



THE SIRPUR PAPER MILLS LIMITED

Website : www.sirpurpaper.com

Telephones : 040-23236301 & 23231134
Fax : 040-23232470
E-mail : registeredoffice@sirpurpaper.com
spmregdoff@gmail.com

Registered Office :
5-9-22/1/1, 1st Floor,
Ashoka Chambers,
Adarsh Nagar,
HYDERABAD - 500 063.

Ref. No.SPM/Shares-4-B/ 1283

Date:04-09-2013

To
The Manager (Listing)
National Stock Exchange of India Ltd,
Exchange Plaza, 5th Floor, Plot No.C/1,
G-Block, Bandra Kurla Complex,
Bandra (E), Mumbai-400 051.

Sub Submission of Six (6) Copies of Annual Report of the Company for the year 2012-2013 in Compliance of Clause-31 (a) of the Listing Agreement-Reg..

Dear Sir,

We are enclosing herewith 6 (Six) Copies of the Annual Report and accounts of the Company for the year ended 31st March, 2013, which also contain the Notice convening 74th Annual General Meeting of the Company to be held on Monday, the 30th September, 2013 at 10.45 A.M., at Hyderabad.

Form A, Format of letter of annual audit report, duly signed by statutory Auditors, CEO, CFO, MD and Chairman of the Audit Committee of the Company is being submitted.

Yours faithfully,
For The Sirpur Paper Mills Limited,

(T.Shyam Sunder)
Senior Manager (Legal)

Encl: As Above.

SP-POD H... <500001>
EN426... IN
Counter No:12,UP-Code:MTK
To:MR.[S]N.S.E.INDIA LT,MUMBAI
Bandra(East) S.O, PIN:400051
From:SIRPUR PAPER MILLS LTD., 5-9-22/1/1,HYD-1
Wt:1426grams,
Amt:146.00 (LFee:Rs.0.00), 12/09/2013 19:23
Taxes:Rs.16.00<<Track on www.indiapost.gov.in>>

Mills : Sirpur - Kaghaznagar, S.C. Rly - 504 296 (A.P.)
Phone : (08738) 238044, 238045, Fax : (08738) 238642, 235148
Corp. Office : 'Sirpur House', Plot No. 39, Sector - 44,
P.O. GURGAON - 122 003, Haryana.
Phone : 0124-4888111/4888000 Fax : 0124-4888102

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 Financial Statements for the year ended | 31 st March 2013 |
| 3 | Type of Audit Observation | Un-qualified |
| 4 | Frequency of Observation | Not Applicable |

Refer our audit report dated 13 May 2013
on the Standalone financial statements of the Company.

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



K Rajasekhar
(Partner)
(Membership No. 23341)



Place: Hyderabad
Date : 13 May 2013

For The Sirpur Paper Mills Limited



Srikrishna Medanti
Chief Financial Officer



Devashish Poddar
Managing Director



Rameshwar Lall Lakhota
Executive Director



P. Vaman Rao
Chairman
Audit Committee



**The Sirpur Paper
Mills Limited**
Annual Report 2012-13



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Corporate Information

BOARD OF DIRECTORS

Shri Ranjan Kumar Poddar

Chairman

Shri Devashish Poddar

Vice-Chairman & Managing Director

Shri Rameshwar Lall Lakhotia

Executive Director

Shri Sudhir Jalan

Shri Laxminiwas Sharma

Shri P. Vaman Rao

Shri Rakesh Bhartia

Shri G.S. Srinivasan

IDBI Nominee

Ms. Poonam Bodra

BOARD COMMITTEES

AUDIT COMMITTEE

Shri P. Vaman Rao - Chairman

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri G. S. Srinivasan

Shri Rakesh Bhartia

REMUNERATION COMMITTEE

Shri Sudhir Jalan

Shri P. Vaman Rao

Shri Laxminiwas Sharma

Shri Rakesh Bhartia

SHAREHOLDERS' GRIEVANCES COMMITTEE

Shri Laxminiwas Sharma - Chairman

Shri Devashish Poddar

Shri R. L. 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
Andhra Pradesh

BORROWING COMMITTEE

Shri Sudhir Jalan - Chairman

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri P. Vaman Rao

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-Kaghaznagar
504 296
Andhra Pradesh

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 | 12-13 | 11-12 | 10-11 | 09-10 | 08-09 | 07-08 | 06-07 | 05-06 | 04-05 | 03-04 |
|---|---------|----------|---------|---------|---------|--------|--------|--------|--------|--------|--------|
| Production - Pulp, paper & board | MT | 83,085 | 99,543 | 93,900 | 91,126 | 92,298 | 72,146 | 75,828 | 78,883 | 78,490 | 79,170 |
| Gross operating revenue | ₹ Lakhs | 376,52 | 410,61 | 379,32 | 349,35 | 368,47 | 271,16 | 270,42 | 268,65 | 254,29 | 249,55 |
| Profit/(Loss) before interest, depreciation & tax | ₹ Lakhs | (28,54) | 49,79 | 46,93 | 53,19 | 58,72 | 34,61 | 30,83 | 31,86 | 29,57 | 34,49 |
| Profit/(Loss) before depreciation & tax | ₹ Lakhs | (73,42) | 7,92 | 12,19 | 19,31 | 26,61 | 28,51 | 25,77 | 26,09 | 23,91 | 27,86 |
| Profit/(Loss) before tax | ₹ Lakhs | (102,69) | (22,07) | (18,16) | (10,45) | (1,32) | 16,79 | 15,32 | 16,18 | 15,28 | 19,77 |
| Profit/(Loss) after tax | ₹ Lakhs | (97,10) | (17,31) | (17,91) | (11,85) | (1,63) | 32,62 | 13,32 | 14,59 | 14,10 | 17,92 |
| Share capital | ₹ Lakhs | 16,44 | 15,89 | 15,89 | 15,01 | 15,01 | 15,01 | 15,01 | 11,01 | 8,35 | 8,35 |
| Reserves & surplus | ₹ Lakhs | 43,78 | 138,61 | 155,39 | 169,03 | 179,64 | 183,48 | 156,70 | 124,34 | 93,48 | 86,09 |
| Shareholders' funds | ₹ Lakhs | 60,22 | 154,50 | 171,28 | 184,04 | 194,65 | 198,49 | 171,71 | 135,35 | 101,82 | 94,44 |
| Borrowings | ₹ Lakhs | 347,60 | 310,08 | 281,19 | 296,81 | 300,17 | 272,98 | 247,20 | 139,60 | 89,91 | 70,47 |
| Deferred tax liability | ₹ Lakhs | - | 5,59 | 10,35 | 10,60 | 9,21 | 9,15 | 21,43 | 24,78 | 25,12 | 25,12 |
| Net fixed assets | ₹ Lakhs | 382,83 | 408,41 | 436,15 | 461,10 | 480,48 | 483,30 | 418,59 | 259,07 | 168,15 | 136,95 |
| Investments | ₹ Lakhs | - | - | - | 10 | 10 | 4,10 | 3,37 | 17,29 | 20,07 | 5,76 |
| PBIDT to gross operating revenue | % | (7.58) | 12.13 | 12.37 | 15.23 | 15.94 | 12.76 | 11.40 | 11.86 | 11.63 | 13.82 |
| PBDT to gross operating revenue | % | (19.50) | 1.93 | 3.21 | 5.53 | 7.22 | 10.51 | 9.53 | 9.71 | 9.40 | 11.16 |
| Earnings per share | ₹ | (60.80) | (10.90) | (11.42) | (7.89) | (1.09) | 21.73 | 9.17 | 13.65 | 16.91 | 21.49 |
| Dividend on ordinary shares | % | - | - | - | - | 15 | 35 | 35 | 35 | 50 | 50 |
| Book value per share [§] | ₹ | 36.64 | 100.81 | 114.38 | 129.66 | 135.80 | 138.32 | 128.66 | 145.45 | 152.20 | 143.34 |
| Debt (Term loans)/Equity [§] | Times | 5.20 | 1.65 | 1.45 | 1.36 | 1.19 | 1.03 | 1.13 | 0.70 | 0.43 | 0.48 |

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 FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED, will be held on **Monday, the 30th September, 2013 at 10.45 a.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, 2013, together with Auditors' Report and the Report of the Directors thereon.
2. a. To appoint a Director in place of Shri Laxminiwas Sharma, who retires by rotation and is eligible for re-appointment.
- b. To appoint a Director in place of Shri P. Vaman Rao, who retires by rotation and is eligible for re-appointment.
- c. To appoint a Director in place of Shri Rakesh Bhartia, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider, and if thought fit, to pass, with or without modifications, the following resolution, as an **Ordinary Resolution**:

"RESOLVED THAT Messrs. Deloitte Haskins & Sells, Chartered Accountants (Registration No.008072S) 1-8-384 & 385, 3rd Floor, Gowra Grand, S. P. Road, Begumpet, Secunderabad 500 003, be and are hereby re-appointed as statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and that their remuneration be and is hereby fixed at ₹7,00,000 (Rupees Seven Lakhs only) plus reimbursement of service tax, travelling and out-of-pocket expenses."

Special Business

4. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a **Special Resolution**:
- "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions of the Companies Act, 1956 or any statutory

modification(s), enactment(s), re-enactment(s) thereof for the time being in force and Articles of Association of the Company and subject to such consent(s), approval(s) and permission(s) as may be necessary in this regard, consent of the Members be and is hereby accorded to the re-appointment of Shri Devashish Poddar as Vice-Chairman & Managing Director on the terms and conditions as set out below:

I. Period: Two years with effect from August 1, 2013.

II. Remuneration

- a. Salary: ₹4,40,000 (Rupees Four lakh forty thousand) per month.
- b. Performance bonus: 1% of profit before tax.
- c. Perquisites: The perquisites shall be as follows:
 - i. Housing:
 - a. Free furnished accommodation.
 - b. If no accommodation is provided by the Company, he shall be entitled to a house rent allowance equal to 60% of the salary.
 - c. Furniture and fixtures at residence and other amenities such as gas, electricity, water.

Explanation:

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962.

- ii. Medical reimbursement, leave, leave travel concession, bonus/ex-gratia, personal accident insurance and long service award as per rules of the Company.
- iii. Club fees: Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- iv. Conveyance: Free use of Company's car with driver for official work as well as for personal purpose.



- v. Telephone and computer: Free telephone and computer facility at residence.
- vi. Company's contribution to provident fund, superannuation fund or any annuity fund as per rules of the Company.
- vii. Gratuity as per rules of the Company.

Note:

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

III. Minimum remuneration

The remuneration as specified in Sl. No.II subject to approval of Members shall continue to be paid to Shri Devashish Poddar as minimum remuneration notwithstanding loss or inadequacy of profits during the tenure of his office.

IV. Duties and responsibilities

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

V. Other major terms & conditions

- a. The appointment may be terminated by either party by giving the other party three months' notice in writing.
- b. If at any time, the said appointee ceases to be a director of the Company for any cause whatsoever, he shall cease to be Vice-Chairman & Managing Director.

- c. The Vice-Chairman & Managing Director shall not supplement his earnings by any buying or selling commission. He shall not also become interested or otherwise concerned directly or indirectly or through his wife and/or minor children in any selling or buying agency of the Company.
- d. Sitting fee: No sitting fee shall be paid to Vice-Chairman & Managing Director for attending the meetings of Board of Directors or a Committee thereof of the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above Resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s), enactment(s), re-enactment(s) thereof for the time being in force and rules framed there under and the provisions of other statutes as applicable the existing Articles of Association of the Company be amended as under:

- i. The following Article be inserted after existing Article 127 as Article 127A.

Participation through Electronic Mode:

127A: The participation of Directors in a meeting of the Board or a Committee thereof may be either in person or through video conference facility and/or other permissible electronic or virtual facilities for communication. Such participation by the Director(s) at meetings of the Board and Committees thereof, through video conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- ii. The following proviso be inserted after the existing Article 127(3)(a):

Provided further that a Director participating in a Meeting through use of

video conference or any other permissible electronic mode of communication shall be counted for the purpose of quorum, as permitted by the applicable laws from time to time.

- iii. The following Article be inserted after the existing Article 174(6) as Article 174(7):

174(7): Notwithstanding anything contrary contained in the Articles of Association, a document may be served by the Company on any Member by any electronic mode of communication and in such manner as is/ may be permitted by any law.

Where a document is served by any such electronic mode, the service thereof shall be deemed to be effected in the manner as is/may be provided by any law.

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee or any person which the Board may constitute/nominate to exercise its powers, including the powers by this Resolution) be authorized to carry out the above mentioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

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

"RESOLVED THAT pursuant to the provisions of sub-sections 1(e), 2 and 3 of Section 94 of the Companies Act, 1956 or any statutory modification(s), enactment(s), re-enactment(s) thereof for the time being in force and Article 16 (c) of the Articles of Association of the Company, the Issued Capital of the Company be reduced from 1,69,96,174 Ordinary Shares of ₹10 each to 1,69,85,000 Ordinary shares of ₹10 each, by diminishing the Issued Capital of 1,69,96,174 Ordinary shares of ₹10 each to 1,69,85,000 Ordinary Shares of ₹10 each by cancelling the balance 11,174 Ordinary shares which were issued and offered from time to time earlier but have not been taken or agreed to be taken by any person."

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

"RESOLVED THAT pursuant to Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, the applicable provisions of the Companies Act, 1956 or any statutory modification(s), enactment(s), re-enactment(s) thereof and such other laws, rules, regulations, guidelines or notifications as may be applicable, if any, and subject to approval of audited annual accounts for the financial year 2012-13 by the Members of the Company in this Annual General Meeting, the Report of the Board of Directors explaining the reasons of erosion of more than 50% of the peak net worth of the Company as per the audited financial results of the Company for the year ended March 31, 2013 be and is hereby considered and approved.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to inform and report as potentially sick industrial Company to the Board for Industrial and Financial Reconstruction (BIFR) and/or such other state and central government authorities as may be required under the laws, rules, regulations, guidelines and directives for the time being in force in India in the prescribed form and to intimate such other authorities, entities, financial institutions, stock exchanges, body corporates, associations and persons as may be necessary in terms of the agreements, security documents, undertakings, declarations and memorandum of understanding entered into by the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, things and deeds as may be necessary in this regard and to file/ submit all the required forms/returns/ documents with the respective authorities to give effect to above Resolution."

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

Dinesh Lata
Company Secretary

Registered Office:
5-9-22/1/1, 1st Floor
Ashoka Chambers
Adarshnagar
Hyderabad - 500 063
August 14, 2013



NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE DULY COMPLETED, STAMPED AND LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED HERewith.**
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items Nos. 4 to 7 of the notice is annexed. All documents referred to in the above notice and explanatory statement are open for inspection at the registered office of the Company between 2.00 p.m. to 4.00 p.m. on all working days between Monday to Friday.
3. The Register of Members and the share transfer books of the Company will remain closed from September 21, 2013 to September 30, 2013 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, all the unclaimed/unpaid dividends up to the financial year ended March 31, 1995 have been transferred to the general revenue account of the Central Government. Members who have not encashed the dividend warrants for the above period may claim their dividends by submitting application in Form-II to the Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad-500 095.

Further, pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, the dividend for the financial years ended March 31, 1996 to 2005 and the 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 final dividend for the financial year ended March 31, 2006 will be transferred by the Company to the Investor Education and Protection Fund on or before August 26, 2013. 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 of the final dividend for the financial years ended March 31, 2006 and thereafter are requested to immediately forward the same to the Company for revalidation.

5. Any change in address of the Members may please be notified to the Registrar and Share Transfer 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 Agents, Venture Capital and Corporate Investments Private Limited.
7. The Ministry of Corporate Affairs ('MCA') has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by companies vide its Circular dated April 21, 2011. Accordingly, service of documents if made through electronic mode will be deemed as sufficient compliance for the purposes of Section 53 of the Companies Act, 1956.

