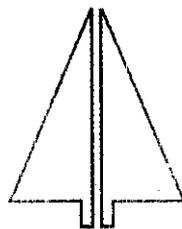


Annual Report 1998-99



The Andhra Pradesh Paper Mills Ltd.

The Andhra Pradesh Paper Mills Limited



BOARD OF DIRECTORS

(As on 2.8.1999)

1. L.N. Bangur, Chairman
2. T.R. Tuli
3. Dr. N. Tata Rao
4. J.K. Bhattacharya, IAS (Retd.)
5. Alka Bangur
6. S.N. Daga
7. N. Srinivasan
8. R.R.Dharamdasani (IFCI Nominee)
9. S.K. Arora, IAS
10. T. Gopala Rao, IAS
11. R.C. Mall, Executive Director

EXECUTIVES

Corporate Office

Sudhir Bhansali, Vice President (Finance)
P.B. Naidu, Vice President (Commercial)
L.M. Hoogan, Vice President (Projects)

Works

P.K. Suri, Vice President (Operations)
B.M. Maheshwari, Vice President (Admn.)
M. Prabhakar, General Manager (Works)

COMPANY SECRETARY

C. Prabhakar

AUDITORS

Brahmayya & Co.,
Chartered Accountants,
Visakhapatnam.

PRINCIPAL BANKER

State Bank of India

REGISTERED OFFICE & MILLS

Rajahmundry 533 105
East Godavari District,
Andhra Pradesh, India.

CORPORATE OFFICE

501-509, Swapnalok Complex,
5th Floor, 92/93 Sarojini Devi Road,
Secunderabad - 500 003,
Andhra Pradesh, India.

Names and Addresses of Stock Exchanges where the shares of the Company are listed:

The Hyderabad Stock Exchange Ltd.,
3-6-275, Himayatnagar,
Hyderabad - 500 029.

The Stock Exchange,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001.

The annual listing fee has since been paid to the above Stock Exchanges.



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		FIVE YEARS AT A GLANCE				
		1998-99	1997-98	1996-97	1995-96	1994-95
OPERATING RESULTS :						
Production	Tons.	91,543	84,330	79,861	83,251	83,313
Sales	Tons.	93,072	84,074	77,742	83,187	84,809
Turnover	Rs. lacs	25,770.29	24,007.55	23,211.90	24,804.41	20,253.94
Profit before depreciation and tax	Rs. lacs	2,069.54	1,660.34	1,874.61	3,740.82	2,234.78
Depreciation	Rs. lacs	837.85	820.49	780.96	542.86	415.43
Provision for tax	Rs. lacs	129.33	88.00	103.94	599.39	133.50
Profit after tax	Rs. lacs	1,102.36	751.85	989.71	2,598.57	1,685.85
Dividend on Equity	Rs. lacs	140.62	140.62	225.00	225.00	140.62
Tax on Dividend	Rs. lacs	15.47	14.06	22.50	-	-
Retained Profit	Rs. lacs	946.27	597.17	742.21	2,373.57	1,545.23
SOURCES OF FUNDS :						
Share Capital	Rs. lacs	562.50	562.50	562.50	562.50	562.50
Reserves & Surplus	Rs. lacs	10,887.65	9,941.39	9,344.24	8,602.03	6,228.45
Shareholders Funds	Rs. lacs	11,450.15	10,503.89	9,906.74	9,164.53	6,790.95
Borrowings	Rs. lacs	6,445.77	7,720.67	7,515.15	6,566.33	5,954.16
Total	Rs. lacs	17,895.92	18,224.56	17,421.89	15,730.86	12,745.11
APPLICATION OF FUNDS :						
Net Fixed Assets	Rs. lacs	11,553.84	11,112.90	11,192.18	10,233.63	7,100.35
Investments	Rs. lacs	3,298.57	3,334.07	4,202.30	3,747.72	4,061.15
Net Current Assets	Rs. lacs	2,998.68	3,734.78	2,027.41	1,749.51	1,583.61
Miscellaneous Expenses (To the extent not written off)	Rs. lacs	44.83	42.81	-	-	-
Total	Rs. lacs	17,895.92	18,224.56	17,421.89	15,730.86	12,745.11
Book value per Equity Share	Rs.	2,036.00	1,867.00	1,761.00	1,629.00	1,207.00
Earnings per Share	Rs.	196.00	134.00	176.00	462.00	300.00
Dividend (Equity)		25%	25%	40%	40%	25%

The Andhra Pradesh Paper Mills Limited



NOTICE

NOTICE is hereby given that the **Thirty Fifth Annual General Meeting** of the Members of **The Andhra Pradesh Paper Mills Limited** will be held on **Saturday, the 18th day of September, 1999 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, 1999, 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, 1999;
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 S.N. Daga who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment;
5. To appoint a Director in place of Shri J.K. Bhattacharya who retires by rotation under Article 142 of the Articles of Association of the Company and is eligible for re-appointment;
6. 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. Brahmaya & 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

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

"RESOLVED THAT Shri N.Srinivasan be and is hereby appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri S.R.Rathi in respect of whom the Company received a Notice under Section 257 of the Companies Act, 1956.

