

APR LIMITED



24th
ANNUAL REPORT

BOARD OF DIRECTORS

Mr. L. M. Thapar, Chairman
Mr. B. M. Thapar
Mr. Gautam Thapar, Managing Director
Mr. A. K. Kelappan
Mr. R. Subramanian (Representative of UTI)
Mr. Sanjay Labroo
Mr. Hemant Luthra
Mr. C. P. Mapa
Mr. N. Santosh Reddy
Mr. P. J. V. Sarma (Nominee of ICICI Limited)
Mr. D. N. Sawhney
Mr. Anup Singh

COMPANY MANAGEMENT

Mr. Rajiv Vederah, Chief Operating Officer
Mr. B. Hariharan, Chief Financial Officer
Mr. S. K. Khurara, Vice President (Operations)
Mr. J.V.V. Prasada Rao, Company Secretary

AUDITORS

M/s. M. R. Devineni & Co.

REGISTERED OFFICE

31-A, Sarojini Devi Road, Secunderabad - 500 003, A.P.

FACTORY

Kamalapuram Township - 506 172
Eturunagaram Taluq, Warangal Dist (A.P.)

Names of Stock Exchanges where the shares of the Company are listed
Hyderabad, Delhi and Mumbai
The annual listing fees have been paid to all the above stock exchanges.

APR LIMITED

DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting their report together with the Accounts for 9 months period ended June 30, 1999.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	1998-99 (9 months)	1997-98 (18 months)
Profit before interest and Finance charges and Depreciation amounts to	3766.82	4438.14
Less: Interest and Finance charges	2080.43	1753.01
Profit before Depreciation	1686.35	2685.13
Less: Depreciation	1297.22	1232.92
Net Profit for the year	389.13	1452.21
Less: Provision for Tax	—	—
	389.13	1452.21
Add/(Less): Income Tax Adjustments	5.52	—
	383.61	1452.21
Less: Terminal Benefits to Employees of Division Sold	—	101.98
	383.61	1350.23
Add: Profit brought forward from last year	296.63	707.94
Add: Investment Allowance Reserve written back	—	3.89
Surplus to be appropriated as follows:	680.24	2062.06
Proposed Dividend		
On Preference Share Capital	53.94	153.22
On Equity Share Capital	—	434.44
Corporate Dividend Tax	5.40	58.77
Debenture Redemption Reserve	—	1044.00
General Reserve	—	75.00
	620.90	296.63

The period under review was significant one for your Company. The plant operations stabilised during the period and achieved several milestones in terms of production, cost and quality. This trend is continuing in the current year and with the expected firming up of pulp prices the operating performance for the current year is expected to be better.

With increasing global competition and keeping in mind the need for meeting the challenges of the market economy, it has become imperative to align the different strengths and synergies within the Group. This, as per the Group's strategy, could be achieved by integrating the pulp business of the Company with the Writing and Printing Paper Business of the Group. The Scheme of Arrangement to give effect to these proposals would be put forth to you for consideration and approval. This proposal, your Directors are confident, would be beneficial to the interests of the shareholders. Post the Scheme of Arrangement your Company would cease to be a manufacturing company and would become an Investment Company.

DIVIDEND

Due to paucity of operating profits for the period under review your Directors thought it prudent not to recommend any dividend on equity shares for the financial year.

FIXED DEPOSITS

Your Company continued to accept Public Deposits during the period under review. The outstanding deposits as on June 30, 1999 were Rs.708 51 lakhs.

SUBSIDIARIES

As required under Section 212 of the Companies Act, 1956, the Statement and Accounts of Subsidiary Company viz., BILT Chemicals Limited are attached herewith.

DIRECTORS

Mr A K Kelappan has ceased to be Executive Director with effect from 1st October, 1999 and continues to be a Director on the Board and is liable to retire by rotation.

During the period under review, Mr M M Kapur, representative of UTI resigned from the Board and Mr. R Subramanian has been appointed as Additional Director with effect from 28.06.1999. The tenure of Mr. R Subramanian being Additional Director comes to an end at the ensuing AGM. A notice has been received intending to appoint Mr R Subramanian as Director of the Company.

M/s. Hemant Luthra, N Santosh Reddy, C P Mapa, Directors of your Company are retiring at the ensuing Annual General Meeting and are eligible for re-election.

RAW MATERIALS

Your Company had maintained adequate levels of raw material inventory during the period under review. Farm Forestry measures are also being continued as a long term strategy and is expected to bear fruit in the years to come. Post the proposed restructuring, these efforts would be further strengthened.

AUDITORS

M/s M.R. Devineni & Co., Chartered Accountants, Auditors of the Company retire and are eligible for reappointment. A Special Resolution pursuant to Section 224-A of the Companies Act, 1956 has to be adopted for this purpose.

APR LIMITED

AUDITORS' REPORT

The Auditors' comments in para 2(d),(e),(f) and (g) of their report read with Notes 2(e), 11,13,14, and 15 are considered to be self explanatory. The Company has complied with the Accounting Standards 6 and 10 on capitalising the project and the related expenditure. The Investments held by the Company are strategic in nature and hence the Company has decided to value them at cost.