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



Further, Members are requested to visit the Company's website i.e. www.sirpurpaper.com for viewing the quarterly and annual financial results and for more information on the Company.

8. Members holding shares in physical form may please note that the Securities and Exchange Board of India has made trading in the shares of the company compulsory in dematerialized form for all investors. Hence, Members are requested to open a beneficiary owner account with a depository participant, if not done so far, and may get their physical shares dematerialized.
9. Members holding shares in physical form, who are individuals, holding shares on their own behalf, singly or jointly can make nomination. Nomination form is available on request.

Members holding shares in dematerialised form may please contact their depository participants for recording the nomination.

10. At the ensuing Annual General Meeting, Shri Laxminiwas Sharma, Shri P. Vaman Rao and Shri Rakesh Bhartia, Directors of the Company retire by rotation and are eligible for re-appointment. The Board of Directors at their meeting held on May 13, 2013 re-appointed Shri Devashish Poddar as Vice-Chairman & Managing Director. Pursuant to Clause 49 of the Listing Agreement, the particulars of the aforesaid Directors are annexed.
11. Members desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable to keep the information ready.

EXPLANATORY STATEMENT

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

Item 4

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

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

The Board of Directors of the Company at its meeting held on May 13, 2013 re-appointed Shri Devashish Poddar as Vice-Chairman & Managing Director of the Company with effect from August 1, 2013 for a further period of 2 years up to July 31, 2015 on the remuneration and terms as stated in the Resolution.

The details of the remuneration of Vice-Chairman & Managing Director as set out in the Special Resolution were approved by the Remuneration Committee and Board of Directors at the respective meetings held on May 13, 2013.

The abstract of the terms of re-appointment and remuneration together with memorandum of concern

and interest under Section 302 of the Companies Act, 1956 has been sent to all the Members individually.

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

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

Item 5

The Ministry of Corporate Affairs ('MCA'), Government of India, New Delhi vide General Circulars 27/2011 and 28/2011 dated May 20, 2011 and Circular No.35/2011 dated June 6, 2011 permitted companies to hold board meetings through video conference facility, as part of the green initiatives under corporate governance.

Section 53 of the Companies Act, 1956 and Article 174 of the Articles of Association of the Company provide for modes of service of documents on a Member of the Company. The MCA has vide Circular No.17/2011 dated April 21, 2011 stated that a



Company would have complied with Section 53 if the service of a document has been made through electronic mode, provided the Company has obtained Email addresses of its members for sending notices/ documents through Email by giving an advance opportunity to every member to register their Email addresses with the Company. Clause 32 of the Listing Agreement of the stock exchanges also permits a Company to send soft copies of full annual reports, balance sheet, statement of profit and loss and directors' report to all members who have registered their Email addresses for the purpose.

It is proposed to carry out necessary amendments in the existing Articles of Association of the Company by inserting appropriate enabling provisions as set out in the Special Resolution under Item 5 to give effect to the above Circulars of MCA. In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of Special Resolution is required to amend the Articles of Association of the Company.

A copy of the existing Memorandum and Articles of Association of the Company along with the proposed draft amendments to the Articles of Association is available for inspection by any Member at the Registered Office of the Company between 2.00 p.m. to 4.00 p.m. on all working days between Monday to Friday.

The Directors recommend the passing of this Resolution at Item 5 as a Special Resolution, for approval of Members.

None of the Directors of the Company is, in any way, concerned or interested in this item of business.

Item 6

Your Directors consider that the Issued Capital of the Company be reduced to correspond to the Subscribed Capital by cancelling the 11,174 Ordinary shares which were issued and offered from time to time but have remained without being taken or agreed to be taken by any person. The powers conferred by Section 94 of the Companies Act, 1956 shall be exercised by the Company in general meeting and shall not require to be confirmed by the Court and cancellation of shares in pursuance of the said Section shall not be deemed to be a reduction of share capital. The Resolution seeks your approval

for the diminution of Issued Share Capital of the Company as stated above.

None of the Directors of the Company is interested in the Resolution.

Item 7

In terms of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, if the accumulated losses of an industrial company, as at the end of any financial year have resulted in erosion of fifty percent or more of its peak net worth during the immediately preceding four financial years, that Company falls under the category of potentially sick industrial company and therefore the fact is required to be reported to Board for Industrial and Financial Reconstruction (BIFR) within 60 days from the date of finalization of the audited accounts which is the date of this Annual General Meeting.

As per the audited accounts of the Company for the year ended March 31, 2013 finalized and approved by the Board of Directors of the Company on May 13, 2013 subject to approval of Members, the accumulated losses of the Company as at March 31, 2013 amounting to ₹112.63 crore have resulted in erosion of more than fifty percent of its peak net worth of ₹195.74 crore during the immediately preceding four financial years.

A report on such erosion and its causes is required to be submitted before the Members for their consideration and approval. The said report is annexed herewith and is forming part of this notice and explanatory statement.

In view of above, your Directors recommend approval of the Members by a special resolution. None of the Directors is interested in above Resolution.

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

Dinesh Lata

Company Secretary

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

August 14, 2013



Statement as required in terms of Schedule XIII of the Companies Act, 1956 annexed to the Notice calling Annual General Meeting for approval of remuneration and terms and conditions of the re-appointment of Shri Devashish Poddar, Vice-Chairman & Managing Director (Please refer Special Resolution No.4 of the Notice dated August 14, 2013)

I. General information

1. Nature of industry
Manufacture of pulp, paper and paper board and generation of power.
2. Date or expected date of commencement of commercial production
Not applicable.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus
Not applicable.

4. Financial performance based on given indicators
The key performance indicators of the Company during the previous three years are given under:

₹ Lakhs

| Particulars | 2010-11 | 2011-12 | 2012-13 |
|---|---------|---------|----------|
| Sales & other income | 375,31 | 400,23 | 365,20 |
| PBIDT | 46,93 | 49,79 | (28,54) |
| Profit/(loss) before depreciation & tax | 12,19 | 7,92 | (73,42) |
| Net profit/(loss) before tax | (18,16) | (22,07) | (102,69) |

Note: For further details please refer Annual Report and Financial Highlights.

5. Export performance and net foreign exchange earnings
During the three years from 2010-11 to 2012-13 there are no exports except sales through merchant exporters and sales to Nepal.
6. Foreign investments or collaborators, if any
Amba Investments Private Limited, a foreign company invested in 37,90,067 ordinary shares of ₹10 each of the Company, constituting 22.31% of the paid up capital of the Company as on August 14, 2013 and there is no foreign collaboration.

II. Information about the appointee

1. Background details
 - i. Age
40 years
 - ii. Academic qualifications
B.B.A. from London
 - iii. Experience
Over 14 years of experience in pulp & paper industry in almost all the fields of operations like production, technical, commercial, projects, administration etc.
 - iv. Particulars of previous employment
Appointed as Whole-time Director designated as Director (Corporate Planning) from August 1, 1999 to July 31, 2005 for 2 terms of three years each. He has been re-appointed as Whole-time Director designated as Chief Operating Officer for 2 terms of two years each from August 1, 2005 to July 31, 2009. He has also been re-appointed as Vice-Chairman & Managing Director from August 1, 2009 to July 31, 2011 and from August 1, 2011 to July 31, 2013.



| | |
|--|---|
| v. Date of approval of last appointment | He was re-appointed as Vice-Chairman & Managing Director by the Members of the Company at the annual general meeting held on September 29, 2011 for a period of two years with effect from August 1, 2011. |
| vi. Approval for increase in remuneration, if any | Not Applicable. |
| 2. Past remuneration: For the financial year 2012-13 | |
| i. Salary | ₹4,40,000 per month. |
| ii. Allowances/perquisites | HRA at 60% of salary, performance bonus @1% of PBT, gas, electricity, water and furnishings, valued as per Income Tax Rules, 1962. LTC, leave, telephone, medical reimbursement, contribution to PF, superannuation fund, gratuity, club fee subject to maximum of two clubs, personal accident insurance premium, encashment of leave as per rules of the Company. |
| iii. Remuneration payable in case of inadequacy of profits in any year | Same as above. |
| 3. Recognition and awards | The Company, in appreciation of its achievements in energy conservation in the paper & pulp sector has been awarded with First Prize for the year 2012, by Ministry of Power, Government of India. This prestigious National Award has been received by Mr. Devashish Poddar, Vice-Chairman & Managing Director of the Company from the Hon'ble President of India, Shri Pranab Mukherjee, in the presence of Shri Jyotiraditya Scindia, Hon'ble Minister for Power, Government of India, Secretary to Government, Ministry of Power and many other distinguished guests on December 14, 2012. The Company has been declared winner of 'First Prize for Energy Conservation' in Small and Medium Scale Industry Category for the year 2011-12 by New & Renewable Energy Development Corporation of Andhra Pradesh Limited, and the award was received in a function held on December 20, 2012 at Hyderabad. The Company has also bagged the 'Innovative Environmental Project-2012' and National Award for Excellence in Water Management-2012 instituted by CII. |
| 4. Job profile and his suitability | He currently oversees the future strategies and growth path of the Company. He has considerable experience and knowledge of business management and administration and specialized knowledge in management systems. |
| 5. Remuneration proposed | Basic salary: ₹4,40,000 per month. HRA at 60% of salary, Performance Bonus @ 1% of PBT, gas, electricity, water and furnishings, valued as per Income Tax Rules, 1962. |



| | |
|--|---|
| Remuneration payable in case of inadequacy of profits in any year | <p>LTC, leave, telephone, medical reimbursement, contribution to PF, superannuation fund, gratuity, club fee subject to maximum two clubs, personal accident insurance premium, encashment of leave as per rules of the Company.</p> <p>The above shall be paid to the Vice-Chairman & Managing Director.</p> |
| 6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person | <p>The details of remuneration available as per published accounts of a few companies for the year ended March 31, 2012 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"> J.K. Paper Mills Limited: Managing Director ₹2,65.56 lakhs Trident Limited: Managing Director ₹2,40.00 lakhs Orient Paper & Industries Limited: Managing Director ₹2,90.40 lakhs The Andhra Pradesh Paper Mills Limited: Managing Director ₹1,53.36 lakhs (for the nine months ended December 31, 2011) |
| 7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any | <p>Shri Devashish Poddar does not hold any shares in the Company. Shri Ranjan Kumar Poddar holds 2,330 ordinary shares of the Company and Aravali Securities & Finance Limited holds 41,07,000 ordinary shares as promoter of this Company in which Shri Devashish Poddar is director and Shri Ranjan Kumar Poddar is the managing director. Amba Investment Pvt. Limited, a foreign company and promoter, holds 37,90,067 ordinary shares in which Smt. Chandra Lekha Poddar is a Director. Smt. Malvika Poddar holds 1,000 ordinary shares of the Company. Except the above and his employment with the Company, he does not have any other pecuniary relationship directly or indirectly. He is son of Shri Ranjan Kumar Poddar, Chairman of the Company, and Smt. Chandra Lekha Poddar. Smt. Malvika Poddar is wife of Shri Devashish Poddar.</p> |
| III. Other information | |
| 1. Reasons of loss or inadequate profits | <p>During the year, the Company's operations were adversely affected due to an unfortunate accident, severe power cuts in the state grid resulting in shut down of one paper machine. Also, prolonged Telangana agitations, floods etc led to disruption in operations and huge loss of production.</p> <p>Significant increase in key cost elements viz. raw materials, coal and power etc, more prominently in 2012-13, without commensurate increase in the selling price had adverse impact on margins.</p> |



| | |
|---|--|
| | Substantial increase in power costs during the year and additional consumption of coal and furnace oil in order to cope with the severe power cuts in the state has also affected the profitability. |
| 2. Steps taken or proposed to be taken for improvement | <p>The Company sought flexibility from the lenders and a comprehensive restructuring of its outstanding debt was approved by the lenders under the Corporate Debt Restructuring (CDR) scheme.</p> <p>As envisaged in the CDR package, the promoters have contributed ₹4,75 lakhs by subscribing to the equity of the Company under preferential issue.</p> <p>As the power availability in the state is improving, production is being ramped up and your Company's management is making all out efforts to lower its costs, improve volumes and enhance profitability by going in for manufacture of niche paper products.</p> <p>The worker and employees strength is being rationalized to control the personnel cost.</p> <p>Besides the aforesaid, the Company has also taken several steps for operational restructuring which are expected to lead to higher efficiency/cost savings.</p> |
| 3. Expected increase in productivity | Barring unforeseen circumstances, the capacity utilization is expected to improve by 10-12%, with corresponding improvement in profitability. |
| IV. Disclosures | |
| 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 | Please refer to the disclosure made in Sl. No.2 and 5 of Part II above. |
| 3. Service contracts, notice period, severance fees | <p>The re-appointment of the Vice-Chairman & Managing Director is contractual which can be determined by a three-month notice by either party.</p> <p>Except above no other severance fees is payable.</p> |
| 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 Laxminiwas Sharma | Shri P. Vaman Rao | Shri Rakesh Bhartia | Shri Devashish Poddar |
|--|---|---|---|--|
| Date of birth | February 17, 1947 | June 12, 1928 | February 26, 1969 | September 15, 1972 |
| Appointed on | January 31, 2000 | November 10, 2000 | April 29, 2009 | November 7, 1994 |
| Qualifications | F.C.A. | B. A. | A.C.A., A.I.C.W.A. and A.C.S. | B.B.A. from London |
| Expertise in specific functional areas | Former President of FAPCCI and a senior Chartered Accountant and Tax Consultant | Public Relations and Journalism, General Administration and liaison | In the field of corporate and investment banking and managing a multi-location large industrial business enterprise | Business Management and Administration and specialised knowledge in management systems |
| Directorships in other companies | B. N. Rathi Securities Limited; Bapuji Estates Private Limited; Hyderabad Trade Expo Centre Private Limited; Agroha Co-operative Urban Bank Limited; Bhamashah Health and Medical Co-operative Society Limited. | Hyderabad Industries Limited; Hyderabad Agencies Private Limited. | Shakumbari Sugar and Allied Industries Limited; Kashipur Infrastructure & Allied Industries Limited. | Devi Developers Private Limited; Aravali Securities and Finance Limited; Boutique Hotels India Private Limited; Devi Business Hotels Private Limited; Lakshmi Paper Industries Limited. |
| Memberships/Chairman of committees across public companies | Audit Committee: B. N. Rathi Securities Limited - Chairman The Sirpur Paper Mills Limited - Member Remuneration Committee: The Sirpur Paper Mills Limited - Member Shareholders' Grievances Committee: The Sirpur Paper Mills Limited - Chairman | Audit Committee: Hyderabad Industries Limited - Chairman The Sirpur Paper Mills Limited - Chairman Remuneration Committee: Hyderabad Industries Limited - Member The Sirpur Paper Mills Limited - Member Shareholders' Grievances Committee: Hyderabad Industries Limited - Chairman The Sirpur Paper Mills Limited - Member | Audit Committee: The Sirpur Paper Mills Limited - Member Remuneration Committee: The Sirpur Paper Mills Limited - Member | Audit Committee: Aravali Securities and Finance Limited - Member Shareholders' Grievances Committee: Aravali Securities and Finance Limited - Chairman The Sirpur Paper Mills Limited - Member |



REPORT OF BOARD OF DIRECTORS TO THE SHAREHOLDERS OF THE SIRPUR PAPER MILLS LIMITED UNDER SECTION 23(1)(b) OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

As required under Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ('the Act'), the report as to the erosion in the net worth of the Company and the causes thereof, is hereby given to the shareholders of the Company.

