ANDHRA®

THE FUTURE OF PAPER

Going green.
Going global.

The Andhra Pradesh Paper Mills Limited

47th Annual Report 2010-11

CONTENTS

Important Communication to Members on Green Initiative

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings, with their respective Depository Participants.

Members who hold shares in physical form are requested to down load the "E- Communication Registration Form" from our website: www.andhrapaper.com under "Financials" and send the duly filled-in and signed form to Secretarial Department, The Andhra Pradesh Paper Mills Limited, Rajahmundry-533105, East Godavari District, Andhra Pradesh.

Forward looking statements

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

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

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

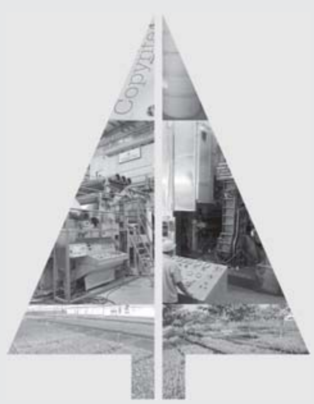
Concept, Research & Design
Capricorn Associates
Hyderabad

Over the years, APPM has enhanced its technology platform, plant engineering, business processes and product quality parameters. Manufacturing capacity stands enhanced and cost of production has been steadily brought down. We did not achieve them overnight. We have worked hard on our plan to achieve global standards both with our processes and products.

Over a period, we have become globally competitive because of a string of actions taken to raise the bar:

- We installed the best available manufacturing technology in the world;
- All plant and machinery upgraded from time to time;
- Product quality on par with the best in the industry;
- People capabilities and competencies kept in line with international standards;
- Emissions and effluents kept within regulatory norms.

Going global is a journey whose destination is clear. We are headed in the right direction, towards solid business and sustained long term growth.



Our Company

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

The company owns and operates two manufacturing units located in Andhra Pradesh: one at Rajahmundry and another at Kadiam. The Rajahmundry based Unit:APPM is an integrated wood based paper mill with a rated production capacity of 1,74,000 MT per annum finished paper production and 1,82,500 BDMT per annum of bleached pulp production. The unit manufactures industrial grades, posters, uncoated and office papers using casuarina and subabul hardwoods as raw materials.

At Kadiam, Unit:CP has a capacity to produce 67,000 MT per annum finished paper varieties such as creamwove, azurelaid, colour printing, kraft liner and newsprint. The product profile is based on bleached pulp as well as recycled fiber.

APPM's identity rests on four pillars: Technology, Excellence, People and Environment.

Technology

As an integrated paper manufacturer, APPM has built a distinct competitive advantage by installing the latest in technology and upgrading its skills and capabilities. In the process, there is a visible value add to both the customer and the Company in key facets of the business. In particular, the gains have been:

- Cost leadership in production
- Focus on quality of pulp and paper production
- Long term value creation for the stakeholders

Excellence

We take pride in our work – in farm forestry, procurement, pulp making and paper production. As a responsible industry player, we assume a decisive role in delivering high-end writing and printing paper that meets customer specific needs. We work to achieve excellence in every facet of our business through our interaction with our employees, vendors, customers, local communities and other stakeholders.

People

We value all our 2,492 people. We communicate openly in the workplace to foster fairness, respect and professionalism and recognize and reward results. We actively encourage teamwork between functions and departments. We emphasize safety and health in the work environment and in the neighbourhood where we operate.

Environment

We foster environmental stewardship throughout our manufacturing facilities. Sustainability has been integrated into our operations to reduce our carbon footprint. We conserve natural resources such as trees, water and fossil fuel. We have built energy efficiency into the manufacturing process and customized our systems and operations with challenging targets to minimize our environmental impact.

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Where we were

From a small entrepreneurial organization incorporated in June 1964 with infusion of funds and high caliber management of the well-known industrial house of Bangurs of Kolkata, APPM has taken serious strides to be a significant player in the integrated pulp and paper industry. In 2001, Coastal Papers Limited was taken over by the Company, which added to the range of offerings to the market.

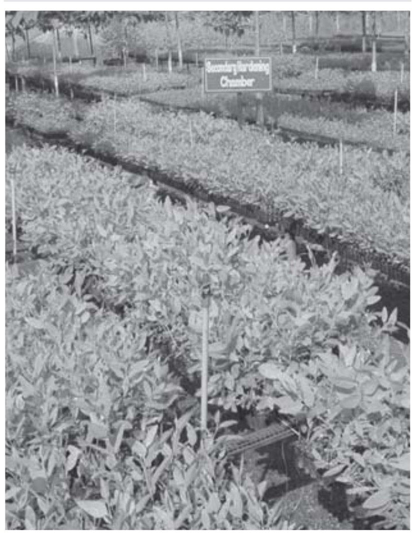
Where we are

We have grown into a global company manufacturing high quality writing and printing paper. The production capacity of both the units put together is 2,41,000 TPA. There are nine paper machines installed at the two locations which produce papers of different M.F. & M.G. varieties in the range of 21 to 250 GSM. With the commissioning of largest continuous digester in the country, the total bleached pulp production at APPM (Unit Rajahmundry) is 1,82,500 TPA.

Our technology, processes and approach to business have become globally competitive. We owe this extraordinary transformation to our committed, talented and skilled human resources. Put together, we have managed to grow our volumes in highly competitive markets because of the quality we bring to the products. In financial terms, we have been enhancing our margins by being the lowest cost producer in the industry.

Where we're going

In a competitive market, we aspire to flawless execution and leadership in our market segments. We are ensuring that we will have larger volume of paper, including niche and premium products. We are building a future where there will be more satisfied customers, greater market share, investment in newer and niche products and renewed and robust growth. We have a professional organization to lead our stakeholders towards shared success. We will do what is right, be an admired company in which employees are proud to work, customers and vendors want to partner with and be recognized for excellence.



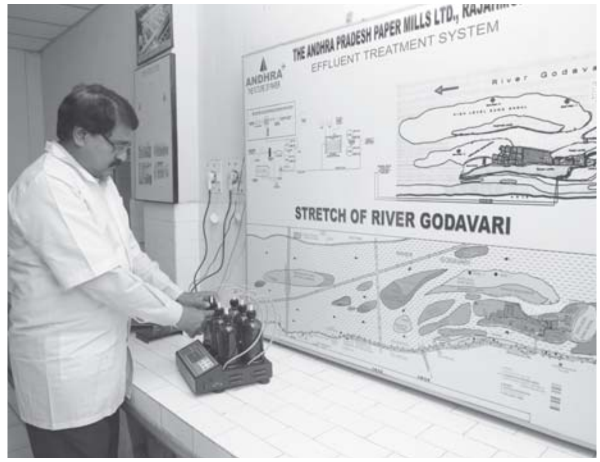
Paper is sustainable

Paper is one of the best medium of communication and is here to stay, forever. It is a sustainable product due to the care the paper industry has taken to be responsible for sourcing of raw materials, manufacture of paper and its environmental impact. In fact, seen in the right perspective, it is natural, biodegradable and recyclable, comes from an infinitely renewable resource and is produced in a sustainable manner.

APPM cares for the future, uses resources wisely and is responsible for nature and quality of processes involved in making of paper. The Company has been improving its own benchmark in use of wood, ratio of pulp to paper, water and energy consumption and, equally important, in minimizing discharge of waste water and suspended particles. APPM is committed to be in business for the long term to satisfy the customers, society and future generations.

A brief understanding of the paper making process would help appreciate the care that is taken to produce paper that has little or no impact on the environment.

The Company makes available Casuarina and Subabul seedlings to the farmers to plant on their marginal and degraded wastelands at very low cost per seedling. Care is taken so that the number of seedlings distributed and the trees developed, are more than twice the number of trees for raw material requirement. Further, the clonal saplings distributed by APPM have improved the wood productivity by more than double when compared to the seed-routed plants. APPM is proud to have improved the forestation and green cover and helped plant more trees than it needs for paper manufacture.



The wood thus procured is processed through chippers where wood is cut into pieces, called chips, in required size and are screened in vibrating screen. The accepted size chips are cooked in digester and the waste wood chip dust is used along with coal to fire in coal fired boiler to generate steam for co-power generation and steam is being used for the processes of pulping & paper making.

The chips are charged to continuous digester with addition of chemicals and cooked to remove lignin. The cooked chips, known as pulp, along with spent liquor are washed on Brown Stock washers. The washed pulp is further delignified in Oxygen delignification process and then screened in screening plant.

The filtrate from Brown stock washing called black liquor i.e. fossil fuel, having residual chemicals and lignin are concentrated in evaporators. The concentrated black liquor is fired in recovery boiler to generate steam for power generation and for processes of pulping and paper making. Inorganics collected in recovery furnace are dissolved in weak white liquor. The dissolved chemicals, called green liquor is

processed in causticising plant to convert into cooking chemicals which are in turn used in continuous digester. The solid waste from causticising plant is recycled through rotary lime kilns to produce burnt lime which in turn is used in causticising plant.

The screened pulp is bleached in ECF bleaching process. Bleached pulp is supplied to stock preparation plant where stock is refined, cleaned and treated with sizing chemicals.

Stock from stock preparation is pumped to wire part of paper machine where stock is spread on the dewatering wire table to remove the free water. The removed water is recycled. The wet sheet from wire part is passed to press part where absorbed water by cellulose fiber is removed. The wet sheet after presses is subjected to drying in dryer part by evaporation.

APPM strives to conserve water and over the years, has been reducing water consumption per MT of product to the level of 73.8 M^3. Dried sheet is passed through calendars to obtain required smoothness and thickness.

Chemical recovery efficiency

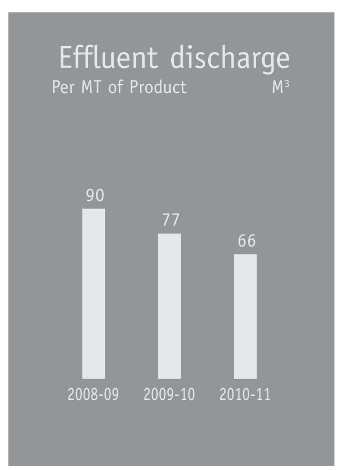
Per cent

Year	Per cent
2010-11	97.1
2009-10	96.1
2008-09	95.7

Adsorbable Organic Halides (AOX)

Kg/MT

Year	Kg/MT
2010-11	0.02
2009-10	0.03
2008-09	0.05



FROM THE DESK OF THE EXECUTIVE CHAIRMAN

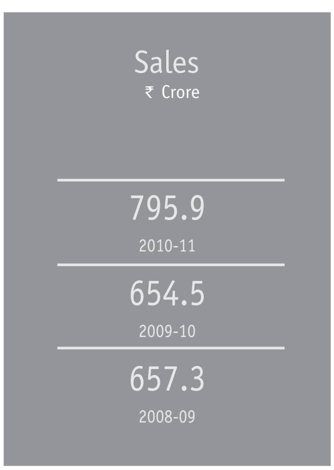
Going global

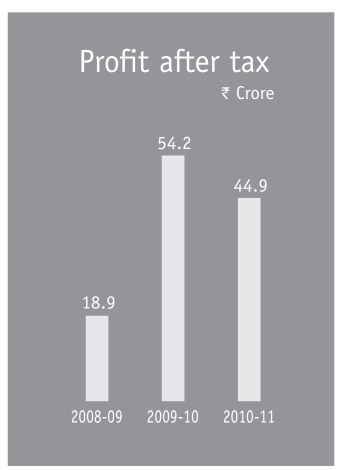
Dear friends,

It was another good year. We produced more pulp and paper and with aggressive marketing, saw revenues touching a new high. We achieved success in our existing markets, while identifying high potential growth opportunities in newer ones.

Over the past 12 months, APPM continued to build on the foundation that we had laid in recent years. We benefited from the newly added capacity, improved our operating processes and have become a far stronger organization with a robust business model. The fundamentals that we have put in place are paying off in solid progress.

It was a year when we sold 1.93 lakh MT, the highest ever, approximately 9% over the previous year. The revenues were up by 21.6% at ₹795.9 crore. The EBITDA improved to ₹163.9 crore from ₹153.0 crore in 2009-10, a rise of 7.1% over the previous year.





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The EBITDA margin was affected because of higher input costs and retrospective settlement of wage revision following an agreement with the union at Unit:APPM. The profit before tax was lower due primarily to higher depreciation incurred consequent to the capitalization of Paper Machine No.6 (PM6). The revenues were inadequate to cover the costs incurred. The capitalised newer assets had not stabilized till late in the year, while costs were recognized in the books. This is a temporary blip in our march towards improved performance. We see PM6 to be a key revenue generator in 2011-12 and are confident that we would see traction in both revenues and bottom line.

At the same time, I am particularly gratified that pay off of our efforts is getting visible in higher volumes and market share. It is relevant to highlight that our margin is being improved in 2011-12 and beyond by cost effective manufacturing process. We are likely to witness a rising volume-margin matrix, which would favourably impact the bottom line on a continual basis.

Today, APPM is a globally competitive producer of quality writing and printing paper. We are a strong world-class enterprise and I am proud to have been part of such institution building. We have indeed built a renewed APPM ready for the new era, and I am confident we are poised for enduring success.

We have been working for sustainability on a long term basis. My vision for the future is for APPM to be successful, trusted and respected in domestic and global markets as a leading paper manufacturing company.

The business has a clear goal: to create value through efficient management of our assets, resources and people. As Members are aware, the highly respected US based International Paper is taking a major stake in APPM, and I am confident that the growth and prospects for the Company would be better than at any time before. They are a highly successful paper manufacturing company and APPM can look forward to their association with renewed optimism. I welcome them to the APPM family and wish them and APPM all the very best.

This is my one of my last communications to you. I look back with satisfaction on APPM's achievements and more important, am confident that the Company is moving into the best hands in the industry, anywhere in the world.

Warm regards

L. N. Bangur
Executive Chairman

EBITDA
₹ Crore

163.9
2010-11

153.0
2009-10

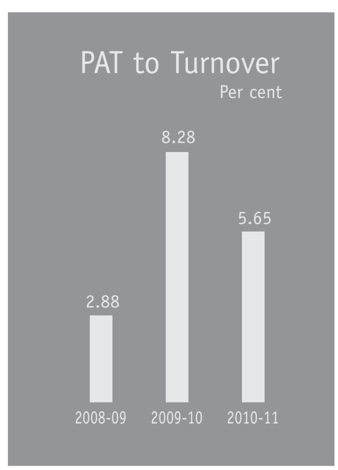
125.4
2008-09

Up to the Challenge

Q. How was the Company's performance in 2010-11?

A. We stayed customer and product oriented and stepped up our marketing efforts. We saw our volume sales climb to 1.93 lakh MT and revenue grow healthily to ₹795.93 crore, a new high for us in the Company. We had PM6 commence production which adds 67,000 TPA to our paper making capacity, although the machine stabilized only late in the financial year.

We had therefore rise in revenue without a corresponding increase in profits. The year therefore ended with a drop in profit before tax to ₹57.09 crore, from ₹65.05 crore in the previous year.



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Q. What would be the changes that you propose to make in the manufacturing facilities?

A. We have done considerable development work in the market, and based on the demand, we are switching to products that our customers need and those that will enhance our margins. We are also investing in improving product quality in our DIP line. We believe that spec-free pulp would add to paper quality.

Two paper making machines, PM3 & PM5, are being taken up for improvement. More important, I am confident that PM6 would be fully operational, with the result the efficiencies envisaged right from the pulp mill would be realized. We hope to see rise in volume produced and for us to be the lowest cost producer in the country.

We will optimize our product mix and will secure our market position by ongoing cost management and intensive marketing efforts. We will focus on high quality niche products by applying our core skills of business process to secure a better foothold in our markets. We will strive to get volumes and margins climb. Seen from today's perspective, APPM expects 2011-12 to be a good year.

Q. How would you achieve it? What would be your strategy for growth?

A. As we continue to move ahead, we shall stay focused on the following agenda:

Aspire to leadership in our market segments;

Optimize products and processes;

Have the right offering and adapt flexibly to market needs;

Build on solid business relationships;

Be there for our customers;

Use energy and resources efficiently;

Minimize waste and dispose it safely;

Strive consistently to improve all aspects of EHS management;

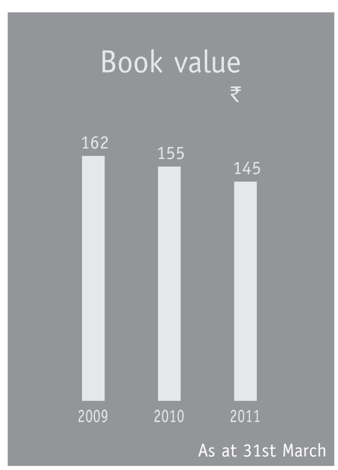
Continue to build on our reputation as a competent, responsible and enterprising company;

Simply be the best partner for those who deal with us.

Q. What does this mean in numbers?

A. We want to grow faster than the paper industry in the country annually and we are convinced that APPM will earn higher than the rate at which we have been growing and thus generate value for our shareholders.

In fact, I see the outlook for the next few years to be encouraging. We expect the Company to achieve a strong top line growth, generate rising earnings and substantially improve the cash flow. Each year would be an improvement over the previous year.



Farm forestry adds value

One of the major strengths of APPM is the contribution being made on a daily basis to improve the economics of the farmers. We buy wood grown by farmers in their fallow, marginal wastelands at the prevailing market price. On our part, we sell saplings at a subsidized price of 2.5 paise per bare rooted seedling.

A farmer buys approximately 3,000 saplings at a cost of ₹75 for planting on his one acre land. He gets a yield of approximately 28 to 30 MT per acre of wood and sells them in the market at the end of four years, to buyers including APPM. Given that this is a plantation that does not need much input, the farmers has a good return on his investment.

At APPM, we also sell high yielding Casuarina clonal saplings grown at our nursery at a price of ₹2 per sapling. The farmers plant approximately 2,000 saplings per acre and at the end of four years, he gets an yield of 65 to 70 MT per acre and sells at the market price.

We developed elite clones of Casuarina which gives double the yield as compared to the conventional seedlings. The farmers are therefore able to get a better return on investment using our high yielding varieties, within a short rotation cycle.

In 2010-11, we distributed 103.7 million saplings which covered a plantation area of 15,000 hectares involving 2,447 farmers. This exercise of facilitating farmers was commenced in 1989, and till 31st March, 2011 APPM has made available 798 million saplings which have been planted in a total area of 115,933 hectares benefiting 41,434 farmers.

