sup>2</sup>	Member	–
Shri Rakesh Bhartia <sup>2</sup>	Member	–

<sup>1</sup> Ms. Poonam Bodra was appointed as member of the Committee with effect from February 13, 2014.

<sup>2</sup> Shri Sudhir Jalan and Shri Rakesh Bhartia resigned with effect from December 11, 2013 and February 10, 2014 respectively.





## II. TERMS OF REFERENCE<sup>1</sup>

- Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal;
- Carry out evaluation of every Director's performance;
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees;
- Formulate the criteria for evaluation of Independent Directors and the Board;
- Devise a policy on Board diversity;
- Recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria;
- Carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable;
- Perform such other functions as may be necessary or appropriate for the performance of its duties.

<sup>1</sup> The Board in its meeting held on May 29, 2014 re-named the Committee and revised the terms of reference in conformity with the revised Clause 49 of the Listing Agreement.

## 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 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 2013-14:

### 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)	57,48,800	9,63,360	67,12,160	As per Company's rules
Shri Rameshwar Lall Lakhota (Executive Director)	46,61,566	–	46,61,566	As per Company's rules

#### 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	30,000
Shri Sudhir Jalan	–
Shri Laxminiwas Sharma	60,000
Shri P. Vaman Rao	56,000
Shri Rakesh Bhartia	–
Shri G.S. Srinivasan, IDBI Nominee <sup>1</sup>	56,000
Ms. Poonam Bodra <sup>2</sup>	30,000

<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. Stakeholders Relationship Committee<sup>1</sup>

The Committee comprises of two executive directors and two non-executive directors as on March 31, 2014. Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, viz. Venture Capital and Corporate Investments Private Limited.

During the year, the Company has not received any investors' complaints. Hence, no meeting of the Stakeholders Relationship Committee was held.

### TERMS OF REFERENCE<sup>1</sup>

The functioning and broad terms of reference of the Stakeholders Relationship Committee as adopted by the Board are as under:

- Monitor redressal of investors'/shareholders'/security holders' grievances;
  - Oversee the performance of the Company's Registrar and Transfer Agent;
  - Recommend methods to upgrade the standard of services to investors;
  - Monitor implementation of the Company's Code of Conduct for prohibition of insider trading;
  - Carry out any other function as is referred by the Board from time to time or enforced by any statutory notification/amendment or modification as may be applicable.
- a. Examine redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
  - b. Do all other acts or deeds as may be necessary or incidental thereto. The main objective of the Committee is to strengthen the investor relations.

<sup>1</sup> The Board in its meeting held on May 29, 2014 re-named the Committee and revised the terms of reference in conformity with the revised Clause 49 of the Listing Agreement.

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 the Committee.

During the year, no complaints were received from the shareholders.

As on August 11, 2014 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 time. All valid share transfers during the year ended March 31, 2014 have been acted upon. The Company had no complaints pending at the close of the financial year.



## 6. General Body Meetings

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

Year	Date	Day	Time	Venue
2012-13	September 30, 2013	Monday	10.45 a.m.	Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad
2011-12	September 28, 2012	Friday	3.00 p.m.	Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad
2010-11	September 29, 2011	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 Lakhotia as Executive Director of the Company for a period of two years (from July 24, 2012 to July 23, 2014).
- iv. Appointment of Shri Devashish Poddar as Vice-Chairman & Managing Director for a period of two years (from August 1, 2013 to July 31, 2015) and fixing his remuneration.
- v. Amendments in the Articles of Association of the Company.
- vi. Report under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

c. During 2013-14, no resolutions were passed through postal ballot as per the Companies (Passing of Resolution by Postal Ballot) Rules, 2011.

## 7. a. 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](http://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.

## b. Whistle Blower Policy

The Company has established a vigil mechanism for the Directors and employees in compliance with revised Clause 49 of the Listing Agreement and Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014. As required, the Whistle Blower Policy has been posted on the Company's website.

## 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 No.28(1) 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 No.1.2 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 Executive Director and the Chief Financial 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. Share holding 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.corpfiling.co.in**.
- c. Separate Email 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 Monday, September 29, 2014 at 12:30 p.m. at 'Bhaskara Auditorium', B. M. Birla Science Center, Adarshnagar, Hyderabad - 500 063.

**b. E-voting services:**

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 read with Clause 35B of the Listing Agreement, the Company is pleased to provide to the Members the facility to exercise their right to vote on all resolutions set forth in the Notice to the Members, convening the 75th Annual General Meeting by electronic means and the business will be transacted through E-voting service provided by National Securities Depository Limited. The detailed instructions for E-voting are given as a separate attachment to the said Notice.

**c. 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 30
Annual General Meeting	on or before September 30

- d. **Dates of book closure:** September 25, 2014 to September 29, 2014 (both days inclusive)

- e. **Listing on stock exchanges:** BSE Limited, Mumbai (BSE)  
National Stock Exchange of India Limited (NSE)

Annual listing fees for the year 2014-15 has been paid to the above stock exchanges.

**f. Stock codes, demat ISIN & CIN**

BSE Limited	502455
National Stock Exchange of India Limited	SIRPAPER EQ
ISIN No. on NSDL & CDSL	INE202C01010
CIN	L21010TG1938PLC000591



- g. In terms of the CDR scheme and the Master Restructuring Agreement entered with the lenders, the Company has made a preferential issue of 11,05,100 Ordinary shares of ₹10 each at a price of ₹43 per share (including premium of ₹33 per share) aggregating ₹4.75 crore, to be offered and allotted in two tranches. Accordingly, the Company has offered and allotted 5,55,100 Ordinary shares in first tranche to M/s. Amba Investment Private Limited, a promoter on January 31, 2013. The balance 5,50,000 ordinary shares have also been allotted to the said promoter in second tranche in pursuance of CDR scheme on August 14, 2013. The said Ordinary shares are listed on BSE and NSE. The 5,50,000 Ordinary shares (equity) issued shall bear a lock-in of one year, from the date of allotment (i.e. August 14, 2013) till August 14, 2014.
- h. Stock market price data for the year 2013-14
- i. Share price on BSE & NSE

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
2013 April	28.00	24.00	28.00	25.00
May	27.75	24.00	27.80	25.75
June	25.75	22.00	26.00	19.65
July	24.65	20.80	23.10	19.35
August	21.85	17.90	-	-
September	19.90	17.55	-	-
October	20.90	18.00	-	-
November	20.45	16.85	-	-
December	18.75	14.55	-	-
2014 January	16.50	13.20	15.45	13.30
February	15.75	13.32	16.25	13.75
March	15.22	13.02	15.15	12.65

ii. BSE SENSEX

Month	Open	High	Low	Close
2013 April	18890.81	19622.68	18144.22	19504.18
May	19459.33	20443.62	19451.26	19760.30
June	19859.22	19860.19	18467.16	19395.81
July	19352.48	20351.06	19126.82	19345.70
August	19443.29	19569.20	17448.71	18619.72
September	18691.83	20739.69	18166.17	19379.77
October	19452.05	21205.44	19264.72	21164.52
November	21158.81	21321.53	20137.67	20791.93
December	20771.27	21483.74	20568.70	21170.68
2014 January	21222.19	21409.66	20343.78	20513.85
February	20479.03	21140.51	19963.12	21120.12
March	21079.27	22467.21	20920.98	22386.27

i. **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 Registrars and Transfer Agent, are processed and returned to Members within stipulated time. The address of the Registrar and Transfer Agent for correspondence is as follows:



