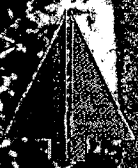


# Annual Report 1996 - 97

# WINDMILL



## The Andhra Pradesh Paper Mills Limited



*Results of APPM's commitment to create Green Planet. The Farm Forestry Schemes have taken deep roots over the years with 25000 acres under plantation.*



*Our employees busy in creating awareness of Subabul plantations in Prakasam District.*



*Enthusiasm shown by the farmers on the cultivation of Subabul Plantation.*



# The Andhra Pradesh Paper Mills Limited



## BOARD OF DIRECTORS

|     |    |   |     |   |
|-----|----|---|-----|---|
| MD  | ✓  |   | BRC | ✓ |
| CS  | ✓  |   | DPY | ✓ |
| RO  | ✓  |   | DIV | ✓ |
| TRA | NA |   | AC  | ✓ |
| AGM | ✓  | ✓ | SHI | ✓ |
| YE  | ✓  | ✓ |     | ✓ |

L.N. Bangur, Chairman

T.R. Tuli

Dr. N. Tata Rao

D. Subbarao, IAS

P.C. Parakh, IAS

C.V. Kamalaker (IFCI Nominee)

J.K. Bhattacharya, IAS (Retd.)

S.R. Rathi

Alka Bangur

S.N. Daga

R.C. Mall, Executive Director

## EXECUTIVES

### Corporate Office

Ch. Seetharamaiah, Vice President (Finance)

P.B. Naidu, General Manager (Commercial)

L.M. Hoogan, General Manager (Projects)

### Factory

A. Satyanarayana, Vice President (Works)

B.M. Maheshwari, Vice President (Admn.)

P.K. Suri, General Manager (Works)

## COMPANY SECRETARY

C. Prabhakar

## AUDITORS

Brahmayya & Co.

Chartered Accountants,

Visakhapatnam.

## PRINCIPAL BANKERS

State Bank of India

## REGISTERED OFFICE & MILLS

Rajahmundry 533 105

East Godavari Dist.

Andhra Pradesh

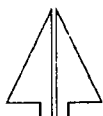
## CORPORATE OFFICE

501-509, Swapnalok Complex

5th Floor, 92/93 Sarojini Devi Road

Secunderabad - 500 003.

Andhra Pradesh



## Annual Report 1996 - 97

## FIVE YEARS AT A GLANCE

|                                    |          | 1996-97   | 1995-96   | 1994-95   | 1993-94   | 1992-93   |
|------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|
| <b>OPERATING RESULTS</b>           |          |           |           |           |           |           |
| Production                         | Tons.    | 79,861    | 83,251    | 83,313    | 79,465    | 82,886    |
| Sales                              | Tons.    | 77,742    | 83,187    | 84,809    | 78,993    | 83,962    |
| Turnover                           | Rs. lacs | 23,211.90 | 24,804.41 | 20,253.94 | 17,012.35 | 17,146.72 |
| Profit before Depreciation and Tax | Rs. lacs | 1,874.61  | 3,740.82  | 2,234.78  | 1,349.20  | 1,140.95  |
| Depreciation                       | Rs. lacs | 780.96    | 542.86    | 415.43    | 325.93    | 504.88    |
| Provision for tax                  | Rs. lacs | 103.94    | 599.39    | 133.50    | 370.60    | 342.00    |
| Profit after tax                   | Rs. lacs | 989.71    | 2,598.57  | 1,685.85  | 652.67    | 294.07    |
| Dividend on Equity                 | Rs. lacs | 225.00    | 225.00    | 140.62    | 140.62    | 140.62    |
| Tax on Dividend                    | Rs. lacs | 22.50     | —         | —         | —         | —         |
| Retained Profit                    | Rs. lacs | 742.21    | 2,373.57  | 1,545.23  | 512.05    | 153.45    |