Farm forestry initiative is a two-way process. With the pioneering work done since 1989, the farmers and their families have improved their economics, that too, harvesting on their marginal wastelands. The company has benefited on each of these years with 100% requirements of wood being bought from these farmers in the vicinity of the mill. Going forward, APPM has ensured raw material security for now and the foreseeable future.

103.7 Million	15,000 Ha	2,447
Saplings sold during 2010-11	**Plantation area covered**	**Farmers benefited**

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Our people impact profits

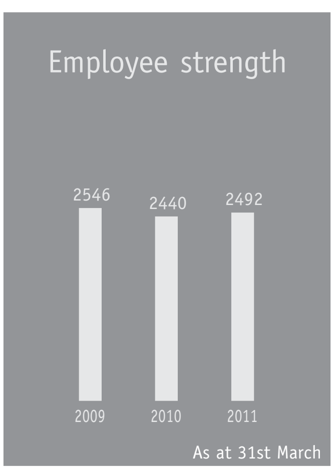
The focus during the year was on people engagement as part of the efforts to further improve profitability. As part of the process, we have identified leadership development programmes and have done intensive work to equip the middle management. The sessions between supervisors and employees have promoted ideas towards reducing cost, improving productivity, enhancing quality and a meaningful understanding of cross functional needs.

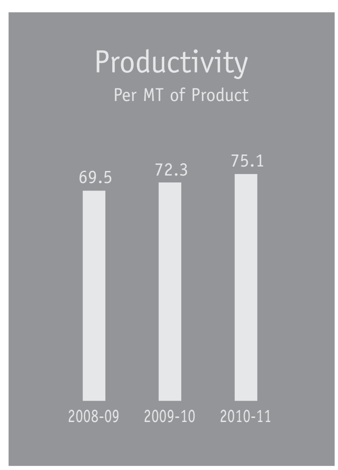
This is a process that is maximizing performance, reducing downtime, minimizing fibre losses, lessening water consumption and lowering finishing losses. The dialogue process has upgraded the knowledge of the employees in paper manufacture, printing technology, product quality and generally improved the accountability of operators and supervisors.

There is a greater understanding and appreciation of enhanced automation and its impact on product quality. Subordinate development was another key area of performance management programme undertaken during the year.

The people on the operational front believe that they can and have impacted profitability and have taken ownership to further improving on the cost structure and yields. The gains of the year are being further maximized due largely to their emotional involvement to improve discretionary performance.

As competition becomes more intense, both within and outside the country, it is important that we stay ahead of the curve. Our endeavor to be globally competitive is not just a matter of upgrading our plant and machinery or adding brick walls. It has been an exercise in people engagement with a definitive role in impacting performance. After focused inputs and investment, APPM has become a far more caring-sharing-growing-learning organization building capability to deliver long term growth.





578.3

₹ Crore

Net worth

2011

502.9
2010

417.9
2009

435.9

₹ Crore

Borrowings

2011

493.3
2010

561.0
2009

0.75

Debt Equity Ratio

2011

0.98
2010

1.35
2009

2.44

Interest Coverage Ratio

2011

3.12
2010

1.54
2009

As at 31st March

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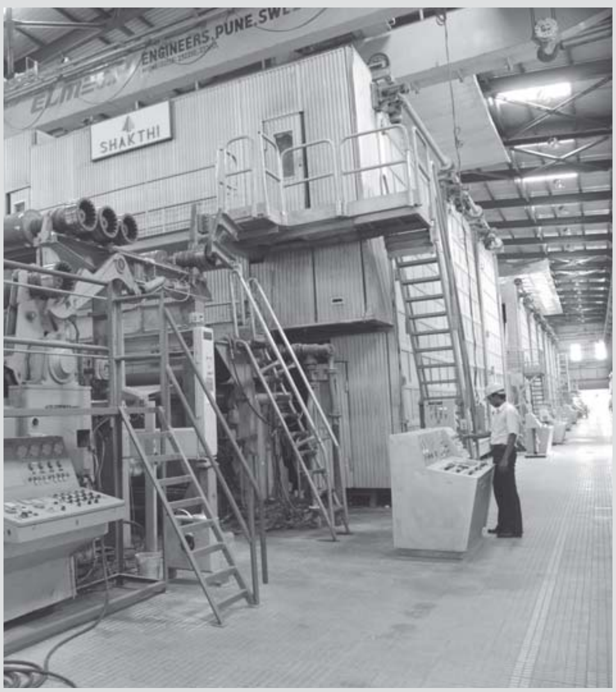
ANUPAMA CALENDER

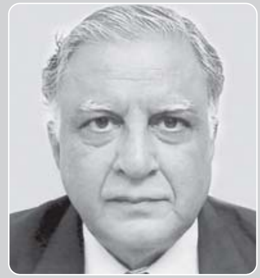

ENGINEERS, PUNE
SHAKTHI

Board of Directors

(As on 8th August, 2011)

Mr. L.N. Bangur
Executive Chairman

Mr. N. Srinivasan



Mr. R.C. Sarin

Mr. P.J.V. Sarma

Mr. P. K. Paul

Mr. Rajiv Kapasi

Mr. P.R. Ramakrishnan

Mr. Paul Brown

Mr. M.K. Tara
Managing Director & Chief Executive Officer

Ms. Sheetal Bangur
Director (Commercial)

Mr. Shreeyash Bangur
Director (Corporate)

Mr. P.K. Suri
Director (Operations)

Corporate Information

(As on 8th August, 2011)

BOARD OF DIRECTORS

Mr. L.N. Bangur, Executive Chairman

Mr. N. Srinivasan

Mr. R.C. Sarin

Mr. P.J.V. Sarma

Mr. P. R. Ramakrishnan

Mr. P. K. Paul

Mr. Rajiv Kapasi

Mr. Paul Brown

Mr. M.K. Tara, Managing Director & Chief Executive Officer

Ms. Sheetal Bangur, Director (Commercial)

Mr. Shreeyash Bangur, Director (Corporate)

Mr. P.K. Suri, Director (Operations)

EXECUTIVES

CORPORATE OFFICE

Mr. E. Sairam
Senior Vice President (Finance & Accounts) & Chief Finance Officer

Mr. C. Prabhakar
Senior Vice President (Corporate Affairs) & Company Secretary

Mr. Jaspal Singh
Senior Vice President (Marketing)

Mr. Hemant Kumar Singh
Chief Information Officer

Mr. Yogesh Jain
Associate Vice President (Commercial)

Mr. Y. Uday Shankar
General Manager (Product Development & Technical Services)

Mr. Shalab Agarwal
General Manager (Marketing)

Mr. S. Vasudevan
General Manager (Marketing Support)

DELHI OFFICE

Dr. Alok Prakash
Associate Vice President
(Customer Relationships & Institutional Sales)

WORKS

Mr. Raghu Reganti
Senior Vice President (Projects)

Mr. K.M. Kasetty
General Manager (Paper)

Mr. T.S. Sundaram
General Manager (Works)
(Unit:CP)

Auditors
B S R & Co.,
Chartered Accountants,
Hyderabad

Cost Auditors
Narasimha Murthy & Co.,
Cost Accountants
Hyderabad

Bankers
State Bank of India
Canara Bank
Axis Bank Limited
ICICI Bank Limited

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Fax : +91(883) 245 3538
E-mail: appmcp@andhrapaper.com

Website: www.andhrapaper.com

Notice

NOTICE is hereby given that the 47th Annual General Meeting of the Members of The Andhra Pradesh Paper Mills Limited will be held **on Saturday the 10th day of September, 2011 at 3.00 p.m. at Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104,** East Godavari District, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.

2. To declare dividend on the Equity Shares for the year ended 31st March, 2011.

3. To appoint a Director in place of Mr. L.N. Bangur who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment.

4. To appoint a Director in place of Mr. Rajiv Kapasi who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment.

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

   "RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs B S R & Co. (Firm Registration No.101248W), Chartered Accountants, Hyderabad, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS

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

   "RESOLVED THAT Mr. P. R. Ramakrishnan be and is hereby appointed as a Director of the Company in the vacancy created by the resignation of Mr. R.V. Raghavan, Director in respect of which vacancy, the Company has received a notice in writing proposing his candidature under the provisions of Section 257 of the Companies, Act, 1956."

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

   "RESOLVED THAT Mr. Paul Brown, Nominee of IP Holding Asia Singapore PTE. Limited who was appointed as an Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association of the Company and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 in writing, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company."

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

C. Prabhakar

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

Registered Office:
Rajahmundry - 533 105
East Godavari District,
Andhra Pradesh
8th August, 2011

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Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6 & 7 is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 1st September, 2011 to 10th September, 2011 (both days inclusive).

4. Trading in equity shares of the Company through stock exchanges is permitted only in dematerialised form. Members can dematerialise their Equity Shares in the Company through their Depository Participant(s). The ISIN in respect of Equity Shares is INE435A01028.

5. Dividend, as recommended by the Board, if declared, at this Annual General Meeting will be payable on and from 23rd September, 2011, to those Members holding shares in physical form whose names appear in the Company's Register of Members as on 31st August, 2011. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by NSDL and CDSL as on that date for this purpose. Members holding shares in electronic form may please note that their bank account details as furnished by their depositories to the Company will be printed on the dividend warrants and the Company will not entertain any direct request from such Members for deletion/change in such bank details. Members who wish to change their bank account details are advised to intimate to their Depository Participant(s) about such change with complete details of bank accounts.

6. Members holding shares in physical form are requested to notify any change in their address immediately to the Registrars and those Members holding shares in electronic form should inform change in their address to their Depository Participant(s).

7. Members are requested to bring their copies of Annual Report to the Meeting.

8. As per provisions of the amended Companies Act, 1956 facility for making nomination is available to the investors in respect of the shares held by them in physical form. The investors holding shares in physical form can download the nomination form as prescribed under the Companies Act, 1956 from our Website: www.andhrapaper.com. In respect of shares held in electronic form, the nomination should be recorded with the respective Depository Participants. The Company would not accept any nomination in respect of the shares held in electronic form.

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

10. **INFORMATION REQUIRED UNDER THE LISTING AGREEMENT**

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

    1. Mr. L.N. Bangur, Promoter Director, hails from the Bangur family known in the trade and industry for over a century. Mr. L.N. Bangur is a commerce graduate having an experience in the field of trade and commerce for more than two decades.

       He was appointed as Director of the Company on 2nd May, 1985 and then became Chairman of the Company in 1992. He has taken over as Executive Chairman on 27th May, 2010. Mr. Bangur is the Chairman and Managing Director of Maharaja Shree Umaid Mills Limited, Chairman of The Peria Karamalai Tea & Produce Company Limited and Director of Digvijay Investments Limited and several other finance and investment companies. He is also a Managing Committee Member of Mugneeram Ramcoowar Bangur Charitable & Religious Company, and committee member of the Federation of Indian Chambers of Commerce and Industry.

       He holds 4,37,364 equity shares of ₹10 each in the Company.

    2. Mr. Rajiv Kapasi, has been an Independent Director of the Company since 12th May, 2008 He is a

Chartered Accountant, MBA from Andersen Business School, Chicago and Certified Internal Auditor from IIA, Florida, USA. He has over a decade of experience across chemicals, pharmaceuticals, spirits, infrastructure, manufacturing, retail, healthcare, FMCG, food & beverage and media & entertainment. Financial discipline and solid business planning together with upholding the strategic vision are the foundations of success he relentlessly pursues. He served Ernst & Young Private Limited in the Risk and Business Solutions Department from May, 2002 to August, 2003 and thereafter as Vice President in Jubilant Organosys Limited. After leaving Jubilant Organosys Limited in February, 2010, he had promoted BMAC LLP in March, 2010 and is presently functioning as its Managing Director. He is also a partner in the partnership firm viz. BMA Capital Advisory.

He does not hold any shares in the Company.

3. Mr. P.R. Ramakrishnan was appointed as an Independent Director on 22nd October, 2010. He is a commerce and law graduate. He has been practicing as an advocate in Civil Law for the past 35 years in various judicial forums including the High Court of Madras, district courts and debt recovery tribunals. He is also a Director and Chairman of Audit Committee of The Peria Karamalai Tea & Produce Company Limited.

   He does not hold any shares in the Company.

4. Mr. Paul Brown, President, International Paper India, was appointed as an Additional Director of the Company by the Board with effect from 18th May, 2011. He was nominated by IP Holding Asia Singapore PTE LTD.

   Mr. Brown joined International Paper in 1984. During his career with the company, he has held various technical, manufacturing, sales and general management positions in paper and packaging in USA and Europe before being appointed as President of International Paper Asia in November 2009. In this position, he had leadership responsibility for the company`s business across Asia including coated board, consumer packaging, industrial packaging, food service packaging , uncoated free sheet and paper, board and pulp distribution. Prior to this position in Asia, Mr. Brown was Vice President and General Manager responsible for International Paper's industrial packaging business in Europe, Middle East and Africa.

   He is also a Director/Chairman/Vice Chairman of 30 foreign companies/bodies corporate under IP group besides a Director of IP Paper (India) Private Limited.

   Mr. Brown holds a B.S. in Industrial Engineering from the University of Florida, Gainesville, Florida, USA and an MBA from Drexel University, Philadelphia, Pennsylvania, USA.

   He does not hold any shares in the Company.

Explanatory Statement

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

Item 6

The Board of Directors of the Company at the meeting held on 22nd October, 2010 appointed Mr. P.R. Ramakrishnan as an Independent Director to fill the casual vacancy caused by the resignation of Mr. R.V. Raghavan, Director.

As per Section 262 of the Companies Act, 1956, Mr. P.R. Ramakrishnan will hold office upto the date Mr. R.V. Raghavan would have held office had it not been vacated.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. P. R. Ramakrishnan for appointment as director.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. P.R. Ramakrishnan, is concerned or interested in the said Resolution.

Item 7

The Board of Directors of the Company appointed Mr. Paul Brown as an Additional Director with effect from 18th May, 2011 and he holds office up to this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the name of Mr. Paul Brown for appointment as a Director of the Company.

The Board commends the Resolution as set out in the notice for approval by the Members.

None of the Directors, except Mr. Paul Brown, is concerned or interested in the said Resolution.

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

C. Prabhakar

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

Registered Office:
Rajahmundry - 533 105
East Godavari District,
Andhra Pradesh
8th August, 2011

Your Directors have pleasure in presenting the 47th Annual Report and the Audited Accounts for the year ended 31st March, 2011.

₹ Crore

Financial Results	**2010-11**	2009-10
Sales and other income	798.62	658.02
Earnings before Interest, Depreciation and Taxation (EBIDTA)	163.94	153.03
Less: Interest	39.88	32.16
Depreciation	66.97	55.82
Profit before Tax	57.09	65.05
Less: Provision for Tax	12.14	10.86
Profit for the year	44.95	54.19
Add: Profit brought forward from previous year	69.99	119.61
Profit available for appropriation	114.94	173.80
Appropriations		
Transfer to General Reserve	50.00	100.00
Proposed Equity Dividend	3.98	3.27
Corporate Tax on Dividend	0.65	0.54
Balance carried to Balance Sheet	60.31	69.99
	114.94	173.80

During the year under review, your Company recorded production of 1,87,233 MT during the year under review as against 1,76,452 MT in the previous year and sales of 1,93,302 MT as compared to 1,77,351 MT in the previous year. The increase in volumes and net sales realization contributed to higher sales value. EBIDTA was ₹163.94 crore as against ₹153.03 crore in the corresponding year. However, profitability was affected due to higher input cost, retrospective settlement of wage revision following an agreement with the union of Unit:APPM, higher depreciation cost and interest and finance charges.

Change in the share capital

On 2nd December, 2010, your Company allotted 70,18,242 equity shares of ₹10 each for cash at a premium of ₹40 per share aggregating to ₹3509.12 lakhs by converting equivalent number of Detachable Warrants.

Consequently, the equity share capital has gone up from ₹32,75,17,970 divided into 3,27,51,797 equity shares of ₹10 each to ₹39,77,00,390 divided into 3,97,70,039 equity shares of ₹10 each. The newly issued equity shares have since been listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Sale of Promoter Shareholding

On 1st April, 2011, a public announcement was issued by Lazard India Private Limited on behalf of IP Holding Asia Singapore PTE. Limited (Acquirer) along with International Paper Company ('Person Acting in Concert' or PAC) to the equity shareholders of the Company pursuant to Regulations 10, 12 and other applicable provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 offering to acquire 85,67,521 equity shares of ₹10 each representing 21.54% of the paid-up capital of your Company at ₹544.20 per share payable in cash. The public announcement was made consequent upon share purchase agreement dated 29th March, 2011 entered into with the promoter group of APPM whereby the acquirer would purchase the entire shareholding of the promoter group in APPM.

The acquirer is a private unlisted company incorporated on 15th September, 2010 under the laws of Singapore and is a subsidiary of IP International Holdings Inc., a subsidiary of International Paper Company. The PAC is a global paper and packaging company with manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. Its businesses include uncoated papers and industrial and consumer packaging, complemented by xpedx, the company's North American distribution company. Net sales for the financial year ended 31st December, 2010 were more than USD 25 billion.

After acquisition of shares from the promoter group and the equity shareholders from the public category, the acquirer would be holding 75% of the equity share capital of the Company. Consequently, the Company would become a subsidiary of IP Holding Asia Singapore PTE. Limited.

Dividend

Your Directors are pleased to recommend a dividend of Rupee One per share on 3,97,70,039 Equity Shares of ₹10 each including 70,18,242 equity shares of ₹10 each allotted in December, 2010 on conversion of detachable warrants involving an outgo of ₹462.22 lakhs including Dividend Distribution Tax.

Marketing and exports

Sales for the year were 1,93,302 MT as compared to 1,77,351 MT in the previous year. In 2010-11, paper sales comprised 1,88,569 MT and sale of surplus pulp was 4,733 MT in comparison, paper sales in 2009-10 was 1,52,646 MT and that of pulp was 24,705 MT. Additional quantity resulted from the commissioning of PM 6. However, the complete benefit of the

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expanded capacity will be derived in the financial year 2011-12.

The Company managed to get a better Net Sales Realization per MT over the previous year partly due to better market conditions and revisions in the price list across all grades and partly due to change in product mix at Unit:CP.

Export volumes were 21,669 MT as against 13,646 MT in the previous year. The Company was not only able to significantly increase quantity, but also able to substantially increase the sales realization per MT over the previous year as well.

Raw material procurement

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

Raw material resource development

103.70 million quality saplings were developed and distributed during the year 2010-11 covering an area of 15,000 Ha under plantation against development and distribution of 97 million saplings covering an extent of 14,000 Ha during previous 2009-10 planting year. Research on clonal development has resulted into introduction of high yielding, disease resistant clones and versatile to a wide variety of agro-climatic conditions in inland and coastal areas.