Under the provisions of the Act, net worth of the Company for the present as well as preceding four financial years is as follows:

₹ lakhs

| Financial year | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|--|---------|---------|---------|---------|---------|
| Paid up capital | 16,44 | 15,89 | 15,89 | 15,01 | 15,01 |
| Free reserves | | | | | |
| General reserve | 83,31 | 82,87 | 82,34 | 82,19 | 82,05 |
| Securities premium | 72,30 | 70,47 | 70,47 | 66,35 | 66,35 |
| Capital reserve | 9 | 9 | 9 | 9 | 9 |
| Capital redemption reserve | 71 | 71 | 71 | 71 | 71 |
| Surplus in Statement of Profit and Loss* | — | — | 1,78 | 19,69 | 31,53 |
| Net worth | 172,85 | 170,03 | 171,28 | 184,04 | 195,74 |

*Deficit not considered.

The accumulated losses as per audited financials as on March 31, 2013 (the relevant financial year) is ₹112,63 lakhs.

Peak net worth during the immediately preceding four years as per above is ₹195,74 lakhs.

Accumulated losses as percentage of peak net worth is 57.54%.

As can be seen from the above, the accumulated losses as on March 31, 2013 amounting to ₹112,63 lakhs has resulted in erosion of more than 50% of peak net worth in the immediately preceding four years. As per the provisions of the Act, the Company is a potentially sick industrial company.

CAUSES OF EROSION OF THE RELEVANT NET WORTH

The global economy is teetering on downturn. The output growth rate slowed down considerably which worsened during 2012 and 2013. The performance of the paper industry is highly correlated to the performance and growth of the Indian economy and

the slowing trend of the economy affected the confidence level, business sentiments, weak demand growth and selling price.

The Company's operations were further adversely affected mainly due to the following factors, which caused the continued losses:

The Mill Development & Expansion Plan was taken up by the Company in 2004 to expand & modernize the plant. However, due to various factors like regulatory hurdles, change of scope of work, non-receipt of machinery in time, there was cost & time overrun and the project was commissioned in May 2008. Post implementation too, due to stabilization and synchronization issues, the capacity utilization continued to be low causing losses since 2008-09. Also the global recession prevalent at that point of time had its adverse impact not only on the project but also the overall business of the Company.

The Company had a series of setbacks viz. an explosion in chemical (soda) recovery plant in April 2012 due to which the plant was shut continuously



for around 45 days, severe power cuts in the state grid resulting in shut down of one paper machine for most part of the financial year 2012-13. In the past too, prolonged Telangana agitation, workers strike, floods, etc., had led to disruption in operations and huge loss of production.

There has been significant increase in key cost elements viz. raw material, coal, power, etc more prominently in 2012-13 without commensurate increase in the selling price which had an adverse impact on margins.

Availability of wood in traditional sourcing areas in Andhra Pradesh declined considerably causing demand supply mismatch which led to continuous increase in the prices throughout the year. Costlier species were procured in the absence of adequate supply of cheaper species. Also wood had to be procured from longer distances and outside the state which further added to the cost. As a result, the cost of wood increased steeply in 2012-13.

Substantial increase in power prices during the year and additional consumption of coal and furnace oil in order to cope with the severe power cuts in the state has also affected the profitability.

Due to continuous losses for the past four years, the Company's finances have been strained.

STEPS TAKEN/PROPOSED TO BE TAKEN BY THE COMPANY

Company sought flexibility from the lenders and a comprehensive restructuring of its outstanding debt was approved by the lenders under the Corporate Debt Restructuring (CDR) scheme.

As per the condition set out in the CDR package, the promoters have contributed ₹4,75 lakhs by subscribing to the equity of the Company under the preferential issue.

Company's incessant efforts towards the cost control, yield management and productivity improvement 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 production is being ramped up and your Company's management is making all out efforts to lower its costs, improve volumes and enhance profitability by going in for manufacture of niche paper products.

The worker and employees strength is being rationalized to control the personnel cost.

Besides the aforesaid, the Company has also taken several steps for operational restructuring which are expected to lead to higher efficiency/cost savings.

For and on behalf of the Board

Hyderabad,
August 14, 2013

Devashish Poddar
Vice-Chairman &
Managing Director

Rameshwar Lall Lakhotia
Executive Director



Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Annual Report and audited accounts of the Company with Auditors' Report for the financial year ended March 31, 2013.

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

| | ₹ Lakhs | |
|--|----------|---------|
| Working results | 2012-13 | 2011-12 |
| Production MT | 83,085 | 99,543 |
| Sales MT | 83,789 | 98,079 |
| Net operational revenue | 354,01 | 389,50 |
| Profit/(loss) before other items, finance cost, depreciation & tax | (14,60) | 49,79 |
| 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 | (28,54) | 49,79 |
| Finance cost | 44,88 | 41,87 |
| Profit/(loss) before depreciation & tax | (73,42) | 7,92 |
| Depreciation | 29,27 | 29,99 |
| Profit/(loss) before tax | (102,69) | (22,07) |
| Less: Provision for taxation | (5,59) | (4,76) |
| Profit/(loss) after tax | (97,10) | (17,31) |
| Balance brought forward from previous year | (15,53) | 1,78 |
| Balance carried to Balance Sheet | (112,63) | (15,53) |

Dividend

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

Performance

Your Company produced 83,085 MT of pulp and paper during the year under review as compared to

99,543 MT produced in the previous year and sales was 83,789 MT as compared to 98,079 MT in the previous year. The gross operating revenue during the year under review was ₹376,52 lakhs as compared to ₹410,61 lakhs in 2011-12. Capacity utilization was 60% since production was affected mainly due to an unfortunate accident in the Chemical (Soda) Recovery Plant at our mills at Sirpur-Kaghaznagar in April, 2012 which resulted in complete shutdown of the production process and loss of production for about 45 days.

Further, the severe power cuts by the state grid throughout the year, had a crippling effect on the operations resulting in shut down of one paper machine for most part of the year leading to tapered production.

The loss before other items, finance costs, depreciation and tax was ₹14,60 lakhs compared to profit of ₹49,79 lakhs in the previous year. There was steep increase in prices of wood, power and other major inputs which could not be passed on to the customers. Availability of wood in traditional sourcing areas in Andhra Pradesh declined considerably causing demand-supply mismatch which led to continuous increase in the prices throughout the year. Due to low availability of cheaper species of wood, your Company had to resort to procurement of other costlier species of wood. The situation was aggravated since wood had to be procured from distant locations and from outside the state, which further added to the cost. As a result, the cost of wood during the year increased by 40%.

Simultaneously, cost of coal during the year increased by 20% due to massive short supply of coal from Singareni Collieries during the rainy season which forced your Company to procure from private suppliers and distant places at much higher prices.

The power prices increased by about 70% during the year and additional consumption of coal and



furnace oil in order to cope with the severe power cuts in the state has also affected the profitability. Your Company's incessant efforts towards control on cost and wastages, better input yield and improvement in productivity resulted in savings in consumption of inputs per MT of product which, to an extent, offset the impact of the input price rise.

The financial year ended with net loss after tax of ₹97,10 lakhs as against ₹17,31 lakhs in 2011-12.

Finance

Your Company's finances have been strained due to continuous losses for the past four years. After considerable deliberations, your Company sought flexibility from the lenders and a comprehensive restructuring of its outstanding debt was approved by the lenders under the Corporate Debt Restructuring (CDR) scheme. Your Company has been sanctioned a moratorium of principal and interest for 21 months from the cut off date i.e. April 1, 2012 and the payment of interest commences from January 2014 and that of principal from March 2014. There are no over dues in respect of any of the bank borrowings by your Company as on date.

In view of the approval of the CDR package, the interest rates has adjusted towards lower side marginally, though fresh loans by way of Funded Interest Term Loan (FITL) increased the overall finance cost to ₹44,88 lakhs as against ₹41,87 lakhs during 2011-12. Your Company's management is committed to honouring its obligations, while it finds ways and means to lower the cost of production, improve volumes and enhance profitability.

Your Company continues to avail sales tax deferment loan under Andhra Pradesh State Government policy and remains eligible for incentives under Industrial Incentive Scheme, 2005.

Share Capital

In order to comply with the terms and conditions of the CDR Package and Master Restructuring Agreement entered with the lenders, 11,05,100

Ordinary Shares of ₹10 each at a price of ₹43 per share (including premium of ₹33 per share) is to be issued in one or more tranches on preferential basis to Amba Investment Private Limited, a promoter of the Company, which has given its consent to subscribe the entire issue, as authorised by the Members by a special resolution passed through postal ballot process.

During the year, your Company has made the allotment of first tranche of 5,55,100 Ordinary Shares of ₹10 each for cash at a price of ₹43 per share (including premium) on January 31, 2013 to the said promoter and the shares were listed on the stock exchanges.

During the current financial year (i.e. 2013-14), the promoter has brought in ₹2,37 lakhs as application money and 5,50,000 ordinary shares of ₹10 each at a price of ₹43 per share (including premium) were allotted in the second tranche on August 14, 2013.

Thus, the promoter has brought in the entire contribution of ₹4,75 lakhs as envisaged in the CDR Scheme.

Reporting to BIFR

The accumulated losses of the Company at the end of financial year as on March 31, 2013 have resulted in erosion of more than fifty percent of its peak net worth during the immediately preceding four financial years. While your Company is taking necessary steps to protect further erosion, the Company will report to the Board for Industrial and Financial Reconstruction about such erosion of net worth as envisaged under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 upon finalization of duly audited accounts of the Company for the financial year ended March 31, 2013. Members are requested to take note of this erosion and consider the same at the ensuing Annual General Meeting. A report on causes of erosion of net worth and steps taken by the Company is forming part of the notice of Annual General Meeting.



Plantation

The availability of wood, our principal raw material, has seen a decline during the year. However, your Company has stepped up its initiative to augment raw material availability by distributing large quantities of planting material i.e. seeds, seedlings of subabul & quality clones of eucalyptus plants at subsidized rates to achieve higher yield. Managers of your Company also gave technical guidance and trained the farmers in various farming activities for achieving better results.

Awards & accolades

For the year 2012, in appreciation of its achievements in energy conservation in the paper & pulp sector, your Company has been awarded the First Prize by Ministry of Power, Government of India. This prestigious National Award was received by Mr. Devashish Poddar, Vice-Chairman & Managing Director of the Company from Hon'ble President of India, Shri Pranab Mukherjee, in the presence of Shri Jyotiraditya Scindia, Hon'ble Minister for Power, Government of India, and several distinguished guests on December 14, 2012.

Your Company has been declared winner of 'First Prize for Energy Conservation' in Small and Medium

Scale Industry Category for the year 2011-12 by New & Renewable Energy Development Corporation of Andhra Pradesh Limited, and the award was received at a function held on December 20, 2012 at Hyderabad.

Your Company has also bagged the 'Innovative Environmental Project-2012' and National Award for Excellence in Water Management-2012, both instituted by Confederation of Indian Industries.

Human resources development

During 2012-13, 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 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

M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad, the Company's Statutory Auditors, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Board, on the recommendation of the Audit Committee, has proposed that M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be re-appointed as the statutory auditors of the Company to hold office until the conclusion of the next Annual General Meeting. M/s. Deloitte Haskins & Sells, Chartered Accountants, Secunderabad have forwarded their certificate to the Company, stating that their re-appointment, if made, will be within the limit specified in that behalf in sub-section (1B) of Section 224 of the Companies Act, 1956.

Corporate governance

Your Directors affirm commitment to good corporate governance practices. During the year under review, the Company was in compliance with the provisions of Clause 49 of the Listing Agreement with the stock exchanges relating to corporate governance.

A Report on Corporate Governance along with the certificate of practising company secretaries for its due compliance forms part of this annual report.



Directors

The term of office of the Vice-Chairman & Managing Director, Shri Devashish Poddar, ends on July 31, 2013. At the meeting of the Board of Directors held on May 13, 2013 he has been re-appointed as Vice-Chairman & Managing Director with effect from August 1, 2013 for a further period of 2 years on remuneration and other terms as approved by the remuneration committee. The proposal for the re-appointment of Shri Devashish Poddar as Vice-Chairman & Managing Director, remuneration and other terms are being placed for approval of the Members at the ensuing Annual General Meeting. Approval of central government will be sought, where required. The Board recommends passing of a Special Resolution confirming his re-appointment.

Dr. M. S. Rajajee, I.A.S. (Retd), Director of the Company resigned from the Board of Directors and vacated the office as director of the Company due to personal reasons with effect from January 6, 2013. The Board placed on record its high appreciation for the valuable advice rendered by Dr. Rajajee during his tenure as a director of the Company.

Shri Laxminiwas Sharma, Shri P. Vaman Rao and Shri Rakesh Bhartia, Directors of the Company, retire by rotation under Article 122 of the Articles of

Association of the Company at the ensuing Annual General Meeting and are eligible for re-election.

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, 2013 which has been approved by the central government. Your Company has filed the Cost Audit Report for the year ended March 31, 2012 on December 26, 2012. Further, the Cost Audit Report for the financial year ended March 31, 2013 will be filed within the stipulated time.

Acknowledgements

Your Directors are grateful to the customers, suppliers, farmers, financial institutions, banks, employees and shareholders for their unstinted support and look forward to their continued encouragement towards the Company's growth.

By order of the Board

Hyderabad,
August 14, 2013

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, 2013

A. CONSERVATION OF ENERGY

1. Measures taken for conservation of energy

- i. Installation of new VFDs and capacitors for power savings.
- ii. Installed energy efficient pumps and drive motors in stock preparation/chemical preparation section.
- iii. Timer system provided in drive motors of agitators in pulp storage chests in stock preparation.
- iv. System modified by virtue of changing the connection from Delta to Star in pumps/agitators of rag plant.
- v. Installed and commissioned VFD for fiber recovery pump in Paper Machine No. 1.
- vi. Energy efficient motor from 30 KW to 15 KW replaced in paper machine Saveall unit.
- vii. New addition of heat exchanger system in chlorine dioxide plant for thermal energy conservation.
- viii. M.P. steam supply to BSW in fiber line and by using PRV in various places to conserve thermal energy.
- ix. Provided auto logic to various pumps in processes to effectively use in operation.
- x. Procurement of new energy efficient pumps and motor in chemical division (Sulphuric acid handling).
- xi. Alfa Laval HBL agitator 1 and 2 drive motor connection changed to star.
- xii. New addition of vibratory screens for Paper Machine No. 1 to 6.

2. Additional investments & proposals, if any

- i. Installation of new energy efficient pumps and motors.
- ii. New addition of vacuum pumps for Paper Machines No. 1 to 6.
- iii. Installation of new aerator in aeration lagoon in effluent treatment plant.
- iv. Provision of L.P. steam for soot blower system instead of M.P. steam.

3. Impact of the above measures on consumption of energy

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

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

Form - A annexed.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption

Form - B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i. During the year under review, there was no exports except sales through merchant exporters. Efforts are being made to augment exports.
- ii. Total foreign exchange used and earned:
Used¹ : ₹1,69.02 Lakhs
Earned : Nil

¹ On actual payment basis.



FORM - A

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

A. POWER AND FUEL CONSUMPTION¹

| | 2012-13 | 2011-12 |
|---|-----------------------|----------|
| Electricity | | |
| a. Purchased units (Lakhs Kwh) | 485.62 | 823.28 |
| Total amount (₹ Lakhs) | 28,24.22 [#] | 27,99.48 |
| Rate/unit (₹) | 5.82 [#] | 3.40 |
| b. Own generation through steam turbine/generator | | |
| Units (Lakhs Kwh) | 918.00 | 978.59 |
| Units per litre of fuel oil | — | — |
| Cost/unit (₹) | 2.05 | 1.37 |
| Coal {Grade C to F (R.O.M.) used in boiler & rotary lime kiln} | | |
| Quantity (MT) | 2,01,751 | 2,30,710 |
| Cost (₹ Lakhs) | 50,87.16 | 48,46.95 |
| Average rate/MT (₹) | 2,521 | 2,101 |
| Furnace oil | | |
| Quantity (KL) | 3,711 | 3,584 |
| Cost (₹ Lakhs) | 15,22.62 | 13,56.03 |
| Average rate/KL (₹) | 41,030 | 37,833 |

[#] Excluding FSA of earlier years.