Venture Capital and Corporate Investments Private Limited  
Unit: The Sirpur Paper Mills Limited  
12-10-167, Bharat Nagar  
Hyderabad 500 018  
Tel.: +91 40 2381 8475/2381 8476  
Fax: +91 40 2386 8024  
Email: info@vccipl.com

j. a. Distribution of shareholding as on March 31, 2014

Number of ordinary shares held	Number of shareholders		Shareholding	
	Nos.	%	Nos.	%
1 to 500	7,652	85.28	10,52,083	6.19
501 to 1000	613	6.83	4,87,881	2.87
1001 to 2000	303	3.38	4,50,436	2.66
2001 to 3000	108	1.20	2,67,768	1.58
3001 to 4000	52	0.58	1,87,107	1.10
4001 to 5000	53	0.59	2,40,284	1.41
5001 to 10000	79	0.88	5,75,130	3.39
10001 and above	112	1.26	1,37,24,311	80.80
TOTAL	8,972	100.00	1,69,85,000	100.00

b. Categories of shareholders as on March 31, 2014

Category	Number of shares held	%	Number of shareholders	%
Promoters & persons acting in concert	84,77,474	49.91	6	0.07
Public financial institutions, insurance companies & government companies	18,78,047	11.06	6	0.07
Banks and mutual funds	5,076	0.03	23	0.26
Non-resident individuals	71,539	0.42	63	0.70
Other bodies corporate	13,07,903	7.70	258	2.87
Others	52,44,961	30.88	8,616	96.03
TOTAL	1,69,85,000	100.00	8,972	100.00

**11. Dematerialisation of shares and liquidity**

Trading in Company's shares is permitted only in dematerialized form and 1,60,81,014 Ordinary shares (representing 94.68% of the Company's share capital) have been dematerialised upto March 31, 2014.

**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**

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 2329 8705  
Email: registeredoffice@sirpurpaper.com

**Factory Location**

Sirpur - Kaghaznagar - 504 296  
Adilabad District  
Telangana



#### 14. Non-mandatory requirements

- a. At present, the Chairman does not have any separate office with the Company. The Corporate Office of the Company supports the Chairman for discharging the responsibilities.
- b. As the financial performance of the Company is well publicised, individual communication of half-yearly results is not sent to the Members.

### 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, 2014.

For **The Sirpur Paper Mills Limited**

Hyderabad,  
August 11, 2014

**Rameshwar Lall 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, 2014, 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 Stakeholders Relationship Committee (formerly Shareholders Grievances Committee) has maintained records to show the investor grievance and certify that as at March 31, 2014 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

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

Hyderabad,  
August 11, 2014



## 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, 2014 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,  
May 29, 2014

**Rameshwar Lall Lakhota**  
Executive Director

**Vimal Arora**  
Chief Financial Officer





## Independent Auditors' Report

TO THE MEMBERS OF  
THE SIRPUR PAPER MILLS LIMITED

### **Report on the Financial Statements**

We have audited the accompanying financial statements of THE SIRPUR PAPER MILLS LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information

### **Management's Responsibility for the Financial Statements**

The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### **Emphasis of Matter**

We draw attention to Note 28 (o) to the Statement which indicates that as at March 31, 2014 the accumulated losses amounted to ₹20,361.30 lakhs has eroded the net worth of the Company and the Company has intimated to the Board for Industrial and Financial Reconstruction (BIFR), under Section 23 of Sick Industrial Companies (Special Provision) Act, 1985, indicating the existence of a material uncertainty about the Company's ability to continue as a going concern. These financial results have been prepared on a going concern basis for the reasons stated in the said Note. Our report is not qualified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the

Company so far as 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 comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs).
- e. On the basis of the written representations received from the Directors as on March 31, 2014 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

Secunderabad,  
May 29, 2014

**Ganesh Balakrishnan**  
Partner  
(Membership No.201193)



## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. Having regard to the nature of the Company's business/activities during the year, clauses (vi), (xii), (xiii), (xiv), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.
- ii. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Plant and machinery include ₹387.26 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 explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered 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 for the purchase of inventory and fixed assets and for the sale of goods and during the course of our audit we have not observed any continuing failure to correct major weaknesses 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 transaction 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 and the nature of its business.
- viii. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- ix. According to the information and explanations given to us in respect of statutory dues:
  - a. Except certain delays in depositing of employee state insurance, the Company has generally been regular in depositing



undisputed dues, including provident fund, Investor Education and Protection Fund, 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 provident fund, Investor Education and Protection Fund, employees' state insurance, income tax, wealth tax,

service tax, custom duty, excise duty, cess and other material statutory dues in arrears as at March 31, 2014 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, 2014 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	₹ Lakhs
Central Excise	MODVAT	CESTAT	2000-07	36.51
	Excise duty	CESTAT	2002-09	2,02.77
	Service tax	CESTAT	2005-08	9,70.45
	Excise duty	AP High Court	2006-07	1,84.26
Value Added Tax	Value Added Tax	Sales Tax Appellate Tribunal	2005-11	6,68.68
	Value Added Tax	Appellate Deputy Commissioner	2008-09	58.94
	Value Added Tax	AP High Court	2005-10	2,11.37

- x. The accumulated losses of the Company at the end of the financial year are not less than fifty percent of its net worth and the Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has defaulted in the repayment of dues to banks, financial institutions as per details below.

Particulars	As at March 31, 2014	
	Period of default	₹ Lakhs
Term loans from bank		
- Principal	1 day	4,35.73
- Interest	31-60 days	5,50.52

- xii. According to the information and explanations given to us, the Company has not given guarantee for any loans taken by others from banks or financial institutions
- xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.

xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis aggregating approximately ₹14,49.68 lakhs have been used for long-term investment.

xv. According to the information and explanations given to us, the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at price which, in our opinion, is *prima facie* not prejudicial to interest of the Company.

xvi. 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)

**Ganesh Balakrishnan**  
Partner  
(Membership No.201193)

Secunderabad,  
May 29, 2014



## Balance Sheet as at March 31, 2014

₹ Lakhs

Particulars	Note	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	16,99.36	16,44.36
Reserves and surplus	3	(2,68.56)	88,52.00
		<b>14,30.80</b>	<b>104,96.36</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	315,15.52	308,45.89
Deferred tax liabilities (Net)	5	-	-
Other long-term liabilities	6	39,57.26	40,61.56
Long-term provisions	7	8,68.47	8,64.97
		<b>363,41.25</b>	<b>357,72.42</b>
<b>Current liabilities</b>			
Short-term borrowings	8	38,18.95	34,74.41
Trade payables	9	94,69.86	80,39.94
Other current liabilities	10	52,13.75	15,80.15
Short-term provisions	11	1,84.78	1,76.76
		<b>186,87.34</b>	<b>132,71.26</b>
<b>TOTAL</b>		<b>564,59.39</b>	<b>595,40.04</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	12	398,79.81	417,98.46
Intangible assets	12	14.20	22.04
Capital work-in-progress		-	9,36.21
		<b>398,94.01</b>	<b>427,56.71</b>
Non-current investments	13	-	-
Long-term loans and advances	14	21,45.54	21,35.55
		<b>420,39.55</b>	<b>448,92.26</b>
<b>Current assets</b>			
Inventories	15	46,11.65	40,95.56
Trade receivables	16	60,07.56	63,41.62
Cash and bank balances	17	1,48.90	3,69.77
Short-term loans and advances	18	23,07.19	26,18.00
Other current assets	19	13,44.54	12,22.83
		<b>144,19.84</b>	<b>146,47.78</b>
<b>TOTAL</b>		<b>564,59.39</b>	<b>595,40.04</b>

See accompanying notes forming part of financial statements.