Research and Development initiatives with low cost planting techniques, quality seed material and high yielding, short rotation planting stock have enhanced raw material availability spread over more than 1,15,000 Ha. These benefits are extended to around 41,000 families creating employment resource pool of 57 million man-days especially in rural areas so far.

Forestry targeting marginal and wastelands

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

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

The industries presence in greening waste lands for raw material resources have created a strong network comprising tribal beneficiaries, self help groups, village organizations etc. to fight against poverty and natural disasters.

Projects

Unit:APPM

Paper Machine # 6

Erection of the second hand paper machine of capacity of 67,000 TPA, imported from Germany was completed and commissioned in May 2010. The machine has stabilized.

Two numbers of sheet cutters were received along with the paper machine and installed in conversion unit near mill and were commissioned in August 2010.

In addition, one number synchro duplex sheeter and A4 cutting line were commissioned at SN Palem facility in March 2011.

Export of power

Retrofit of electro static precipitators (ESP) for reduction of emissions and environment in improvement is completed for coal fired boilers No.1 to 5. Electrical front arrangements are also completed to export power up to 8 MW per day.

Construction of D1 tower for DnD sequence

Tower construction and equipment erection was completed. Tower testing, equipment pre-commissioning trials were completed and commissioned in July 2011.

Installation of a new ESP and retrofit of Recovery Boiler # 4

All equipments for ESP are received at site. Erection completed and commissioned in April 2011. Boiler retrofit shall be carried out during November 2011.

Modifications in Paper Machine # 5

New closed hood and PV system, new state of art design steam & condensate system equipment, new ceramic top de-watering elements and new micro travel variable speed high pressure oscillating showers are ordered on reputed suppliers and partly received at site. The modifications of new closed hood & ventilation will be completed during November 2011. All other modifications were completed during April 2011.

Re-winders for PM # 3 and PM # 6

New re-winders are being installed in PM # 6 and PM # 3 to meet the production requirements. The existing Jagenberg re-winder of PM # 6 is being retrofitted and operates at its rated speed. The existing re-winder of PM # 3 will be retrofitted and installed for PM # 2 to meet converting capacity of the machine.

On-line monitoring systems for stacks, ambient air quality and waste water

New on-line monitoring systems are installed for stacks for CF Boiler # 1 to CF Boiler # 6 (for SPM) in July 2011. Installation of on-line monitoring system is in progress for both the lime kilns (for SPM & H_2S) and Recovery Boiler # 4 (for SPM & H_2S). Ambient air quality monitoring systems (RSPM, SO_2, NOx, and Methyl Mercaptans) are being installed. On-line monitoring systems for waste water (for total organic carbon, dissolved oxygen, temperature and pH) are also being installed.

Unit:CP

Retrofit of De-Inking Plant

All the imported and indigenous equipment were received at site. Erection is completed and commissioned in July 2011.

On-line monitoring systems for stack

New on-line monitoring systems are being installed for stack of CF Boiler # 4 (for SPM). On-line monitoring systems for waste water (for total organic carbon) are being installed.

Awards

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

i. The Financial Express - Emergent Venture India (FE-EVI) Green Business Leadership Award in pulp and paper Sector for the year 2009-10 for its commitments and continuous improvements towards environment protection, minimizing greenhouse gas emissions through selection of state-of-the-art technologies and bringing awareness about climate change.

ii. IPMA Environment Award 2009-10.

iii. The CII Environmental Best Practices Award 2011 for its commitment and continuous improvements towards environment protection by installing high efficiency and low odour chemical recovery boiler.

Corporate Social Responsibility

Under CSR initiatives, during July 2010, an ambulance was donated to Government Hospital, Rajahmundry. A check dam was constructed (initiated during 2009-10) at Mamidilova Village, near Pendurthi of Visakhapatnam District. This has helped the villages to increase their land productivity, wood yield and their earnings considerably. A sum of ₹18.07 lakhs was spent till now towards this initiative. At Venkatanagram village, your Company started operating and maintaining the reverse osmosis plant which was installed in the previous year.

Your Company also initiated road development works at quarry market area of Rajahmundry City.

Summer training facility was extended to engineering/MBA/ITI/polytechnic students for nearby college students. Over 300 students underwent such training. At Ongole Division, covering five villages, about 800 school bags were distributed to the poor and needy school going children.

A number of eye camps and cataract operations, free supply of spectacles were organized in and around Rajahmundry. Free tailoring and embroidery training facilities were provided to women and youth of weaker section of society through APPM developed training centers. 300 ladies underwent a six months training program, which has helped them to provide financial support to their respective families.

Your Company also continued its support to local social-cultural-religious functions and sports and games events in and around Rajahmundry.

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

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

Particulars of employees

The information required under Section 217 (2A) of the Companies Act, 1956 and the rules made there under is provided in the Annexure - II forming part of the Report.

Public deposits

37 deposits totaling ₹23.60 lakhs due for repayment on or before 31st March, 2011 were not claimed by the depositors as on that date. Deposits aggregating to ₹22.90 lakhs were refunded upto 31st July, 2011. During the year under review, there was no unclaimed deposit amount which is required to be transferred to Investor Education and Protection Fund.

The provisions of Section 58A of the Companies Act, 1956 have been complied with.

Auditors

M/s. B S R & Co., Chartered Accountants, Hyderabad, Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment.

Directors

Pursuant to Article 142 of the Articles of Association of the Company, Mr. L.N. Bangur and Mr. Rajiv Kapasi will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. P.R. Ramakrishnan, who was appointed as Director in the casual vacancy caused by the resignation of Mr. R.V. Raghavan, will hold office upto the date of ensuing Annual General Meeting and, being eligible, has offered himself for re-appointment.

Mrs. Alka Bangur resigned as a Director from the Board of Directors of the Company with effect from 17th May, 2011. The Board placed on record its appreciation of the valuable services rendered by Mrs. Alka Bangur during her tenure as a Director of your Company.

Mr. R. C. Sarin resigned from the Board with effect from 8th August, 2011. Your Directors placed on record their appreciation of the excellent services rendered by him during his association with the Company.

The Board appointed Mr. Paul Brown, nominee of IP Holding Asia Singapore PTE Limited as Additional Director through Circular Resolution with effect from 18th May, 2011. Pursuant to Article 129 of the Articles of Association, Mr. Paul Brown will hold office upto the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

Industrial relations/initiatives

The industrial relations at both the units of the Company have been harmonious and cordial. The employees and unions have been proactive in maintenance of discipline and cooperative in improving productivity. The wage settlement was successfully concluded for Unit:APPM and for Unit:CP.

Employee training and development

Thrust is being continued by providing necessary training in their respective functional areas as well as on safety, management systems, leadership development skills to enhance individual competency to meet the current challenges and improve organizational performance. During the year 2010-11, total training man-hours were 35,977 which worked out to 15 hours per participant.

Cost Accounting Records

Cost accounting records for the year ended 31st March, 2011 were maintained as per Cost Accounting Records Rules. M/s. Narasimha Murthy & Co., Cost Accountants were appointed as Cost Auditors of the Company with the approval of Central Government to audit the cost accounts for the year ended 31st March, 2011.

The cost audit report due for filing on 30th September each year, was filed with the Ministry of Corporate Affairs on 24th August, 2010 for the financial year 2009-10.

The report for 2010-11 will be filed on or before 30th September, 2011.

Directors' Responsibility Statement

Your Directors hereby confirm and declare that:

a. in the preparation of annual accounts for the year ended 31st March, 2011, the applicable Accounting Standards has been followed along with proper explanation relating to material departures as mentioned in Note No. 3 of Schedule No. 20 of the said annual accounts;

b. they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year i.e. 31st March, 2011 and of the profit of the Company for that period;

c. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. they had prepared the accounts for the year ended 31st March, 2011 on a going concern basis.

Response to the Auditors' observation

As regards Auditors' observation vide Item No.3 of the Auditors' Report dated 4th May, 2011 regarding Accounting Standard 22 on Accounting for Taxes on Income, an explanation has been given in Note No. 3 of Schedule No. 20 of the annual accounts for the year ended 31st March, 2011.

Acknowledgements

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

For and on behalf of the Board

Secunderabad
8th August, 2011

L.N. Bangur
Executive Chairman

Annexure-I

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

Conservation of energy: The Company has implemented the following measures for energy conservation in the year 2010-11:

1. In chipper house, re-chipper motor connection was changed from delta to star which resulted in power saving of 15 KW.
2. MF paper machine secondary chest agitators kept running for 5 minutes per hour instead of running continuously. This resulted in power saving of 8 KW.
3. Anupama paper machine secondary chest agitators kept running for 5 minutes per hour instead of running continuously. This resulted in power saving of 11 KW.
4. Waste paper plant chest agitator running was modified. The agitator was run when ever pump was kept running. This resulted in power saving of 13 KW.
5. Installation of heat exchanger in coal fired boiler #4 for recovery of heat from flue gas resulted in reduction of stream consumption by 13 TPD.
6. Rising of de-aerated water temperature of CF Boilers No.1 to 5 resulted in decrease of steam consumption by 26 TPD.
7. Installation of cooling tower in lime kilns resulted in reduction of water consumption by 75 M^3/hr.

FORM 'A' 2010-11

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	Current Year	Previous Year
A. Power & Fuel Consumption			
1. Electricity:			
a. Purchased Units	KWH/Lakhs	320.99	317.24
Total amount	₹/Lakhs	1335.09	959.52
Rate/Unit	₹	4.16	3.02
b. Own Generation			
i. Through Diesel Generator			
Units	KWH/Lakhs	2.67	2.13
Units/Ltr of Diesel Oil	KWH	2.75	2.87
Cost/Unit	₹	15.84	14.24
ii. Through Steam Turbine (Condensing)			
Units	KWH/Lakhs	–	6.25
Cost/Unit	₹	–	5.20
iii. Through Steam Turbine (Double extraction-cum-Condensing)			
Units	KWH/Lakhs	2793	2256.25
Cost/Unit	₹	2.59	1.57
iv. Through Steam Turbine (Single extraction-cum-Condensing)			
Units	KWH/Lakhs	379.95	387.94
Cost/Unit	₹	3.06	3.00
2. Coal (Steam/Slack)[1]			
Quantity	MT	315632	224195
Total Cost	₹/Lakhs	6777.63	4108.37
Average Rate	₹/MT	2147	1832
3. Furnace Oil			
Quantity	Kl	770	382
Total Amount	₹/Lakhs	228.76	109.23
Average Rate	₹/Kl	29710	28594
4. Husk/Saw Dust/Others			
Quantity	MT	15919	18935
Total amount	₹/Lakhs	8.02	8.64
Average Rate	₹/MT	241	617
B. Consumption per tonne of production			
Electricity[1]	KWH	1587	1632
Furnace Oil	Kl	0.004	0.002
Coal[1]	MT	1.705	1.470
Husk/Saw Dust/Others	MT	0.086	0.124

[1] Excludes quantity of consumption meant for sale of power.

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FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

A. Technology Absorption

Unit:APPM

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

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

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

1.	a.	Technology imported	i. Adoption of state-of-the-art technology of low solids cooking system and fiber line. ii. Adoption of state-of-the-art technology of high efficiency Turbo Generator Set. iii. Adoption of state-of-art technology of Chlorine Dioxide Plant. iv. Adoption of state-of-the-art technology of A4 Cutting line. v. Adoption of state-of-the-art technology of Centralized Refining System.
	b.	Year of import	2006-07
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.
2.	a.	Technology imported	Adoption of state-of-the-art technology of Duo-former, size press and calendar including heating and cooling system in Paper Machine no.3.
	b.	Year of import	2007-08
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.
3.	a.	Technology imported	i. Adoption of state-of-the-art technology of Duo-former, Nipco presses, Speed size and Nipco calendar along with Paper Machine No.6 ii. Adoption of states-of-the-art technology of synchro duplex sheeter. iii. Adoption of state-of-the-technology of A-4 cutting line
	b.	Year of import	2010-11
	c.	Has the technology been fully absorbed	Technology has been fully absorbed.

Unit:CP

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

a.	Technology imported	As a part of augmentation of capacity of sludge handling, incorporated a high capacity 35 BD MTPD dry solids handling Belt Press (Sludge De-watering machine) at ETP, for which Design and main components such as rollers, belts, cylinders, etc., were imported from Andritz - Singapore & China and assembled at Andritz Separation (India) Private Limited, Chennai
b.	Year of import	2009-10
c.	Has the technology been fully absorbed	Technology has been fully absorbed.

B. Research & Development

Unit:APPM (Plant)

1. Specific areas in which R&D carried out by the Company	- New Product Development. - Product quality improvement. - Process optimisation studies. - Identification of functional additives and plant trials for cost reduction/quality improvement.
2. Benefits derived as a result of the above R&D.	- Development of special inkjet paper - New products developed as per market demand. - Modification of products for customer satisfaction. - Identification of additives for quality improvement and cost reduction.
3. Future plan of action	- New Product Development. - Evaluation of alternate fibrous raw materials. - Process optimisation studies. - Identification of functional additives/chemicals for product development, process/quality improvement and cost reduction.

Unit:APPM (Forest)

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

C. Expenditure on Research & Development

a.	Capital	:	–
b.	Recurring	:	₹162.52 Lakhs
c.	Total	:	₹162.52 Lakhs
d.	Total R&D expenditure as a percentage of total turnover	:	0.20%

D. Foreign Exchange Earnings and Outgo

a.	Foreign exchange earned	:	₹474.79 Lakhs
b.	Foreign exchange utilised	:	₹6084.10 Lakhs

Annexure-II

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March, 2011.

Name of the Employee	Mr. L.N. Bangur	Mr. M.K. Tara	Ms. Sheetal Bangur	Mr. Shreeyash Bangur	Mr. P.K. Suri
Age	61 years	65 years	37 Years	30 Years	52 years
Designation	Executive Chairman	Managing Director & CEO	Director (Commercial)	Director (Corporate)	Director (Operations)
Remuneration (₹ Lakhs)	243.18*	270.56[a]	104.65[a]	78.67[a]	73.78[a]
Qualification	B.Com.	B.E. (Chem.)	Post Graduate - Commerce & Business Administration	B.Sc. - Accounting & Management, M.Sc. - Engineering, Business Management	B.Tech. (Chemical Engineering)
Experience	25 Years	40 years	9 Years	8 Years	33 years
Date of Commencement of Employment	27th May, 2010	7th November, 2007	1st April, 2005	19th February, 2007	12th May, 2008
Last employment held	Industrialist	Chief Executive, Abhishek Industries Limited	–	Ernst & Young, Chartered Accountants	General Manager (Manufacturing), Star Paper Mills Limited

*For the period from 27th May, 2010 to 28th February, 2011.

[a] Includes arrears of earlier years paid during the financial year.

Notes:

1. Mr. L.N. Bangur, Ms. Sheetal Bangur and Mr. Shreeyash Bangur are related to each other and are also related to Mrs. Alka Bangur, Director. Mr. M.K.Tara and Mr. P.K. Suri are not related to any of the Directors of the Company.
2. The nature of appointment of the above Directors is contractual.
3. Remuneration includes salary, allowances, production bonus (wherever applicable), Company's contribution to provident fund and other funds, reimbursement of medical expenses and other sums actually paid during the financial year and monetary value of other perquisites.

For and on behalf of the Board

Secunderabad
8th August, 2011

L.N. Bangur
Executive Chairman

GLOBAL SCENARIO

The global paper and paperboard industry is equally distributed between North America, Europe and Asia. Global paper and paperboard production stands at around 380 million tons, with US accounting with over 100 million tons and accounting for nearly a third of the world's consumption. With a large number of paper production capacities shutting down in North America and Europe and growing capacity creation in Asia, the global manufacturing industry is fairly distributed. Asia accounts for over a third of global paper production, while Europe and North America account for about 30% and 26% respectively.

Paper demand however, is unevenly distributed as 72% of the world's paper is consumed by 22% of the world's population - in the US, Europe and Japan. The world demand for the material is expected to grow by around 3% annually, reaching an estimated 490 million tons by 2020, with significant growth coming out of Asia and Eastern Europe.

INDIAN PAPER INDUSTRY - A BRIEF OVERVIEW

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

Domestic production of paper and paperboards is estimated to be around 10 million MT as per industry estimates. Overall paper consumption (including newsprint) has also touched 10 million MT and per capita consumption stands at approximately 9.18 kgs. However, the momentum in paper usage has neither kept pace with the growth in population, nor does it match the global per capita consumption of 56 kgs. Indian per capita consumption can be appreciated by examining the Asian record - Japan 250 kgs; Korea 170 kgs; China 45 kgs; and Asian average is 46kgs.

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

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

Raw materials and power constitutes the major cost, accounting for around 55 to 60%of the total costs. The paper industry faces a demand-supply mismatch in raw materials, resulting in price rise. The cost of pulp has been rising after the global slump, reaching an all time high of USD 974 per tonne. The earthquake in Chile disrupted pulp supplies by about three million tonnes, resulting in price increase of pulp across the world.

Paper manufacturers use a variety of raw materials like hardwood, bamboo, recycled fibre, bagasse, wheat and rice straw. Approximately 30% of the paper manufacturing units in India are based on chemical pulp, 39% on recycled fibre and 31% on agro-residues. A substantial part of the raw material needs of the country is met through wood procured indigenously and imported pulp and waste paper accounts for 6 to 7% of the domestic production.

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

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

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

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

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

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

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

Estimated turnover of the industry is approximately ₹29,600 crore and its contribution to the exchequer is around ₹2900 crore. The industry provides employment to more than 1,20,000 people directly and another 3,40,000 indirectly.

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

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

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

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

OPPORTUNITIES & THREATS

The increasing demand for paper brings with it new challenges of economies of scale, efficient usage of resources, need to develop and expand sustainable use of fibre, and value chain management, etc. Despite the fact that the Indian paper industry has potential and capabilities to service the growing demand in domestic and international market and also to create huge employment avenues in the country provided it retains the competitive edge, there are deterrents that need to be addressed.

The wood resources and availability are limited across the country. Hence, the cost of wood is much higher in India in comparison to the global scenario. The official policies do not permit corporate farming which does hamper securing wood and hence the major challenge for the manufacturers. Wood based segment of the paper industry meets its current wood requirements primarily through social/farm forestry and supplements with purchases made from the state forest agencies.

Energy is a major component of cost of production and has increasingly become a challenge for the manufacturers. The Government of India has withdrawn the core sector status hitherto enjoyed by the paper industry. Cost of coal is escalating and prospect of availability of quality coal is diminishing. The coal price has had a steep price rise and resulted in escalation of cost of production of mills which are dependent on coal for generation of steam/power. Also, power purchased from the grid is proving expensive for the industry.