Y2K COMPLIANCE

Your Company had taken all steps and achieved Y2K Compliance in all its utilities and processes. Contingency plans have been made to meet any kind of eventuality.

EMPLOYEE RELATIONS

Industrial relations were cordial during the period under review.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217 (2-A) of the Companies Act, 1956 is annexed hereto and forms part of this Report. Information regarding employees seconded from Ballarpur Industries Limited does not form part of this report.

PARTICULARS IN RESPECT OF CONSERVATION OF ENERGY, ETC.

Pursuant to Section 217(1)(e) of the Companies Act, 1956, as required by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, Your Directors are pleased to furnish the required information in the Annexure hereto which forms part of the Report.

ACKNOWLEDGEMENTS

Your Directors convey their sincere thanks to all the Shareholders, Ballarpur Industries Limited, the State Government of Andhra Pradesh, Financial Institutions and Banks for the co-operation extended to the Company.

By Order of the Board

A. K. KELAPPAN
Director

GAUTAM THAPAR
Managing Director

Place : New Delhi
Date : 27-10-1999

APR LIMITED

ANNEXURE TO DIRECTORS' REPORT

Particulars of employees required under Section 217(2a) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the period ended 30th June, 1999

A. Employed throughout the year and in receipt of remuneration aggregating to Rs.4,50,000/- for the 9 months period

S. No.	Name	Designation/ Nature of Duties	Remune- ration Rs.	Qualifi- cation	Exper- ience (Years)	Date of Commencement	Age	Last Employment held before joining the Company	Period of Last Emp- loyment (Years)
1	Mr.A.K.Kelappan	Executive Director	9,47,831	Metriculate	41	1.4.1997	59	Ballarpur Industries Ltd	36
2	Mr.Jacob Samuel	Chief General Manager	5,53,813	Diploma in Chem. Engg.,	36	7.10.1981	57	Sr. Process Engineer Grasim, Hanhar	18
3	Mr.V.V.Aravindakshan	General Manager	4,72,292	B.Sc(Engg) D.C.PA	29	6.6.1997	52	J.K.Corp Ltd., Orissa	23

B. Employed partly during the period

1	Mr.K.Sriram	General Manager (Technical)	7,02,000	B.E.(Hons) Chemical Engg.,	16	3.10.1997	40	Hindustan Lever Ltd.,	4 1/2
2	Mr.K.Gopakumar	General Manager (Marketing)	2,04,350	B.A. (Econo- mics)	21	5.3.1997	45	Sharp Industries	4 months

NOTES:

- 1 Remuneration includes salary and allowances, medical reimbursement and value of other perquisites in accordance with Income Tax Rules, 1962.
- 2 None of the above is related to any of the Directors of the Company.
- 3 The above list does not include particulars of personnel seconded by Ballarpur Industries Ltd.
- 4 None of these employees hold 2% or more of the Equity Shares of the Company along with his spouse and dependent children.

APR LIMITED

ANNEXURE TO DIRECTORS' REPORT

FORM A DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

	Unit	Current Year 1998-99 Pulp	Previous Year 1997-98 Pulp
1 Electricity			
a) Purchase Unit	KWH	6395196	8219140
Total Amount	Rs. Lacs	283.34	359.12
Rate/Unit	Rs.	4.43	4.37
b) Own Generation			
i) Through Diesel Generator	KWH	Not Applicable	Not Applicable
Unit/Lit. of Diesel	KWH		
Cost/Unit	Rs.		
ii) Through Steam Turbine Generator	KWH	51456000	100263216
Unit/MT of Coal	KWH	346.88	356.67
Cost/Unit	Rs.	0.89	0.92
2 Coal (Specify Quality & Where Used) Grade: C,D,K			
Avg. Calorific Value	Kcal/Kg.	3383	3549
Quantity	MT	56998	105960
Total Cost	Rs. Lacs	690.53	1459.67
Average Rate	Rs.	1211.51	1377.54
3 Furnace Oil & LSHS			
Quantity	MT	4945	9693
Total Cost	Rs. Lacs	348.79	739.56
Average Rate	Rs.	7053.45	7629.80
4 Others/Internal Generation, etc.,		—	—

B. CONSUMPTION PER UNIT OF PRODUCTION (PULP)

	Standards	Current Year 1998-99	Previous Year 1997-98
Electricity (KWH/Tonne) (1(a)+(b) of Form A/Production)	950	1210	1220
Coal (MT/Tonne) (As per item 2 of Form A/Production)	1.45	1.19	1.19
Furnace Oil & LSHS (MT/Tonne) (As per item 3 of Form A/Production)	0.111	0.103	0.109
Others/Internal Generation etc., (MT/Tonne) (As per item 4 of Form A/Production)		—	—

Energy Conservation Measures Taken-Specific Measures taken during the year 1998-99:

- Reduction in power consumption by system improvement & effective load engagement in own power plant.