**SOURCES OF FUNDS :**

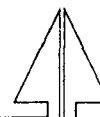
|                    |          |           |           |           |          |          |
|--------------------|----------|-----------|-----------|-----------|----------|----------|
| Share Capital      | Rs. lacs | 562.50    | 562.50    | 562.50    | 562.50   | 562.50   |
| Reserves & Surplus | Rs. lacs | 9,344.24  | 8,602.03  | 6,228.45  | 4,683.23 | 4,171.19 |
| Shareholders Funds | Rs. lacs | 9,906.74  | 9,164.53  | 6,790.95  | 5,245.73 | 4,733.69 |
| Borrowings         | Rs. lacs | 7,515.15  | 6,566.33  | 5,954.16  | 3,456.82 | 2,614.43 |
| Total              | Rs. lacs | 17,421.89 | 15,730.86 | 12,745.11 | 8,702.55 | 7,348.12 |

**APPLICATION OF FUNDS :**

|                    |          |           |           |           |          |          |
|--------------------|----------|-----------|-----------|-----------|----------|----------|
| Net Fixed Assets   | Rs. lacs | 11,192.18 | 10,233.63 | 7,100.35  | 5,326.71 | 3,945.60 |
| Investments        | Rs. lacs | 4,202.30  | 3,747.72  | 4,061.15  | 2,080.80 | 1,315.76 |
| Net Current Assets | Rs. lacs | 2,027.41  | 1,749.51  | 1,583.61  | 1,295.04 | 2,086.76 |
| Total              | Rs. lacs | 17,421.89 | 15,730.86 | 12,745.11 | 8,702.55 | 7,348.12 |

|                             |     |          |          |          |        |        |
|-----------------------------|-----|----------|----------|----------|--------|--------|
| Book value per equity share | Rs. | 1,761.00 | 1,629.00 | 1,207.00 | 933.00 | 842.00 |
| Earnings per share          | Rs. | 176.00   | 462.00   | 300.00   | 116.00 | 52.00  |
| Dividend (Equity)           |     | 40%      | 40%      | 25%      | 25%    | 25%    |

# The Andhra Pradesh Paper Mills Limited



## NOTICE

NOTICE is hereby given that the **Thirty Third Annual General Meeting** of the Members of **The Andhra Pradesh Paper Mills Limited** will be held on **Saturday, the 13th day of September, 1997 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, 1997, 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, 1997;
3. To appoint a Director in place of Shri 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 Shri D. Subba Rao 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 a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors Messrs. Brahmayya & Co., Chartered Accountants, Visakhapatnam, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors in addition to reimbursement of travelling and out of pocket expenses.";

## SPECIAL BUSINESS:

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

"RESOLVED THAT Shri J.K. Bhattacharya be and is hereby appointed a Director of the Company in the vacancy created by the resignation of Shri S. Kanungo in respect of which the Company received a notice under Section 257 of the Companies Act, 1956";

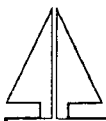
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Smt. Alka Bangur who was appointed as Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom Company has received a notice under Section 257 of the Companies Act, 1956 in writing, proposing her candidature for the office of Director be and is hereby appointed a Director of the Company.

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

"RESOLVED THAT Shri S.N. Daga who was appointed as Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom 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 a Director of the Company.

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



## Annual Report 1996 - 97

RESOLVED THAT Shri R.C. Mall, who was appointed as Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association and who ceases to hold office pursuant to Section 260 of the Companies Act, 1956 and in respect of whom 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, who will not be liable to retire by rotation.

FURTHER RESOLVED THAT pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, the consent of the Company be and is hereby accorded to the appointment of Shri R.C. Mall as Whole Time Director designated as Executive Director of the Company for a period of 5 years with effect from 10th May, 1997 and to the payment of remuneration to Shri R.C. Mall during his tenure of appointment as set out in the Agreement dated 10th May, 1997 entered into between the Company and Shri R.C. Mall, the details of which are reproduced below:

i) Salary:

A salary of Rs. 25,000/- (Rupees Twenty Five thousand only) per month with such increments as may be determined by the Board of Directors of the Company from time to time in the salary range of Rs. 25,000/- to Rs. 37,500/- per month.

ii) Perquisites:

- a) Housing: The expenditure incurred by the Company in providing furnished/unfurnished accommodation to the Executive Director shall not exceed 60% of his salary. In case no accommodation is provided by the Company he shall be entitled to House Rent Allowance at 60% of salary.