Indian industry seeks to make a transition to be globally competitive. The development faces several more challenges which can be iterated as follows:

- ✓ Readiness to face global competition
- ✓ Economies of scale
- ✓ Modernization of mills
- ✓ Capacity constraints
- ✓ Productivity/quality improvement
- ✓ Creation of robust raw material base
- ✓ Environmental upgradation and green technologies
- ✓ Mechanism for collection, sorting, grading and utilisation of recyclable waste paper

GLOBAL IMPACT IN 2010

The global paper market saw severe disruption in 2010. The massively devastating earthquake in Chile together with the Finnish dock strikes proved disastrous for the already unsustainable paper market. The Chilean earthquake on 27th February killed 500 people and caused an estimated USD 30 billion worth of damage. Chile supplies 8% of all paper pulp, so as production in Chile ceased, paper production companies all over the world lost out on valuable supplies. This led to an increase in demand for paper pulp from other sources and this in turn led to increased prices at a time when paper pulp was already at a 15 year high.

The Finnish dock strikes in March aggravated the situation further. Finland is a major paper manufacturer, accountable for 4% of the global export of paper. With all exports ceased, even for just 16 days, a huge backlog of paper was created. Finnish paper mills ran out of storage and production had to be halted all together. When the dock strikes ended it took weeks for production to begin again and for the stored stock to be exported, creating a wave of disruption through the industry. Lack of supply meant higher demand and once again paper prices were forced higher.

Industrial action in European mills in mid 2010 exacerbated the paper prices. Almost until end 2010, the prices remained elevated.

PERSPECTIVE AT APPM MILLS

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

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

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

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

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

APPM has done path finding work to develop its unique model of farm forestry that has helped the Company not only to create adequate supplies of wood in the catchment area but also develop a sustainable source of pulpwood for the future. The Company sells saplings from its nurseries and counsels farmers on the best methods to grow them thereby conserving natural resources and creating a healthier environment.

The farm forestry program is based on developing massive plantations on marginal and degraded farm lands. As of today, the Company ensures that it gets 100% of its requirement of hardwood from its farm forestry efforts. While doing so, APPM supports farmer welfare programs and champions the cause of an eco-friendly environment.

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

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

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

a. A chipper line which enables more homogenous chips which in turn help produce good quality pulp;

b. A continuous digester that works on low solid and low temperature cooking of chips;

c. A two stage oxygen delignification plant followed by an elemental chlorine free bleaching plant;

d. A non-condensable gas burning system suitable for high volume and low concentration gases;

e. A chemical recovery system based on high steam economy evaporation and crystallization technology for higher solids concentration;

f. A recausticizing plant;

g. A rotary lime kiln;

h. A 34 MW turbine with a power boiler to supplement captive power, and,

i. A diffused aeration system with cooling tower to improve the efficiency of the effluent treatment plant.

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

At Unit:APPM the paper production capacity has being enhanced with commissioning of the Paper Machine No. 6 which further augments the marketable quantities of paper by 67,000 MTPA and add to both top and bottom lines of the Company.

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

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

Apart from this, the other introductions are **Reflection** a premium grade 70 GSM copier, a high bright paper **Andhra Starwhite,** high-end writing and printing paper **Andhra Primavera**, a premium grade Maplitho paper **Andhra Royal Silk** and a superior special grade paper **Andhra Hi Brite SG Maplitho** in the surface size segment. **Andhra Skytone** and **Andhra Starliner** in the premium non-surface sized category were introduced to primarily cater to the notebook conversion segment. All these products are positioned and benchmarked to the best in competition and have not only been very well received but are also being increasingly demanded by the end customer.

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

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

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

PERFORMANCE REVIEW

The domestic pulp and paper market was firm in the early part of the year. Both pulp and paper prices were aligned with the global trends, which witnessed resurgence.

Production for the year was 1,87,233 MT as against 1,76,452 MT in the previous year and sales was 1,93,302 MT as compared to 1,77,351 MT in the previous year. The increase in volumes and net sales realization contributed to higher sales value. The Company managed to get a better Net Sales Realization per MT over the previous year partly due to better market conditions and revisions in the price list across all grades and partly due to change in product mix at Unit:CP.

Paper sales comprised 1,88,569 MT and sales of surplus pulp was 4,733 MT. In 2009-10, in comparison, paper sales was 1,52,646 MT and pulp sales was 24,705 MT. Additional quantity resulted from the commissioning of PM 6.

Export volumes were 21,669 MT as against 13,646 MT in the previous year. The Company was not only able to significantly increase quantity, but also able to substantially increase the sales realization per MT over the previous year as well.

Earnings before interest, depreciation and taxation (EBIDTA) was higher at ₹163.94 crore, up from ₹153.03 crore.

Finance charges and depreciation & amortisation for 2010-11 totaled Rs.106.85 crore, as against ₹87.98 crore in the previous year. Although PM 6 was commissioned in May 2010, the production was stabilized only in November 2010. The earnings from PM 6 hence, were not adequate to cover the costs. The full benefit of the expanded capacity is expected to be derived in the financial year 2011-12.

Profitability was also affected due to higher input cost (substantially on account of the inflationary conditions in the economy) and retrospective settlement of wage revision following an agreement with the union of Unit:APPM. As a result, profit before tax was lower at ₹57.09 crore from ₹65.05 crore reported in the earlier year. Profit after tax was also lower for the year at ₹44.95 crore as compared to ₹54.19 crore.

Raw Material

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

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

During the year 2010-11, about 103.70 million quality saplings were developed covering an area of 15,000 hectares under plantation against 97.74 million saplings covering an extent of 14,000 hectares the previous planting year. The farm forestry programme has raised plantations in 1,15,933 hectares since 1989 when the initiative was started with a goal of achieving raw material self sufficiency and sustained availability. These benefits have extended to around 41,434 families creating employment resource pool of 57 million mandays especially in the rural areas.

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

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

During 2010-11, the Company reduced its usage to primarily two species of hardwood (Casuarina with 51% and Subabul at 42%) with Eucalyptus being used at 7%. Higher utilization mix of Casuarina and use of Eucalyptus increased the raw material cost to ₹8,867 per MT as against ₹7,916 per MT at Unit:APPM.

At Unit:CP, higher utilization and change in mix with larger quantum consumption of dry pulp reels increased the raw material cost by approximately ₹400 per MT.

Utilities

The pay offs from implementation of Mill Development Plan are getting visible. The full impact will be witnessed when PM 6 also runs for the full year. In 2010-11, although PM 6 was commissioned in May 2010 was stabilised only in November. In 2011-12, the full benefits are expected in several areas such as process efficiencies and reduced cost of utilities.

Power & fuel for the year was ₹9402.62 lakhs in 2010-11, while it was ₹5960.21 lakhs in 2009-10.

At Unit:APPM, power costs was 91% higher at ₹3905 per MT in 2010-11 from ₹2042 per MT in the previous year. Steam generation per tonne of coal came down from 3.89 to 3.59.

Steam from recovery boiler came down from 58% in the previous year to 50% in the year under review. At the same time, steam from coal fired boiler increased from 42% to 50%.

Coal purchased increased from 1,61,442 MT in 2009-10 to 2,77,898 MT in 2010-11. The gross calorific value of coal was lower at 2,952 in the year under review as compared to 3,195 in the previous year. As a result of the foregoing, the cost of power per MT of product was ₹1,447 in 2010-11 an increase of ₹186 over the corresponding period.

Power & fuel as a percentage of manufacturing cost was 13.94%, higher than 11.03% in 2009-10. The cost includes purchase of coal required for generation of surplus power, which was exported to APTRANSCO.

There was stiff increase in coal purchase cost as well as purchased power rate. 3.15 lakh MT of coal costing ₹6777.63 lakhs was used at an average cost of ₹2,147 per MT. In comparison 2.24 lakh MT was used in 2009-10 incurring ₹4108.37 lakhs. The average cost per MT in 2009-10 was ₹1,832.

Power consumption per MT of product was lower at 1,587 KWH as against 1,632 KWH in the previous year.

The Company continued to export of surplus power of 5 MW per day to the state grid and earned additional revenue of ₹1530.81 lakhs during the financial year.

At Unit:APPM, water consumed was lower at 73.78 M^3 per MT of product as compared to 85.60 M^3 per MT in 2009-10. Water consumption has consistently come down from 103 M^3 per MT in 2007-08.

At Unit:CP, water consumed was lower at 49.8 M^3 per MT of product as compared to 55.0 M^3 per MT in 2009-10.

Stores, Chemicals and Spares Consumption

Consumption of stores, chemicals and spares was ₹17092.10 lakhs as compared to ₹14699.91 lakhs in the previous year.

Chemical recovery efficiency was higher at 97.07% as compared to 96.13% in 2009-10. The improving trend can be seen from the fact that it was 95.69 in 2008-09, 93.05% in 2007-08 and 92.36% in 2006-07. Every year there has been a marked improvement in recovery efficiencies.

Yet, the cost was higher per MT of product over the year despite the aforementioned improvements, due to cost increases in bought out chemicals such as caustic lye, sodium chlorate, sodium sulphate, hydrogen peroxide, sulphuric acid etc. The cost per MT was magnified in the absence of the economies anticipated, consequent to delayed stabilization of PM 6.

Change in raw material mix i.e. higher utilization of casuarina as raw material and consumption of eucalyptus saw Unit:APPM increase its chemical utilization. The utilization was higher in lime, sulphuric acid, talcum, rosin, starch and ground calcium carbonate, coupled with higher input costs. These resulted in Unit:APPM incurring higher chemicals cost ₹6,581 per MT in 2010-11 as against ₹6,006 in the previous year.

The savings at Unit:CP (₹2,069 in 2010-11 as against ₹2,321 in the previous year) did compensate the increased price variance and utilization variance at Unit:APPM.

At Unit:APPM consumption of stores and spares cost Rs.3605 lakhs in 2010-11 while it was ₹2562 lakhs in 2009-10. Within this segment, consumable spares cost ₹772 lakhs in the year under review as compared to ₹406 lakhs in 2009-10. Similarly, MSP spares cost ₹1150 lakhs in 2009-10, while in 2010-11 the cost was ₹1518 lakhs. Repairs & maintenance (Machinery) accounted for ₹1163 lakhs in 2010-11 as against ₹897 lakhs in 2009-10.

Personnel Costs

Personnel costs for the year were ₹7976.24 lakhs, approximately 41.2% higher than ₹5648.92 lakhs in 2009-10. Higher costs included arrears of wage and settlement on wage agreement at Unit:APPM and provision for gratuity and its valuation as required by Accounting Standard.

Finance Charges

Finance charges were higher at ₹3988.43 lakhs as compared to ₹3215.45 lakhs recorded in the previous year.

APPM finances its operations through a mixture of retained profits and borrowings from financial institutions and banks. Borrowings are at both fixed and floating rates of interest.

In a rising interest rate regime, the base rates were hiked by the bankers with consequent increase in effective interest rates. The net blended interest cost to the Company was higher by 40 basis points, from 8.59% in 2009-10 to 8.99% in 2010-11.

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

Depreciation & Amortisation

Depreciation & Amortisation for the year was higher at ₹6696.72 lakhs, compared to ₹5581.72 lakhs in the previous year. The PM 6 capitalized in May 2010 was charged depreciation for the full year.

INTERNAL CONTROLS

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

IT SUPPORTS BUSINESS

Enterprise Wide IT and ERP infrastructure is monitored and supported by a dedicated in-house IT team in areas of ERP (SAP) support, data centre management, hardware capacity planning, networking, software development and systems administration. A centralized data center has been installed at Unit:APPM having clusters of IBM P-series servers with AIX operating system to comply with the SAP landscape. MySAP ECC 5.0 and ORACLE database provides 24X7 services to all users within the Company. Connectivity across different locations in APPM is provided through contemporary communication links like MPLS backbone, Wi-Fi/SSL VPN/ Internet services/video conferencing through trusted service providers. Similarly, people across plants and corporate office are well connected through unified telephony system (One Office solution) and CUG network to facilitate mobile connectivity across locations. Firewalls and other security solutions like Unified Threat Management (UTM) and end-point security measures have been taken to enforce strict security practices in all nodes to mitigate risks and protect IT assets from any threats & vulnerabilities.

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

APPM has implemented Web enabled 'Dealer Portal' and 'Export Order Management Portal', which are integrated with MySAP ERP. This enables dealers to process orders, track dispatches online etc., resulting in reduced cycle time. Similarly, in HR front, APPM has implemented all essential components like Human resources information system, Time and leave management, Employee self-service, Training management and performance management to churn out value from each members of APPM team.

Highlights of the implemented ERP System are briefly listed below:

- ✓ Streamlined business processes with inbuilt control
- ✓ Informed and accelerated decision making
- ✓ Online interaction across the value chain
- ✓ Automated work-flow in all functional areas
- ✓ Reduced manufacturing cycle time of orders and improved logistics operations
- ✓ Standard platform for all users to share and view data
- ✓ proliferation of Automation process using barcode and real-time data capturing
- ✓ Improved working capital and cash-flow management
- ✓ Empowered and nurtured manpower having cross-functional exposure

HR INITIATIVES

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

The Union has been understanding and supportive and discussions are held in a cordial atmosphere.

Investment in training continued to be stepped up at both the units. Formal training in subjects as varied as state-of-the-art pulping process, paper making technology & process, recovery efficiency, boiler operation, quality maintenance management, safety, ERP, employee development, cost & waste reduction etc. Safety aspects such as handling of chemicals, material handling, industrial safety, emergency preparedness, fire fighting & prevention etc were focused and a significant amount of man days were devoted to imparting knowledge and skills in these areas.

As at 31st March 2011, there were 2,492 permanent employees in the Company.

OUTLOOK

Indian economy showed 7.9% GDP growth in 2010-11 and has been one of the better managed countries protecting itself from sharp decline. It is also estimated that India will demonstrate sustained growth higher than global average, with GDP growth of over 8.2% in 2010-11 and rising to double digit in subsequent years.

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

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

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

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

Presently, there is a balance between the domestic supply and demand for paper products, which both stand at around 10 million MTPA. However, with additional capacity coming in shortly, the supply is set to exceed the demand this year. The existing total paper production capacity of 10 million MTPA in the country and the additional capacity of around 350,000 MTPA are expected to be absorbed by the market in a year's time wiping out the demand-supply gap as the demand for paper is expected to grow by 9% in 2011-12.

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

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

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

The following factors are considered for determining the materiality:

a. Some events may not be material individually but may be found material collectively.

b. Some events may have material impact qualitatively instead of quantitatively.

c. Some events may not be material at present but may have material impact in future.

Industry growth trends

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

Despite the global pressures, the Indian economy is expected to grow much higher than the global average and report a GDP growth of 8.2%. Paper industry would be a beneficiary of the stimulus packages and investment in education being made by the Union Government. Higher literacy and aspiration levels of the people are expected to further increase the growth rate of the paper industry.

Cyclicality of industry

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

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

Company growth momentum

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

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

Increased competition in the industry

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

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

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

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

Dependence on a few buyers

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

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

Pricing power

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

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

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

Product Substitution

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

India is a country with per capita consumption of 9.18 kgs of paper. This is low compared to global standards and can only grow as knowledge and literacy levels increase and aspiration and quality of life improves. Growth in demand and consumption of both lower and high grade writing and printing papers has outpaced the threats with higher usage in the copier and stationery segments. APPM sees no threat in the short and medium term within its product categories since all of them are growing, especially given the low base in usage.

Technology

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

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

Raw Materials

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

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

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

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

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

Utilities

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

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

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

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

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

Exchange rate

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

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

Interest rate

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

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

Receivables from customers as at 31st March, 2011 were under control at 25 days. The finished goods constituted only 15 days of cost of sales as at 31st March, 2011, lower than 30 days of cost of sales on 31st March, 2010. The current ratio was 2:1 as at the balance sheet date on 31st March, 2011. The Debt:Equity ratio was lower at 0.75 at the year end, lower than 0.98 as at the corresponding date in 2010.

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

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

Environment

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

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

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

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

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

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

1. Company's philosophy on Corporate Governance

The Company strongly believes that practice of Corporate Governance should aim at meeting the aspirations of the stakeholders and the expectations of the society. In pursuance of this philosophy, the management adheres to transparency, professionalism and accountability in the performance of its role.

2. Board of Directors

i. The Board of Directors comprises of seven Non-Executive Directors and five Executive Directors as on 31st March, 2011.

a. Promoter Executive Directors

Mr. L.N. Bangur, Executive Chairman w.e.f. 27th May, 2010
Ms. Sheetal Bangur, Director (Commercial)
Mr. Shreeyash Bangur, Director (Corporate)

b. Promoter Non-Executive Director

Mrs. Alka Bangur

c. Non-Executive Independent Directors

Mr. N. Srinivasan
Mr. R.C. Sarin
Mr. P.J.V. Sarma
Mr. P.K. Paul
Mr. Rajiv Kapasi
Mr. P.R. Ramakrishnan

d. Executive Directors

Mr. M.K. Tara, Managing Director & CEO
Mr. P.K Suri, Director (Operations)

The Chairman of the Board is Executive Chairman

ii. During the financial year 2010-11, six meetings of Board of Directors were held on 4th May 2010, 20th May 2010, 14th July 2010, 30th September 2010, 22nd October 2010 and 9th February 2011.

iii. Attendance of each Director at the meetings of Board of Directors held during the financial year 2010-11, last Annual General Meeting and the number of other boards and board committees in which he/she is a member or chairperson:

Name	Attendance Particulars		No. of other directorships[1]	No. of Board Committee(s) of which he/she is the	
	No. of Board Meetings	Last A.G.M.		Member	Chairman
Mr. L.N. Bangur	5	No	13	3	2
Mrs. Alka Bangur	3	No	2	2	–
Mr. N. Srinivasan	2	No	14	5	5
Mr. R.C. Sarin	6	Yes	–	–	–
Mr. P.J.V. Sarma	6	Yes	2	1	1
Mr. R.V. Raghavan[2]	1	No	–	–	–
Mr. P.K. Paul	4	Yes	–	–	–
Mr. Rajiv Kapasi	5	Yes	–	–	–
Mr. M.K. Tara	6	Yes	–	–	–
Ms. Sheetal Bangur	4	No	2	–	–
Mr. Shreeyash Bangur	6	Yes	1	–	–
Mr. P.K. Suri	6	Yes	–	–	–
Mr. P.R. Ramakrishnan[3]	1	N. A.	1	–	1

[1] Excluding private limited companies, companies having license under Section 25 of the Companies Act, 1956 and alternate directorships.