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

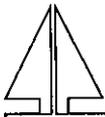
"RESOLVED THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act 1956, the Article 130 of the Articles of Association of the Company be and is hereby deleted.

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

C. Prabhakar
Company Secretary

Registered Office:

Rajahmundry-533 105
East Godavari District,
Andhra Pradesh.
Date : 2nd August, 1999



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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 atleast 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. 7 and 8 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company were closed from 8th July, 1999 to 17th July, 1999 (both days inclusive).
4. The dividend, when declared, will be payable on or after 4th October, 1999 to those members whose names appear in the Register of Members of the Company as on 17th July, 1999.
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, 1995, 1996, 1997 and 1998 may immediately approach the Company with their dividend warrants for revalidation.
8. Investors desirous of availing the facility of Electronic Credit of dividend are requested to fill in the form attached to this Annual Report.
9. As per the provisions of the amended Companies Act, 1956 facility for making nominations is available to the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Secretarial Department at the Registered Office.

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

Regarding Item No.7

Shri N.Srinivasan was appointed as Director by the Board of Directors of the Company on 4th September, 1998 to fill the casual vacancy caused by the resignation of Shri S.R.Rathi pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company. The Board feels that it is in the interests of the Company to continue the appointment of Shri N. Srinivasan as Director of the Company and accordingly recommend his appointment as 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 N. Srinivasan as a Director of the Company.

None of the Directors except Shri N.Srinivasan is concerned or interested in this Resolution.

Regarding Item No.8

The existing Article 130 of the Articles of Association of the Company provides that every Director other than Debenture Director or an Institutional Director shall hold Shares in the Company of the aggregate nominal value of at least Rs. 5,000/- towards Qualification Shares within two months after his appointment.

Holding of Qualification Shares is optional under the provisions of Companies Act, 1956 and a Director is required to hold the Qualification Shares only if the Articles of Association provide for it. Most of the Companies do not have this provision and the Companies which had this provision in the Articles earlier already deleted the same. It is therefore proposed to delete this Article keeping in view the operational convenience.

The Board therefore recommends this Resolution for approval by the Members.

None of the Directors is concerned or interested in this Resolution.

By order of the Board,
for The Andhra Pradesh Paper Mills Limited

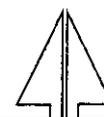
C. Prabhakar
Company Secretary

Registered Office :

Rajahmundry - 533 105
East Godavari District,
Andhra Pradesh.

Date : 2nd August, 1999

The Andhra Pradesh Paper Mills Limited



DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting their Thirty Fifth Annual Report and the Audited Accounts for the year ended 31st March, 1999.

Financial Results

	1998-99 <u>Rs/crores</u>	1997-98 <u>Rs/crores</u>
Sales and other income (after accounting for accretion/ decretion in stocks)	261.36	246.75
Gross Profit	20.70	16.60
Less : Depreciation	8.38	8.20
Provision for taxation	1.30	0.88
Net Profit	<u>11.02</u>	<u>7.52</u>
Add : Profit brought forward from previous year	8.54	3.32
Profit available for appropriation	<u>19.56</u>	<u>10.84</u>
Appropriations		
Proposed Dividend	1.41	1.41
Tax on proposed dividend	0.15	0.14
Transfer to General Reserve	1.10	0.75
Balance carried over to next year	16.90	8.54
	<u>19.56</u>	<u>10.84</u>

During the year under review, the Production was 91,543 Tonnes, a record level of production in the history of the Company as against 84,330 Tonnes during the previous year. The sales stood at Rs.257.70 Crores as compared to Rs.240.08 Crores in the previous year. Despite the

continued demand recession and supply and demand imbalances, the Company could earn a Net Profit of Rs.11.02 Crores as against Rs.7.52 Crores in the previous year due to better capacity utilisation and improved productivity.

Dividend:

Your Directors are pleased to recommend a Dividend of Rs.25/- per Equity Share aggregating to Rs.140.63 lakhs on 5,62,500 Equity Shares of Rs.100/- each.

Rights Issue:

The Company made a Rights Issue of 5,62,500 Equity Shares of Rs.100/- each at a premium of Rs.150/- per share in the ratio of 1:1 which was kept open for subscription from 23rd April to 22nd May, 1999. Your Directors are pleased to inform you that the said Rights Issue was over-subscribed.