The expenditure by the Company on Gas, Electricity, Water and other furnishings shall be valued as per Income Tax Rules, subject to a ceiling of 10% salary.

- b) Medical Reimbursement: Expenses incurred for the Executive Director and his family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- c) Leave Travel Concession: For Self and his family once in a year incurred in accordance with the Rules specified by the Company.
- d) Club Fees: Fees of Clubs shall be subject to a maximum of two clubs, which will not include admission and life membership fees.
- e) Personal Accident Insurance: Premium not to exceed Rs. 5000/- per annum.
- f) Transportation: Provision of car with Driver for use on Company's business. Use of car for private purpose will be billed by the Company.
- g) Professional Development Allowance: As applicable to the Senior Executives in accordance with the Rules of the Company.
- h) Production Bonus: As applicable to the Senior Executives in accordance with the Rules of the Company.
- i) Telephone: Provision of telephone at residence for use of Company's business. Personal long distance calls will be billed by the Company.
- j) Provident Fund & Superannuation Fund: Company's contribution to Provident Fund and Superannuation Fund will be in accordance with the Rules of the Company.
- k) Gratuity: Gratuity at the rate not exceeding half a month's salary for each completed year of service.
- l) Leave: Leave in accordance with Company's Rules. Encashment of leave at the end of tenure will not be included in the computation of ceiling on perquisites.
- m) Such other benefits, amenities, facilities and perquisites as may be permitted by the Board of Directors to the Executive Director.

# The Andhra Pradesh Paper Mills Limited



FURTHER RESOLVED THAT where in any financial year the Company has no profits or its profits are inadequate the Executive Director will be paid above salary and perquisites or the salary and perquisites as specified in Section II under Part II of Schedule XIII to the Companies Act, 1956 whichever is less.

By Order of the Board,

For The Andhra Pradesh Paper Mills Limited

**Registered Office:**

Rajahmundry-533105  
East Godavari District,  
Andhra Pradesh.

C. Prabhakar  
Company Secretary

Date : 12th July, 1997

## 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 atleast fortyeight hours before the commencement of the meeting.
2. The Explanatory Statement relating to Special Business as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th August, 1997 to 13th September, 1997 (both days inclusive).
4. The dividend, when sanctioned, will be payable on or after 13.10.1997 to those members whose names appear in the Register of Members of the Company as on 13th September, 1997.
5. The Members are requested to notify any change in their address immediately to the Company.
6. The Members are requested to bring their copies of Annual Report to the Meeting.

7. The Members who have so far not encashed their dividend warrants for the years ended 31st March, 1994, 1995 and 1996 may immediately approach the Company with their dividend warrants for revalidation.

8. The amount of unclaimed dividend for the financial year ended 31st March, 1994 will be transferred on or after 29th October, 1997 to the General Revenue Account of the Central Government pursuant to the provisions of Section 205A of the Companies Act, 1956. Those who do not claim their dividend for the said financial year before the above date may claim their dividend from the Registrar of Companies, Andhra Pradesh, Hyderabad.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

### Regarding Item No.6

Shri J.K.Bhattacharya was appointed by the Board of Directors on 21st June, 1996 as a Director to fill the casual vacancy caused by the resignation of Shri S. Kanungo pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

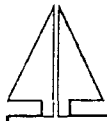
Your Directors feel that it is in the interest of the Company to continue the appointment of Shri J.K. Bhattacharya as a Director of the Company and accordingly recommend his appointment as a Director.

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 Shri J.K. Bhattacharya for appointment as a Director of the Company.

None of the Directors, except Shri J.K. Bhattacharya, is concerned or interested in the said resolution.

### Regarding Item No.7

Smt. Alka Bangur was appointed as Additional Director by the Board of Directors at their meeting held on 20th September, 1996 and she holds office upto this Annual General Meeting pursuant to Section 260 of the



## Annual Report 1996 - 97

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 Smt. Alka Bangur for appointment as a Director of the Company.

The Board recommends her appointment as a Director of the Company in the interests of the Company.