[2] Resigned from the Board of Directors with effect from 14th May, 2010.

[3] Appointed as an independent director in the vacancy caused by the resignation of Mr. R.V. Raghavan with effect from 22nd October, 2010.

3. **Audit Committee**

i. The Company has adopted Clause 49 (2) (D) of the Listing Agreement as the terms of reference for the Audit Committee.

ii. Audit Committee as on 31st March, 2011 comprised of:

Mr. P.J.V. Sarma, Chairman

Mr. N. Srinivasan, Member

Mr. R.C. Sarin, Member

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

iii. During the year, the Audit Committee met on 3rd May 2010, 13th July 2010, 30th September 2010, 21st October 2010 and 8th February 2011.

The following table gives attendance record:

Name	Number of Meetings held	Number of Meetings attended
Mr. P.J.V. Sarma	5	5
Mr. N. Srinivasan	5	4
Mr. R.C. Sarin	5	5
Mr. R.V. Raghavan*	5	1

*Ceased to be a Director w.e.f. 14th May, 2010

4. **Remuneration Committee**

During the year under review, the Company had reconstituted Remuneration Committee and Mr. P.J.V. Sarma was inducted as an additional Member. The Committee determines the remuneration package of Executive Directors. The Remuneration Committee as on 31st March 2011 comprised of Mr. N. Srinivasan, Mr. R.C. Sarin and Mr. P.J.V. Sarma. During the year, Remuneration Committee met on 20th May, 2010 and all the members attended the meeting.

i. Remuneration to Executive Directors

a. The details of remuneration paid to Mr. L.N. Bangur, Executive Chairman, Mr. M.K.Tara, Managing Director & CEO, Ms. Sheetal Bangur, Director (Commercial), Mr. Shreeyash Bangur, Director (Corporate) and Mr. P.K. Suri, Director (Operations) during the financial year 2010-11 are given below:

₹ Lakhs

Name	Salary & Allowances	Perquisites	Contribution to Provident Fund, Superannuation Fund and Gratuity	Total
Mr. L.N. Bangur	219.87	–	23.31	243.18*
Mr. M.K. Tara	235.17	1.74	33.65	270.56[a]
Ms. Sheetal Bangur	85.42	7.96	11.27	104.65[a]
Mr. Shreeyash Bangur	67.58	5.15	5.94	78.67[a]
Mr. P.K. Suri	54.47	8.98	10.33	73.78[a]

* For the period from 27th May, 2010 to 28th February, 2011.
[a] Includes arrears of earlier years paid during the financial year.

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

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

a. The Company pays sitting fees to all the Non-Executive Directors for attending the meetings of Board of Directors and Committees of Board in addition to commission on profits depending on the availability of profits. The sitting fees and commission (relating to financial year 2009-10) paid during the financial year 2010-11 to the Non-Executive Directors were as follows:

₹ Lakhs

Name	Sitting Fees	Commission
Mr. L.N. Bangur	0.30*	52.30
Mrs. Alka Bangur	0.45	2.00
Mr. N. Srinivasan	1.00	2.00
Mr. R.C. Sarin	1.75	2.00
Mr. P.J.V. Sarma	2.05	2.00
Mr. R.V. Raghavan	0.30	2.00
Mr. P.K. Paul	0.60	2.00
Mr. Rajiv Kapasi	0.75	2.00
Mr. P.R. Ramakrishnan^	0.15	–

* This amount was paid upto 26th May, 2010 i.e. before he became Executive Chairman

^ appointed with effect from 22nd October, 2010

b. Shareholding of Non-Executive Directors

Name	Number of Equity Shares
Mrs. Alka Bangur	1,35,642
Mr. N. Srinivasan	–
Mr. R.C. Sarin	2,354
Mr. P.J.V. Sarma	–
Mr. P.K. Paul	1,900
Mr. Rajiv Kapasi	8,500
Mr. P.R. Ramakrishnan	–

5. Investors' Grievance Committee

During the year under review, Investors' Grievance Committee was reconstituted and Mr. P.J.V. Sarma was inducted as a member of the Committee and designated as its Chairman. The Committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities. The members of the Investors' Grievance Committee as on 31st March, 2011 were Mr. P.J.V. Sarma, Chairman, Mr. L.N. Bangur, Mr. M.K. Tara and Ms. Sheetal Bangur. The Board designated Mr. C. Prabhakar, Sr. Vice President (Corporate Affairs) & Company Secretary as Compliance Officer. The Committee met on 30th September, 2010 and 8th February, 2011. No circular resolution was passed during the year under review.

The details of the status of complaints received from the shareholders during the financial year 2010-11 are furnished below:

Pending as on 1st April, 2010	Nil
Received during the year	38
Redressed during the year	38
Pending as on 31st March, 2011	Nil

6. General Body Meetings

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

Year	Date and Time	Venue
2007-08	27th September, 2008 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2008-09	25th September, 2009 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104
2009-10	15th July, 2010 at 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104

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

Date	Description of Special Resolutions passed
27th September, 2008	Nil
25th September, 2009	a. Amendment to Article 6 of Articles of Association consequent upon increase in the authorised capital from ₹35 crore to ₹45 crore. b. Issue of 70,18,242 equity shares of ₹10 each with a premium of ₹40 per share in the ratio of 3:11 on rights basis along with equivalent number of detachable warrants convertible into equity shares.
15th July, 2010	a. Payment of Commission to Directors of the Company other than Managing/Wholetime Director(s) under the provisions of Section 309 (4) of the Companies Act, 1956 b. Re-appointment of Ms. Sheetal Bangur, Director (Commercial) for a further period of five years from 1st April, 2010. c. Appointment of Mr. L.N. Bangur as Executive Chairman of the Company for a period of 5 years from 27th May, 2010. d. Revision of Remuneration payable to Mr. M.K. Tara, Managing Director & CEO of the Company. e. Revision of Remuneration payable to Ms. Sheetal Bangur, Director (Commercial) of the Company. f. Revision of Remuneration payable to Mr. Shreeyash Bangur, Director (Corporate) of the Company. g. Revision of Remuneration payable to Mr. P.K. Suri, Director (Operations) of the Company.

iii. No special resolution was passed through postal ballot during the financial year 2010-11.

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

7. Disclosure on materially significant related party transactions

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

8. Details of non-compliance by the Company

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

9. Code of Conduct for Directors and senior executives

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

10. CEO/CFO certification

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

11. Adoption of non-mandatory requirements

The Company adopted the following non-mandatory requirement stipulated under Clause 49.

Remuneration Committee: The Company has constituted a Remuneration Committee to determine the remuneration package of Executive Directors based on their performance and defined assessment criteria.

12. Means of communications

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

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

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

13. General shareholder information

	Date & Time	Venue
47th Annual General Meeting	10th September, 2011 3.00 p.m.	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104

14. Financial calendar (Tentative and subject to change)

Financial year: 2011-12

		On or before
Unaudited Financial Results for the quarter ending	30th June, 2011	14th August, 2011
Unaudited Financial Results for the quarter ending	30th September, 2011	14th November, 2011
Unaudited Financial Results for the quarter ending	31st December, 2011	14th February, 2012
Audited Financial Results for the year ending	31st March, 2012	30th May, 2012
Annual General Meeting for the year ending	31st March, 2012	30th September, 2012
Details of Book Closure	1st September, 2011 to 10th September, 2011 (both days inclusive)	
Date of payment of Equity Dividend	on and from 23rd September, 2011	

15. Listing on stock exchanges

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

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

The Company paid the annual listing fees for the financial year 2011-12 in April, 2011 to BSE and NSE.

16. Stock code

Bombay Stock Exchange Limited	502330
National Stock Exchange of India Limited	Symbol: APPAPER Series: EQ
ISIN (for Dematerialisation)	INE435A01028

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

a. Bombay Stock Exchange Limited

	Month	Share Quotation ₹		BSE Sensex	
		High	Low	High	Low
2010	April	98.00	78.30	18047.86	17276.80
	May	101.85	88.30	17536.86	15960.15
	June	103.45	92.00	17919.62	16318.39
	July	151.00	96.60	18237.56	17395.58
	August	209.95	140.00	18475.27	17819.99
	September	244.00	187.15	20267.98	18027.12
	October	193.90	168.90	20854.55	19768.96
	November	196.00	136.00	21108.64	18954.82
	December	167.00	130.50	20552.03	19074.57
2011	January	177.70	130.20	20664.80	18038.48
	February	180.00	112.05	18690.97	17295.62
	March	283.35	140.70	19575.16	17792.17

b. National Stock Exchange of India Limited

	Month	Share Quotation ₹		S & P CNX NIFTY	
		High	Low	High	Low
2010	April	98.25	72.95	5399.65	5160.90
	May	102.00	89.00	5278.70	4786.45
	June	102.75	92.00	5366.75	4961.05
	July	151.00	98.10	5477.50	5225.60
	August	210.40	140.00	5549.80	5348.90
	September	242.00	188.00	6073.50	5403.05
	October	194.00	169.75	6284.10	5937.10
	November	194.20	140.05	6338.50	5690.35
	December	167.35	131.00	6147.30	5721.15
2011	January	177.55	127.40	6181.05	5416.65
	February	166.00	112.10	5599.25	5177.70
	March	284.35	147.10	5872.00	5348.20

18. Registrar and Transfer Agents

Sathguru Management Consultants (Private) Limited

Plot No.15, Hindi Nagar, Punjagutta, Hyderabad - 500 034

Tel. No. +91 40 3016 0333

Fax No. +91 40 4004 0554; E-mail: sta@sathguru.com

19. Share Transfer System

The share transfers are being approved by the authorised persons as per the delegation of powers by the Board once in a fortnight. The average time taken for registering the share transfers is approximately 15 days from the date of receipt of request.

20. Distribution of Equity Shareholding as on 31st March, 2011

Nominal Value of Equity Shares ₹	Shareholders		Value	
	Number	%	₹	%
1 - 5000	8,936	85.21	1,01,95,160	2.56
5001 - 10000	672	6.41	50,53,920	1.27
10001 - 20000	345	3.29	50,75,460	1.28
20001 - 30000	143	1.36	35,96,730	0.90
30001 - 40000	67	0.64	23,22,970	0.58
40001 - 50000	58	0.55	26,46,050	0.67
50001 - 100000	109	1.04	76,11,470	1.91
100001 and above	157	1.50	36,11,98,630	90.83
TOTAL	10,487	100.00	39,77,00,390	100.00

Category of equity shareholders as on 31st March, 2011

Category	No. of Shares held	%
A. Indian Promoters & Promoters Group	2,12,60,008	53.46
B. Public Shareholdings:		
1. Institutional Investors:		
a. Mutual Funds, Financial Institutions, Banks and Insurance Companies	25,32,979	6.37
b. Foreign Institutional Investors	3,62,489	0.91
c. Foreign Financial Institutions	39,71,676	9.99
d. Foreign Banks	200	–
Sub-total	68,67,344	17.27
2. Non-Institutions:		
a. Bodies Corporate	58,46,790	14.70
b. Indian Public	57,61,229	14.48
c. Non-Resident Indians	27,149	0.07
d. Trusts	7,519	0.02
Sub-total	1,16,42,687	29.27
Total public shareholding (1+2)	1,85,10,031	46.54
Total (A+B)	3,97,70,039	100.00

21. Dematerialisation of shares as on 31st March, 2011

Depository Name	No. of Shares dematerialised	Percentage on Equity Share Capital
National Securities Depository Limited	3,04,09,402	76.46
Central Depository Services (India) Limited	88,17,828	22.17
Total	3,92,27,230	98.63

22. No GDRs, ADRs have been issued by the Company.

23. Transfer of unclaimed dividend to Investor Education and Protection Fund

A sum of ₹2,05,401 representing equity dividend of the Company for the year 2002-03 which remained unclaimed for seven years and ₹670 as accrued interest on unclaimed dividend have been transferred in November, 2010 to the Investor Education and Protection Fund established by Central Government pursuant to Section 205C of the Companies Act, 1956.

24. Equity shares in the Unclaimed Shares Demat Suspense Account

In terms of Clause 5A.II of the Listing agreement, six share certificates aggregating to 193 equity shares issued in physical form in the Rights Issue 2010 and remained unclaimed were transferred into one folio in the name of 'APPM - Unclaimed Shares Demat Suspense Account' after sending three reminders to the shareholders at the address given in the application forms. The Company opened a demat account and dematerialised the unclaimed shares. The Company is maintaining the details of shareholding of each individual allottee whose shares are credited to the Unclaimed Shares Demat Suspense Account.

The particulars of shares in APPM - Unclaimed Shares Demat Suspense Account as on 31st March, 2011 are as follows:

	Number of shareholders	No. of equity shares
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account at the beginning of the year;	6	193
Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Shares Demat Suspense Account during the year;	–	–
Number of shareholders to whom shares were transferred from the Unclaimed Shares Demat Suspense Account during the year;	–	–
Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Shares Demat Suspense Account as on 31st March, 2011.	6	193*

* However, 72 equity shares in respect of a shareholder who claimed the shares were re-transferred to him from APPM - Unclaimed Shares Demat Suspense Account in the month of April, 2011. Therefore, the outstanding shares in APPM - Unclaimed Shares Demat Suspense Account are 121 equity shares.

The voting rights on the shares outstanding in the supsense account shall remain frozen till the rightful owners of such shares claim the shares.

25. Plant locations

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

26. Address for correspondence from shareholders

Sathguru Management Consultants (Private) Limited Plot No. 15, Hindi Nagar Punjagutta Hyderabad - 500 034	or	Secretarial Department The Andhra Pradesh Paper Mills Limited Rajahmundry - 533 105 East Godavari District, Andhra Pradesh

27. E-mail ID for investor grievance redressal: sectrjy@andhrapaper.com

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

Declaration by the Managing Director & CEO

The Members of
The Andhra Pradesh Paper Mills Limited

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance, I confirm that, on the basis of confirmations/declarations received, all the Directors and senior management personnel of the Company have complied with the Code of Business Conduct and Ethics framed by the Company for the financial year ended 31st March, 2011.

Secunderabad
4th May, 2011

M.K. Tara
Managing Director & CEO

Auditors' Certificate on Corporate Governance

The Members of
The Andhra Pradesh Paper Mills Limited

We have examined the compliance of conditions of Corporate Governance by The Andhra Pradesh Paper Mills Limited, ('the Company') for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange and the National Stock Exchange.

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

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

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

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Zubin Shekary
Partner
Membership No. 048814

Hyderabad
8th August, 2011

Auditors' Report

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

1. We have audited the attached Balance Sheet of The Andhra Pradesh Paper Mills Limited ('the Company') as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. *As set out in Note 3 of Schedule 20(3) of the financial statements, the Company has since the inception of Accounting Standard 22 on Accounting for Taxes on Income, recognized the deferred tax expense, which arises primarily from depreciation on tangible fixed assets on the basis of the currently applicable enacted Minimum Alternate Tax rate rather than the regular tax rates as specified by paragraph 21 of Accounting Standard 22. The Company has challenged the provisions of Accounting Standard 22, insofar as it relates to the above matter and has accordingly filed a writ petition in June 2003 before the Andhra Pradesh High Court. The case has been subsequently transferred to Calcutta High Court. The writ petition has been admitted and is currently pending resolution. The quantification of the deferred tax liability, and consequential impact on the financial statement, which may arise due to the above, has been held in abeyance pending disposal of the writ petition.*

4. As required by the Companies (Auditor's Report) Order, 2003, as amended ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956' ('the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

5. Further to our comments in the Annexure referred to above, we report that:

   a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books;

   c. the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. *subject to our observation in paragraph 3 above,* in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   e. on the basis of written representations received from the directors as at 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

   f. in our opinion and to the best of our information and according to the explanations given to us *subject to our observation in paragraph 3* above, the said accounts 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:

      i. in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2011;

      ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and,

      iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Zubin Shekary
Partner
Membership No. 048814

Hyderabad
4th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the auditors report to the members of The Andhra Pradesh Paper Mills Limited ('the Company') on the financial statements for the year ended 31st March, 2011, we report that:

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c. Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

ii. a. The inventories has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

b. The procedures of the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material.

iii. a. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses 4(iii) (a) to 4 (iii) (d) of the Order are not applicable to the Company.

b. The Company has taken deposit from one party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.416,726 and the year-end balance of such deposit was Rs.416,726.

c. In our opinion, the rate of interest and other terms and conditions on which deposit have been taken from other party listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

d. In the case of deposit taken from party listed in the register maintained under Section 301, the repayment of the principal and interest were not due during the year as per the terms stipulated in the agreement. Accordingly, paragraph 4(iii) (g) of the Order is not applicable.