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

For and on behalf of the Board of Directors

**Ganesh Balakrishnan**  
Partner

**Vimal Arora**  
Chief Financial Officer

**Ranjan Kumar Poddar**  
Chairman

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

Secunderabad  
May 29, 2014

**Dinesh Lata**  
Company Secretary

**Rameshwar Lall Lakhotia**  
Executive Director



## Statement of Profit and Loss for the year ended March 31, 2014

₹ Lakhs

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>GROSS INCOME</b>			
Gross revenue from operations	20	444,34.33	372,44.31
Less: Excise duty		26,79.38	22,51.35
Net revenue from operations		417,54.95	349,92.96
Other operating revenue	21	2,93.62	4,07.60
Total revenue from operations		420,48.57	354,00.56
Other income	22	10,10.24	11,19.61
<b>Total revenue</b>		<b>430,58.81</b>	<b>365,20.17</b>
<b>EXPENSES</b>			
Cost of materials consumed	23	243,27.89	172,35.57
Changes in inventories of finished goods and stock-in-process	24	(15,00.41)	1,50.38
Employee benefits expense	25	69,62.84	67,10.31
Finance costs	26	48,22.46	44,87.79
Depreciation and amortisation expense		30,88.11	30,90.70
Less: Transfer from revaluation reserve		2,03.91	1,63.70
		28,84.20	29,27.00
Other expenses	27	146,59.98	152,78.42
<b>Total expenses</b>		<b>521,56.96</b>	<b>467,89.47</b>
<b>LOSS BEFORE TAX</b>		<b>(90,98.15)</b>	<b>(102,69.30)</b>
<b>Tax expenses</b>			
Deferred tax expense/(credit)		-	(5,59.48)
<b>LOSS FOR THE YEAR</b>		<b>(90,98.15)</b>	<b>(97,09.82)</b>
<b>Loss per share (Face value of ₹10 each)</b>	28(n)		
Basic and diluted (₹)		<b>(54.22)</b>	<b>(60.80)</b>

See accompanying notes forming part of financial statements.

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

For and on behalf of the Board of Directors

**Ganesh Balakrishnan**  
Partner

**Vimal Arora**  
Chief Financial Officer

**Ranjan Kumar Poddar**  
Chairman

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

Secunderabad  
May 29, 2014

**Dinesh Lata**  
Company Secretary

**Rameshwar Lall Lakhota**  
Executive Director



## Cash Flow Statement for the year ended March 31, 2014

₹ Lakhs

Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss before tax		(90,98.15)		(102,69.30)
Adjustments for				
Depreciation	28,84.20		29,27.00	
Loss on fixed assets retired from active use	-		3,43.95	
(Profit)/loss on sale of fixed assets	(3.69)		(91.95)	
(Profit)/loss on sale of current investments	-		(42.61)	
Interest income	(6,63.79)		(8,54.23)	
Interest on borrowings	47,56.05	69,72.77	43,85.52	66,67.68
<b>Operating loss before working capital changes</b>		<b>(21,25.38)</b>		<b>(36,01.62)</b>
Changes in working capital				
Adjustments for				
Loans and advances	1,67.36		3,62.75	
Trade and other receivables	3,34.06		(93.15)	
Inventories	(5,16.09)		5,25.39	
Trade payables and other liabilities	20,54.45	20,39.78	17,68.63	25,63.62
<b>Cash used in operations</b>		<b>(85.60)</b>		<b>(10,38.00)</b>
Net income tax (paid)/refund		(39.45)		1,60.35
<b>Net cash used in operating activities (A)</b>		<b>(1,25.05)</b>		<b>(8,77.65)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Capital expenditure on fixed assets (including capital advances)		(1,75.24)		(6,47.22)
Proceeds from sale of fixed assets		11.02		1,23.13
Purchase of current investments		-		(14,50.00)
Proceeds from sale of current investments		-		14,92.61
<b>Net cash used in investing activities (B)</b>		<b>(1,64.22)</b>		<b>(4,81.48)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of Ordinary shares (including securities premium)	2,36.50		2,38.69	
Proceeds from borrowings	30,57.47		48,73.72	
Repayment of borrowings	(3.31)		(2.99)	
Interest paid	(38,79.74)		(46,51.80)	
Interest received on deposits with banks, suppliers and others	6,52.53		8,78.44	
<b>Net cash from financing activities (C)</b>		<b>63.45</b>		<b>13,36.06</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>		<b>(2,25.82)</b>		<b>(23.07)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,89.47</b>		<b>3,12.54</b>
<b>Cash and cash equivalents at the end of the year (Refer Note 17A)</b>		<b>63.65</b>		<b>2,89.47</b>

(Contd.)



## Cash Flow Statement (Contd.)

₹ Lakhs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Notes:</b>		
1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement.		
2. Reconciliation of cash and cash equivalents at the end of the year with cash and bank balance as per Note 17: Cash and bank balance as per Note 17	1,48.90	3,69.77
Less: Balances with earmarked accounts		
- unpaid dividend account	11.53	16.67
- balances held as margin money deposit	72.41	62.31
- in redemption account	1.31	1.32
Cash and cash equivalents at the end of the year	<b>63.65</b>	<b>2,89.47</b>

See accompanying notes forming part of financial statements.

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

For and on behalf of the Board of Directors

**Ganesh Balakrishnan**  
Partner

**Vimal Arora**  
Chief Financial Officer

**Ranjan Kumar Poddar**  
Chairman

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

Secunderabad  
May 29, 2014

**Dinesh Lata**  
Company Secretary

**Rameshwar Lall Lakhota**  
Executive Director





# Notes forming part of the Financial Statements

## 1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Corporate information

Incorporated in 1938, the Sirpur Paper Mills Limited is a manufacturer of paper and paper board in India, and its fully integrated pulp and paper mill and captive power plant is located at Sirpur Kaghaznagar, Andhra Pradesh, India. Its production commenced in 1942 with a capacity of 5,000 TPA. The present installed capacity of the mill is 138,300 TPA.

### 1.2 Significant accounting policies

#### a. Accounting concepts

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

#### 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.

## Notes forming part of the Financial Statements

### **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 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 degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be 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 forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>2. SHARE CAPITAL</b>		
<b>Authorised</b>		
2,50,00,000 Ordinary shares of ₹10 each (March 31, 2013: 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, 2013: 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>		
1,69,85,000 Ordinary shares of ₹10 each (March 31, 2013: 1,69,96,174 Ordinary shares of ₹10 each)	16,98.50	16,99.62
<b>Subscribed and fully paid up</b>		
1,69,85,000 Ordinary shares of ₹10 each (March 31, 2013: 1,64,35,000 Ordinary shares of ₹10 each)	16,98.50	16,43.50
Add: Forfeited shares (March 31, 2013: 9,154)(Amount originally paid up) [Refer Note (d) below]	0.86	0.86
<b>TOTAL</b>	<b>16,99.36</b>	<b>16,44.36</b>

**Notes:**

**Subscribed and paid up capital include:**

- a. Reconciliation of number of Ordinary shares and amount outstanding at the beginning and at the end of the year:

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	₹ Lakhs	Number of shares	₹ Lakhs
Balance at the beginning of the year	1,64,35,000	16,43.50	1,58,79,900	15,87.99
Add: Allotted during the year	5,50,000	55.00	5,55,100	55.51
Balance at the end of the year	1,69,85,000	16,98.50	1,64,35,000	16,43.50

- 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. 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, 2014		As at March 31, 2013	
	Number of shares	%	Number of shares	%
Aravali Securities and Finance Limited	41,07,000	24.18	41,07,000	24.99
Amba Investment Private Limited	37,90,067	22.31	32,40,067	19.71

- d. Details of cancelled forfeited shares:

Class of shares	As at March 31, 2014		As at March 31, 2013	
	No. of shares	Amount originally paid up	No. of shares	Amount originally paid up
Ordinary shares with voting rights	-	0.86	9,154	0.86