APR LIMITED

FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

- | | | |
|---|--|---|
| 1 | Specific areas in which R & D Carried out by the Company | Optimization of different bleaching sequence to improve final whiteness of the Pulp Optimization of wood mix ratio for increasing the yield |
| 2 | Benefits derived as a result of above R & D | Cost saving in inputs improvement in Pulp quality |
| 3 | Future plant of action | Improve pulp brightness and whiteness |
| 4 | Expenditure on R & D | — |

Technology Absorption, Adaptation & Innovation:

- | | | |
|---|---|--|
| 1 | Efforts made in brief towards Technology absorption improvement of pulp | In-house R&D Technology has been successfully absorbed for the improvement of pulp |
| 2 | Benefits derived as a Result of the above | Further improvement in quality of pulp |
| 3 | In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year) | |
| | a. Technology Imported | |
| | b. Year of Import | |
| | c. Has Technology been fully absorbed | |
| | d. If not fully absorbed areas where this has not taken place, reasons therefor and future plan of action | |

C. Foreign Exchange Earnings and Outgo

- | | | | | | | |
|----------------------------|---|---|--------------------------|-----------------|----------------------------|-----------------|
| a. | Activities relating to exports, initiatives taken to increase | | | | | |
| b. | Total Foreign Exchange used and earned | <table border="0"> <tr> <td style="padding-left: 20px;">a. Foreign Exchange used</td> <td style="text-align: right;">Rs. 103.20 lacs</td> </tr> <tr> <td style="padding-left: 20px;">b. Foreign Exchange earned</td> <td style="text-align: right;">Rs.2317.96 lacs</td> </tr> </table> | a. Foreign Exchange used | Rs. 103.20 lacs | b. Foreign Exchange earned | Rs.2317.96 lacs |
| a. Foreign Exchange used | Rs. 103.20 lacs | | | | | |
| b. Foreign Exchange earned | Rs.2317.96 lacs | | | | | |

APR LIMITED

AUDIT REPORT

To

The Shareholders of APR LIMITED

We have audited the attached Balance Sheet of APR LIMITED as at 30th June, 1999 and the attached Profit and Loss Account for the period ended on that date with the books of the Company and report that:

1. As required by the Manufacturing And Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. Proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956 to the extent applicable except in respect of the following:
 - (i) No provision has been made in the accounts for decline in the book value of Long Term Investments as per Accounting Standard 13 i.e., Accounting for Investments, as mentioned in Note 2(e) of Notes to Accounts vide Schedule 22, amounting to Rs.10,30,72,926/- resulted in overstatement of Profit for the Year.
 - (ii) Treatment of unallocated capital expenditure and allocation of the same to the assets and date of commencement of commercial production are as confirmed and certified by the management as mentioned in Note - 11 of Notes to Accounts vide Schedule 22. In view of the above, we are unable to express the view whether the Company has complied with the Accounting Standard 6 i.e., Depreciation Accounting and Accounting Standard 10 i.e., Accounting for Fixed Assets.
 - e. Unserviceable and damaged stocks in respect of non moving stocks as mentioned in Note 13 of Notes to Accounts vide Schedule 22, amounting to Rs. 27,61,94,168/- have not been determined during the year.
 - f. No provision has been made in the accounts for doubtful debts as mentioned in Note 14 of Notes to Accounts vide Schedule 22, amounting to Rs.4,60,10,041/-.
 - g. Balances outstanding to the debit or credit of parties are subject to confirmation and consequential adjustments.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations furnished to us, the accounts, read in conjunction with the Schedules give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view;

- i. In the case of Balance Sheet of the state of affairs of the Company as at 30th June, 1999; and
- ii. In the case of Profit and Loss Account of the Profit for the period ended on that date

For **M.R. DEVINENI & Co.**,
Chartered Accountants

Place : HYDERABAD
Date : 29.10.1999

N. ANKA RAO
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITORS' REPORT OF EVEN DATE

- I. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The assets have been physically verified by management according to the phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards Capital works-in-progress, the same will be verified by the management on completion of assets.
- II. None of the fixed assets have been revalued during the year.
- III. The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified at the year end and / or at reasonable intervals during the year by the management. Stocks lying with third parties at the end of the year have been confirmed by the parties.
- IV. The procedures of physical verification of stocks followed by the management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.
- V. The discrepancies noticed on verification between physical stocks and the book balances have been properly dealt with in the books of account.
- VI. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The valuation of stocks is on the same basis as in the previous year.
- VII. The rates of interest and the terms and conditions of loans taken by the Company from parties listed in the register maintained under Section 301 of the Companies Act, 1956 are in our opinion prima facie not prejudicial to the interests of the Company. The Company has also taken interest free loans from a company listed in the registers maintained under Section 301 and 370(1-C) of the Companies Act, 1956.
- VIII. The Company has not granted any loans to companies, firms or other parties listed in the registers maintained under Section 301 and 370(1-C) of the Companies Act, 1956.
- IX. Parties/Employees to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated/re-stipulated and are also regular in payment of interest where applicable, except in few cases.
- X. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, components, plant and machinery, equipment and other assets and with regard to the sale of goods.
- XI. In our opinion and according to the information and explanations given to us the transactions of purchase of materials and sale of goods, made in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- (Rupees Fifty Thousand only) or more in respect of