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The activities of the Company do not involve sale of services. We have not observed any major weakness in the internal control system during the course of the audit.

v. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of ₹5 lakh with any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.

vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of products sold by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

ix. a. According to the information and explanations given to us and on the basis of the examination of the records of the Company, amounts deducted/ accrued in books of account in respect of undisputed statutory dues including Provident Fund, Emplyees' State Insurance, Income-tax, Sales-tax, Wealth tax, Customs duty, Excise duty, Investor Education and Protection Fund, Service tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

There were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid Section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Customs duty, Excise duty, Investor Education and Protection Fund, Service tax, Cess and other material statutory dues which were in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, the dues set out in Appendix 1 in respect of Income tax, Sales-tax, Service tax, Municipal tax and Excise duty have not been deposited with the appropriate authorities on account of disputes. According to the information and explanations given to us, there are no dues of Customs duty and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute.

x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or to any financial institutions. The Company did not have any outstanding debentures during the year.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nindhi/mutual benefit fund/society.

xiv. According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi. In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.

xvii. 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 have not been used for long-term investment.

xviii. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Act.

xix. The Company did not have outstanding debentures during the year.

xx. The Company has not raised any money by public issues during the year.

xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

Zubin Shekary
Partner
Membership No. 048814

Hyderabad
4th May, 2011

Appendix 1 as referred to in Para ix (b) of Annexure to the Auditors' Report

Name of the statute	Nature of the dues	₹ Lakhs	Period to which the amount relates	Forum where dispute is pending
Income taxes				
Income Tax Act, 1961	Tax & interest	18.99	2009-10	Commissioner of Income Tax (Appeals), Rajahmundry
Income Tax Act, 1961	Tax & interest	9.66	2008-09	Commissioner of Income Tax (Appeals), Rajahmundry
Income Tax Act, 1961	Tax & interest	19.96	2009-10	Deputy Commissioner of Income Tax (TDS), Hyderabad
Income Tax Act, 1961	Tax & interest	335.01	2001-02	Income Tax Appellate Tribunal, Hyderabad
Income Tax Act, 1961	Tax & interest	561.10	2007-08 and 2008-09	Commissioner of Income Tax (Appeals), Hyderabad
Income Tax Act, 1961	Tax & interest	40.00	2008-09	Commissioner of Income Tax (Appeals), Hyderabad
Income Tax Act, 1961	Tax & interest	24.96	1979-80	Income Tax Appellate Tribunal, Hyderabad
Income Tax Act, 1961	Tax & interest	78.01	2001-02	Income Tax Appellate Tribunal, Hyderabad
Income Tax Act, 1961	Tax & interest	49.46	2002-03 and 2003-04	High Court of Andhra Pradesh
Sales tax (Including central sales tax and local sales tax)				
APGST Act,1957	Tax	57.63	1991-96	Sales Tax Appellate Tribunal, Hyderabad
APGST Act,1957	Tax	10.82	1996-97	Sales Tax Appellate Tribunal, Hyderabad
APGST Act,1957	Tax	126.78	1990-99, 2000-01 to 2004-05	High Court, Andhra Pradesh
CST Act, 1956	Tax	5.70	1989-90 & 1991-92	High Court, Andhra Pradesh
APGST Act,1957	Tax	0.19	1987-88	High Court, Andhra Pradesh
CST Act, 1956	Tax	33.82	2005-06	Sales Tax Appellate Tribunal, Visakhapatnam
APGST Act,1957 & CST Act, 1956	Tax	27.41	1995-96 to 1999-2000	Sales Tax Appellate Tribunal, Visakhapatnam
CST Act, 1956	Tax	16.91	2006-07	Assistant Commissioner, LTU, Kakinada
VAT Act, 2005	Tax	84.69	January, 2007 to March, 2009	Appellate Deputy Commissioner, Visakhapatnam
CST Act, 1956	Tax	5.13	2007-08	Appellate Deputy Commissioner, Visakhapatnam
Service tax				
Finance Act, 1994	Tax and Penalty	40.50	2004-05 & 2005-06	Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore
Finance Act, 1994	Tax and Penalty	1.39	2004-05 & 2005-06	Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore
Finance Act, 1994	Tax and Penalty	109.00	2005-06 to 2009-10	Commissioner of Customs & Central Excise (Appeals), Visakhapatnam
Finance Act, 1994	Tax and Penalty	5.42	2005-06	Commissioner of Customs & Central Excise (Appeals), Visakhapatnam
Finance Act, 1994	Tax and Penalty	41.77	2004-05 to 2009-10	Commissioner of Customs & Central Excise (Appeals), Visakhapatnam
Finance Act, 1994	Tax	91.40	2004-05 & 2005-06	High Court, Andhra Pradesh
Finance Act, 1994	Tax and Penalty	1.31	2007-08	CESTAT, Bangalore
Finance Act, 1994	Tax	34.90	2004-05 & 2005-06	High Court, Andhra Pradesh

Contd.

Excise duty				
Central Excise Act, 1944	Duty and Penalty	37.28	2008-09 & 2009-10	Commissioner of Central Excise, Visakhapatnam
Central Excise Act, 1944	Duty	5.46	2007-08 & 2008-09	Commissioner of Central Excise (Appeals), Visakhapatnam
Central Excise Act, 1944	Duty	11.27	2007-08 to 2009-10	Commissioner of Central Excise (Appeals), Visakhapatnam
Central Excise Act, 1944	Duty and Penalty	3.91	2000-01 to 2004-05	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	125.14	2004-05 to 2006-07	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	149.29	1996-97 to 2006-07	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	937.37	2008-09	CESTAT, Bangalore
Central Excise Act, 1944	Duty	37.02	1994-95	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty	0.65	2006-07 to 2008-09	Commissioner of Central Excise (Appeals), Visakhapatnam
Central Excise Act, 1944	Duty	50.65	2001-02	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty	90.90	1995-96 to 2000-01	Supreme Court
Central Excise Act, 1944	Duty	256.92	2000-01 to 2002-03	Supreme Court
Central Excise Act, 1944	Duty	45.39	2000-01 to 2006-07	Supreme Court
Central Excise Act, 1944	Duty	1.86	2008-09 & 2009-10	Commissioner of Central Excise (Appeals), Visakhapatnam
Central Excise Act, 1944	Duty	2.50	2002-03	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	71.47	2004-05 to 2007-08	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	110.96	2005-06	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty	4.04	2000-01 to 2006-07	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty and Penalty	1.10	2005-06 & 2006-07	CESTAT, Bangalore
Central Excise Act, 1944	Duty	10.90	1996-97 & 1997-98	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty and Penalty	8.04	2006-07 to 2009-10	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	10.23	2002-03 and 2003-04	CESTAT, Bangalore
Central Excise Act, 1944	Duty	1,517.68	1994-95 to 2001-02	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty	684.51	2003-04 & 2004-05	Supreme Court
Central Excise Act, 1944	Duty	0.10	2004-05	High Court, Andhra Pradesh
Central Excise Act, 1944	Duty and Penalty	0.87	2006-07 & 2007-08	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	0.96	2006-07 & 2007-08	CESTAT, Bangalore
Central Excise Act, 1944	Duty and Penalty	5.41	2003-04 to 2006-07	Supreme Court
Central Excise Act, 1944	Tax	5.41	2004-05 & 2005-06	CESTAT, Bangalore
Municipal taxes				
Hyderabad Municipal Corporation Act, 1955	Vacant land tax	228.31	2001-02 to 2010-11	High Court, Andhra Pradesh

Balance Sheet as at 31st March, 2011

₹ Lakhs

	Schedule No.	**As at 31st March, 2011**	As at 31st March, 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	3977.00	3275.18
Reserves and surplus	2	53855.73	47019.35
		57832.73	50294.53
Loan funds			
Secured loans	3	39778.26	45695.41
Unsecured loans	4	3818.46	3641.18
		43596.72	49336.59
Deferred tax liability, net	20(3)	4271.25	3075.25
Total		105700.70	102706.37
APPLICATION OF FUNDS			
Fixed assets	5		
Gross block		132507.93	108122.64
Less: Accumulated depreciation and amortisation		46680.25	40323.38
Net block		85827.68	67799.26
Capital work-in-progress		3678.00	22595.75
		89505.68	90395.01
Investments	6	1664.34	1664.34
Current assets, loans and advances			
Inventories	7	12106.85	11587.20
Sundry debtors	8	5629.36	4642.46
Cash and bank balances	9	2068.09	1376.64
Loans and advances	10	9181.98	7229.11
		28986.28	24835.41
Current liabilities and provisions			
Current liabilities	11	13993.38	13554.53
Provisions	12	462.22	633.86
Net current assets		14530.68	10647.02
Total		105700.70	102706.37
Significant accounting policies	20(1)		
Notes to the accounts	20		

The schedules referred to above form an integral part of the Balance Sheet.

As per our report attached.

For B S R & Co.
Chartered Accountants
Firm's Registration Number: 101248W

Zubin Shekary
Partner
Membership No. 048814

Secunderabad
4th May, 2011

For and on behalf of the Board

L.N. Bangur
Executive Chairman

M.K. Tara
Managing Director & CEO

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

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

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Profit and Loss Account for the year ended 31st March, 2011

₹ Lakhs

	Schedule No.	**For the year ended 31st March, 2011**	For the year ended 31st March, 2010
INCOME			
Sales, gross		79593.83	65453.14
Less: Excise duty		(2943.37)	(2026.24)
Sale of surplus power		1530.81	1501.71
Sales, net		78181.27	64928.61
Other income	13	1680.81	873.60
Total		79862.08	65802.21
Expenditure			
Material costs	14	21490.29	17462.72
Manufacturing expenses	15	28330.28	22083.61
Personnel costs	16	7976.24	5648.92
Operating and other expenses	17	5671.52	5304.26
Finance charges	18	3988.43	3215.45
Depreciation and amortisation	5	6696.72	5581.72
Total		74153.48	59296.68
Profit before tax		5708.60	6505.53
Provision for income tax	19	1214.38	1086.19
Profit after tax		4494.22	5419.34
Balance in Profit and Loss Account brought forward		6998.54	11961.01
Amount available for appropriation		11492.76	17380.35
Appropriations			
Proposed dividend		397.70	327.42
Tax on proposed dividend		64.52	54.39
Transfer to general reserve		5000.00	10000.00
Balance in Profit and Loss Account carried forward		6030.54	6998.54
		11492.76	17380.35
Earnings per share			
Basic - Par value ₹10 per share		12.82	21.03
Diluted - Par value ₹10 per share		12.82	21.03
Significant accounting policies	20(1)		
Notes to the accounts	20		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached.

For and on behalf of the Board

For B S R & Co.
Chartered Accountants
Firm's Registration Number: 101248W

L.N. Bangur
Executive Chairman

M.K. Tara
Managing Director & CEO

Zubin Shekary
Partner
Membership No. 048814

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

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

Secunderabad
4th May, 2011

₹ Lakhs

		For the year ended 31st March, 2011	For the year ended 31st March, 2010
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before taxation	5708.60	6505.53
	Adjustments for:		
	Depreciation	6696.72	5581.72
	Claims, bad debts, irrecoverable advances written off	3.81	8.40
	Provision for bad & doubtful debts	50.25	30.70
	Miscellaneous expenditure written off	–	142.71
	Loss on discarded assets	77.74	12.60
	Provision for doubtful debts written back	–	(1.39)
	Profit on sale of assets	(425.51)	(282.66)
	Income from investments	(6.75)	(16.51)
	Interest expenses	3988.43	3215.45
	Interest income	(158.79)	(98.26)
	Operating cash flows before working capital changes	15934.50	15098.29
	Sundry debtors	(986.90)	(767.55)
	Loans and advances	(737.56)	(488.97)
	Inventories	(519.65)	1937.65
	Current liabilities and provisions	120.57	(2429.98)
	Cash generated from operations	13810.96	13349.44
	Income tax paid	(1347.92)	(1265.71)
	Net cash from operating activities	12463.04	12083.73
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(5879.42)	(9137.09)
	Sale of fixed assets	546.20	424.28
	Income from investments	6.75	16.51
	Interest received	160.61	396.67
	Net cash used in investing activities	(5165.86)	(8299.63)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of share capital	3506.19	3459.24
	Proceeds from borrowings	7371.94	17675.91
	Repayment of borrowings	(13111.80)	(20685.21)
	Interest paid	(3990.25)	(3513.86)
	Dividends paid including tax on dividend	(381.81)	(150.54)
	Net cash used in financing activities	(6605.73)	(3214.46)
	Net increase in cash and cash equivalents during the year	691.45	569.64
	Cash and cash equivalents at the beginning of the year	1376.64	807.00
	Cash and cash equivalents at the end of the year (Note 1)	2068.09	1376.64

(Contd.)

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₹ Lakhs

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Note 1		
Cash and cash equivalents comprise:		
Cash in hand	8.38	7.27
Cheques in hand	13.04	43.29
Balance with scheduled banks		
in current accounts	1,387.69	533.19
in exchange earner's foreign currency	88.16	97.62
in deposit accounts**	245.86	184.18
in unclaimed dividend accounts*	13.34	13.87
Remittances-in-transit	311.62	497.22
	2,068.09	1,376.64

* Section 205C of the Companies Act, 1956, mandates that companies transfer dividend that has been unclaimed for a period of seven years from unpaid dividend account to the Investor Education and Protection Fund (IEPF). Accordingly, if dividend is unclaimed for a period of seven years, it will be transferred to IEPF.

** Deposits with scheduled banks include ₹79.41 lakhs (Previous year: ₹63.43 lakhs) representing margin money for letters of credit and bank guarantees issued.

As per our report attached.

For B S R & Co.
Chartered Accountants
Firm's Registration Number: 101248W

Zubin Shekary
Partner
Membership No. 048814

Secunderabad
4th May, 2011

For and on behalf of the Board

L.N. Bangur
Executive Chairman

M.K. Tara
Managing Director & CEO

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

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

₹ Lakhs

		As at 31st March, 2011	As at 31st March, 2010
Schedule 1			
Share capital			
Authorised			
4,00,00,000	(Previous year: 4,00,00,000) equity shares of ₹10 each	4000.00	4000.00
5,00,000	(Previous year: 5,00,000) Redeemable cumulative preference shares of ₹100 each	500.00	500.00
	Total	4500.00	4500.00
Issued, subscribed and paid-up capital			
3,97,70,039	(Previous year: 3,27,51,797) equity shares of ₹10 each, fully paid-up	3977.00	3275.18

Notes:

1. Subscribed and paid-up share capital includes:
   a. 70,18,242 equity shares of ₹10 each at a premium of ₹40 per share were allotted during the current year as fully paid up by converting an equivalent number of detachable warrants.
   b. 9,98,500 (previous year: 9,98,500) equity shares of ₹10 each were allotted as fully paid up pursuant to a contract without payment being received in cash.
   c. 11,25,000 (previous year: 11,25,000) equity shares of ₹10 each fully paid up were allotted for consideration other than cash as bonus shares by capitalisation of reserves.
   d. 5,80,000 (previous year: 5,80,000) equity shares of ₹10 each were allotted to the shareholders of amalgamating company, Coastal Papers Limited pursuant to the scheme of amalgamation without payment being received in cash.

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Schedule 2		
Reserves and surplus		
Capital redemption reserve		
Balance in capital redemption reserve	598.00	598.00
Securities premium account		
Balance at the beginning of the year	15406.75	12649.33
Add: Received during the year	2807.30	2807.29
Less: Share issue expenses	(2.92)	(49.87)
	18211.13	15406.75
General reserve		
Balance at the beginning of the year	24016.06	14016.06
Add: Transferred from Profit and Loss Account	5000.00	10000.00
	29016.06	24016.06
Profit and Loss Account		
Balance in Profit and Loss Account	6030.54	6998.54
Total	53855.73	47019.35

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Schedule 3		
Secured loans		
Term Loans from banks and financial institutions		
- Foreign currency loan	13629.76	14407.02
- Rupee loan	24568.71	29654.82
Working capital loan		
- Buyers credit (foreign currency loan)	620.00	–
- Banks	959.79	1633.57
Total	39778.26	45695.41

Notes:

1. Term loans from the financial institutions viz. International Finance Corporation, Deutsche Investitions-und Entwicklungsgesellschaft mbH, State Bank of India, Canara Bank, IDBI Bank Limited and Axis Bank Limited except ICICI Bank Limited are secured by a *pari passu* first charge on all movable and immovable properties of the Company situated at Rajahmundry, Serinarasannapalem and Kadiyam, in accordance with respective loan agreements and subject to charge under Note No.2. Further, term loans from Axis Bank Limted have a second charge on current assets of the Company. The Company is in the process of creating charge on the term loan of ₹30 crore taken from ICICI Bank Limited on 31st March, 2011.
2. Working capital facilities from State Bank of India and Canara Bank are secured by hypothecation of raw materials, finished stock, stock in process, stores and spare parts etc. along with a second charge on the fixed assets of the Company situated at Rajahmundry, Serinarasannapalem and Kadiyam.
3. 14,99,330 (Previous year: 9,71,115) equity shares of ₹10 each of the Company held by M/s. Digvijay Investments Limited have been pledged in favour of IDBI Trusteeship Services Limited for the benefit of International Finance Corporation and Deutsche Investitions-und Entwicklungsgesellschaft mbH.

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Schedule 4		
Unsecured loans		
Sales tax deferment loan from the Government of Andhra Pradesh		
(interest free) [repayable within one year ₹Nil, (Previous year: ₹Nil)]	2849.97	2951.67
Public deposit	965.30	689.25
[Includes unclaimed deposits of ₹23.60 lakhs,		
(Previous year: ₹1.05 lakhs)]		
[Includes amount received from Directors ₹3.50 lakhs,		
(Previous year: ₹3.50 lakhs)]		
[Amount repayable within one year ₹704.30 lakhs,		
(Previous year: ₹404.75 lakhs)]		
Interest accrued and due on public deposit	3.19	0.26
Total	3818.46	3641.18

Schedule 5

Fixed assets

₹ Lakhs

Description	Gross Block				Accumulated Depreciation				Net Block	
	As at 1st April, 2010	Additions	Sales/ Adjust-ments	As at 31st March, 2011	As at 1st April, 2010	Charge for the Year	Sales/ Adjust-ments	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Tangible										
Land - freehold	259.17	–	5.36	253.81	–	–	–	–	253.81	259.17
Roads and drainage	99.90	72.19	–	172.09	39.84	11.41	–	51.25	120.84	60.06
Buildings - freehold land	5010.39	3570.39	45.54	8535.24	2513.09	487.21	29.09	2971.21	5564.03	2497.30
Buildings - leasehold land	3.94	–	–	3.94	3.83	0.01	–	3.84	0.10	0.11
Plant and machinery	97179.50	19780.36	292.33	116667.53	33611.40	5630.87	130.60	39111.67	77555.86	63568.10
Electrical equipment	1969.24	1371.45	33.18	3307.51	1070.24	260.63	30.16	1300.71	2006.80	899.00
Furniture, fixtures and Office equipment	1180.43	42.92	51.42	1171.93	994.56	60.59	50.26	1004.89	167.04	185.87
Vehicles	486.10	100.75	124.94	461.91	349.84	52.61	99.74	302.71	159.20	136.26
Total	106188.67	24938.06	552.77	130573.96	38582.80	6503.33	339.85	44746.28	85827.68	67605.87
Intangible										
Goodwill (Note 1)	1933.97	–	–	1933.97	1740.58	193.39	–	1933.97	–	193.39
	1933.97	–	–	1933.97	1740.58	193.39	–	1933.97	–	193.39
Total	108122.64	24938.06	552.77	132507.93	40323.38	6696.72	339.85	46680.25	85827.68	67799.26
Previous year	110436.76	439.79	2753.91	108122.64	35349.88	5581.72	608.22	40323.38	67799.26	

Notes:

1. Represents goodwill arising on acquisition of Coastal Papers Limited and its subsequent amalgamation with the Company.
2. During the year, sales/adjustments made to the block of fixed assets includes ₹92.33 lakhs representing foreign exchange fluctuation gain decapitalised pursuant to notification no G.S.R. 225 (E) dated 31st March, 2009. During the previous year sales/adjustments included foreign exchange fluctuation gain on restatement of long term foreign curreny monetary items amounting to ₹2,004.06 lakhs recorded in fixed assets pursuant to the above mentioned notification.
3. Depreciation for the year includes ₹33.89 lakhs (Previous year: ₹121.92 lakhs) towards depreciation effect on foreign exchange fluctuations upto the year ended 31st March, 2011.