None of the Directors, except Smt. Alka Bangur and Shri L.N. Bangur, is concerned or interested in this resolution.

### Regarding Item No.8

Shri S. N. Daga was appointed as Additional Director by the Board of Directors at their meeting held on 29th March, 1997 and he holds office upto 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 Shri S.N. Daga for appointment as a Director of the Company.

The Board recommends his appointment as a Director of the Company in the interests of the Company.

None of the Directors, except Shri S.N. Daga and Shri S.R. Rathi, is concerned or interested in this resolution.

### Regarding Item No.9

The Board of Directors of the Company at their meeting held on 29th March, 1997 appointed Shri R.C. Mall as Additional Director and he holds office upto this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

The Board had at the same meeting also appointed Shri R.C. Mall as Whole Time Director designated as Executive Director for a period of five years from the date of joining pursuant to provisions of Section 269 read with Schedule XIII and any other applicable provisions of Companies Act, 1956 and pursuant to Article 150A of the Articles of Association of the Company and further subject to the approval of The Industrial Finance Corporation of India Ltd., (IFCI). He had since joined the Company as Executive Director on 10th May, 1997 and the Company had entered into an agreement with Shri R.C. Mall on the same day. IFCI vide their letter No. HRO/C.18/97-5207 dated 13th June, 1997 had approved the said appointment of Executive Director.

Shri R.C. Mall is a Chemical Engineer with about 26 years rich experience in different facets of manufacturing, projects and administration of large pulp and paper mills.

The Board recommends this resolution for your approval.

Copies of the said Agreement dated 10th May, 1997 and letter dated 13th June, 1997 received from IFCI are open for inspection at the Registered Office of the Company on any working day between 10.00 A.M and 12.00 Noon.

None of the Directors, except Shri R.C. Mall, is concerned or interested in this resolution.

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

C. Prabhakar  
Company Secretary

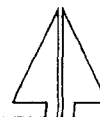
### Registered Office:

Rajahmundry - 533105  
East Godavari District,  
Andhra Pradesh.

Date : 12th July, 1997



# The Andhra Pradesh Paper Mills Limited



## DIRECTORS' REPORT

To

### The Members

Your Directors have pleasure in presenting their Thirty Third Annual Report and the Audited Accounts for the year ended 31st March, 1997.

### Financial Results

|  | Current<br>year<br><u>Rs/crores</u> | Previous<br>year<br><u>Rs/crores</u> |
|--|-------------------------------------|--------------------------------------|
| Sales and other income<br>(including accretion in stock) | 241.52                              | 258.02                               |
| Gross Profit   | 18.75                               | 37.41                                |
| Less : Depreciation                                      | 7.81                                | 5.43                                 |
| Provision for taxation                                   | 1.50                                | 6.00                                 |
| Add: Provision for taxation<br>written back              | <u>0.46</u>                         | <u>0.01</u>                          |
| Net Profit   | 9.90                                | 25.99                                |
| Add :  |                                     |                                      |
| Transfer from Investment<br>Allowance Reserve            | 0.92                                | —                                    |
| Profit brought forward from<br>previous year             | 2.98                                | 1.24                                 |
| Profit available for<br>appropriation                    | <u>13.80</u>                        | <u>27.23</u>                         |
| Allocations  |                                     |                                      |
| Proposed Dividend  | 2.25                                | 2.25                                 |
| Tax on proposed dividend                                 | 0.23                                | —                                    |
| General Reserve  | 8.00                                | 22.00                                |
| Balance carried over<br>to next year                     | <u>3.32</u>                         | <u>2.98</u>                          |
|  | <u>13.80</u>                        | <u>27.23</u>                         |

During the year under review the production was 79,861 tonnes as compared to 83,251 tonnes during the previous year. The sales stood at Rs.232.12 crores as compared to Rs.248.04 crores in the previous year. The drop in production in the year under review was due to Industrial Relations problem coupled with recession in the market which also led to fall in the selling price of paper adversely affecting the profitability of the Company.

### Dividend

Your Directors are pleased to recommend a Dividend of Rs.40/- per Equity Share, aggregating Rs.2,25,00,000/- on 5,62,500 Equity Shares of Rs.100/- each.