## Notes forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<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 account</b>		
Opening balance	72,29.97	70,46.78
Add: Premium on Ordinary shares issued during the year	1,81.50	1,83.19
Closing balance	<b>74,11.47</b>	<b>72,29.97</b>
<b>Revaluation reserve</b>		
Opening balance	44,73.79	50,22.32
Less: Utilised for set off against depreciation	(2,03.91)	(1,63.70)
Less: Non-utilised portion, on account of assets sold, transferred to general reserve	(0.33)	(44.10)
Less: Loss on revalued fixed assets retired from active use/sold	-	(3,40.73)
Closing balance	<b>42,69.55</b>	<b>44,73.79</b>
<b>General reserve</b>		
Opening balance	83,31.30	82,87.20
Add: Transferred from revaluation reserve	0.33	44.10
Closing balance	<b>83,31.63</b>	<b>83,31.30</b>
<b>Deficit in the Statement of Profit and Loss</b>		
Opening balance	(112,63.15)	(15,53.33)
Add: Loss for the year	(90,98.15)	(97,09.82)
Closing balance	<b>(203,61.30)</b>	<b>(112,63.15)</b>
<b>TOTAL</b>	<b>(2,68.56)</b>	<b>88,52.00</b>



Particulars	Non-current portion		Current maturities	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>4. LONG-TERM BORROWINGS</b>				
<b>a. Term loans</b>				
<b>From banks</b>				
Secured [Refer Notes (ii) to (vi) below]				
Rupee loans	287,50.90	286,25.05	28,19.06	4,35.91
Vehicle loans	5.20	8.89	3.69	3.31
<b>b. Deferred payment liabilities</b>				
Unsecured [Refer Note (vii) below]				
Sales tax deferment loans	27,59.42	22,11.95	-	-
<b>TOTAL</b>	<b>315,15.52</b>	<b>308,45.89</b>	<b>28,22.75</b>	<b>4,39.22</b>

**Notes:**

- i. Current maturities of long-term borrowings are included in 'Other current liabilities' in Note 10.
- ii. Pursuant to the Company's application for restructuring of its existing debts, the final restructuring package was approved by CDR-EG and implemented last year. As per the approved scheme, a moratorium period of 21 months, commencing from April 2012 to December 2013, was granted. Interest accrued and due on term loans aggregating to ₹58,75.22 Lakhs (March 31, 2013: ₹33,66.21 Lakhs) is converted to Funded Interest Term Loan (FITL) and included in the Rupee loan above.
- iii. The nature of security and terms of repayment for long-term secured borrowings as per the approved CDR package is given below:

Nature of security	Terms of repayments
a. Term loan from banks amounting to ₹315,69.96 Lakhs (March 31, 2013: ₹290,60.96 Lakhs) is secured/to be secured by first <i>pari passu</i> charge on immovable and movable fixed assets both present and future and a <i>pari passu</i> second charge on entire current assets of the Company both present and future.	Repayable in 33 quarterly instalments. Last instalment due on March 31, 2022. Rate of interest ranges from 11.00% to 15.05% p.a.
b. Pledge of entire shareholding of the promoters viz. Shri Ranjan Kumar Poddar, M/s. Aravali Securities & Finance Limited and M/s. Amba Investment Private Limited, along with their voting rights on <i>pari passu</i> basis.	
c. Irrevocable and unconditional personal guarantee of Shri Ranjan Kumar Poddar and Shri Devashish Poddar in favour of the lenders.	
iv. Term loans from banks include ₹315,69.96 Lakhs (March 31, 2013: ₹290,60.96 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.	
v. The Company has defaulted in repayment of loan and interest in respect of the following:	

Particulars	As at March 31, 2014		As at March 31, 2013	
	Period of default (Days)	₹ Lakhs	Period of default (Days)	₹ Lakhs
Term loans from bank				
Principal	1	4,35.73	-	-
Interest	31-60	5,50.52	-	-

- vi. Vehicle loan is repayable in 27 monthly instalments ending in June, 2016.
- vii. 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 annual turnover of ₹184,65.00 Lakhs is eligible for deferment up to a



Notes forming part of the Financial Statements

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, the Company has deferred payment of sales tax liability aggregating to ₹30,01.58 Lakhs till March 31, 2014 (March 31, 2013: ₹24,54.11 Lakhs).

The Company has received a demand of ₹2,42.16 Lakhs (March 31, 2013: ₹2,42.16 Lakhs) from the sales tax department towards excess deferment availed, which is grouped under statutory remittances in Note 10.

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>5. DEFERRED TAX LIABILITIES (NET)</b>		
<b>Tax effect of items constituting deferred tax liabilities</b>		
Difference between book balance and tax balance of fixed assets	56,98.27	56,46.99
<b>Tax effect of items constituting deferred tax assets</b>		
Unabsorbed depreciation carried forward	(56,98.27)	(56,46.99)
<b>Deferred tax liability (Net)</b>	<u>-</u>	<u>-</u>

**Notes:**

The Company has recognised deferred tax asset on unabsorbed depreciation and/or brought forward business losses to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under income tax. As such, deferred tax assets (net) amounting to ₹49,18.12 Lakhs (March 31, 2013: ₹24,72.98 Lakhs), has not recognised in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Particulars	As at March 31, 2014	As at March 31, 2013
<b>6. OTHER LONG-TERM LIABILITIES</b>		
Deposits - from customers	34,98.74	35,68.24
- from capital vendors	4,58.52	4,93.32
<b>TOTAL</b>	<u>39,57.26</u>	<u>40,61.56</u>

Particulars	As at March 31, 2014	As at March 31, 2013
<b>7. LONG-TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Gratuity [Refer Note (a) below]	4,89.07	4,46.61
Compensated absences [Refer Note (b) below]	2,28.75	2,57.32
Long service award [Refer Note (c) below]	1,50.65	1,61.04
<b>TOTAL</b>	<u>8,68.47</u>	<u>8,64.97</u>

**Notes:**

- The gratuity fund is invested in a group gratuity cash accumulation policy offered by Life Insurance Corporation of India (LIC). 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. 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.
- Provision for compensated absences (leave liability) is made on the basis of actuarial valuation and the same is unfunded.
- Provision for retirement exgratia (long service award) is made on the basis of actuarial valuation and the same is unfunded.



Notes forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>8. SHORT-TERM BORROWINGS</b>		
Loans repayable on demand		
From banks		
Secured [Refer Note (a) to (c) below]	38,18.95	34,74.41
<b>TOTAL</b>	<b>38,18.95</b>	<b>34,74.41</b>

**Notes:**

- Short-term borrowings from banks are secured by a *pari passu* first charge on the entire current assets both present and future and *pari passu* second charge on entire fixed assets both present and future of the Company, and;
- Pledge of entire shareholding of the promoters viz. Shri Ranjan Kumar Poddar, M/s. Aravali Securities & Finance Limited and M/s. Amba Investment Private Limited, along with their voting rights on *pari passu* basis, and;
- Irrevocable and unconditional personal guarantee of Shri Ranjan Kumar Poddar and Shri Devashish Poddar in favour of the lenders.