B. CONSUMPTION PER UNIT OF PRODUCTION¹

| Product | 2012-13 | | | 2011-12 | | |
|--|-------------------|--------------------|-----------|-------------------|--------------------|-----------|
| | Electricity (Kwh) | Furnace oil (Ltrs) | Coal (MT) | Electricity (Kwh) | Furnace oil (Ltrs) | Coal (MT) |
| Paper, paper board and pulp (for sale) | 1,689 | 45 | 2.428 | 1,810 | 36 | 2.318 |

¹ Excludes consumption in colony.



F O R M - B
(Form for disclosure of particulars with respect to technology absorption)

RESEARCH AND DEVELOPMENT (R&D)

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

a. New product development

- i. Cartridge paper - developed and trial taken on machine.
- ii. OMR paper - developed and trial taken on machine.
- iii. Better and appealing yellow and pink maplitho papers.
- iv. Identification and use of dyes to reduce effluent colour and thus increase water recycling.
- v. Using the by-product of some other industry as raw material in the process.

b. New process development

- i. Use of bio-enzymes in the refining of unbleached pulp.
- ii. Adoption of white liquor oxidation process for caustic soda conservation in the ODL stage and balance the cooking chemical circuit.

Benefits derived as a result of above R&D

- i. Products developed have enabled us to expand product range and deliver better value to customers.
- ii. Process developments have helped in improving quality along with conservation of resources.
- iii. Better environmental footprint.
- iv. Water conservation.

Future plan of action

- i. New products development.
- ii. Product quality enhancement.
 - a. Use of GCC as filler in place of talcum powder.
 - b. Use of spray starch sizing system in board paper manufacturing.

Expenditure on R&D

(₹ Lakhs)

| | |
|--|-------|
| a. Capital | — |
| b. Recurring | 13.36 |
| c. Total | 13.36 |
| d. Total R&D expenditure as a percentage of total turnover | 0.04 |



TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made in brief towards technology absorption, adaptation and innovation -
 - Inspite of equipment limitations, able to maintain product quality on par with competitor's product.
 - Use of enzymes helped in conserving electrical energy and bleaching chemicals.
2. Benefits derived as a result of the above -
 - Able to identify wood species that can be used in pulping and paper manufacturing.
 - Customer satisfaction.
 - Improvement in quality.
 - Conservation of inputs and resources.
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, 2013

| | |
|----------------------|--|
| Name | Shri Devashish Poddar |
| Age | 40 years |
| Designation | Vice-Chairman & Managing Director |
| Remuneration (₹) | 99.14 lakhs |
| Nature of duties | Oversees the growth and future strategies of the Company |
| Qualification | B.B.A. (London) |
| Total experience | 14 years |
| Date of joining | August 1, 1999 |
| Last employment held | — |

Notes

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

Management Discussion & Analysis

GLOBAL PERSPECTIVE

Early in 2013, the outlook for the global paper industry turned positive based on the expectation that the industry's global operating income is likely to increase by about 6% over the next 12 to 18 months, according to the rating agency Moody's in its industry outlook update on the sector.

Earnings from North American paper packaging are expected to drive most of the growth for the industry in the next year and will offset the weaker earnings facing European and Latin American producers, as well as the ongoing decline in paper consumption in most developed markets.

North American paper packaging companies account for almost 60% of the rated global industry's operating profit. Operating earnings of North American paper packaging producers are expected to improve as a result of higher pricing, modest demand increases, synergies from recent acquisitions and productivity and expansion projects.

At the same time, the situation will remain challenging for most European paper producers, which are likely to see their operating income decline in 2013 and 2014 due to lower prices consequent to reduced demand for paper. European paper volumes would decline because of persistent euro area macroeconomic weakness and the structural decline in demand for paper.

Similarly, Latin American pulp producers' operating income will decline due to weakening prices for market pulp. In addition, the ramping-up of three significant eucalyptus pulp mills in Brazil and Uruguay will test the global market's ability to absorb a significant spike in supply in the coming 12 to 18 months.

INDIAN PAPER INDUSTRY

The per capita consumption in India stands at only 9.3 kgs as against 42 kgs in China, 22 kgs in

Indonesia, 25 kgs in Malaysia and 312 kgs in the US. Indian paper industry is classified into three main segments - paperboard & industrial packaging comprising ~45% of the industry, followed by writing and printing paper (WPP) accounting for ~35% and newsprint and others covering ~20% of the domestic paper production.

It is notable that India, the 15th largest paper manufacturer, is one of the world's fastest growing paper market; producing however, only ~1.6% of its total output.

India is self sufficient in most paper segments, except for newsprint and higher grades of WPP papers on account of non-availability of superior quality of pulp.

Around 60% of domestic demand for newsprint is met through imports due to inverted duty structure, poor economies of scale & inferior product quality in comparison to international producers.

Long-term demand outlook for the Indian paper industry remains favourable driven by increasing literacy levels, rising income levels, growth in print media (including all the vernacular languages), higher government spending on education sector, changing urban lifestyles, greater thrust on industrialisation, improving demography as well as economic growth. Increased outlays and efficient targeting would lead to a better performance of the WPP segment.

Rising circulation of newspaper/journals/magazines due to higher literacy rate, greater focus of print media companies on regional content and improved demand traction from corporate sector due to higher advertisement spending is likely to help the newsprint segment grow at a higher CAGR up to 2016-17, than the growth of 4.9% during the period 2008-12.

Given that these factors are likely to be sustained, the paper industry is to continue growing at a rate of 6-8% in the medium to long term although there



may be aberrant years given the cyclical nature of the industry. In addition, the preparation for general elections will provide further fillip to paper demand in 2013-14, says ICRA in its study on Indian paper industry.

According to the rating agency ICRA, the low per capita consumption of paper provides tremendous potential for growth in paper demand. Further the capacity addition programme in the domestic paper industry has now come to an end and there has been considerable slowdown in new project announcement and completion. With the recent capacity additions coming to completion, any fresh announcements is unlikely in the near term and with gestation period of 24-30 months for new capacities, supply side pressures have started easing. ICRA expects 0.35 million tonnes of capacities to be added during 2013-14 and 0.3 million tonnes in 2014-15 (as against current capacity of 13 million tonnes).

Assuming a moderate growth of 6.4% per annum, the market would expand by 0.7 million tonnes annually which would be sufficient to absorb the new capacities that will come up in the next 2-3 years. The Indian paper industry is expected to grow at a rate of ~6.4% CAGR to 15.5-16 MT up to 2016-17, as compared to a 5.7% CAGR between 2008-12 (Estimated).

However, the favourable demand-supply dynamics may not immediately translate into higher profits for paper companies. The cost for most of the key inputs is currently at a very high level and domestic coal and wood prices are still increasing at a rapid pace. The ability of the companies to pass on these costs will remain the key to profitability. Companies with better cost and capital structures and a diversified portfolio of products would be better placed to endure the pressures in the medium term.

The paper industry reported robust growth in revenues during the financial years 2008-13 driven by steady growth in consumption levels and increase

in realisations. This period also saw steady increase in the cost of inputs such as wood, chemicals, coal etc. Over-supply scenario, rising cost pressures and increasing competitive pressures from imports made it increasingly difficult for the paper mills to pass on these cost increases. As a result, the operating profitability of the industry came under pressure in the financial years 2011-12 and 2012-13.

According to ICRA's sample study, the average operating margins of the companies declined from 21.9% in 2007-08 to 15.8% in 2012-13. Though pricing flexibility has improved marginally with an improvement in demand-supply dynamics, in ICRA's view, the profitability of paper mills continues to remain under pressure due to rising costs of raw material, coal and chemicals. Further, high depreciation and interest costs on account of debt funded capital expenditure undertaken by the industry have resulted in pressure on paper companies as reflected by decline in net profitability from 11.3% in 2007-08 to 1.4% in 2012-13.

The funding of capacity expansion projects through bank borrowings led to increase in gearing levels of paper companies from the lows of 2005-06. High gearing levels (in the range of 2-3 times as on March 31, 2012) coupled with decline in profitability has put pressure on the debt coverage indicators of the industry.

It is known fact that Indonesia and China have been continuously expanding their share in Indian market as they enjoy several advantages in their country. Their economies are driven by exports and the Indian paper industry has started feeling the heat from these sources, as well.

In sum, the industry has enormous demand-led opportunities to improve volumes and revenues, while margins are under severe pressure largely due to the external environment and for conditions beyond its control. These are testing times for the economics of the industry.

SIRPUR PAPER - A PERSPECTIVE

Marketing and distribution

The year opened with unfortunate incidents affecting production, cost increases and power availability affecting production, which impacted marketing efforts. There has been significant increase in key cost elements viz. raw material, coal, power, etc without commensurate increase in the selling price which had an adverse impact on margins. The Company however strived to hold the product quality and customer interface. The severe pressure on raw material availability added to the uncertainties in a highly price sensitive and competitive market.

Yet, it is gratifying that the gross operating revenue was lower only by 8.3% at ₹376.52 crore as compared to ₹410.61 crore in the previous year since the Company made every effort to hold its market and customers.

The Company looks forward to new product development to enter new niche segments so as to improve profitability apart from improving the quality and product mix for existing product lines.

Raw material

Due to heavy competition, availability of wood in Andhra Pradesh declined considerably causing demand supply mismatch thereby increasing the cost of wood by about 40%. Costlier wood had to be procured due to low availability of cheaper species of wood. Although the company sourced most of the wood from within the state, some of it was procured from distant places and outside the state which further added to the cost.

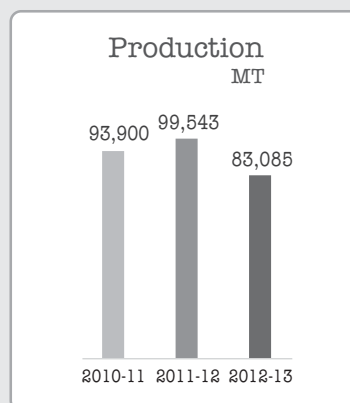
The Company continued its efforts in the development of pulp wood plantations in its catchment areas through supply of planting material and technical guidance to the farmers to augment supplies.

Manufacturing

Production volume was 83,085 MT as against 99,543 MT achieved in 2011-12. Lower production is due to

breakdown of chemical (soda) recovery plant. As a result, entire mill remained shut for about 45 days. Capacity utilisation got seriously affected due to acute shortage of power as Government of Andhra Pradesh imposed severe restriction & control measures for all the industries. In spite of these setbacks, by process optimization & conservation steps, reduction in the consumption of steam, power and water could be achieved apart from reducing the fibre loss.

Steps are on to further reduce consumption. Preventive maintenance coupled with root cause analysis and rectification works minimised the breakdown of boilers and other equipment increasing the up time of the mill.



Research and development

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

- Usage of ground calcium carbonate (GCC) as filler in papers has been started as partial replacement for talcum. This is expected to improve paper properties apart from improving the life of paper;
- Introduction of white liquor oxidation in oxygen delignification process to reduce input caustic soda consumption;
- Use of synthetic organic flocculants and coagulants started in water clarification to conserve water;



- Introduction of use of certain raw materials with bark, which have not been tried so far in the paper industry.

The Company aims to enhance quality and introduce new and value added products meeting customer requirements in kraft and other papers.

Intellectual capital

The Company has maintained cordial Industrial relations throughout the year and has given top priority to human resource initiatives i.e. recruitment, training and development and measure of retention as follows:

Recruitment

Success of an organization depends on careful recruitment of professionals, their retention and the challenges offered to demonstrate their capabilities. Several professionals who joined the Company during the last three years are having rich experience in the similar fields and they are contributing to the development of operational efficiencies.

In order to develop learning mindset of freshers, induction and orientation programme is playing a significant role in acclimatizing them in the work culture of the Company.

Training & Development

Positive attitude with constant upgradation of knowledge and skills is possible through training programmes. Training programmes are conducted after extensive discussion with departments. Need based training programmes cover behavioural, technical and safety aspects which create a learning environment with an objective to meet the Company's goal along with overall development of valuable human capital.

A remarkable aspect of training programmes is that the majority of programmes are conducted by Company's executives who have expertise in their areas.

Measures of retention

Paper industry is facing problem of employee retention. Well designed exit interview system is playing positive role in retention of talent. On the other hand, anecdotal experience confirms that welfare of employee's family has an important role in retention. In this regard, besides periodical rewarding and recognizing with performance appraisals, the Company provides comfortable accommodation with all necessities and looks after their maintenance. During the year under review, the Company conducted inter district sports, games and cultural meet at the Company's playground and at the recreation club in which employees from four districts i.e. Warangal, Karimnagar, Khammam and Adilabad participated.

INFORMATION TECHNOLOGY

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

- Implementation of quality module of SAP;
- Label printing for reams through SAP;
- Time and leave management program for workers.

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

- Set up of online connectivity of depots;
- Integrated weigh bridge and electronic reel weighing machines;
- Label printing for reels;
- Biometric time and attendance system for employees;
- Launch of customer portal;
- CCTV cameras for better security and safety;
- Fibre cabling all across factory.

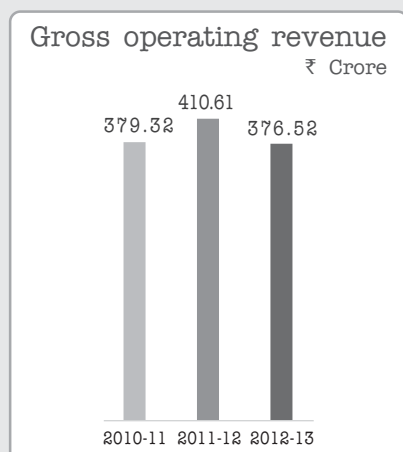
Going ahead, the Company will implement business warehousing to facilitate business Intelligence for

better data analysis and reporting. Implementation of new payroll package and integration with attendance system is another area that is planned.

ANALYSIS OF FINANCIAL STATEMENTS

Income analysis

Income: The Company's gross operating revenue stood at ₹376.52 crore as against ₹410.61 crore in 2011-12, a decrease of 8.30%.



Performance: The Company recorded a production of 83,085 MT of pulp and paper in the year 2012-13 as against 99,543 MT in the previous year, a decline of 16.5% mainly due to the accident in the chemical (soda) recovery plant during April 2012. The capacity utilisation could have been better but for the severe power cuts in Andhra Pradesh due to which one machine was shut continuously from November 2012.

Loss before other items, finance costs, depreciation and tax was ₹14.60 crore in 2012-13 as against a profit of ₹49.79 crore in the previous year. The finance cost during the year, in view of the approval of CDR package reduced marginally though fresh loan by way of FITL increased the overall finance cost to ₹44.88 crore from ₹41.87 crore. Depreciation was marginally lower at ₹29.27 crore. There was a write back of provision for deferred tax of ₹5.59 crore. Net loss after tax during the year was ₹97.10 crore as against ₹17.31 crore during the previous year.

Cost analysis

The weighted average prices of the main raw material i.e. wood increased by over 40% and power by 70% 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.

Network

Share capital: The share capital of the Company during the year increased to ₹16.44 crore from ₹15.89 crore 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 ₹43.78 crore, which is about 2.66 times of the paid up capital.

Loan funds

Repayment of term loan has been deferred till March 2014 in view of the approval of the CDR package. Also, interest on term loans have been converted into FITL, repayment of which starts from January 2014. Interest on FITL is to be paid monthly which was duly paid during the year. The Company continues to avail sales tax deferment loan.

Utilisation of funds

The net fixed assets (without revaluation reserve) decreased from ₹408.41 crore to ₹382.83 crore on account of depreciation charged, write off of assets retired from active use and sale of some old and obsolete assets. Addition during the year was to the tune of ₹10.44 crore.

Working capital

Current assets of the Company as at March 31, 2013 were ₹146.48 crore as compared to ₹158.24 crore, a year ago.