Marketing:

Sales for the year 1998-99 was 93,072 MTs. (a record in the history of the Company) of which 6,080 MTs. was on account of Exports as compared to Sales of 84,074 MTs. for the year 1997-98 which included Exports of 4,184 MTs. The recession in demand for paper continued both in domestic and international markets resulting in increased inventory levels causing higher carrying cost and lower price levels of paper. Cheaper imports particularly in the newsprint sector during major part of the year due to zero duty and clandestine import of other varieties under the garb of newsprint, etc. further deteriorated the market situation. However, the Company could tide over the situation with stringent monitoring of the market conditions and with good business relationship with the dealer network.

Outlook for the Industry:

The paper industry continued to reel under the demand recession, cheaper imports and supply-demand imbalances. This situation requires the paper industry to concentrate on cost effectiveness, product improvement and introduction of new products to meet the growing needs of the customers. The Company has already taken necessary steps to implement the Mill Development Plan involving technological upgradation, cost reduction, energy conservation and product diversification.



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Raw Materials:

The Company with its well planned approach and concerted efforts could successfully maintain the sustained supply of fibrous raw material required for the paper production, at most competitive cost throughout the year.

During the year under review, the Company could not get the allotment of bamboo lease coupes from Government of Andhra Pradesh which forced the Company to procure bamboo from other neighbouring States and private sources. Cost of Raw materials is tending to go up because of this as also due to undesirable interference in the market driven status of the raw material prices as was experienced in the Ongole area recently from where the Company procures approximately 35% of its requirement.

During the year under review, Company's Farm Forestry activities as a means of ensuring abundant future supply of pulp wood with farmers and eco-friendly approach continued vigorously. Around 13.3 million Casuarina seedlings and Subabul stumps were distributed to the farmers in Visakhapatnam, East Godavari, West Godavari, Guntur, Krishna and Prakasham Districts as against 11.6 million seedlings distributed in the last year.

Low cost quality planting material and plantation techniques developed out of Research and Development efforts of the Company has shown very encouraging results and wide acceptability amongst the farmers which not only helps in increasing wood availability and upliftment of social status of farmers community but also in restoring and maintaining the eco balance in the catchment. A significant achievement, as a part of commitment to backward community and environment, Company has joined hands with Government Agencies for development of planting material/plantations in the backward tribal areas under which around 3.8 millions of seedlings of Casuarina, Subabul and other species are under production exclusively for the backward rural areas in association with District Rural Development Authority.

Mill Development Plan (MDP):

The Company has already commissioned some of the projects initiated last year which form part of Phase-I of the Mill Development Plan (MDP) and is in the process of implementing the balance proposals.

Conservation of Energy, Research and Development:

The details regarding conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are furnished in Annexure-I pursuant to the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report 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 Companies (Particulars of Employees) Rules, 1975 is furnished in Annexure-II and forms part of this Report.

Public Deposits:

There were unclaimed Deposits amounting to Rs. 8,10,000/- as on 31st March, 1999.

Auditors:

M/s. 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, 1999 were maintained as per the Cost Accounting Records (Paper) Rules, 1975. The Order issued by the Company Law Board covers the cost audit for the year ended 31st March, 1999 and with the approval of the Company Law Board, M/s. Parankusam & Company were appointed as Cost Auditors of the Company to audit the Cost Accounts for the year ended 31st March, 1999.

Directors:

Pursuant to Article 142 of the Articles of Association of the Company, Shri L.N. Bangur, Shri S.N. Daga and Shri J.K. Bhattacharya will retire by rotation at the ensuing Annual General Meeting and they are eligible for re-appointment.

The Andhra Pradesh Paper Mills Limited



Shri S.R. Rathi, Director, resigned from the Directorship of the Company effective from 14th August, 1998 and Dr. D.Subba Rao also resigned effective from 4th May, 1999. Shri N.Srinivasan and Shri S.K.Arora were appointed as Directors by the Board on 4th September, 1998 and 6th May, 1999, in the casual vacancies caused by the resignations of Shri S.R.Rathi and Dr.D.Subba Rao, respectively. Pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, Shri N.Srinivasan holds office upto the date of forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Shri N. Srinivasan as mentioned in the Notice of Annual General Meeting. The Industrial Finance Corporation of India Ltd. (IFCI) had withdrawn the nomination of Shri C.V.Kamalaker and nominated Shri R.R.Dharamdasani as its nominee. Shri R.R.Dharamdasani was appointed as Director on 30th January, 1999.

The Board of Directors places on record its warm appreciation of the excellent contribution made by Shri S.R.Rathi, Shri C.V. Kamalaker and Dr.D.Subba Rao during their tenure as Directors of the Company.

Awards:

During the year under review, the Company received May Day Award for the year 1999 for best management for their outstanding contribution towards productivity and harmonious industrial relations and labour welfare.