Particulars	As at March 31, 2014	As at March 31, 2013
<b>9. TRADE PAYABLE</b>		
Acceptances	16.65	2.04
Other than acceptances	94,53.21	80,37.90
<b>TOTAL</b>	<b>94,69.86</b>	<b>80,39.94</b>

Particulars	As at March 31, 2014	As at March 31, 2013
<b>10. OTHER CURRENT LIABILITIES</b>		
Current maturities of long term debt [Refer Note 4 (ii) to (v)]	28,22.75	4,39.22
Interest accrued but not due on borrowings	3,17.80	-
Interest accrued and due on borrowings	5,50.52	-
Investor Education & Protection Fund (Refer Note below)	11.52	16.67
Other payables		
Statutory remittances	9,20.76	8,37.29
Advances from customers and vendors	3,80.34	79.30
Interest accrued on others [Refer Note 28 (b)]	39.30	30.32
Other liabilities	1,70.76	1,77.35
<b>TOTAL</b>	<b>52,13.75</b>	<b>15,80.15</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, 2014	As at March 31, 2013
<b>11. SHORT-TERM PROVISIONS</b>		
Provision for employee benefits		
Gratuity	1,09.84	1,10.00
Compensated absences	43.02	38.20
Long service award	30.62	27.56
Others	1.30	1.00
<b>TOTAL</b>	<b>1,84.78</b>	<b>1,76.76</b>



Notes forming part of the Financial Statements

12. FIXED ASSETS

₹ Lakhs

Particulars	Gross block (At cost/revalued)*				Depreciation				Net block	
	As at March 31, 2013	Additions	Deletions	As at March 31, 2014	Upto March 31, 2013	For the year	Deletions/ Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b>A. TANGIBLE ASSETS</b>										
Freehold land	11,22.96 <i>(11,22.96)</i>	-	-	11,22.96 <i>(11,22.96)</i>	-	-	-	-	11,22.96 <i>(11,22.96)</i>	11,22.96 <i>(11,22.96)</i>
Buildings										
Own use	68,77.96 <i>(70,09.66)</i>	2.41 <i>(1,23.28)</i>	11.02 <i>(2,54.98)</i>	68,69.35 <i>(68,77.96)</i>	35,88.47 <i>(36,06.47)</i>	1,19.80 <i>(1,22.21)</i>	11.00 <i>(1,40.21)</i>	36,97.27 <i>(35,88.48)</i>	31,72.08 <i>(32,89.49)</i>	32,89.49 <i>(34,03.19)</i>
Given under operating lease	24.70 <i>(24.70)</i>	-	-	24.70 <i>(24.70)</i>	1.56 <i>(1.16)</i>	0.40 <i>(0.40)</i>	-	1.96 <i>(1.56)</i>	22.74 <i>(23.14)</i>	23.14 <i>(23.54)</i>
	<b>69,02.66</b> <b><i>(70,34.36)</i></b>	<b>2.41</b> <b><i>(1,23.28)</i></b>	<b>11.02</b> <b><i>(2,54.98)</i></b>	<b>68,94.05</b> <b><i>(69,02.66)</i></b>	<b>35,90.03</b> <b><i>(36,07.63)</i></b>	<b>1,20.20</b> <b><i>(1,22.61)</i></b>	<b>11.00</b> <b><i>(1,40.21)</i></b>	<b>36,99.23</b> <b><i>(35,90.03)</i></b>	<b>31,94.82</b> <b><i>(33,12.63)</i></b>	<b>33,12.63</b> <b><i>(34,26.73)</i></b>
Plant & machinery	656,40.57 <i>(665,67.99)</i>	11,53.33 <i>(9,08.58)</i>	1,30.92 <i>(18,36.00)</i>	666,62.98 <i>(656,40.57)</i>	285,81.65 <i>(267,03.06)</i>	29,16.18 <i>(29,09.72)</i>	1,27.55 <i>(10,31.13)</i>	313,70.28 <i>(285,81.65)</i>	352,92.70 <i>(370,58.92)</i>	370,58.92 <i>(398,64.93)</i>
Furniture & fixtures	2,30.19 <i>(2,29.51)</i>	0.19 <i>(0.72)</i>	0.33 <i>(0.04)</i>	2,30.05 <i>(2,30.19)</i>	1,00.94 <i>(89.31)</i>	11.04 <i>(11.67)</i>	0.32 <i>(0.04)</i>	1,11.66 <i>(1,00.94)</i>	1,18.39 <i>(1,29.25)</i>	1,29.25 <i>(1,40.20)</i>
Vehicles	1,97.03 <i>(3,27.27)</i>	-	17.70 <i>(1,36.60)</i>	1,79.33 <i>(1,97.03)</i>	1,09.06 <i>(1,75.13)</i>	16.27 <i>(24.69)</i>	16.82 <i>(90.76)</i>	1,08.51 <i>(1,09.06)</i>	70.82 <i>(87.97)</i>	87.97 <i>(1,52.14)</i>
Office equipment	1,73.40 <i>(1,70.03)</i>	1.55 <i>(5.24)</i>	2.53 <i>(1.87)</i>	1,72.42 <i>(1,73.40)</i>	91.14 <i>(85.33)</i>	7.05 <i>(7.19)</i>	2.01 <i>(1.38)</i>	96.18 <i>(91.14)</i>	76.24 <i>(82.26)</i>	82.26 <i>(84.70)</i>
Railway sidings	13.99 <i>(13.99)</i>	-	-	13.99 <i>(13.99)</i>	9.52 <i>(8.92)</i>	0.59 <i>(0.60)</i>	-	10.11 <i>(9.52)</i>	3.88 <i>(4.47)</i>	4.47 <i>(5.07)</i>
<b>TOTAL (A)</b>	<b>742,80.80</b> <b><i>(754,66.11)</i></b>	<b>11,57.48</b> <b><i>(10,44.18)</i></b>	<b>1,62.50</b> <b><i>(22,29.49)</i></b>	<b>752,75.78</b> <b><i>(742,80.80)</i></b>	<b>324,82.34</b> <b><i>(306,69.38)</i></b>	<b>30,71.33</b> <b><i>(30,76.48)</i></b>	<b>1,57.70</b> <b><i>(12,63.52)</i></b>	<b>353,95.97</b> <b><i>(324,82.34)</i></b>	<b>398,79.81</b> <b><i>(417,98.46)</i></b>	<b>417,98.46</b> <b><i>(447,96.73)</i></b>
<b>B. INTANGIBLE ASSETS</b>										
Software	55.75 <i>(55.75)</i>	11.48 <i>-</i>	2.54 <i>-</i>	64.69 <i>(55.75)</i>	33.71 <i>(19.49)</i>	16.78 <i>(14.22)</i>	-	50.49 <i>(33.71)</i>	14.20 <i>(22.04)</i>	22.04 <i>(36.26)</i>
<b>TOTAL (A+B)</b>	<b>743,36.55</b> <b><i>(755,21.86)</i></b>	<b>11,68.96</b> <b><i>(10,44.18)</i></b>	<b>1,65.04</b> <b><i>(22,29.49)</i></b>	<b>753,40.47</b> <b><i>(743,36.55)</i></b>	<b>325,16.05</b> <b><i>(306,88.87)</i></b>	<b>30,88.11</b> <b><i>(30,90.70)</i></b>	<b>1,57.70</b> <b><i>(12,63.52)</i></b>	<b>354,46.46</b> <b><i>(325,16.05)</i></b>	<b>398,94.01</b> <b><i>(418,20.50)</i></b>	<b>418,20.50</b> <b><i>(448,32.99)</i></b>

Figures in brackets and in italics relate to the previous year.