Inventories

There was a decline of about ₹5.25 crore from ₹46.21 crore to ₹40.96 crore in holding levels of inventory



mainly due to inadequacy in supply of raw material and increase in sales during March 13 vis-a-vis production.

Trade receivables

The trade receivables increased from ₹62.48 crore in 2011-12 to ₹63.42 crore during 2012-13. The debtors' cycle was at 65 days as against 55 days in the previous year mainly due to loss of sale on account of the accident. Marginal increase in absolute amount of receivables as a function of lower sales, impacted the cycle time, on a comparative level.

INTERNAL CONTROLS

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

CORPORATE SOCIAL RESPONSIBILITY

Sirpur Paper is always socially responsible and continuously strives to help develop the community. In continuation 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 in general.

In addition to these, the Company has taken up several initiatives such as providing scholarships to bright students; providing training to the students in the fields of engineering, technology, business management; industrial training to polytechnic students; supply of water to the entire town of

Sirpur Kaghaznagar; maintaining children's park and recreation clubs etc. In its efforts to improve social forestry, the company has planted 2,00,000 saplings in the surrounding areas of Adilabad district. The Company also provided free medical checkups, eye camps and cataract operations during the year.

OUTLOOK

Your Company passed through several challenges during 2012-13, especially breakdown of chemical recovery boiler and restricted availability of power from the state grid, which adversely impacted capacity utilization of the mill. Hike in the prices of raw material, coal and power tariff had a telling effect on the financial performance of your Company.

While steps have been taken to prevent such major breakdowns, your mill is now focusing on improving the profitability, by going in for manufacture of niche paper products. Continuous efforts are on-going to enhance production volumes and product quality for better customer satisfaction.

Concerted efforts are being made to reduce raw material and chemical consumption and eliminate/minimize wastages in a bid to improve profitability. Further, despite resource constraints, the Company is exploring possibilities to increase captive power generation. The Company is exploring ways to cope with the severe stress due to shortage of raw material that confronts the industry.

The Indian paper industry is expected to grow at a rate of ~6.4% CAGR to 15.5-16 MT up to 2016-17, as compared to a 5.7% CAGR between 2008-12 (Estimated). Low per capita consumption of paper provides tremendous potential for growth in paper demand. Sirpur Paper shall strive to improve on the industry average.

The paper industry is expected to see firm prices and volume trends over the next 12 months, enabling the manufacturers to improve margins.

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 minimise 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. Wood is mostly procured in the home state of Andhra Pradesh, though from longer distances and some small quantity from other states.

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. It is expected that rising wood prices would add to farmer interest and higher rate of plantations reducing the supply-demand mismatch while imports from neighbouring countries has been the industry's short term solution.

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 realisations 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 improvise its 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. 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 which is not concentrated in a single geography.

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 seven non-executive directors, of whom five are independent directors as on March 31, 2013. 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 | 3 | 2 | – |
| Shri Devashish Poddar | Executive | Vice-Chairman & Managing Director | 5 | 1 | 1 |
| Shri R.L. Lakhotia | Executive | Whole-time Director | – | – | – |
| Shri Sudhir Jalan | Non-Executive | Independent | 12 | 4 ^a | – |
| Shri Laxminiwas Sharma | Non-Executive | Independent | 5 | – | 1 |
| Shri P. Vaman Rao | Non-Executive | Independent | 2 | 1 ^a | 2 |
| Shri Rakesh Bhartia | Non-Executive | Independent | 2 | – | – |
| Shri G.S. Srinivasan | Non-Executive | Nominee of IDBI Bank (Lender) | – | – | – |
| Ms. Poonam Bodra | Non-Executive | Independent | – | – | – |
| Dr. M.S. Rajajee, I.A.S. (Retd.) ¹ | Non-Executive | Independent | – | – | – |

^a including memberships in remuneration committee.

¹ Dr. M. S. Rajajee, I.A.S. (Retd.) resigned as Director on January 6, 2013.



II. Directors' attendance details at the meetings and their shareholding are as follows:

| 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 | 4 | Present | — |
| Shri R. L. Lakhotia | 5 | Present | — |
| Shri Sudhir Jalan | 2 | Not Present | — |
| Dr. M.S. Rajajee, I.A.S. (Retd.) ¹ | 3 | Present | — |
| Shri Laxminiwas Sharma | 6 | Present | — |
| Shri P. Vaman Rao | 6 | Present | 2 |
| Shri Rakesh Bhartia | 1 | Not Present | — |
| Shri G. S. Srinivasan | 4 | Not Present | — |
| Ms. Poonam Bodra | 3 | Not Present | — |

Note: During the year, six board meetings were held on May 15, 2012; July 23, 2012; August 10, 2012; September 28, 2012; November 9, 2012 and February 14, 2013.

¹ Dr. M. S. Rajajee, I.A.S. (Retd.) resigned as Director on January 6, 2013.

3. Audit Committee

- I. Presently, the Audit Committee comprises of one executive director and four non-executive directors, one of whom is the IDBI nominee. Two directors are chartered accountants having accounting and financial background. Shri P. Vaman Rao is the Chairman of the Committee. The Committee met four times during the year on May 15, 2012; August 10, 2012; November 9, 2012 and February 14, 2013 and the attendance of the members at the meetings was as follows:

| Name of member | Status | Meetings attended |
|------------------------|----------|-------------------|
| Shri P. Vaman Rao | Chairman | 4 |
| Shri R. L. Lakhotia | Member | 4 |
| Shri Laxminiwas Sharma | Member | 4 |
| Shri Rakesh Bhartia | Member | 1 |
| Shri G. S. Srinivasan | Member | 3 |

The Chief Finance Officer, Head of Internal Audit and Statutory Auditors are the permanent invitees. The Company Secretary is the secretary of the Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on September 28, 2012.

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

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

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

2. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditors/ cost auditors and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by them;
4. Review with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgement by management;
 - d. Significant adjustment made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
5. Review with the management, performance of statutory and internal auditors and adequacy of the internal control system;
6. Review the adequacy of internal audit functions including the structure of the internal audit department, staffing and seniority of the official heading the department, report structure coverage and frequency of internal audit;
7. Discussion with internal auditors on any significant findings and follow up thereto;
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

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

4. Remuneration Committee

I. Composition

The Remuneration Committee comprises of four Independent Directors. The Committee met once during the year on July 23, 2012 and the attendance of the members at the meeting was as follows:

| Name of member | Status | No. of meetings attended |
|------------------------------------|----------|--------------------------|
| Dr. M. S. Rajajee, I.A.S. (Retd.)* | Chairman | 1 |
| Shri Sudhir Jalan | Member | — |
| Shri Laxminiwas Sharma | Member | 1 |
| Shri Rakesh Bhartia | Member | — |
| Shri P. Vaman Rao* | Member | — |

* Dr. M. S. Rajajee resigned with effect from January 6, 2013 and Shri P. Vaman Rao was appointed as Member of the Committee with effect from February 14, 2013.

II. Terms of reference

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



III. Remuneration policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentive, which vary for cadres and are governed by industry pattern, qualification and experience of the employee, responsibilities handled and individual performance etc. The remuneration committee while approving the remuneration of managerial personnel takes into account the financial position of the company and trend in the industry.

IV. Details of Directors' remuneration paid for the year 2012-13:

a. Executive Directors

(₹)

| Name & Designation | Salary, perquisites & allowances | Employers' contribution to provident fund/super-annuation fund | Total | Retirement benefits |
|--|----------------------------------|--|-----------|------------------------|
| Shri Devashish Poddar (Vice-Chairman & Managing Director) | 84,87,996 | 14,25,600 | 99,13,596 | As per Company's rules |
| Shri Rameshwer Lall Lakhotia (Executive Director) | 46,46,900 | — | 46,46,900 | 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 | 20,000 |
| Shri Laxminiwas Sharma | 96,000 |
| Shri P. Vaman Rao | 92,000 |
| Shri Rakesh Bhartia | 14,000 |
| Shri G.S. Srinivasan, IDBI Nominee ¹ | 52,000 |
| Ms. Poonam Bodra ² | 30,000 |
| Dr. M.S. Rajajee, I.A.S. (Retd.) | 34,000 |

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

² Sitting fee was remitted to LIC of India as per terms of appointment of director.

No remuneration except sitting fees for attending board/committee meetings was paid to any Non-Executive Directors.

5. Shareholders' Grievances Committee

The Board has constituted the Shareholders' Grievances' Committee, which comprises of two executive directors and two non-executive directors as on March 31, 2013. Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, Venture Capital and Corporate Investments Private Limited.

The Committee met three times during the year on August 10, 2012, November 9, 2012 and on February 14, 2013 and reviewed the grievances/complaints received and the action taken on the grievances/complaints. Attendance of the members is as follows:

| Name of member | Status | No. of meetings attended |
|------------------------|----------|--------------------------|
| Shri Laxminiwas Sharma | Chairman | 3 |
| Shri Devashish Poddar | Member | 2 |
| Shri R. L. Lakhotia | Member | 3 |
| Shri P. Vaman Rao | Member | 3 |

Terms of reference

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

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

The Company Secretary and the Compliance Officer are entrusted with the responsibility to specifically look into the redressal of the shareholder complaints and report the same to Shareholders' Grievances Committee.

During the year, 5 complaints were received from shareholders and were resolved to their satisfaction.

As on August 14, 2013 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, 2013 have been acted upon. The Company had no complaints pending at the close of the financial year.

6. General Body Meetings

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

| Year | Date | Day | Time | Venue |
|---------|--------------------|----------|------------|--|
| 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 |
| 2009-10 | September 30, 2010 | Thursday | 2.30 p.m. | Surana Auditorium, FAPCCI Buildings, Red Hills, 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 Rameshwer Lall Lakhotia as Executive Director of the Company for a period of two years (from July 24, 2010 to July 23, 2012) and fixing his remuneration.
 - iii. Re-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.
 - iv. Re-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) and fixing his remuneration.
- c. During 2012-13, the following resolutions were passed through postal ballot as per the Companies (Passing of Resolution by Postal Ballot) Rules, 2011.
 - i. Special resolution regarding authorisation for corporate debt restructuring (CDR) scheme;
 - ii. Special resolution regarding preferential issue and allotment of equity shares (ordinary) to a promoter;
 - iii. Ordinary resolution regarding authorisation for borrowings pursuant to Section 293(1)(d) of the Companies Act, 1956 and
 - iv. Ordinary resolution regarding creation of security pursuant to Section 293(1)(a) of the Companies Act, 1956.

7. Code of Conduct

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

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

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

8. Disclosures

- a. During the year, there were no transactions

with the promoters, Directors or the management or their relatives that had potential conflict with the interests 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 Whole-time Director and the Chief Finance Officer of your Company have issued necessary certificate pursuant to Clause 49 of the Listing Agreement.

9. Means of communication

- a. Quarterly results and statutory notices are published in prominent daily newspapers viz. Financial Express and Andhra Prabha etc.
- b. Shareholding pattern, quarterly results and annual report are sent to the stock exchanges, where securities of the Company are listed, within the stipulated time. These are provided on the Company's website www.sirpurpaper.com and furnished to the website www.corpfiling.co.in
- c. Separate Email ID for registering investor 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 30, 2013 at 10.45 a.m. at Bhaskara Auditorium, B.M.Birla Science Centre, Adarshnagar, Hyderabad - 500 063.

b. **Financial calendar:**

Financial year: April, 1 to March, 31

Financial reporting for the quarterly results: (Tentative)

| | |
|------------------------------------|---------------------------|
| First quarter ending June 30 | on or before August 14 |
| Second quarter ending September 30 | on or before November 14 |
| Third quarter ending December 31 | on or before February 14 |
| Year ending March 31 | on or before May 30 |
| Annual General Meeting | on or before September 30 |

- c. **Dates of book closure:** September 21, 2013 to September 30, 2013 (both days inclusive)
- d. **Listing on stock exchanges:** BSE Limited, Mumbai (BSE)
National Stock Exchange of India Limited (NSE)

Annual listing fees for the year 2013-14 has been paid to the above stock exchanges.

e. **Stock codes & demat ISIN:**

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

- f. The approved CDR scheme envisaged that the promoters of the Company have to bring in 25% of the lenders' sacrifice amounting to ₹4,75 lakhs as their contribution in two stages. Accordingly, 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 lakhs to Amba Investment Private Limited, a promoter of the Company, which has given its consent to subscribe to the entire issue. As authorized by the Members by a special resolution passed through postal ballot process, the Company has offered 11,05,100 ordinary shares to the said promoter, which were subscribed and allotted on January 31, 2013 (5,55,100 shares) and on August 14, 2013 (5,50,000 shares). 5,55,100 shares were listed on BSE and NSE. The shares issued under the preferential offer shall bear a lock-in of one year, from the respective dates of allotment.

g. **Stock market price data for the year 2012-13**

- i. Share price on BSE & NSE

| Month | BSE | | NSE | |
|--------------|----------|---------|----------|---------|
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| 2012 April | 38.00 | 31.50 | 39.45 | 30.10 |
| May | 39.95 | 31.50 | 37.95 | 31.25 |
| June | 34.35 | 30.20 | 35.95 | 29.20 |
| July | 34.80 | 31.30 | 36.65 | 30.65 |
| August | 41.00 | 31.60 | 38.50 | 32.10 |
| September | 41.90 | 31.40 | 41.65 | 31.00 |
| October | 51.40 | 39.00 | 51.75 | 38.10 |
| November | 46.45 | 39.10 | 46.75 | 38.10 |
| December | 43.00 | 36.55 | 43.85 | 36.50 |
| 2013 January | 37.50 | 31.00 | 37.40 | 30.60 |
| February | 33.70 | 29.45 | 33.70 | 30.00 |
| March | 32.70 | 25.00 | 33.00 | 24.15 |



ii. BSE SENSEX

| | Month | Open | High | Low | Close |
|------|--------------|----------|----------|----------|----------|
| 2012 | April | 17429.96 | 17664.10 | 17010.16 | 17318.81 |
| | May | 17370.93 | 17432.33 | 15809.71 | 16218.53 |
| | June | 16217.48 | 17448.48 | 15748.98 | 17429.98 |
| | July | 17438.68 | 17631.19 | 16598.48 | 17236.18 |
| | August | 17244.44 | 17972.54 | 17026.97 | 17429.56 |
| | September | 17465.60 | 18869.94 | 17250.80 | 18762.74 |
| | October | 18784.64 | 19137.29 | 18393.42 | 18505.38 |
| | November | 18487.90 | 19372.70 | 18255.69 | 19339.90 |
| | December | 19342.83 | 19612.18 | 19149.03 | 19426.71 |
| | 2013 January | 19513.45 | 20203.66 | 19508.93 | 19894.98 |
| 2013 | February | 19907.21 | 19966.69 | 18793.97 | 18861.54 |
| | March | 18876.68 | 19754.66 | 18568.43 | 18835.77 |

h. **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 shareholders within stipulated time. The address of the Registrars and Transfer Agent for correspondence is as under:

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

i. 1. a. Distribution of shareholding as on March 31, 2013

| Number of ordinary shares held | Number of shareholders | | Shareholding | |
|-----------------------------------|------------------------|--------|--------------|--------|
| | Nos. | % | Nos. | % |
| 1 to 500 | 7,748 | 85.22 | 10,71,360 | 6.52 |
| 501 to 1000 | 644 | 7.08 | 5,09,813 | 3.10 |
| 1001 to 2000 | 307 | 3.38 | 4,59,201 | 2.80 |
| 2001 to 3000 | 104 | 1.14 | 2,56,260 | 1.56 |
| 3001 to 4000 | 52 | 0.57 | 1,87,992 | 1.14 |
| 4001 to 5000 | 51 | 0.56 | 2,32,414 | 1.41 |
| 5001 to 10000 | 76 | 0.84 | 5,50,080 | 3.35 |
| 10001 and above | 110 | 1.21 | 1,31,67,880 | 80.12 |
| TOTAL | 9,092 | 100.00 | 1,64,35,000 | 100.00 |