The Company has also been awarded ISO-9002 Certificate by DNV of Netherlands for its Mills at Rajahmundry, Converting Units at Hyderabad and Seri Narasanna Palem, Regional Offices at Delhi, Calcutta and Mumbai and its Corporate Office at Secunderabad.

Projection Vs. Performance:

In compliance with Clause 43 of the Listing Agreement, the Projections for the year ended 31st March, 1999 as per the Letter of Offer dt. 22nd March, 1999 and the actuals are furnished hereunder:

For the year ended 31st March, 1999

	Projections	Actuals
	(Rs. in Crores)	
Net Sales	217.55	220.45
Profit after Tax	10.22	11.02

Statement relating to Y2K Compliance:

The Company has been addressing Y2K compliance issues since 1998. Hardware and Software in Commercial, Finance and other areas have been made Y2K compliant. Wherever required, the control/measurement equipment in the process line are being made Y2K compliant and the same is expected to be completed by November, 1999.

A further amount of Rs. 50 lakhs is expected to be spent for making the balance system Y2K compliant.

The Company has sufficient internal resources to address any system disruption due to Y2K issues.

Industrial Relations:

The climate of harmonious industrial relations continued throughout the year reposing mutual trust and confidence between the Management and the Employees. The all-round commitment and willingness to accept Quality Systems and Quality Circle Movement with a dedicated approach has been laudable.

Acknowledgements:

Your Directors wish to place on record their gratitude to the Central Government and Government of Andhra Pradesh, IFCI and IDBI besides the Company's Bankers 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 its warm appreciation of the efforts made by all the employees for the improved performance during the year under review.

For and on behalf of the Board,

Place : Secunderabad
Date : 1st June, 1999

L.N. Bangur
Chairman



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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 :

A. CONSERVATION OF ENERGY :

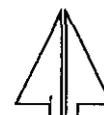
The Company has implemented the following measures for Energy Conservation:

- Conversion of Coal Fired Boilers No. 1 and 2 to high efficiency Fluidized Bed Combustion System. Installation of more efficient Electrostatic Precipitators in place of mechanical dust collectors to have a better control on particulate emission.
- Replacement of low capacity, high energy oriented old air Compressors with high capacity energy efficient new compressors resulting in energy saving.
- Unitisation of Boiler Feed Water Pump by opting for high capacity and high efficiency in place of low efficient existing pumps.
- Replacement of the existing low efficiency sludge recirculation pumps in effluent treatment plant with high efficiency pumps resulting in energy saving.
- Incorporation of Variable Speed Drive for ID Fan of Coal Fired Boilers No. 1 & 2 thus reducing the power consumption.
- Installation of New Vapour Hood with Pocket Ventilation in Dryer Groups and the high velocity hood over MG Cylinder in place of obsolete system in Paper Machine No.2 for reducing the specific steam consumption.

Proposals being implemented for reduction of consumption of energy:

- Installation of high efficiency, high capacity and low power consumption vacuum pumps in Paper Machine No. 5.
- Installation of Variable Speed Drive for FD Fan of Recovery Boiler No. 2.

The Andhra Pradesh Paper Mills Limited



FORM A FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	1998-99	1997-98
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a. Purchased Units			
Total Amount	Lacs/KWH	357.15	290.26
Rate/Unit	Rs./Lacs	1412.71	1125.84
	Rs.	3.96	3.88
b. Own Generation			
i) Through Diesel Generator:			
Units	Lacs/KWH	38.76	4.49
Units/Ltr of Diesel Oil	KWH	3.47	3.45
Cost/Unit	Rs.	3.62	4.13
ii) Through Steam Turbine (Back pressure):			
Units	Lacs/KWH	39.78	-
Cost/Unit	Rs.	0.38	-
iii) Through Steam Turbine (Condensing):			
Units	Lacs/KWH	329.77	316.22
Cost/Unit	Rs.	2.07	2.03
iv) Through Steam Turbine (Double Extraction-cum-Condensing):			
Units	Lacs/KWH	827.75	911.20
Cost/Unit	Rs.	0.98	0.98
2. Coal (Steam/Slack)			
Quantity	Tonnes	187119	175349
Total Cost	Rs./Lacs	2541.23	2512.18
Average Cost	Rs./Tonne	1358	1433
3. Furnace Oil & LSHS			
Quantity	KL	678.535	654.378
Total Cost	Rs./Lacs	40.46	44.33
Average Cost	Rs./KL	5963	6774
4. Saw Dust			
Quantity	Tonnes	1970	2299
B. CONSUMPTION PER TONNE OF PRODUCTION			
Electricity	KWH	1615	1664
Furnace Oil & LSHS	KL	0.007	0.008
Coal	Tonnes	2.044	2.079