₹ Lakhs

Schedule 6
Investments

	As at 31st March, 2011	As at 31st March, 2010
Long term at cost, unless otherwise specified		
I. Quoted investments		
Non-trade		
a. Equity Shares (fully paid-up)		
1,000 (Previous year: 1,000) equity shares of ₹10 each of		
Tamilnadu Newsprint & Papers Limited	1.10	1.10
100 (Previous year: 100) equity shares of ₹10 each of		
JK Paper Mills Limited	0.04	0.04
100 (Previous year: 100) equity shares of ₹10 each of		
Seshasayee Paper and Boards Limited	0.08	0.08
100 (Previous year: 100) equity shares of ₹10 each of		
The Sirpur Paper Mills Limited	0.09	0.09
100 (Previous year: 100) equity shares of ₹10 each of		
Star Paper Mills Limited	0.03	0.03
25 (Previous year: 25) equity shares of ₹10 each of		
Rama Newsprint & Papers Limited (Note 1)	–	–
500 (Previous year: 500) equity shares of ₹2 each of		
The West Coast Paper Mills Limited	0.18	0.18
300 (Previous year: 300) equity shares of ₹2 each of		
Ballarpur Industries Limited	0.05	0.05
3,000 (Previous year: 1,500) equity shares of ₹1 each of		
ITC Limited	1.09	1.09
1,000 (Previous year: 1,000) equity shares of ₹1 each of		
Orient Paper and Industries Limited	0.04	0.04
Total quoted long term investments (I)	2.70	2.70
II. Unquoted investments		
Non-trade		
a. Equity Shares (fully paid-up)		
13,40,000 (Previous year: 13,40,000) equity shares of		
₹10 each of Andhra Pradesh Gas Power Corporation Limited	1538.37	1538.37
30,000 (Previous year: 30,000) equity shares of ₹10 each of		
Somar Granites Private Limited	3.00	3.00
2,12,800 (Previous year: 2,12,800) equity shares of		
₹10 each of Kedia Distillery Limited	61.71	61.71
b. Mutual funds		
3,21,759.706 (Previous year: 3,21,759.706) units of		
₹10 each of UTI Services Industries Fund-Dividend Plan	183.27	183.27
Total unquoted long term investments (II)	1786.35	1786.35
Total Investments (I+II)	1789.05	1789.05
Less: Provision for decline, other than temporary,		
in the value of long term investments	124.71	124.71
Total Investments, net	1664.34	1664.34
Aggregated book value of quoted investments	2.70	2.70
Aggregated book value of unquoted investments	1786.35	1786.35
Aggregated market value of quoted investments	8.26	6.05

Note 1:

The cost of the Company's investment in Rama Newsprint & Papers Limited of ₹228 has been rounded off in ₹ lakhs above.

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010

Schedule 7

Inventories

	As at 31st March, 2011	As at 31st March, 2010
Stores, spares and packing materials	5152.89	4020.72
Raw materials	3512.48	2659.20
Material-in-transit/awaiting inspection	190.81	319.28
Work-in-process	1142.31	895.36
Finished goods	2108.36	3692.64
Total	12106.85	11587.20

Schedule 8

Sundry debtors

	As at 31st March, 2011	As at 31st March, 2010
Debtors outstanding for a period exceeding six months		
- Secured, considered good	35.03	142.40
- Unsecured, considered good	71.03	20.68
- Unsecured, considered doubtful	38.32	38.32
Other debts		
- Secured, considered good	807.43	608.38
- Unsecured, considered good	4715.87	3871.00
	5667.68	4680.78
Less: Provision for bad and doubtful debts	(38.32)	(38.32)
Total	5629.36	4642.46
*Includes amounts due from companies under the same management as defined under Section 370(1B) of the Companies Act,1956:		
The Swadeshi Commercial Company Limited	7.61	4.05

Schedule 9

Cash and bank balances

	As at 31st March, 2011	As at 31st March, 2010
Cash in hand	8.38	7.27
Cheques in hand	13.04	43.29
Balances with scheduled banks:		
in current accounts	1387.69	533.19
in exchange earner's foreign currency accounts	88.16	97.62
in deposit accounts**	245.86	184.18
in unclaimed dividend accounts*	13.34	13.87
Remittances-in-transit	311.62	497.22
Total	2068.09	1376.64

* Section 205 of the Companies Act, 1956, mandates that companies transfer dividend that has been unclaimed for a period of seven years from unpaid dividend account to the Investor Education and Protection Fund (IEPF). Accordingly, if dividend is unclaimed within a period of seven years, it will be transferred to IEPF.

** Deposits with scheduled banks include ₹79.41 lakhs (Previous year: ₹63.43 lakhs) representing margin money for letters of credit and bank guarantees issued.

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Schedule 10		
Loans and advances (Unsecured)		
Considered good		
Advances to material suppliers	1496.62	1515.09
Staff loans and advances	84.66	82.48
Other advances recoverable in cash or in kind or for value to be received	2920.08	2394.95
Advance tax (net of provision for tax)	153.04	–
Interest accrued	115.35	131.36
Minimum Alternate Tax credit entitlement	3286.97	2170.64
Balances with customs, central excise, etc.	636.27	422.24
Deposits with government, public bodies and others	488.99	512.35
Considered doubtful		
Other advances recoverable in cash or in kind or for value to be received	27.77	30.70
	9209.75	7259.81
Less: Provision for doubtful loans and advances	(27.77)	(30.70)
Total	9181.98	7229.11
*Includes amount due from companies under the same management as defined under Section 370(1B) of the Companies Act,1956:		
MB Commercial Company Limited	0.97	0.97
*Maximum amount due from companies under the same management as defined under Section 370(1B) of the Companies Act,1956:		
MB Commercial Company Limited	0.97	0.97

	As at 31st March, 2011	As at 31st March, 2010
Schedule 11		
Current liabilities		
Sundry creditors		
Due to medium and small enterprises	24.84	100.86
Due to other than medium and small enterprises		
- Capital	1002.03	874.99
- Others	10380.09	9504.83
Advance from customers	88.69	458.28
Interest accrued but not due on loans	493.94	495.76
Unclaimed dividends*	13.34	13.87
Security deposits from dealers including interest due thereon	1310.79	1347.86
Other liabilities	679.66	758.08
Total	13993.38	13554.53

*Investor Education and Protection Fund (the Fund) is being credited by the amounts of unclaimed dividends after seven years from the due date. During the current year ₹2.06 lakhs (Previous year: ₹1.54 lakhs) has been credited to the Fund.

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Schedule 12 Provisions		
Proposed dividend	397.70	327.52
Tax on proposed dividend	64.52	54.40
Provision for tax (net of advance tax)	–	60.17
Compensated absences	–	191.77
Total	462.22	633.86

Both the gratuity and the compensated absences plans of the Company are funded. As of 31st March, 2011, the Company has an overfunded position for both its gratuity and compensated absence benefit plans and accordingly, no provision exists in the Balance Sheet.

₹ Lakhs

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Schedule 13		
Other Income		
Interest income	158.79	98.26
[tax deducted at source: ₹8.05 lakhs (Previous year: ₹3.57 lakhs)]		
Dividend from investments	6.75	16.51
Income from sale of carbon credits	96.41	–
Profit on sale of fixed assets, net	425.51	282.66
Liabilities no longer required written back	18.57	66.55
Provision no longer required written back	102.88	163.30
Insurance and other claims	187.46	22.95
Scrap and other sales	560.63	179.31
Bad debts recovered	75.00	–
Miscellaneous income	48.81	44.06
Total	1680.81	873.60

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
Schedule 14				
Material costs				
a. Net decrease in stock				
Opening				
Work-in-process	895.36		2030.35	
Finished goods	3692.64	4588.00	4420.48	6450.83
Closing				
Work-in-process	1142.31		895.36	
Finished goods	2108.36	3250.67	3692.64	4588.00
Net decrease in stock		1337.33		1862.83
b. Adjustment for excise duty on stocks		48.66		(18.44)
c. Raw materials consumed				
Opening stock of raw materials	2659.20		2223.50	
Add: Purchases	20957.58		16054.03	
	23616.78		18277.53	
Less: Closing stock	3512.48	20104.30	2659.20	15618.33
Total		21490.29		17462.72

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₹ Lakhs

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Schedule 15		
Manufacturing expenses		
Stores, spares and packing material consumed	17092.10	14699.91
Power and fuel	9402.62	5960.21
Repairs and maintenance		
Buildings	209.80	157.10
Plant and machinery	1341.43	1055.39
Other manufacturing expenses	284.33	211.00
Total	28330.28	22083.61

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Schedule 16		
Personnel costs		
Salaries, wages and bonus	6501.96	4859.72
Contribution to provident and other funds	791.36	261.85
Workmen and staff welfare expenses	682.92	527.35
Total	7976.24	5648.92

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Schedule 17		
Operating and other expenses		
Commission and discount on sales	2856.89	2230.21
Forwarding, transportation and other sales expenses	684.85	996.70
Rates and taxes	295.57	258.49
Insurance	220.13	276.03
Legal and professional	205.50	134.77
Commission to Non-Executive Directors	–	66.30
Rent	192.64	202.81
Research and development	162.52	174.32
Loss on assets discarded	77.74	12.60
Auditors' remuneration	19.02	14.16
Cost auditor's remuneration	2.00	2.00
Directors' sitting fees	7.35	7.30
Repair and maintainence - others	177.31	116.56
Bad debts and advances written-off	3.81	8.40
Provision for doubtful debt, advances and other assets	50.25	30.70
Miscellaneous expenses	715.94	772.91
Total	5671.52	5304.26

₹ Lakhs

	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
Schedule 18				
Finance charges				
Interest on				
Term loan		3498.72		2441.99
Deposits		194.92		173.44
Others		68.42		14.94
Bank and finance charges		214.63		432.61
Foreign exchange loss, net		11.74		152.47
Total		3988.43		3215.45
Schedule 19				
Provision for tax				
Current taxes	1138.00		1106.00	
Minimum alternate tax credit	(1138.00)	–	(1106.00)	–
Wealth tax		1.11		–
Taxes for earlier years		17.27		176.49
Deferred tax expense		1196.00		909.70
Total		1214.38		1086.19

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Schedule 20

Notes to the Accounts

20(1). Significant Accounting Policies

a. Basis of preparation

The financial statements of The Andhra Pradesh Paper Mills Limited ('APPM' or 'the Company') have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. The financial statements are rounded off to the nearest Rupees Lakhs.

b. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c. Fixed assets and depreciation

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Intangible assets are recorded at the consideration paid for acquisition.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

Depreciation on Plant and Machinery of Units APPM and CP and Buildings of Unit:CP are charged under straight line method applying the rates worked out in accordance with Schedule XIV of the Companies Act, 1956. Depreciation on other fixed assets is charged under written down value method in accordance with Schedule XIV of the Companies Act, 1956.

Leasehold improvements are amortised over the primary period of lease or the estimated useful life of such assets, whichever is shorter.

Goodwill arising on amalgamation is amortised over a period of 10 years.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹5,000 are depreciated in full in the year of acquisition.

d. Investments

Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

Current investments are carried at the lower of cost and market value. The comparison of cost and market value is done separately in respect of each category of investment.

e. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials	Weighted average method
Stores and spares and packing materials	Weighted average method
Work-in-process and finished goods (manufactured)	Weighted average method and including an appropriate share of production overheads

f. Employee benefits

Employee benefits in the form of superannuation fund, employees state insurance fund and labour welfare fund are considered as defined contribution plans and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

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Eligible employees receive benefits from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes the contributions to the Employees Provident Fund of The Andhra Pradesh Paper Mills Limited, Unit:APPM, Rajahmundry. The rate at which the annual interest is payable to the beneficiaries by the Trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Company's liabilities towards gratuity, compensated absences are determined based on actuarial valuation carried out by an independent actuary using the projected unit credit method as on the date of the Balance Sheet.

Actuarial gains/losses are immediately recognised in the Profit and Loss Account and are not deferred.

g. Foreign currency transactions and balances

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit and Loss Account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the exchange rate on the balance sheet date and resultant exchange differences are recognised in the Profit and Loss Account.

Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

As per the notification issued by the Ministry of Corporate Affairs vide notification dated 31st March 2009, the Company has adjusted foreign exchange differences arising on long term foreign currency loans to the cost of the asset, where the long term foreign currency monetary items related to acquisition of a depreciable capital asset (whether purchased within or outside India), and has depreciated such foreign exchange gain/losses over the asset's balance useful life.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the Balance Sheet date. The premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the Balance Sheet date, the exchange difference is calculated and recorded in accordance with AS-11 (revised). The exchange difference on such a forward exchange contract is calculated as the difference of the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.

h. Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers. Revenue from domestic sales is recognised on delivery of products to customers, from the factories of the Company. Revenue from export sales is recognised when the significant risks and rewards of ownership of products are transferred to the customers, which is based upon the terms of the applicable contract. Revenue from sale of goods has been presented both gross and net of excise duty.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Dividend income is recognised when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method based on underlying interest rates.

Export entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Insurance and other claims/refunds are accounted for as and when admitted by appropriate authorities.

Income from sale of Certified Emission Reduction points (CERs) granted by UNFCCC on energy efficient measures are accounted as and when sold to customers.

i. Income tax expense

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using currently applicable enacted Minimum Alternate Tax rate. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised. The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum alternate tax credit

Minimum Alternate Tax ('MAT') paid in accordance with the Indian tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the Balance Sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant asset can be measured reliably.

j. Earnings per share

The basic Earnings per Share ('EPS') is computed by dividing the net profit after tax for the year by the weighted average number of Equity Shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares. The dilutive potential Equity Shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential Equity Shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

k. Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

l. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

m. Leases

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

2. **Commitments and contingent liabilities**

₹ Lakhs

			As at 31st March, 2011	As at 31st March, 2010
i.	**Commitments/contingent liabilities**			
	a.	Guarantees issued by banks	684.36	767.15
	b.	Letters of credit outstanding	1014.83	240.55
	c.	Corporate guarantee given to forest department of Government of Andhra Pradesh	1472.09	1472.09
ii.	**Claims against the Company not acknowledged as debts in respect of:**			
	a.	Income tax matters, pending decisions on various appeals made by the Company and by the Department	138.82	107.07
	b.	Excise matters, under dispute	1647.02	3435.82
	c.	Sales tax matters, under dispute	365.33	347.04
	d.	Other matters, under dispute	297.25	438.27
	e.	Vacant land tax	228.31	228.31
	f.	Demand raised by Eastern Power Distribution Corporation of Andhra Pradesh Limited for surplus power supplied by APGPCL disputed by the company. An amount of ₹76.98 lakhs paid under protest (Previous year ₹76.98 lakhs) has been grouped under loans and advances. The appeal filed by APTRANSCO is pending before the Hon'ble A.P. High Court in which other companies similarly placed are made respondents.	87.66	87.66
iii.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)		2136.94	1692.811
iv.	Commitment under Export Promotion Capital Goods (EPCG) scheme		57613.38	57970.00

3. **Deferred Taxation**

The Company has since the inception of Accounting Standard 22 on Accounting for Taxes on Income, recognised the deferred tax expense, which arises primarily from depreciation on tangible fixed assets on the basis of the currently applicable enacted Minimum Alternate Tax rate rather than the regular tax rates as specified by paragraph 21 of Accounting Standard 22. The Company has challenged the provisions of Accounting Standard 22, in so far as it relates to the above matter and has accordingly filed a writ petition in June 2003 before the Hon'ble High Court of Andhra Pradesh. The case has been subsequently transferred to the Hon'ble Calcutta High Court. The writ petition has been admitted and is currently pending resolution. The quantification of the deferred tax liability, and consequential impact on the financial statement, which may arise due to the above, has been held in abeyance pending disposal of the writ petition.

Deferred tax liability, net included in the Balance Sheet comprises the following:

₹ Lakhs

	As at 31st March, 2011	As at 31st March, 2010
Deferred tax liability		
Fixed assets	4923.09	3951.50
Disallowances as per Section 43B and Section 40(a) of the Income Tax Act, 1961	2.20	1.83
Taxes paid under protest	2.78	–
	4928.07	3917.63
Deferred tax assets		
Disallowances under Section 43B of the Income Tax Act, 1961	114.85	114.85
Provision for diminution in the value of investments and doubtful debts	12.15	12.15
Unabsorbed depreciation	529.82	715.38
	656.82	842.38
Deferred tax liability, net	4271.25	3075.25

4. Earnings per Share (EPS)

The computation of EPS is set out below:

₹ Lakhs

		For the year ended 31st March, 2011	For the year ended 31st March, 2010
Earnings		Basic and diluted EPS	Basic and diluted EPS
Net profit for the year		4494.22	5419.34
Shares			
Number of shares at the beginning of the year		3,27,51,797	2,57,33,555
Add: Shares issued during the year		70,18,242	70,18,242
Total number of equity shares outstanding at the end of the year		3,97,70,039	3,27,51,797
Weighted average number of equity shares outstanding during the year		3,50,59,164	2,57,72,011
Earnings per share of par value ₹10	(₹)	12.82	21.03

5. Related Party Disclosures

a. Related parties where control exists or where significant influence exists and with whom transactions have taken place during the year:

Enterprises where principal shareholders have control

1. Samay Books Limited - Enterprise owned by principal shareholders

Enterprises where principal shareholders have significant influence

1. Digvijay Investments Limited - Enterprise owned by principal shareholders
2. Amalgamated Development Limited - Enterprise owned by principal shareholders
3. Apurva Export Private Limited - Enterprise owned by principal shareholders
4. MB Commercial Company Limited - Enterprise owned by principal shareholders
5. Maharaja Shree Umaid Mills Limited - Enterprise owned by principal shareholders
6. Mugneeram Ramcoowar Bangur Charitable & Religious Company - Enterprise owned by principal shareholders
7. Placid Limited - Enterprise owned by principal shareholders
8. Shree Krishna Agency Limited - Enterprise owned by principal shareholders
9. The General Investment Company Limited - Enterprise owned by principal shareholders
10. The Kishore Trading Company Limited - Enterprise owned by principal shareholders
11. The Peria Karamalai Tea & Produce Company Limited - Enterprise owned by principal shareholders
12. The Swadeshi Commercial Company Limited - Enterprise owned by principal shareholders

Key Management Personnel represented on the Board

Mr. L.N. Bangur	Executive Chairman
Mr. M.K. Tara	Managing Director & CEO
Ms. Sheetal Bangur	Director (Commercial)
Mr. Shreeyash Bangur	Director (Corporate)
Mr. P.K. Suri	Director (Operations)