1. b. Distribution of shareholding as on August 14, 2013

| Number of ordinary shares held | Number of shareholders | | Shareholding | |
|--------------------------------|------------------------|--------|--------------|--------|
| | Nos. | % | Nos. | % |
| 1 to 500 | 7,708 | 85.31 | 10,59,601 | 6.24 |
| 501 to 1000 | 622 | 6.88 | 4,92,902 | 2.90 |
| 1001 to 2000 | 304 | 3.36 | 4,54,870 | 2.68 |
| 2001 to 3000 | 111 | 1.23 | 2,72,342 | 1.60 |
| 3001 to 4000 | 52 | 0.58 | 1,87,023 | 1.10 |
| 4001 to 5000 | 53 | 0.59 | 2,42,437 | 1.43 |
| 5001 to 10000 | 77 | 0.85 | 5,65,713 | 3.33 |
| 10001 and above | 108 | 1.20 | 1,37,10,112 | 80.72 |
| TOTAL | 9,035 | 100.00 | 1,69,85,000 | 100.00 |

2. a. Categories of shareholders as on March 31, 2013

| Category | Number of shares held | % | Number of shareholders | % |
|---|-----------------------|--------|------------------------|--------|
| Promoters & persons acting in concert | 79,26,474 | 48.23 | 5 | 0.05 |
| Public financial institutions, insurance companies & government companies | 18,78,047 | 11.43 | 6 | 0.07 |
| Banks and mutual funds | 5,176 | 0.03 | 23 | 0.25 |
| Non-resident individuals | 67,915 | 0.41 | 68 | 0.75 |
| Other bodies corporate | 12,81,811 | 7.80 | 263 | 2.89 |
| Others | 52,75,577 | 32.10 | 8,727 | 95.99 |
| TOTAL | 1,64,35,000 | 100.00 | 9,092 | 100.00 |

2. b. Categories of shareholders as on August 14, 2013

| 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 | 0.25 |
| Non-resident individuals | 67,595 | 0.40 | 67 | 0.74 |
| Other bodies corporate | 12,66,180 | 7.51 | 261 | 2.89 |
| Others | 52,90,628 | 31.09 | 8,672 | 95.98 |
| TOTAL | 1,69,85,000 | 100.00 | 9,035 | 100.00 |

11. Dematerialisation of shares and liquidity

Trading in Company's shares is permitted only in dematerialized form and 1,54,94,018 Ordinary shares (representing 94.27% of the Company's share capital) have been dematerialised upto March 31, 2013.

12. Books of Account: The books of account of the Company with respect of items mentioned in clause (a) to (d) of sub-section (1) of Section 209 of the Companies Act, 1956 are kept at the Mills Office at factory.

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

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

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

15. Non-mandatory requirements

- At present, the Chairman does not have any separate office with the Company. The Corporate Office of the company supports the Chairman for discharging the responsibilities.
- As the financial performance of the Company is well publicised, individual communication of half-yearly results is not sent to the 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, 2013.

For **The Sirpur Paper Mills Limited**

Hyderabad,
August 14, 2013

R. L. Lakhotia
Executive Director

Compliance certificate on Corporate Governance

TO THE MEMBERS OF
THE SIRPUR PAPER MILLS LIMITED

We have examined the compliance of conditions of Corporate Governance by The Sirpur Paper Mills Limited, for the year ended March 31, 2013, 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 have been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the directors and the management, we certify that the Company has complied with the conditions of the Corporate

Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that the Shareholders'/Investor Grievance Committee has maintained records to show the investor grievance and certify that as at March 31, 2013 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 14, 2013



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, 2013 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 13, 2013

R. L. Lakhotia
Executive Director

Srikrishna Modani
Vice President (F&C)



Independent Auditors' Report

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, 2013, 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 referred to in Section 211(3C) of the Companies Act, 1956 ('the Act') 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 judgement, 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, 2013;
- 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.

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 referred to in Section 211(3C) of the Act.

- e. On the basis of the written representations received from the Directors as on March 31, 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013 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 13, 2013

K. Rajasekhar
Partner
(Membership No. 23341)



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, clauses (vi), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable.
- ii. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Plant and machinery include ₹3,06.98 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 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 in Section 301 that needed to be entered in the register maintained under the said Section have been so entered.
 - b. Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- vii. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.
- viii. We have broadly reviewed the 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 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. The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- b. There were no undisputed amounts payable in respect of 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, 2013 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, 2013 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 Act, 1944 | Modified Value Added Tax | Customs Excise and Service Tax | 2000-07 | 36.51 |
| | Excise Duty | Appellate Tribunal | 2002-09 | 1,84.93 |
| | Service Tax | | 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 | 6,67.60 |
| | 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 but not incurred any cash losses during the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions.

xii. 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, other than temporary deployment pending application.

xiii. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis, *prima facie*, have not been used during the year for long-term investment.

xiv. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

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

K. Rajasekhar
Partner
(Membership No. 23341)

Secunderabad,
May 13, 2013



Balance Sheet as at March 31, 2013

₹ Lakhs

| Particulars | Note | As at March 31, 2013 | As at March 31, 2012 |
|--------------------------------|------|-------------------------|-------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 16,44.36 | 15,88.85 |
| Reserves and surplus | 3 | 88,52.00 | 188,83.06 |
| | | 104,96.36 | 204,71.91 |
| Non-current liabilities | | | |
| Long-term borrowings | 4 | 308,45.89 | 200,77.11 |
| Deferred tax liabilities (Net) | 5 | – | 5,59.48 |
| Other long-term liabilities | 6 | 40,61.56 | 36,95.26 |
| Long-term provisions | 7 | 8,82.10 | 8,43.82 |
| | | 357,89.55 | 251,75.67 |
| Current liabilities | | | |
| Short-term borrowings | 8 | 34,74.41 | 45,93.04 |
| Trade payables | 9 | 80,39.94 | 57,18.15 |
| Other current liabilities | 10 | 15,80.15 | 76,02.57 |
| Short-term provisions | 11 | 1,59.63 | 1,41.65 |
| | | 132,54.13 | 180,55.41 |
| TOTAL | | 595,40.04 | 637,02.99 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 12 | 417,98.46 | 447,96.73 |
| Intangible assets | 12 | 22.04 | 36.26 |
| Capital work-in-progress | | 9,36.21 | 10,29.81 |
| | | 427,56.71 | 458,62.80 |
| Non-current investments | 13 | – | – |
| Long-term loans and advances | 14 | 21,35.55 | 20,15.97 |
| | | 448,92.26 | 478,78.77 |
| Current assets | | | |
| Inventories | 15 | 40,95.56 | 46,20.95 |
| Trade receivables | 16 | 63,41.62 | 62,48.47 |
| Cash and bank balances | 17 | 3,69.77 | 13,92.87 |
| Short-term loans and advances | 18 | 26,18.00 | 25,74.58 |
| Other current assets | 19 | 12,22.83 | 9,87.35 |
| | | 146,47.78 | 158,24.22 |
| TOTAL | | 595,40.04 | 637,02.99 |

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

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

Secunderabad
May 13, 2013

Dinesh Lata
Company Secretary

R.L. Lakhotia
Executive Director



Statement of Profit and Loss for the year ended March 31, 2013

₹ Lakhs

| Particulars | Note | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|--|-------|--------------------------------------|--------------------------------------|
| GROSS INCOME | | | |
| Gross revenue from operations | 20 | 372,44.31 | 407,80.41 |
| Less: Excise duty | | 22,51.35 | 21,11.04 |
| Net revenue from operations | | 349,92.96 | 386,69.37 |
| Other operating revenue | 21 | 4,07.60 | 2,80.33 |
| Total revenue from operations | | 354,00.56 | 389,49.70 |
| Other income | 22 | 11,19.61 | 10,73.42 |
| Total revenue | | 365,20.17 | 400,23.12 |
| EXPENSES | | | |
| Cost of materials consumed | 23 | 172,35.57 | 160,57.56 |
| Changes in inventories of finished goods, stock-in-process and stock-in-trade | 24 | 1,50.38 | (4,35.42) |
| Employee benefits expense | 25 | 67,10.31 | 66,38.36 |
| Finance costs | 26 | 44,87.79 | 41,87.28 |
| Depreciation and amortisation expense | | 30,90.70 | 31,42.73 |
| Less: Transfer from revaluation reserve | | 1,63.70 | 1,44.00 |
| | | 29,27.00 | 29,98.73 |
| Other expenses | 27 | 152,78.42 | 127,83.44 |
| Total expenses | | 467,89.47 | 422,29.95 |
| LOSS BEFORE TAX | | (102,69.30) | (22,06.83) |
| Tax expenses | | | |
| Deferred tax expense/(credit) | | (5,59.48) | (4,75.92) |
| LOSS FOR THE YEAR | | (97,09.82) | (17,30.91) |
| Loss per share (Face value of ₹10 each) | 28(n) | | |
| Basic and diluted (₹) | | (60.80) | (10.90) |

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

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

Secunderabad
May 13, 2013

Dinesh Lata
Company Secretary

R.L. Lakhotia
Executive Director



Cash Flow Statement for the year ended March 31, 2013

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | | For the year ended March 31, 2012 | |
|---|--------------------------------------|----------|--------------------------------------|------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Loss before tax | (102,69.30) | | (22,06.83) | |
| Adjustments for | | | | |
| Depreciation | 29,27.00 | | 29,98.73 | |
| Loss on fixed assets retired from active use | 3,43.95 | | – | |
| (Profit)/loss on sale of fixed assets | (91.95) | | 15.19 | |
| Profit on sale of current investments | (42.61) | | – | |
| Interest income | (8,54.23) | | (8,18.57) | |
| Interest on borrowings | 43,85.52 | 66,67.68 | 40,64.10 | 62,59.45 |
| Operating (loss)/profit before working capital changes | (36,01.62) | | 40,52.62 | |
| Changes in working capital | | | | |
| Adjustments for | | | | |
| Loans and advances | 5,48.31 | | (21,53.51) | |
| Trade and other receivables | (93.15) | | (8,14.64) | |
| Inventories | 5,25.39 | | (15,98.64) | |
| Trade payables and other liabilities | 16,76.87 | 26,57.42 | 4,97.37 | (40,69.42) |
| Cash used in operations | (9,44.20) | | (16.80) | |
| Net income tax (paid)/refund | – | | – | |
| Net cash used in operating activities | (9,44.20) | | (16.80) | |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Capital expenditure on fixed assets (including capital advances) | (6,47.22) | | (9,28.95) | |
| Proceeds from sale of fixed assets | 1,23.13 | | 7,42.47 | |
| Purchase of current investments | (14,50.00) | | – | |
| Proceeds from sale of current investments | 14,92.61 | | – | |
| Net cash used in investing activities | (4,81.48) | | (1,86.48) | |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issue of Ordinary shares (including securities premium) | 2,38.69 | | – | |
| Proceeds from borrowings | 46,98.20 | | 85,60.01 | |
| Repayment of borrowings | (2.99) | | (56,70.82) | |
| Interest paid | (43,85.52) | | (37,67.50) | |
| Interest received on deposits with banks, suppliers and others | 8,54.23 | | 7,44.30 | |
| Net cash from/(used in) financing activities | 14,02.61 | | (1,34.01) | |
| Net decrease in cash and cash equivalents (A+B+C) | (23.07) | | (3,37.29) | |
| Cash and cash equivalents at beginning of the year | 3,12.54 | | 6,49.83 | |
| Cash and cash equivalents at the end of the year | 2,89.47 | | 3,12.54 | |

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

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

Secunderabad
May 13, 2013

Dinesh Lata
Company Secretary

R.L. Lakhotia
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, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 2. SHARE CAPITAL | | |
| Authorised | | |
| 2,50,00,000 Ordinary shares of ₹10 each | 25,00.00 | 25,00.00 |
| (March 31, 2012: 2,50,00,000 Ordinary shares of ₹10 each) | | |
| 10,00,000 Preference shares of ₹100 each | 10,00.00 | 10,00.00 |
| (March 31, 2012: 10,00,000 Preference shares of ₹100 each) | | |
| | 35,00.00 | 35,00.00 |
| Issued | | |
| 1,69,96,174 Ordinary shares of ₹10 each | | |
| (March 31, 2012: 1,58,91,074 Ordinary shares of ₹10 each) | 16,99.62 | 15,89.11 |
| Subscribed and fully paid up | | |
| 1,64,35,000 Ordinary shares of ₹10 each | 16,43.50 | 15,87.99 |
| (March 31, 2012: 1,58,79,900 Ordinary shares of ₹10 each) | | |
| 9,154 Forfeited shares (March 31, 2012: 9,154) (Amount originally paid up) | 0.86 | 0.86 |
| TOTAL | 16,44.36 | 15,88.85 |

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, 2013 | | As at March 31, 2012 | |
|--------------------------------------|----------------------|----------|----------------------|----------|
| | Number of shares | ₹ Lakhs | Number of shares | ₹ Lakhs |
| Balance at the beginning of the year | 1,58,79,900 | 15,87.99 | 1,58,79,900 | 15,87.99 |
| Add: Allotted during the year | 5,55,100 | 55.51 | – | – |
| Balance at the end of the year | 1,64,35,000 | 16,43.50 | 1,58,79,900 | 15,87.99 |

- 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, 2013 | | As at March 31, 2012 | |
|--|----------------------|-------|----------------------|-------|
| | Number of shares | % | Number of shares | % |
| Aravali Securities and Finance Limited | 41,07,000 | 24.99 | 56,07,000 | 35.31 |
| Amba Investment Private Limited | 32,40,067 | 19.71 | 11,84,967 | 7.46 |

- d. Details of forfeited shares:

| Class of shares | As at March 31, 2013 | | As at March 31, 2012 | |
|------------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | No. of shares | Amount originally paid up | No. of shares | Amount originally paid up |
| Ordinary shares with voting rights | 9,154 | 0.86 | 9,154 | 0.86 |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 3. RESERVES AND SURPLUS | | |
| Capital reserve | | |
| At the beginning and at the end of the year | 9.16 | 9.16 |
| Capital redemption reserve | | |
| At the beginning and at the end of the year | 70.93 | 70.93 |
| Securities premium account | | |
| Opening balance | 70,46.78 | 70,46.78 |
| Add: Premium on Ordinary shares issued during the year | 1,83.19 | – |
| Closing balance | 72,29.97 | 70,46.78 |
| Revaluation reserve | | |
| Opening balance | 50,22.32 | 52,21.37 |
| Less: Utilised for set off against depreciation | (1,63.70) | (1,44.00) |
| Less: Non-utilised portion, on account of assets sold, transferred to general reserve | (44.10) | (52.81) |
| Less: Loss on revalued fixed assets retired from active use/sold | (3,40.73) | (2.24) |
| Closing balance | 44,73.79 | 50,22.32 |
| General reserve | | |
| Opening balance | 82,87.20 | 82,34.39 |
| Add: Transferred from revaluation reserve | 44.10 | 52.81 |
| Closing balance | 83,31.30 | 82,87.20 |
| Surplus/(deficit) in the Statement of Profit and Loss | | |
| Opening balance | (15,53.33) | 1,77.58 |
| Add: Loss for the year | (97,09.82) | (17,30.91) |
| Closing balance | (112,63.15) | (15,53.33) |
| TOTAL | 88,52.00 | 188,83.06 |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | Non-current portion | | Current maturities | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | As at March 31, 2013 | As at March 31, 2012 | As at March 31, 2013 | As at March 31, 2012 |
| 4. LONG-TERM BORROWINGS | | | | |
| a. Term loans | | | | |
| From banks | | | | |
| Secured (Refer Notes ii to iv below) | | | | |
| Rupee loans | 286,25.05 | 180,27.47 | 4,35.91 | 63,35.29 |
| Vehicle loans | 8.89 | 12.21 | 3.31 | 2.98 |
| b. Deferred payment liabilities | | | | |
| Unsecured (Refer Note vi below) | | | | |
| Sales tax deferment loans | 22,11.95 | 20,37.43 | – | – |
| TOTAL | 308,45.89 | 200,77.11 | 4,39.22 | 63,38.27 |