### Raw materials

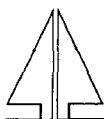
Fibrous raw material availability during the year under review was satisfactory. The Company with its concerted efforts could maintain sustained supplies of various species of fibrous raw material throughout the year.

Bamboo lease coupes could be operated in full during the year under review and except a negligible quantity, entire bamboo scheduled to be transported before March, 1997 could be delivered to Mills within the stipulated time.

The pioneering efforts of the Company in Farm Forestry activities were continued vigorously to maintain the availabilities and assured supplies for future too. During the year under review as part of Farm Forestry Scheme about 5 million stump plants of Subabul species and 7.5 million poly bag seedlings of Casuarina species were distributed to the farmers covering about 2,000 hectares. This scheme enabled farmers to raise massive plantations on their marginal and waste lands bringing in prosperity to them while furthering the cause of ecological balance.

### Prospects of the Industry and the Company.

The domestic paper industry was adversely affected during the year under review due to increased imports and rising input costs. This scenario requires Indian companies to embark upon modernisation and technological upgradation besides cutting costs so as to meet the global competition effectively.



## Annual Report 1996 - 97

The Company is alive to the situation and had already initiated and continues to undertake a number of measures for technological upgradation, realigning product mix and shift to value added segment while ensuring cost effectiveness. These measures coupled with anticipated growth rate of 5%-6% in the next 3/4 years are expected to go a long way in improving the performance of the Company in the years to come.

### Marketing

The sales for the year 1996-97 was 77,742 MTs. which include export of 1729 MTs. to various countries as compared to the sales of 83,187 MTs. including exports of 2,953 MTs. in the previous year. The main reason for drop in the sales was on account of recession in demand for paper both in domestic and international markets which unfortunately extended to the first half of 1997-98 too. In order to meet the international competition, the Company has already prepared plans for integrating the products into customers' strategies by moving closer to the customers and improving customer services. The Company is also developing new products to meet the growing expectations of the customers with thrust on exports to neighbouring countries.

### Environment and Social Activities:

As a responsible corporate citizen, the Company is committed to protect the environment and for this purpose it has taken a number of pollution abatement measures including installation of Rotary Lime Kiln.

During the year under review, the Company had, as part of its social responsibility, given donations to charitable and other community development purposes towards improving the facilities in the areas surrounding Rajahmundry. The Company also strengthened the 2.6 Kms. of Katheru Road from Dr. Ambedkar Junction at a cost of around Rs.27.00 lacs.

### Modernisation and Renovation

During the year under review, the Core Making Machine and Lime Sludge Reburning System were commissioned as per schedule in March, 1997. With this, the efforts of the Company on pollution abatement have got further boost apart from helping mineral resource conservation and better fuel utilisation.

Several proposals for achieving better fuel usage with energy conservation, debottlenecking the pulping process with improved efficiency, upgrading the technology in bleaching sections while reducing the pollution loads further are under active consideration. Implementation of customer oriented converting operations have also been planned.

### Conservation of Energy, Research and Development

Details regarding conservation of energy, research and development, technology absorption and foreign exchange earnings and outgo are furnished in Annexure-A pursuant to the provisions of 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.

### Particulars of Employees

A Statement containing the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is furnished in Annexure - B and forms part of this Report.

### Public Deposits

There were unclaimed deposits amounting to Rs.5,01,000/- as on 31st March, 1997.

### Auditors

Messrs. Brahmayya & Co., Chartered Accountants, Visakhapatnam, Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offered themselves for re-appointment. The re-appointment of the Auditors is required to be made by a Special Resolution in accordance with the provisions of Section 224A of the Companies Act, 1956.

### Cost Accounting Records

The Cost Accounting Records for the year ended 31st March, 1997 are maintained as per Cost Accounting Records (Paper) Rules, 1975. Cost Audit was ordered by the Company Law Board for the year ended 31st March, 1997 and with the approval of the Company Law Board, Messrs Parankusam & Co., Cost Accountants, Vijayawada, were appointed as Cost Auditors of the Company to audit the Cost Accounts for the year ended 31st March, 1997.