\* Certain assets like land, building and plant & machinery were revalued as on March 31, 1997 on the basis of reports of approved valuer on market value/ replacement cost basis using standard indices after considering the obsolescence and age of individual assets. The revalued amount (net of withdrawals) remaining substituted for the historical cost in the gross block of fixed assets are:

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
Land	9,65.36	9,65.36
Buildings	41,92.55	42,03.58
Plant & machinery	148,84.17	150,05.98
<b>TOTAL</b>	<b>200,42.08</b>	<b>201,74.92</b>





Notes forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>13. NON-CURRENT INVESTMENTS (At cost)</b>		
<b>Equity investments (Unquoted, fully paid up)</b>		
1,67,500 (March 31, 2013: 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, 2013: 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</b>	<b>-</b>	<b>-</b>

Particulars	As at March 31, 2014	As at March 31, 2013
<b>14. LONG-TERM LOANS AND ADVANCES (Unsecured and considered good)</b>		
Capital advances	1,60.46	2,17.97
Security and other deposits	17,34.08	17,06.03
Advance tax and tax deducted at source	2,51.00	2,11.55
[Net of provision ₹3,72.27 lakhs (March 31, 2013: ₹3,73.57 lakhs)]		
<b>TOTAL</b>	<b>21,45.54</b>	<b>21,35.55</b>

Particulars	As at March 31, 2014	As at March 31, 2013
<b>15. INVENTORIES (at lower of cost and net realisable value)</b>		
Raw materials	5,73.19	11,50.02
Work-in-progress (Refer Note below)	8,84.73	8,60.17
Finished goods	17,75.38	2,99.53
Stores, spares and other consumables	13,63.78	16,79.11
Stock-in-transit (Stores & spares)	14.57	1,06.73
<b>TOTAL</b>	<b>46,11.65</b>	<b>40,95.56</b>

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



Notes forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>16. TRADE RECEIVABLES</b>		
<b>Outstanding for a period exceeding six months from the date they were due for payment</b>		
Secured, considered good (Refer Note below)	55.90	58.40
Unsecured, considered good	1,83.37	1,02.84
Unsecured, considered doubtful	56.62	56.62
Less: Provision for doubtful debts	(56.62)	(56.62)
	<b>2,39.27</b>	<b>1,61.24</b>
<b>Other trade receivables</b>		
Secured, considered good (Refer Note below)	27,96.09	30,35.81
Unsecured, considered good	29,72.20	31,44.57
<b>TOTAL</b>	<b>60,07.56</b>	<b>63,41.62</b>

**Note:** Trade receivables are secured by way of security deposit collected from the customers to the extent of ₹28,51.99 Lakhs (March 31, 2013: ₹30,94.21 Lakhs).

Particulars	As at March 31, 2014	As at March 31, 2013
<b>17. CASH AND BANK BALANCES</b>		
<b>A. Cash and cash equivalents</b>		
Cash in hand	18.49	20.16
Balances with banks		
- in current account	45.16	2,69.31
<b>Total - Cash and cash equivalents (A)</b>	<b>63.65</b>	<b>2,89.47</b>
<b>B. Other bank balances</b>		
- in earmarked accounts		
- unpaid dividend account	11.53	16.67
- balances held as margin money deposit (Refer Note below)	72.41	62.31
- in redemption account	1.31	1.32
<b>Total - Other bank balances (B)</b>	<b>85.25</b>	<b>80.30</b>
<b>Total cash and bank balances (A+B)</b>	<b>1,48.90</b>	<b>3,69.77</b>

**Note:** Includes deposits of ₹7.67 Lakhs (March 31, 2013: ₹2.57 Lakhs) with original maturity of more than 12 months.



## Notes forming part of the Financial Statements

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>18. SHORT-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good</b>		
Inter-corporate deposits	8,25.00	8,25.00
Loans and advances to employees	27.31	35.79
Prepaid expenses	45.01	52.55
Advance to material suppliers/contractors/others	13,34.61	16,08.19
Balance with government authorities - CENVAT credit receivable	75.26	96.47
<b>TOTAL</b>	<b>23,07.19</b>	<b>26,18.00</b>

Particulars	As at March 31, 2014	As at March 31, 2013
<b>19. OTHER CURRENT ASSETS</b>		
<b>Accruals</b>		
Interest accrued on inter-corporate deposits	97.77	1,00.78
Interest accrued on security deposits	1,20.05	88.28
Interest accrued on trade receivables	39.10	56.60
<b>Others</b>		
Claims recoverable	8,37.50	7,27.05
Fixed assets retired from active use [Refer Note 28 (c)]	2,50.12	2,50.12
<b>TOTAL</b>	<b>13,44.54</b>	<b>12,22.83</b>



Notes forming part of the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>20. GROSS REVENUE FROM OPERATIONS</b>		
Sale of paper and paper board	444,34.33	372,44.31
<b>TOTAL</b>	<b>444,34.33</b>	<b>372,44.31</b>

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>21. OTHER OPERATING REVENUE</b>		
Sale of coal ash and scrap	2,93.62	4,07.60
<b>TOTAL</b>	<b>2,93.62</b>	<b>4,07.60</b>

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>22. OTHER INCOME</b>		
Interest on		
- Term deposits with banks	42.68	68.52
- Inter-corporate and other loans	98.08	1,00.78
- Others (customers/debtors, on deposits, etc.)	5,23.03	6,84.93
Rent	35.61	46.46
Insurance claims	14.14	35.68
Profit on sale of fixed assets	3.69	91.95
Profit on sale of current investments	-	42.61
Miscellaneous income	2,93.01	48.68
<b>TOTAL</b>	<b>10,10.24</b>	<b>11,19.61</b>

Tax deducted at source on interest received is ₹26.40 Lakhs (March 31, 2013: ₹50.69 Lakhs)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>23. COST OF MATERIALS CONSUMED</b>		
Opening stock	11,50.02	18,03.85
Add: Purchases	237,51.06	165,81.74
	249,01.08	183,85.59
Less: Closing stock	(5,73.19)	(11,50.02)
<b>TOTAL</b>	<b>243,27.89</b>	<b>172,35.57</b>
Material consumed comprises:		
Bamboo and wood	183,79.38	119,12.20
Chemicals and fibres	52,25.11	47,68.25
Packing material	7,23.40	5,55.12
<b>TOTAL</b>	<b>243,27.89</b>	<b>172,35.57</b>



Notes forming part of the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-PROCESS</b>		
Opening stock-in-process	8,60.17	7,71.07
Opening finished goods	2,81.95	5,08.18
	<u>11,42.12</u>	<u>12,79.25</u>
Closing stock-in-process	8,84.73	8,60.17
Closing finished goods	16,74.11	2,81.95
	<u>25,58.84</u>	<u>11,42.12</u>
Adjustment for excise duty on stock	83.69	(13.25)
<b>Net (increase)/decrease in stock</b>	<b>(15,00.41)</b>	<b>1,50.38</b>

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>25. EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and wages	61,67.81	59,81.45
Contribution to provident and other funds	5,83.48	5,36.33
Workmen and staff welfare expenses	2,11.55	1,92.53
<b>TOTAL</b>	<b><u>69,62.84</u></b>	<b><u>67,10.31</u></b>

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>26. FINANCE COSTS</b>		
Interest expense		
- On borrowings	43,23.40	39,48.21
- On others	4,32.65	4,37.31
Other borrowing cost	66.41	1,02.27
<b>TOTAL</b>	<b><u>48,22.46</u></b>	<b><u>44,87.79</u></b>



## Notes forming part of the Financial Statements

₹ Lakhs

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>27. OTHER EXPENSES</b>		
Stores and spares consumed	14,66.36	17,19.99
Power and fuel	107,95.13	106,20.90
Repairs and maintenance		
- Buildings	2,06.11	2,29.04
- Plant & machinery	5,86.29	7,13.81
- Other assets	35.36	23.86
Insurance	91.41	78.53
Rent	26.24	26.67
Lease rent [Refer Note 28 (m)]	18.00	18.00
Rates & taxes	46.42	20.23
Freight, carriage and cartage charges	4,04.56	4,18.34
Vehicle expenses	46.61	48.16
Travelling and conveyance expenses	1,06.56	1,36.81
Legal & professional expenses	67.62	1,83.14
Commission to wholesalers	4,01.43	3,87.13
Communication and advertisement	49.64	58.43
Conversion charges	62.20	62.74
Directors' sitting fees*	2.32	3.68
Increase/(decrease) of excise duty on inventory	83.69	(13.25)
Auditors' remuneration [Refer Note 28 (g)]	12.90	14.71
Loss on fixed assets retired from active use [Refer Note 28 (c)]	-	3,43.95
Miscellaneous expenses	1,51.13	1,83.55
<b>TOTAL</b>	<b>146,59.98</b>	<b>152,78.42</b>
*Directors' sitting fees excludes service tax and education cess thereon.		