Notes:

- Current maturities of long term borrowings are included in 'other current liabilities' in Note 10.
- Pursuant to the Company's application for restructuring of its existing debts, the final restructuring package was approved by CDR-EG and implemented during the year. As per the approved scheme, a moratorium period of 21 months, from April 2012 to December 2013, is granted. Interest accrued for the year on terms loans amounting to ₹33,66.21 lakhs is treated as Funded Interest Term Loan (FITL) and included in the term loan above. The interest accrued on FITL is due and payable on monthly basis.
- 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 ₹290,60.96 lakhs (March 31, 2012: ₹243,62.76 lakhs) is secured/to be secured by first pari passu charge on immovable and movable fixed assets both present and future and a pari passu 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% - 15.55% p.a. |
| b. Pledge of entire shareholding of the promoters viz. Shri Ranjan Kumar Poddar, Aravali Securities & Finance Limited and 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 includes ₹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. Vehicle loan is repayable in 39 monthly installments ending in June 2016. | |
| vi. As per final eligibility certificate of Commissioner of Industries, Hyderabad, the sales tax payable on the sale of products manufactured by the Company over and above the turnover of ₹184,65.00 lakhs is eligible for deferment up to a maximum of ₹65,45.85 lakhs. The deferment is to be availed in 14 financial years commencing from March 21, 2002 to March 20, 2016. Each year's deferment is payable after 14 years from the year of deferment, without interest. Based on the above, the Company has claimed deferred sales tax liability as at March 31, 2013 of ₹24,54.11 lakhs (March 31, 2012: ₹21,00.51 lakhs). The Company has received a demand of ₹2,42.16 lakhs (March 31, 2012: ₹63.08 lakhs) towards excess deferment availed, which is grouped under other current liabilities in Note 10. | |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 5. DEFERRED TAX LIABILITIES (NET) | | |
| - Difference between book balance and tax balance of fixed assets | - | 56,90.80 |
| - Unabsorbed depreciation | - | (51,31.32) |
| Net deferred tax liability (Net) | - | 5,59.48 |

Notes:

As at the year end, the Company has deferred tax assets (net) amounting to ₹24,72.98 lakhs, due to timing difference on account of depreciation, carry forward losses and unabsorbed depreciation. As a measure of prudence and in the absence of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized, the deferred tax asset (net) has not been recognised.

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---------------------------------------|-------------------------|-------------------------|
| 6. OTHER LONG-TERM LIABILITIES | | |
| Deposits - from customers | 35,68.24 | 35,47.34 |
| - from capital vendors | 4,93.32 | 1,47.92 |
| TOTAL | 40,61.56 | 36,95.26 |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 7. LONG-TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Gratuity [Refer Note (a) below] | 4,63.74 | 4,01.54 |
| Compensated absences [Refer Note (b) below] | 2,57.32 | 3,06.76 |
| Long service award [Refer Note (c) below] | 1,61.04 | 1,35.52 |
| TOTAL | 8,82.10 | 8,43.82 |

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 long service award (retirement exgratia) 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, 2013 | As at March 31, 2012 |
|-----------------------------------|-------------------------|-------------------------|
| 8. SHORT-TERM BORROWINGS | | |
| Loans repayable on demand | | |
| From banks | | |
| Secured (Refer Note a to c below) | 34,74.41 | 45,93.04 |
| TOTAL | 34,74.41 | 45,93.04 |

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.
- Pledge of entire shareholding of the promoters viz. Shri Ranjan Kumar Poddar, Aravali Securities & Finance Limited and Amba Investment Private Limited, along with their voting rights on *pari passu* basis.
- Irrevocable and unconditional personal guarantee of Shri Ranjan Kumar Poddar and Shri Devashish Poddar in favour of the lenders.

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|-------------------------|-------------------------|-------------------------|
| 9. TRADE PAYABLE | | |
| Acceptances | 2.04 | 2.36 |
| Other than acceptances | 80,37.90 | 57,15.79 |
| TOTAL | 80,39.94 | 57,18.15 |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 10. OTHER CURRENT LIABILITIES | | |
| Current maturities of long-term debt [Refer Note 4 (ii) & (iii)] | 4,39.22 | 63,38.27 |
| Interest accrued but not due on borrowings | – | 2,96.60 |
| Investor Education & Protection Fund (Refer Note below) | 16.67 | 21.97 |
| Other payables | | |
| Statutory remittances | 8,37.29 | 6,01.12 |
| Advances from customers and vendors | 79.30 | 2,10.33 |
| Other liabilities | 2,07.67 | 1,34.28 |
| TOTAL | 15,80.15 | 76,02.57 |

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, 2013 | As at March 31, 2012 |
|----------------------------------|-------------------------|-------------------------|
| 11. SHORT-TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Gratuity | 92.87 | 54.89 |
| Compensated absences | 38.20 | 55.51 |
| Long service award | 27.56 | 29.25 |
| Others | 1.00 | 2.00 |
| TOTAL | 1,59.63 | 1,41.65 |



Notes forming part of the Financial Statements

12. FIXED ASSETS

₹ Lakhs

| Particulars | Gross block (At cost/revalued) * | | | | Depreciation | | | | Net block | |
|--------------------------------|----------------------------------|-----------------------|------------------------|----------------------------|---------------------------|------------------------|--------------------------------|---------------------------|----------------------------|----------------------------|
| | As at March 31, 2012 | Additions | Deletions | As at March 31, 2013 | Upto March 31, 2012 | For the year | Deletions/ Adjust- ments | Upto March 31, 2013 | As at March 31, 2013 | As at March 31, 2012 |
| A. TANGIBLE ASSETS | | | | | | | | | | |
| Freehold land | 11,22.96 (11,22.96) | - - | - - | 11,22.96 (11,22.96) | - - | - - | - - | - - | 11,22.96 (11,22.96) | 11,22.96 (11,22.96) |
| Buildings | | | | | | | | | | |
| Own use | 70,09.66 (72,43.70) | 1,23.28 (83.56) | 2,54.98 (3,17.60) | 68,77.96 (70,09.66) | 36,06.47 (37,24.09) | 1,22.21 (1,23.45) | 1,40.21 (2,41.07) | 35,88.47 (36,06.47) | 32,89.49 (34,03.19) | 34,03.19 (35,19.61) |
| Given under operating lease | 24.70 (24.70) | - - | - - | 24.70 (24.70) | 1.16 (0.75) | 0.40 (0.41) | - - | 1.56 (1.16) | 23.14 (23.54) | 23.54 (23.95) |
| | 70,34.36 (72,68.40) | 1,23.28 (83.56) | 2,54.98 (3,17.60) | 69,02.66 (70,34.36) | 36,07.63 (37,24.84) | 1,22.61 (1,23.86) | 1,40.21 (2,41.07) | 35,90.03 (36,07.63) | 33,12.63 (34,26.73) | 34,26.73 (35,43.56) |
| Plant & machinery | 665,67.99 (715,30.25) | 9,08.58 (2,32.99) | 18,36.00 (51,95.25) | 656,40.57 (665,67.99) | 267,03.06 (283,24.52) | 29,09.72 (29,48.26) | 10,31.13 (45,69.72) | 285,81.65 (267,03.06) | 370,58.92 (398,64.93) | 398,64.93 (432,05.73) |
| Furniture & fixtures | 2,29.51 (2,20.25) | 0.72 (9.28) | 0.04 (0.02) | 2,30.19 (2,29.51) | 89.31 (75.45) | 11.67 (13.87) | 0.04 (0.01) | 1,00.94 (89.31) | 1,29.25 (1,40.20) | 1,40.20 (1,44.80) |
| Vehicles | 3,27.27 (5,07.75) | 6.36 (25.19) | 1,36.60 (2,05.67) | 1,97.03 (3,27.27) | 1,75.13 (3,04.49) | 24.69 (40.86) | 90.76 (1,70.22) | 1,09.06 (1,75.13) | 87.97 (1,52.14) | 1,52.14 (2,03.26) |
| Office equipment | 1,70.03 (1,53.07) | 5.24 (17.18) | 1.87 (0.22) | 1,73.40 (1,70.03) | 85.33 (77.87) | 7.19 (7.59) | 1.38 (0.13) | 91.14 (85.33) | 82.26 (84.70) | 84.70 (75.20) |
| Railway sidings | 13.99 (41.66) | - - | - (27.67) | 13.99 (13.99) | 8.92 (12.41) | 0.60 (1.88) | - (5.37) | 9.52 (8.92) | 4.47 (5.07) | 5.07 (29.25) |
| TOTAL (A) | 754,66.11 (808,44.34) | 10,44.18 (3,68.20) | 22,29.49 (57,46.43) | 742,80.80 (754,66.11) | 306,69.38 (325,19.58) | 30,76.48 (31,36.32) | 12,63.52 (49,86.52) | 324,82.34 (306,69.38) | 417,98.46 (447,96.73) | 447,96.73 (483,24.76) |
| B. INTANGIBLE ASSETS | | | | | | | | | | |
| Software | 55.75 (85.19) | - (42.67) | - (72.11) | 55.75 (55.75) | 19.49 (85.19) | 14.22 (6.41) | - (72.11) | 33.71 (19.49) | 22.04 (36.26) | 36.26 - |
| TOTAL (A+B) | 755,21.86 (809,29.53) | 10,44.18 (4,10.87) | 22,29.49 (58,18.54) | 743,36.55 (755,21.86) | 306,88.87 (326,04.77) | 30,90.70 (31,42.73) | 12,63.52 (50,58.63) | 325,16.05 (306,88.87) | 418,20.50 (448,32.99) | 448,32.99 (483,24.76) |

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 amounts (net of withdrawals) remaining substituted for the historical cost in the gross block of fixed assets are:

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|-------------------|----------------------------|----------------------------|
| Land | 9,65.36 | 9,65.36 |
| Buildings | 42,03.58 | 43,02.33 |
| Plant & machinery | 150,05.98 | 159,55.22 |
| TOTAL | 201,74.92 | 212,22.91 |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 13. NON-CURRENT INVESTMENTS (At cost) | | |
| Equity investments (Unquoted, fully paid up) | | |
| 1,67,500 (March 31, 2012: 1,67,500) equity shares of ₹10 each of Neptune Paper Mills Limited (in liquidation) | 16.75 | 16.75 |
| Equity investments (Unquoted, partly paid up) | | |
| 60,000 (March 31, 2012: 60,000) equity shares of ₹100 each (paid-up ₹5 per share) of Beloit India Limited (in liquidation) | 1.18 | 1.18 |
| | 17.93 | 17.93 |
| Less: Provision for diminution in the value of investments | (17.93) | (17.93) |
| TOTAL | - | - |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 14. LONG-TERM LOANS AND ADVANCES (Unsecured and considered good) | | |
| Capital advances | 2,17.97 | 2,71.21 |
| Security and other deposits | 17,06.03 | 13,72.86 |
| Advance tax and tax deducted at source | 2,11.55 | 3,71.90 |
| [Net of provision ₹3,73.57 lakhs (March 31, 2012: ₹3,74.57 lakhs)] | | |
| TOTAL | 21,35.55 | 20,15.97 |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 15. INVENTORIES (at lower of cost and net realisable value) | | |
| Raw materials | 11,50.02 | 18,03.85 |
| Work-in-progress (Refer Note below) | 8,60.17 | 7,71.07 |
| Finished goods | 2,99.53 | 5,08.18 |
| Stores, spares and other consumables | 16,79.11 | 14,70.07 |
| Stock-in-transit | 1,06.73 | 67.78 |
| TOTAL | 40,95.56 | 46,20.95 |

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



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 16. TRADE RECEIVABLES | | |
| Outstanding for a period exceeding six months from the date they were due for payment | | |
| Secured, considered good (Refer Note below) | 58.40 | 48.00 |
| Unsecured, considered good | 1,02.84 | 99.97 |
| Unsecured, considered doubtful | 56.62 | 56.62 |
| Less: Provision for doubtful debts | (56.62) | (56.62) |
| | 1,61.24 | 1,47.97 |
| Other trade receivables | | |
| Secured, considered good (Refer Note below) | 30,35.81 | 27,84.68 |
| Unsecured, considered good | 31,44.57 | 33,15.82 |
| TOTAL | 63,41.62 | 62,48.47 |

Note: Trade receivables are secured by way of security deposit collected from the customers to the extent of ₹30,94.21 lakhs (March 31, 2012: ₹28,32.68 lakhs).

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 17. CASH AND BANK BALANCES | | |
| A. Cash and cash equivalents | | |
| Cash in hand | 20.16 | 15.60 |
| Cheques, drafts in hand | – | – |
| Balances with banks | | |
| - in current account | 2,69.31 | 2,96.94 |
| Total - Cash and cash equivalents (A) | 2,89.47 | 3,12.54 |
| B. Other bank balances | | |
| - in earmarked accounts | | |
| - unpaid dividend account | 16.67 | 21.97 |
| - balances held as margin money deposit (Refer Note below) | 62.31 | 1,46.04 |
| - balance held as security against borrowings | – | 9,11.00 |
| - in redemption account | 1.32 | 1.32 |
| Total - Other bank balances (B) | 80.30 | 10,80.33 |
| Total cash and bank balances (A+B) | 3,69.77 | 13,92.87 |

Note: Balances with banks include deposits of ₹2.57 lakhs (March 31, 2012: ₹16.04 lakhs) with original maturity of more than 12 months.