Non-Executive and Independent Directors on the Board

Mrs. Alka Bangur
Mr. N. Srinivasan
Mr. R.C. Sarin
Mr. P.J.V. Sarma
Mr. P.K. Paul
Mr. Rajiv Kapasi
Mr. P.R. Ramakrishnan

6. Related party disclosures

a. The following is a summary of significant related party transactions:

₹ Lakhs

	Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
i.	Sales to:		
	The Swadeshi Commercial Company Limited	281.56	352.17
ii.	Purchases from:		
	Samay Books Limited	460.00	334.10
iii.	Rent paid to:		
	MB Commercial Company Limited	2.85	2.97
iv.	Executive Directors remuneration	770.84	185.21
	(including arrears of ₹162.29 lakhs pertaining to earlier years paid		
	during the current year)		
v.	Interest on public deposit		
	Managerial personnel	0.43	0.31
	[tax deducted at source: ₹0.04 lakhs (Previous year: ₹0.03 lakhs)]		
vi.	Public deposit taken		
	Managerial personnel	–	3.50
vii.	Directors' sitting fees	7.35	7.30
viii.	Issue of Share Capital		
	- Digvijay Investments Limited	86.99	85.95
	- M.B Commercial Company Limited	4.10	4.10
	- Maharaja Shree Umaid Mills Limited	245.46	242.51
	- Amalgamated Development Limited	0.31	0.31
	- Apurva Export Private Limited	4.74	4.74
	- Mungeeram Ramcoowar & Religious Company	0.31	0.31
	- Placid Limited	2.87	2.87
	- Samay Books Limited	2.02	2.00
	- Shree Krishna Agency Limited	0.05	0.05
	- The General Investment Company Limited	0.07	0.07
	- The Kishore Trading Company Limited	0.14	0.14
	- The Peria Karamalai Tea & Produce Company Limited.	25.70	25.41
	- The Swadeshi Commercial Company Limited	0.34	0.34
	- Key Management Personnel	30.09	29.83

b. The Company has the following amounts due to/from related parties:

	Particulars	As at 31st March, 2011	As at 31st March, 2010
i.	Due from related parties		
	The Swadeshi Commercial Company Limited	7.61	4.05
	MB Commercial Company Limited	0.97	0.97
ii.	Due to related parties		
	Samay Books Limited	16.91	34.06
iii.	Public deposit from managerial personnel	4.17	3.78

7. Particulars of managerial remuneration

The remuneration paid to managerial personnel during the year:

₹ Lakhs

Particulars	Executive Chairman For the year ended 31st March,		Managing Director For the year ended 31st March,		Other Executive Directors For the year ended 31st March,		Non-Executive/ Independent Directors For the year ended 31st March,	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Salaries and allowances	219.87	–	235.17	93.37	207.47	56.25	–	–
Commission	–	–	–	–	–	–	–	66.30
Other perquisites	–	–	1.74	1.20	22.08	8.26	–	–
Contribution to funds	23.31	–	33.65	12.98	27.55	13.15	–	–
	243.18	–	270.56	107.55	257.10	77.66	–	66.30
Arrears included above	–	–	94.64	–	67.65	–	–	–
Remuneration for the current year	243.18	–	175.92	107.55	189.45	77.66	–	66.30

Computation of net profit and Directors' commission under Section 309(5) of the Companies Act, 1956 and commission payable to directors:

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Profit before taxation as per Profit and Loss Account	5708.60	6505.53
Add:		
Managerial remuneration to Directors	770.84	185.21
Directors' sitting fee	7.35	7.30
Commission to Non-Executive Directors	–	66.30
Deferred revenue expenditure	–	142.71
	6486.79	6907.05
Less:		
Profit on sale of fixed assets, net	383.60	276.83
Profit for the purpose of calculating Directors' remuneration as per the provisions of the Companies Act, 1956	6103.19	6630.22
Maximum permissible remuneration payable to Whole-time Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed as above	610.31	663.02
Amount paid as managerial remuneration for current year	608.55	251.51
Arrears of managerial remuneration for the year ended 31st March 2010, paid during the current year post shareholders' approval	162.29	–

8. Auditors' remuneration

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
a. Audit fees	15.00	7.00
b. Other charges		
Taxation matters	1.00	1.00
Other matters	2.37	4.70
c. Out of pocket expenses	0.65	1.46
	19.02	14.16

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9. Capacity and production

Licensed capacity, installed capacity and production

Class of goods	Unit	As at 31st March, 2011 Installed capacity (ii)	As at 31st March, 2011 Actual production	As at 31st March, 2010 Installed capacity (ii)	As at 31st March, 2010 Actual production
Pulp, Paper and Board*	MT	2,32,189	1,87,233	1,74,000	1,76,452
Generation of electricity**	MW	62.94	3,192.44 Kwh Lakhs	62.94	2,669.94 Kwh Lakhs
Generation of steam	TPH	573	24,02,712 MT	573	20,01,686 MT

* represents finished production of Paper and Paper Board. Production of pulp is not separately ascertained as pulp plant is an integral part of paper and paper board plant. Includes pulp production of 4,733 MT (Previous year: 24,705 MT) meant for external sales.

** Total generation of steam is for internal consumption. Generation of electricity is for internal consumption with surplus units sold to APTRANSCO.

Notes:

i. Licensed capacity not applicable in terms of Government of India's notification.

ii. Installed capacities are as certified by the Managing Director & CEO and have not been verified by the auditors as this is a technical matter.

10. Particulars of production, sales and closing stock

Class of goods	Opening stock MT	Opening stock ₹ Lakhs	Production MT	Sales MT	Sales ₹ Lakhs	Closing stock MT	Closing stock ₹ Lakhs
Pulp, paper and board	12,228	3692.64	1,87,233	1,93,302	79593.83	6,159	2108.36
Power	–	–	–	–	1530.82	–	–
Total		3692.64			81124.64		2108.36
Previous year							
Pulp, paper and board	13,127	4420.48	1,76,452	1,77,351	65453.14	12,228	3692.64
Power	–	–	–	–	1501.71	–	–
Total		4420.48			66954.85		3692.64

11. Raw materials consumed during the year

Raw materials	For the year ended 31st March, 2011 MT	For the year ended 31st March, 2011 ₹ Lakhs	For the year ended 31st March, 2010 MT	For the year ended 31st March, 2010 ₹ Lakhs
Hardwood	6,08,007	15205.25	5,16,505	12211.13
Waste paper cuttings, wood pulp, etc.	28,762	4752.96	25,862	2965.10
Others	5,597	146.09	19,232	442.10
Total		20104.30		15618.33

Others include items which do not individually exceed 10% of total consumption.

12. Details of imported and indigenous raw materials, spares and packing materials consumed

Particulars	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
	₹ Lakhs	% of total consumption	₹ Lakhs	% of total consumption
Raw materials				
Imported	3964.60	19.72	2972.90	19.03
Indigenous	16139.70	80.28	12645.43	80.97
	20104.30	100.00	15618.33	100.00
Stores, chemicals, spares and packing materials				
Imported	1857.89	10.87	2284.08	15.54
Indigenous	15234.21	89.13	12415.83	84.46
	17092.10	100.00	14699.91	100.00

13. CIF value of imports

₹ Lakhs

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Raw materials	2812.72	2602.47
Stores and spares	2169.25	1575.38
Capital goods	647.21	1013.39
	5629.18	5191.24

14. Earnings in foreign currency

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Exports on FOB basis	4474.79	4417.98
	4474.79	4417.98

15. Expenditure in foreign currency

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Travelling	10.73	6.27
Interest	425.46	1065.03
Membership subscriptions	1.23	0.28
	437.42	1071.58

16. Employee benefit plans

The following table set out the status of the gratuity plan as required under AS-15 (Revised):

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Opening defined benefit obligation	1824.63	1870.78
Current service cost	80.75	90.79
Interest cost	145.97	127.72
Actuarial losses/(gain)	190.96	19.43
Benefits paid	(326.67)	(284.09)
Closing defined benefit obligation	1915.64	1824.63

Change in the fair value of assets

₹ Lakhs

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Opening fair value of plan assets	2081.10	1836.32
Expected return on plan assets	197.70	141.99
Actuarial gains/(losses)	(60.01)	265.33
Contributions by employer	250.38	121.55
Benefits paid	(326.67)	(284.09)
Closing fair value of plan assets	2142.51	2081.10

Amount recognized in Balance Sheet

Particulars	As at 31st March, 2011	As at 31st March, 2010
Present value of funded obligations	1915.64	1824.63
Fair value of plan assets	2142.50	2081.10
Net position	226.86	256.47
Amounts in the balance sheet		
Loans and advances	226.86	256.47
Net liability/(asset)	(226.86)	(256.47)

Expense recognised in statement of Profit and Loss Account

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Current service cost	80.75	95.49
Interest on defined benefit obligation	145.97	127.72
Expected return on plan assets	(197.70)	(141.99)
Net actuarial losses/(gains) recognised	250.97	(245.90)
Amount included in 'Employee benefit expense'	279.99	(164.68)

Summary of actuarial assumptions

Financial assumptions at the valuation date:

Particulars		For the year ended 31st March, 2011	For the year ended 31st March, 2010
Discount rate	(%)	8	7.5
Expected rate of return on plan assets	(%)	9.5	9.5
Salary escalation rate	(%)	5	5

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

17. Dividend remittance in foreign currency

₹ Lakhs

Particulars	**For the year ended 31st March, 2011**	For the year ended 31st March, 2010
Number of non-resident shareholders	1	1
Number of shares held by them on which dividends were paid	17,50,004	13,75,003
Amounts remitted, net of tax	17,50,004	6,87,502
Period to which dividend payment relates	Final dividend for	Final dividend for
	the year ended	the year ended
	31st March, 2010	31st March, 2009

18. Segment information

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

Information relating to secondary segments i.e. geographical segments - Domestic and Overseas is as follows:

Particulars	Domestic		Overseas		Total	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010	**For the year ended 31st March, 2011**	For the year ended 31st March, 2010	**For the year ended 31st March, 2011**	For the year ended 31st March, 2010
Segment revenue	72987.47	62315.57	8137.17	4639.28	81124.64	66954.82
Segment assets	119402.65	116482.07	753.65	412.69	120156.30	116894.76

19. Leases

The Company is obligated under non-cancellable operating lease agreements. Total rental expense under non-cancellable operating leases is ₹31.33 lakhs (Previous year: Nil). The total rental expense under cancelable operating leases amounts to ₹161.31 lakhs (Previous year: ₹202.81 lakhs). The future minimum lease payments under non-cancellable operating leases are as follows:

Particulars	**As at 31st March, 2011**	As at 31st March, 2010
Not later than 1 year	31.33	–
Later than 1 year and not later than 5 years	172.32	–
More than 5 years	570.24	–

20. Clean Development Mechanism (CDM) Emission Reductions:

On account of energy efficiency measures undertaken by the Company during the period from June 2000 to December 2006, UNFCCC (in accordance with the regulations of United Nations body on environment) has approved the project and accorded Certified Emission Reduction (CERs) points to the Company, which have been sold during the year. Income from such sales has been credited to the Profit and Loss Account and has been disclosed under other income.

21. The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26th August, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31st March, 2011 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

₹ Lakhs

	Year ended 31st March, 2011	Year ended 31st March, 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	24.84	100.86
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

22. Conversion of warrants

70,18,242 equity shares of ₹10 each at a premium of ₹40 per share offered to the shareholders on rights basis were allotted on 30th March, 2010. In terms of letter of offer dated 22nd February, 2010, 70,18,242 detachable warrants were also allotted on the same day which will be converted into equivalent number of equity shares of ₹10 each on payment of warrant exercise price of ₹50 per warrant at any time before the expiry of 18 months from the date of allotment i.e. 30th September, 2011. A sum of ₹2,807.30 lakhs collected on account of premium at ₹40 per share on 70,18,242 equity shares of ₹10 each allotted on rights basis on 30th March, 2010 was credited to security premium account. Expenses of ₹49.87 lakhs related to the rights issue was adjusted against the securities premium account.

During the year, the Company has allotted 70,18,242 equity shares of ₹10 each at a premium of ₹40 per share, by converting an equivalent number of detachable warrants. A sum of ₹2,807.30 lakhs collected on account of premium at ₹40 per share on 70,18,242 equity shares of ₹10 each allotted on conversion of warrants on 2nd December, 2010 has been credited to securities premium account. Expenses of ₹2.92 lakhs related to the issue of shares have been adjusted against the securities premium account.

23. Borrowing costs

Additions to fixed assets include an amount of ₹222.69 lakhs (Previous year: ₹1,034.55 lakhs) on account of capitalisation of interest costs as stipulated under AS 16 - Borrowing Costs.

24. Unhedged forex exposure

The Company has not entered into any hedging transactions to hedge its foreign currency exposure. The Company has the following un-hedged exposure in foreign currency at the year end:

Lakhs

Particulars	As at 31st March, 2011			As at 31st March, 2010		
	USD	Euro	₹	USD	Euro	₹
Sundry debtors	2.07	–	92.50	0.62	–	27.81
Sundry creditors	2.49	0.07	115.96	3.58	0.12	173.73
Advance received from customer	0.64	–	28.72	–	–	–
Bank balance	1.98	–	88.16	2.17	–	97.62
Secured loans	339.46	–	15140.08	320.83	–	14407.02

25. The Promoters of the Company, LN Bangur Group informed the Company on 29th March, 2011 that they had entered into an agreement to sell their entire shareholding of 2,12,60,008 equity shares of ₹10 each held by them in the Company to IP Holding Asia Singapore PTE Limited (Acquirer), a subsidiary of International Paper Company, USA. The transfer of the aforesaid shares will take place after receiving the necessary approvals from regulatory authorities in India by the Acquirer. The Acquirer is an unlisted company incorporated under the laws of Singapore. International Paper Company, USA is a global paper and packaging company and is listed on the New York Stock Exchange.

26. The Board of Directors has recommended a dividend of ₹1.00 per share of ₹10 each for the year.

27. Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

As per our report attached.

For B S R & Co.
Chartered Accountants
Firm's Registration Number: 101248W

Zubin Shekary
Partner
Membership No. 048814

Secunderabad
4th May, 2011

For and on behalf of the Board

L.N. Bangur
Executive Chairman

M.K. Tara
Managing Director & CEO

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

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

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Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

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

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

Public Issue	N I L	Rights Issue	7 0 1 8 2
Bonus Issue	N I L	Private Placement	N I L

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

Total Liabilities	1 0 5 7 0 0 7 0	Total Assets	1 0 5 7 0 0 7 0

SOURCES OF FUNDS

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

APPLICATION OF FUNDS

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

IV. Performance of Company (Amount in ₹thousands)

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

V. Generic Names of Principal Products/Services of Company

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

As per our report attached.

For B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Zubin Shekary
Partner
Membership No. 048814

Secunderabad
4th May, 2011

For and on behalf of the Board

L.N. Bangur
Executive Chairman

M.K. Tara
Managing Director & CEO

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

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

Five Years at a Glance

		2010-11	2009-10	2008-09	2007-08	2006-07
OPERATING RESULTS						
Production	MT	187233	176452	177748	180681	159574
Sales	MT	193302	177351	170239	176758	155750
Turnover	₹ Lakhs	79593.83	65453.14	65733.39	62824.41	53303.00
Profit before Depreciation and Tax	₹ Lakhs	12405.32	12087.25	7488.05	6497.07	6432.94
Depreciation	₹ Lakhs	6696.72	5581.72	5411.19	5236.22	4142.64
Exceptional items	₹ Lakhs	–	–	(111.87)	(705.52)	–
Provision for Tax	₹ Lakhs	18.38	176.49	42.14	89.17	(324.78)
Provision for Deferred Tax	₹ Lakhs	1196.00	909.70	251.20	223.20	201.90
Profit after Tax	₹ Lakhs	4494.22	5419.34	1895.39	1654.00	2413.18
Dividend on Equity Shares	₹ Lakhs	397.70	327.52	128.77	257.34	257.34
Tax on Equity Dividend	₹ Lakhs	64.52	54.39	21.89	43.73	43.73
Retained Profit	₹ Lakhs	4032.00	5037.43	1744.73	1352.93	2112.11
SOURCES OF FUNDS						
Share Capital – Equity	₹ Lakhs	3977.00	3275.18	2573.36	2573.36	2381.97
Reserves & Surplus	₹ Lakhs	53855.73	47019.35	39224.40	39069.58	36125.63
Shareholders' Funds	₹ Lakhs	57832.73	50294.53	41797.76	41642.94	38507.60
Borrowings	₹ Lakhs	43596.72	49336.59	56103.17	53193.05	51109.71
Deferred Tax Liability	₹ Lakhs	4271.25	3075.25	2165.55	2117.50	1922.10
Total	₹ Lakhs	105700.70	102706.37	100066.48	96953.49	91539.41
APPLICATION OF FUNDS						
Net Fixed Assets	₹ Lakhs	89505.68	90395.01	90333.10	86390.19	83922.27
Investments	₹ Lakhs	1664.34	1664.34	1664.34	1664.34	1664.36
Net Current Assets	₹ Lakhs	14530.68	10647.02	7926.33	8665.77	5602.12
Miscellaneous Expenditure (To the extent not written off)	₹ Lakhs	–	–	142.71	233.19	350.66
Total	₹ Lakhs	105700.70	102706.37	100066.48	96953.49	91539.41
Book Value per Equity Share	₹	145.00	155.00	162.00	162.00	162.00
Earnings per Equity Share	₹	12.82	21.03	7.37	6.44	10.13
Dividend (Equity)	%	10	10	5	10	10

Note: Figures have been regrouped wherever necessary.

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THE ANDHRA PRADESH PAPER MILLS LIMITED

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

ATTENDANCE SLIP

Day	Saturday
Date	10th September, 2011
Time	3.00 p.m.
Venue	Sri Venkateswara Anam Kala Kendram, Rajahmundry - 533 104

Folio No.

Demat Particulars
DP ID No.

Client ID No.

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

MEMBER ☐ **PROXY** ☐

(Please tick as applicable)

No. of Shares

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

I hereby record my presence at the 47th ANNUAL GENERAL MEETING of the Company

. . . .
Signature of the Member or Proxy

Tear Here

ANDHRA®
THE FUTURE OF PAPER

THE ANDHRA PRADESH PAPER MILLS LIMITED

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

FORM OF PROXY

Folio No.

Demat Particulars
DP ID No.

Client ID No.

No. of Shares

I/We ....
(Name of Member)
of ....
(Address)
being Member(s) of THE ANDHRA PRADESH 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 47th ANNUAL GENERAL MEETING of the Company to be held **at 3.00 p.m. on Saturday, the 10th September, 2011** and at any adjournment thereof.

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

Affix a
15 paise
Revenue
Stamp

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

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