Notes forming part of the Financial Statements

**28. Notes forming part of the financial statements**

**a. Contingent liabilities & commitments**

**Contingent liabilities**

**i. Claims/demands under dispute not provided for**

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Claims/demands under dispute</b>		
Income tax	76.73	75.33
Excise duty etc.	8,71.28	6,09.51
Value added tax	3,24.56	3,24.56
Demand from Government of Andhra Pradesh <sup>@</sup>	22,01.67	22,01.67
State levies	9,41.77	9,41.77
Labour related cases	3,51.32	3,51.32
Suppliers and service contracts	7,75.44	7,68.54

<sup>@</sup> Includes interest demand of ₹12,25.52 Lakhs from the Forest Department, Government of Andhra Pradesh 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 ₹1,00 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 in the financial statement for the above mentioned demand.

- ii. Show cause notices were issued by Central Excise Department 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 notices, is ₹18,08 Lakhs. The case was adjudicated by the Commissioner of Customs & Central Excise in Company's favour in July, 2005 dropping all the proceedings, interest, penalty, duty. However, the department has gone on an appeal to CESTAT against the order of Commissioner. Pending the final outcome of the petition, no provision has been made.
- iii. Government of Andhra Pradesh had levied electricity duty on power generated and consumed for captive use with effect from July 17, 2003 @ ₹0.25 paise per unit of power generated. 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. Pending the final outcome of the petition, no provision has been made.
- iv. Northern Power Distribution Company Limited of Andhra Pradesh (NPDCL) has raised a demand for ₹9,13.34 Lakhs towards back billing alleging non segregation of lights and fans load for the period 2007 to 2012. On a petition filed by the Company, the Hon'ble High Court has granted interim suspension of the demand and observed that the Company has already deposited ₹1,00 Lakhs which covers the billing for 12 months maximum permissible under the circumstances. Pending the final outcome of the petition, no provision has been made.
- v. As per paragraph 3.7 of 'CDR Master Circular 2012 - Clause 3 Scrutiny before CDR reference/approval', lenders shall have the right to recompense for their sacrifices proposed in the CDR package. The amount of recompense as at March 31, 2014 works out to ₹7,85.12 Lakhs (March 31, 2013: ₹3,67.56 Lakhs).

**Commitments**

- i. Estimated amount of contracts remaining to be executed on capital account and not provided for Nil (March 31, 2013: ₹1,11.11 Lakhs) against which advances paid amount to Nil (March 31, 2013: ₹2.48 Lakhs).
- ii. Estimated amount of contracts remaining to be executed on other than capital commitments and not provided for ₹4,76.66 Lakhs (March 31, 2013: ₹4,24.98 Lakhs).
- iii. Total outstanding bank guarantees and letters of credit as on March 31, 2014, aggregated to ₹8,90.19 Lakhs (March 31, 2013: 10,08.76 Lakhs), which are secured against the Company's assets.

Notes forming part of the Financial Statements

**b. Details as required under MSMED Act, 2006**

₹ Lakhs

Particulars	As at March 31, 2014	As at March 31, 2013
The principal amount remaining unpaid at the end of the year	1,19.81	41.71
The interest due on above	5.00	3.50
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	3.98	6.04
Amount of interest accrued and remaining unpaid at the end of the year	39.30	30.32

**c. Details of fixed assets retired from active use<sup>@</sup>**

Particulars	As at March 31, 2014	Net realisable value (NRV)	Loss on fixed assets retired from active use	Loss adjusted from unutilised revaluation reserve
Building - factory structure	37.97	37.97	-	-
	<i>(99.08)</i>	<i>(37.97)</i>	<i>(61.11)</i>	-
Plant & machinery	1,81.24	1,81.24	-	-
	<i>(7,91.87)</i>	<i>(1,81.24)</i>	<i>(2,81.70)</i>	<i>(3,28.93)</i>
Vehicles	30.91	30.91	-	-
	<i>(32.05)</i>	<i>(30.91)</i>	<i>(1.14)</i>	-
<b>TOTAL</b>	<b>2,50.12</b>	<b>2,50.12</b>	<b>-</b>	<b>-</b>
	<i>(9,23.00)</i>	<i>(2,50.12)</i>	<i>(3,43.95)</i>	<i>(3,28.93)</i>

<sup>@</sup> Net book value including revaluation.

Figures in brackets and in italics are for the previous year.

**d. CIF value of imports**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Components and spare parts	1,50.84	1,68.05

**e. Expenditure in foreign currency**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Books & periodicals	0.09	0.09
Travelling expenses	-	4.53
Consultancy	3.78	29.76
Raw materials & machine spares	1,47.78	1,34.64
<b>TOTAL</b>	<b>1,51.65</b>	<b>1,69.02</b>





Notes forming part of the Financial Statements

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

₹ Lakhs

Particulars	Material consumed (Raw material, stores and chemicals)			
	For the year ended March 31, 2014		For the year ended March 31, 2013	
	Amount	%	Amount	%
Indigenous	256,79.40	99.55	187,20.60	98.76
Imported	1,14.85	0.45	2,34.96	1.24
<b>TOTAL</b>	<b>257,94.25</b>	<b>100.00</b>	<b>189,55.56</b>	<b>100.00</b>

**g. Auditors' remuneration**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Statutory auditors</b>		
Audit fees	7.00	7.00
Fees for limited review	5.25	5.25
Fees for certification	–	0.50
Reimbursement of expenditure	0.65	1.96
<b>TOTAL</b>	<b>12.90</b>	<b>14.71</b>

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

- h.** 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 from May 1, 2008 to April 30, 2013 have been filed with relevant authorities. The amount so eligible aggregating to ₹7,93.26 Lakhs (March 31, 2013: ₹6,82.81 Lakhs) is included in other current assets under Note 19 with a corresponding credit to power and fuel expenses, in respective years.
- i.** The wage agreement with workers' union covering the period from April 1, 2008 to March 31, 2013 has expired and a new agreement is yet to be concluded. Pending conclusion of such agreement, possible impact on the financials is not ascertainable.

**j. Employee benefit plans**

**i. Defined contribution plans**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Provident fund	1,77.27	1,68.31
Superannuation fund	12.79	17.27
Employees' state insurance	1,19.18	1,20.70
Employees' pension scheme	1,21.95	1,28.70



ii. Defined benefit plans

₹ Lakhs

a. Change in defined benefit obligations (DBO) during the year

Particulars	For the year ended March 31, 2014		
	Gratuity	Compensated absences	Long service award
Present value of (DBO) at the beginning of the year	23,86.62 <i>23,62.56</i>	2,95.52 <i>3,62.28</i>	1,88.60 <i>1,64.76</i>
Current service cost	1,14.69 <i>1,11.00</i>	27.13 <i>27.80</i>	11.36 <i>11.76</i>
Interest cost	1,90.93 <i>1,89.00</i>	23.64 <i>28.98</i>	15.09 <i>13.18</i>
Actuarial losses/(gains)	9.52 <i>(18.95)</i>	8.17 <i>(61.00)</i>	(14.35) <i>11.24</i>
Benefits paid	(2,42.99) <i>(2,56.99)</i>	(82.69) <i>(62.54)</i>	(19.43) <i>(12.34)</i>
Present value of (DBO) at the end of the year	24,58.77 <i>23,86.62</i>	2,71.77 <i>2,95.52</i>	1,81.27 <i>1,88.60</i>