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|--|-------------------------|-------------------------|
| 18. SHORT-TERM LOANS AND ADVANCES | | |
| Unsecured, considered good | | |
| Inter-corporate deposits | 8,25.00 | 8,25.00 |
| Loans and advances to employees | 35.79 | 31.50 |
| Prepaid expenses | 52.55 | 30.94 |
| Advance to material suppliers/contractors/others | 16,08.19 | 16,07.75 |
| Balance with government authorities - CENVAT credit receivable | 96.47 | 79.39 |
| TOTAL | 26,18.00 | 25,74.58 |

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| 19. OTHER CURRENT ASSETS | | |
| Accruals | | |
| Interest accrued on inter-corporate deposits | 1,00.78 | 92.62 |
| Interest accrued on security deposits | 88.28 | 1,17.95 |
| Interest accrued on trade receivables | 56.60 | 59.30 |
| Others | | |
| Claims recoverable [Refer Note 28(i)] | 7,27.05 | 6,26.23 |
| Fixed assets retired from active use [Refer Note 28(c)] | 2,50.12 | – |
| Receivables on account of sale of fixed assets | – | 91.25 |
| TOTAL | 12,22.83 | 9,87.35 |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|------------------------------------|--------------------------------------|--------------------------------------|
| 20. REVENUE FROM OPERATIONS | | |
| Sale of paper and paper board | 372,44.31 | 407,80.41 |
| TOTAL | 372,44.31 | 407,80.41 |

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|------------------------------------|--------------------------------------|--------------------------------------|
| 21. OTHER OPERATING REVENUE | | |
| Sale of coal ash and scrap | 4,07.60 | 2,80.33 |
| TOTAL | 4,07.60 | 2,80.33 |

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|--------------------------------------|--------------------------------------|
| 22. OTHER INCOME | | |
| Interest on | | |
| - Term deposits with banks | 68.52 | 83.94 |
| - Inter-corporate and other loans | 1,00.78 | 99.44 |
| - Others (customers/debtors, on deposits, etc) | 6,84.93 | 6,35.19 |
| Rent | 46.46 | 50.14 |
| Insurance claims | 35.68 | - |
| Profit on sale of fixed assets | 91.95 | - |
| Profit on sale of current investments | 42.61 | - |
| Miscellaneous income | 48.68 | 2,04.71 |
| TOTAL | 11,19.61 | 10,73.42 |
| Tax deducted at source on interest received is ₹50.69 lakhs (March 31, 2012: ₹43.56 lakhs) | | |

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| 23. COST OF MATERIALS CONSUMED | | |
| Opening stock | 18,03.85 | 8,19.42 |
| Add: Purchases | 165,81.74 | 170,41.99 |
| | 183,85.59 | 178,61.41 |
| Less: Closing stock | (11,50.02) | (18,03.85) |
| TOTAL | 172,35.57 | 160,57.56 |
| Material consumed comprises: | | |
| Bamboo and wood | 119,12.20 | 104,45.61 |
| Chemicals and fibers | 47,68.25 | 49,74.96 |
| Packing material | 5,55.12 | 6,36.99 |
| TOTAL | 172,35.57 | 160,57.56 |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|--|--------------------------------------|--------------------------------------|
| 24. CHANGES IN INVENTORIES OF FINISHED GOODS AND STOCK-IN-PROCESS | | |
| Opening stock-in-process | 7,71.07 | 7,24.00 |
| Opening finished goods | 5,08.18 | 1,43.19 |
| | <u>12,79.25</u> | <u>8,67.19</u> |
| Closing stock-in-process | 8,60.17 | 7,71.07 |
| Closing finished goods | 2,81.95 | 5,08.18 |
| | <u>11,42.12</u> | <u>12,79.25</u> |
| Adjustment for excise duty on stock | (13.25) | 23.36 |
| Net increase/(decrease) in stock | (1,50.38) | 4,35.42 |

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|--|--------------------------------------|--------------------------------------|
| 25. EMPLOYEE BENEFITS EXPENSE | | |
| Salaries and wages | 59,81.45 | 58,49.06 |
| Contribution to provident and other fund [Refer Note 28 (j)] | 5,36.33 | 5,99.32 |
| Workmen and staff welfare expenses | 1,92.53 | 1,89.98 |
| TOTAL | <u>67,10.31</u> | <u>66,38.36</u> |

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|--------------------------|--------------------------------------|--------------------------------------|
| 26. FINANCE COSTS | | |
| Interest expense | | |
| - On borrowings | 39,48.21 | 36,33.04 |
| - On others | 4,37.31 | 4,31.06 |
| Other borrowing cost | 1,02.27 | 1,23.18 |
| TOTAL | <u>44,87.79</u> | <u>41,87.28</u> |



Notes forming part of the Financial Statements

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|---|--------------------------------------|--------------------------------------|
| 27. OTHER EXPENSES | | |
| Stores and spares consumed | 17,19.99 | 13,98.68 |
| Power and fuel [Refer Note 28(g)] | 106,20.90 | 91,51.46 |
| Repairs and maintenance | | |
| - Buildings | 2,29.04 | 1,70.54 |
| - Plant & machinery | 7,13.81 | 3,20.77 |
| - Other assets | 23.86 | 25.72 |
| Insurance | 78.53 | 58.28 |
| Rent | 26.67 | 33.12 |
| Lease rent | 18.00 | 18.00 |
| Rates & taxes | 20.23 | 25.97 |
| Freight, carriage and cartage charges | 4,18.34 | 5,00.96 |
| Vehicle expenses | 48.16 | 48.82 |
| Travelling and conveyance expenses | 1,36.81 | 1,15.27 |
| Legal & professional expenses | 1,81.01 | 1,00.11 |
| Commission to wholesalers | 3,87.13 | 4,62.13 |
| Communication and advertisement | 58.43 | 76.84 |
| Conversion charges | 62.74 | 75.90 |
| Directors' sitting fees | 3.68 | 3.42 |
| Increase/(decrease) of excise duty on inventory | (13.25) | 23.36 |
| Auditors' remuneration [Refer Note 28(h)] | 14.71 | 15.89 |
| Loss on sale of fixed assets | - | 15.19 |
| Loss on retirement of fixed assets [Refer Note 28(c)] | 3,43.95 | - |
| Miscellaneous expenses | 1,85.68 | 1,43.01 |
| TOTAL | 152,78.42 | 127,83.44 |



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, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| Claims/demands under dispute | | |
| Income tax | 75.33 | 1,82.26 |
| Excise duty etc. | 6,09.51 | 5,33.70 |
| Value added tax | 3,24.56 | 3,23.48 |
| Demand from Government of Andhra Pradesh [@] | 22,01.67 | 22,01.67 |
| State levies | 9,41.77 | 16,20.25 |
| Labour related cases | 3,51.32 | 3,51.31 |
| Suppliers and service contracts | 7,68.54 | 6,95.47 |

[@] 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 and duty. However, the Department has gone on an appeal to CESTAT against the order of the 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 of Andhra Pradesh 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.

Commitments

- i. Estimated amount of contracts remaining to be executed on capital account and not provided for ₹1,11.11 lakhs (March 31, 2012: ₹6,41.42 lakhs) against which advances paid amount to ₹2.48 lakhs (March 31, 2012: ₹79.53 lakhs).
- ii. Estimated amount of contracts remaining to be executed on other than capital commitments and not provided for ₹4,24.98 lakhs (March 31, 2012: Nil)
- iii. Total outstanding bank guarantees and letters of credit as on March 31, 2013 aggregated to ₹10,08.76 lakhs (March 31, 2012: ₹10,96.28 lakhs), which are secured against the Company's assets.

b. Details as per the requirement of provisions under MSMED Act, 2006

| Particulars | As at March 31, 2013 | As at March 31, 2012 |
|---|-------------------------|-------------------------|
| The principal amount remaining unpaid at the end of the year | 41.71 | 37.21 |
| The interest due on above | 3.50 | 2.94 |
| 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 | 6.04 | 3.33 |



Notes forming part of the Financial Statements

c. Details of fixed assets retired from active use[@]

₹ Lakhs

| Particulars | As at March 31, 2013 | Net realisable value (NRV) | Loss on retirement of fixed assets | Loss adjusted from unutilised revaluation reserve |
|------------------------------|-------------------------|-------------------------------|--|---|
| Building - factory structure | 99.08 | 37.97 | 61.11 | – |
| Plant & machinery | 7,91.87 | 1,81.24 | 2,81.70 | 3,28.93 |
| Vehicles | 32.05 | 30.91 | 1.14 | – |
| TOTAL | 9,23.00 | 2,50.12 | 3,43.95 | 3,28.93 |

[@] Net book value including revaluation

d. CIF value of imports

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|----------------------------|--------------------------------------|--------------------------------------|
| Components and spare parts | 1,68.05 | 1,53.22 |

e. Expenditure in foreign currency

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Books | 0.09 | – |
| Travelling expenses | 4.53 | 7.87 |
| Consultancy | 29.76 | – |
| Raw materials & machine spares | 1,34.64 | 1,72.93 |
| TOTAL | 1,69.02 | 1,80.80 |

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

| Particulars | Material consumed (Raw material, stores and chemicals) | | | |
|--------------|--|---------------|--------------------------------------|---------------|
| | For the year ended March 31, 2013 | | For the year ended March 31, 2012 | |
| | Amount | % | Amount | % |
| Indigenous | 187,20.60 | 98.76 | 173,86.18 | 99.60 |
| Imported | 2,34.96 | 1.24 | 70.06 | 0.40 |
| TOTAL | 189,55.56 | 100.00 | 174,56.24 | 100.00 |

- g. Power & fuel cost includes an amount of ₹10,50 lakhs towards provision for Fuel Surcharge Adjustment (FSA) for the financial year 2010-11 and financial year 2011-12 levied by electricity distribution companies (DISCOMS) vide the order dated September 20, 2012 of the Andhra Pradesh Electricity Regulatory Commission and being contested by the Company.

h. Auditors' remuneration

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|------------------------------|--------------------------------------|--------------------------------------|
| Statutory auditors | | |
| Audit fees | 7.00 | 6.50 |
| Fees for limited review | 5.25 | 8.60 |
| Fees for certification | 0.50 | – |
| Reimbursement of expenditure | 1.96 | 0.79 |
| TOTAL | 14.71 | 15.89 |

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



Notes forming part of the Financial Statements

- i. As per the provisions of Industrial Investment Promotion Policy 2005-10 of Government of Andhra Pradesh, the Company is eligible for part reimbursement of power consumption charges. Necessary claim for 2008-09, 2009-10 & 2010-11 have been filed with relevant authorities. The amount so eligible aggregating to ₹6,82.81 lakhs (March 31, 2012: ₹5,82.00 lakhs) is included in other current assets under Note 19 with a corresponding credit to power and fuel expenses, in respective years.

j. Employee benefit plans

i. Defined contribution plans

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | For the year ended March 31, 2012 |
|----------------------------|--------------------------------------|--------------------------------------|
| Provident fund | 1,68.31 | 1,59.69 |
| Superannuation fund | 17.27 | 20.41 |
| Employees' state insurance | 1,20.70 | 1,31.02 |
| Employees' pension scheme | 1,28.70 | 1,32.89 |

ii. Defined benefit plans

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

| Particulars | For the year ended March 31, 2013 | | |
|---|-----------------------------------|---------------------------|---------------------------|
| | Gratuity | Compensated absences | Long service award |
| Present value of (DBO) at the beginning of the year | 23,62.56 <i>22,69.66</i> | 3,62.28 <i>3,44.23</i> | 1,64.76 <i>1,69.36</i> |
| Current service cost | 1,11.00 <i>1,10.00</i> | 27.80 <i>31.13</i> | 11.76 <i>10.71</i> |
| Interest cost | 1,89.00 <i>1,81.58</i> | 28.98 <i>27.54</i> | 13.18 <i>13.54</i> |
| Actuarial losses/(gains) | (18.95) <i>19.52</i> | (61.00) <i>39.43</i> | 11.24 <i>(5.36)</i> |
| Past service cost | – <i>–</i> | – <i>–</i> | – <i>–</i> |
| Benefits paid | (2,56.99) <i>(2,18.20)</i> | (62.54) <i>(80.05)</i> | (12.34) <i>(23.49)</i> |
| Present value of (DBO) at the end 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> |

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

| Particulars | For the year ended March 31, 2013 | | |
|---|-----------------------------------|---------------------------|---------------------------|
| | Gratuity | Compensated absences | Long service award |
| Plan assets at the beginning of the year | 19,06.13 <i>16,57.09</i> | NA <i>NA</i> | NA <i>NA</i> |
| Actual return on plan assets | 1,79.70 <i>1,55.77</i> | NA <i>NA</i> | NA <i>NA</i> |
| Actual Company's contribution | 1.17 <i>3,11.47</i> | 62.54 <i>80.05</i> | 12.34 <i>23.49</i> |
| Benefits paid | (2,56.99) <i>(2,18.20)</i> | (62.54) <i>(80.05)</i> | (12.34) <i>(23.49)</i> |
| Present value of (DBO) at the end of the year | 18,30.01 <i>19,06.13</i> | NA <i>NA</i> | NA <i>NA</i> |

Note: Figures in italics relate to the previous year.



Notes forming part of the Financial Statements

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

₹ Lakhs

| Particulars | For the year ended March 31, 2013 | | |
|---|-----------------------------------|-------------------------------|-------------------------------|
| | Gratuity | Compensated absences | Long service award |
| Present value of defined benefit obligations | 23,86.62 <i>23,62.56</i> | 2,95.52 <i>3,62.28</i> | 1,88.60 <i>1,64.76</i> |
| Fair value of plan assets | 18,30.01 <i>19,06.13</i> | NA <i>NA</i> | NA <i>NA</i> |
| Funded status - surplus/(deficit) | (5,56.61) <i>(4,56.43)</i> | (2,95.52) <i>(3,62.28)</i> | (1,88.60) <i>(1,64.76)</i> |
| Net asset/(liability) recognised in Balance Sheet | (5,56.61) <i>(4,56.43)</i> | (2,95.52) <i>(3,62.28)</i> | (1,88.60) <i>(1,64.76)</i> |

d. Components of employers' expenses

| Particulars | For the year ended March 31, 2013 | | |
|--|-----------------------------------|-------------------------|------------------------|
| | Gratuity | Compensated absences | Long service award |
| Current service cost | 1,11.00 <i>1,10.00</i> | 27.80 <i>31.13</i> | 11.76 <i>10.71</i> |
| Interest cost | 1,89.00 <i>1,81.58</i> | 28.98 <i>27.54</i> | 13.18 <i>13.54</i> |
| Expected return on plan assets | (1,62.02) <i>(1,40.85)</i> | NA <i>NA</i> | NA <i>NA</i> |
| (Gain)/actuarial losses | (36.63) <i>4.59</i> | (61.00) <i>39.43</i> | 11.24 <i>(5.36)</i> |
| Expenses/(income) recognised in Statement of Profit and Loss | 1,01.35 <i>1,55.32</i> | (4.22) <i>98.10</i> | 36.18 <i>18.89</i> |

e. Actual contribution and benefit payments for the year

| Particulars | For the year ended March 31, 2013 | | |
|-------------------------|-----------------------------------|-----------------------|-----------------------|
| | Gratuity | Compensated absences | Long service award |
| Actual benefit payments | 2,56.99 <i>2,18.20</i> | 62.54 <i>80.05</i> | 12.34 <i>23.49</i> |
| Actual contributions | 1.17 <i>3,11.47</i> | 62.54 <i>80.05</i> | 12.34 <i>23.49</i> |

f. Principal actuarial assumptions

| Particulars | | For the year ended March 31, 2013 | | |
|--------------------------------|---|-----------------------------------|----------------------|--------------------|
| | | 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 | Entity holding more than 20% |
| Boutique Hotels India Private Limited | Entities where managerial personnel along with their relative exercising significant influence |
| Amba Investment Private Limited | |
| Key management personnel | |
| Shri R.L. Lakhota | Executive Director |
| Shri Devashish Poddar | Vice-Chairman & Managing Director |

Summary of transactions with the above related parties

₹ Lakhs

| Transactions | Entity holding more than 20% | Managerial personnel along with their relative exercising significant influence | Key management personnel |
|---|------------------------------|---|--------------------------|
| Interest income | 35.00 (35.00) | - - | - - |
| Lease rent paid | 18.00 (18.00) | - - | - - |
| Rent, office maintenance, food charges & expenses | 6.38 (6.93) | 23.06 (32.53) | - - |
| Management contracts | - - | - - | 1,45.60 (1,45.75) |
| Reimbursement of expenses | 2.93 (17.67) | - - | - - |
| Issue of shares (including securities premium) | - - | 2,38.69 - | - - |
| Unsecured short-term loan received | 2,50.00 - | - - | - - |
| Unsecured short-term loan paid | 2,50.00 - | - - | - - |

Note: Company has not provided ₹8.26 lakhs remuneration payable to Executive Director, pending approval from central government.

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 | – | – | 12.13 |
| | – | – | (14.03) |
| Receivable | 3,68.09 | 3.25 | – |
| | (3,68.09) | – | – |

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, 2013 | As at March 31, 2012 |
|--|----------------------|----------------------|
| Loss after tax as per accounts (₹ lakhs) | (97,09.82) | (17,30.91) |
| Opening balance of Ordinary shares | 1,58,79,900 | 1,58,79,900 |
| Shares allotted during the year | 5,55,100 | – |
| Weighted average number of shares (Nos.) | 1,59,71,149 | 1,58,79,900 |
| Loss per share (₹) | (60.80) | (10.90) |

- o. 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

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

Secunderabad
May 13, 2013

Dinesh Lata
Company Secretary

R.L. 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 30, 2013 |
| Time | 10.45 a.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 74th ANNUAL GENERAL
MEETING of the Company

.....
Signature of the Member or Proxy



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 74th ANNUAL GENERAL MEETING of the Company to be held at 10.45 a.m. on Monday, the September 30, 2013 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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