b. Change in the fair value of assets during the year

Particulars	For the year ended March 31, 2014		
	Gratuity	Compensated absences	Long service award
Plan assets at the beginning of the year	18,30.01 <i>19,06.13</i>	NA <i>NA</i>	NA <i>NA</i>
Actual return on plan assets	1,62.85 <i>1,79.70</i>	NA <i>NA</i>	NA <i>NA</i>
Actual Company's contribution	1,10.00 <i>1.17</i>	82.69 <i>62.54</i>	19.43 <i>12.34</i>
Benefits paid	(2,42.99) <i>(2,56.99)</i>	(82.69) <i>(62.54)</i>	(19.43) <i>(12.34)</i>
Present value of (DBO) at the end of the year	18,59.86 <i>18,30.01</i>	NA <i>NA</i>	NA <i>NA</i>

c. Net asset/(liability) recognised in the Balance Sheet as at end of the year

Particulars	For the year ended March 31, 2014		
	Gratuity	Compensated absences	Long service award
Present value of defined benefit obligations	24,58.77 <i>23,86.62</i>	2,71.77 <i>2,95.52</i>	1,81.27 <i>1,88.60</i>
Fair value of plan assets	18,59.86 <i>18,30.01</i>	NA <i>NA</i>	NA <i>NA</i>
Funded status - surplus/(deficit)	(5,98.91) <i>(5,56.61)</i>	(2,71.77) <i>(2,95.52)</i>	(1,81.27) <i>(1,88.60)</i>
Net asset/(liability) recognised in Balance Sheet	(5,98.91) <i>(5,56.61)</i>	(2,71.77) <i>(2,95.52)</i>	(1,81.27) <i>(1,88.60)</i>

Note: Figures in italics relate to the previous year.



Notes forming part of the Financial Statements

**d. Components of employers' expenses**

₹ Lakhs

Particulars	For the year ended March 31, 2014		
	Gratuity	Compensated absences	Long service award
Current service cost	1,14.69 <i>1,11.00</i>	27.13 <i>27.80</i>	11.36 <i>11.76</i>
Interest cost	1,90.93 <i>1,89.00</i>	23.64 <i>28.98</i>	15.09 <i>13.18</i>
Expected return on plan assets	(1,55.55) <i>(1,62.02)</i>	NA <i>NA</i>	NA <i>NA</i>
(Gain)/actuarial losses	2.22 <i>(36.63)</i>	8.17 <i>(61.00)</i>	(14.35) <i>11.24</i>
Expenses/(income) recognized in Statement of Profit and Loss	1,52.29 <i>1,01.35</i>	58.94 <i>(4.22)</i>	12.10 <i>36.18</i>

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

Particulars	For the year ended March 31, 2014		
	Gratuity	Compensated absences	Long service award
Actual benefit payments	2,42.99 <i>2,56.99</i>	82.69 <i>62.54</i>	19.43 <i>12.34</i>
Actual contributions	1,10.00 <i>1.17</i>	82.69 <i>62.54</i>	19.43 <i>12.34</i>

**f. Experience adjustments**

Gratuity	2013-14	2012-13	2011-12	2010-11
Present value of DBO	24,58.77	23,86.62	23,62.56	22,69.67
Fair value of plan assets	18,59.86	18,30.01	19,06.13	16,57.09
Funded status [surplus/(deficit)]	(5,98.91)	(5,56.61)	(4,56.43)	(6,12.58)
Experience gain/(loss) adjustments on plan liabilities	(9.52)	18.95	(19.51)	-
Experience gain/(loss) adjustments on plan assets	7.30	17.68	23.20	-

**g. Principal actuarial assumptions**

Particulars		For the year ended March 31, 2014		
		Gratuity	Compensated absences	Long service award
Discount rate	%	8.0	8.0	8.0
	%	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>
Expected return on plan assets	%	8.5	NA	NA
	%	<i>8.5</i>	<i>NA</i>	<i>NA</i>
Salary escalation - Staff	%	8.0	8.0	8.0
	%	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>
- Workers	%	7.0	7.0	7.0
	%	<i>7.0</i>	<i>7.0</i>	<i>7.0</i>

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



Notes forming part of the Financial Statements

**k. Segment information**

The Company is in the business of manufacture and sale of pulp, paper and paper board. The power produced is for captive use. 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.

**l. Related party disclosure**

**List of related party and relationships**

Party	Relation
Aravali Securities and Finance Limited Amba Investment Private Limited	} Entities holding more than 20%
<b>Key management personnel</b>	
Shri Rameshwar Lall Lakhota	Executive Director
Shri Devashish Poddar	Vice-Chairman & Managing Director

**Summary of transactions with the above related parties**

₹ Lakhs

Transactions	Entities holding more than 20%	Managerial personnel along with their relative exercising significant influence	Key management personnel
Interest income	35.00	-	-
	<i>(35.00)</i>	-	-
Lease rent paid	18.00	-	-
	<i>(18.00)</i>	-	-
Rent, office maintenance, food charges & expenses	5.64	-	-
	<i>(6.38)</i>	<i>(23.06)</i>	-
Management contracts	-	-	1,13.74
	-	-	<i>(1,45.60)</i>
Reimbursement of expenses	2.53	-	-
	<i>(2.93)</i>	-	-
Issue of shares (including securities premium)	-	2,36.50	-
	-	<i>(2,38.69)</i>	-
Unsecured short-term loan received	-	-	-
	<i>(2,50.00)</i>	-	-
Unsecured short-term loan paid	-	-	-
	<i>(2,50.00)</i>	-	-

**Note:** Pending approval of Central Government relating to appointment & remuneration of Managing Director & Executive Director, remuneration payable aggregating to ₹47.65 Lakhs (March 31, 2013: ₹8.26 Lakhs) is not provided for in the books of accounts.

Figures in brackets and in italics relate to the previous year.



Notes forming part of the Financial Statements

**Year end balances**

₹ Lakhs

Transactions	Entity holding more than 20%	Managerial personnel along with their relative exercising significant influence	Key management personnel
Payable	0.79	-	11.44
	-	-	(12.13)
Receivable	3,70.08	-	-
	(3,68.09)	(3.25)	-

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

- m. 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 lease rent under Note 27.

**n. Loss per share**

Particulars	As at March 31, 2014	As at March 31, 2013
Loss after tax as per accounts (₹ lakhs)	(90,98.15)	(97,09.82)
Opening balance of Ordinary shares	1,64,35,000	1,58,79,900
Shares allotted during the year	5,50,000	5,55,100
Weighted average number of shares (Nos.)	1,67,81,575	1,59,71,149
Loss per share (₹)	(54.22)	(60.80)

- o. As at March 31, 2014, the accumulated losses amounted to ₹203,61 Lakhs has eroded the net worth of the Company. The Company has the continuous support from the promoters and has put in place measures for revival and cost reduction, which in the opinion of the management would enable the Company to generate sufficient profits in the foreseeable future.
- p. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For and on behalf of the Board of Directors

**Vimal Arora**  
Chief Financial Officer

**Ranjan Kumar Poddar**  
Chairman

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

Secunderabad  
May 29, 2014

**Dinesh Lata**  
Company Secretary

**Rameshwar Lall Lakhotia**  
Executive Director



**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. ....  
.....  
.....  
.....

MEMBER

PROXY

(Please tick as applicable)

No. of Shares

- Note: 1. Only Members of the Company or their proxies will be allowed to attend the Meeting ON PRODUCTION OF ATTENDANCE SLIP duly completed and signed.
2. 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.

**ATTENDANCE SLIP**

**Day** Monday  
**Date** September 29, 2014  
**Time** 12.30 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 75th ANNUAL GENERAL  
MEETING of the Company

.....  
Signature of the Member or Proxy



Tear Here



**THE SIRPUR PAPER MILLS LIMITED**

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

No. of Shares

**FORM OF PROXY**

Reg. Folio No.

Demat Particulars  
DP ID No.

Client ID No.

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 75th ANNUAL GENERAL MEETING of the Company to be held at 12.30 p.m. on Monday, the September 29, 2014 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.

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