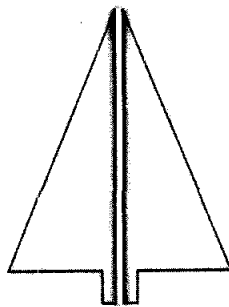


# Annual Report 2000-2001



**The Andhra Pradesh Paper Mills Limited**

# The Andhra Pradesh Paper Mills Limited



## BOARD OF DIRECTORS

(As on 22.05.2001)

1. L.N. Bangur – Chairman
2. Dr. N. Tata Rao
3. Alka Bangur
4. S.N. Daga
5. N. Srinivasan
6. S.K. Arora, IAS
7. T. Gopala Rao, IAS
8. S.D. Mathur (IFCI Nominee)
9. R.K. Joshi
10. 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)  
 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.

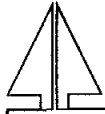
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### *Names and Addresses of Stock Exchanges where the shares of the Company are listed:*

The Hyderabad Stock Exchange Ltd., 3-6-275, Himayatnagar, Hyderabad - 500 029.	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001.
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*The annual listing fee has since been  
paid to the above Stock Exchanges.*



## Annual Report 2000 - 2001

		FIVE YEARS AT A GLANCE				
		2000-2001	1999-2000	1998-99	1997-98	1996-97
<b>OPERATING RESULTS :</b>						
Production	Tons.	88,745	94,334	91,543	84,330	79,861
Sales	Tons.	86,801	95,281	93,072	84,074	77,742
Turnover	Rs. lacs	28,555.07	27,020.73	25,770.29	24,007.55	23,211.90
Profit before depreciation and tax	Rs. lacs	4,035.32	2,639.55	2,069.54	1,660.34	1,874.61
Depreciation	Rs. lacs	991.81	894.19	837.85	820.49	780.96
Provision for tax	Rs. lacs	240.00	310.00	129.33	88.00	103.94
Profit after tax	Rs. lacs	2,803.51	1,435.36	1,102.36	751.85	989.71
Dividend on Equity	Rs. lacs	337.47	253.04	140.62	140.62	225.00
Tax on Dividend	Rs. lacs	34.42	38.97	15.47	14.06	22.50
Retained Profit	Rs. lacs	2,431.62	1,143.35	946.27	597.17	742.21
<b>SOURCES OF FUNDS :</b>						
Share Capital	Rs. lacs	1,124.89	1,124.89	562.50	562.50	562.50
Reserves & Surplus	Rs. lacs	15,154.18	12,722.56	10,887.65	9,941.39	9,344.24
Shareholders Funds	Rs. lacs	16,279.07	13,847.45	11,450.15	10,503.89	9,906.74
Borrowings	Rs. lacs	10,714.71	6,295.80	6,355.54	7,720.67	7,515.15
Total	Rs. lacs	26,993.78	20,143.25	17,805.69	18,224.56	17,421.89
<b>APPLICATION OF FUNDS :</b>						
Net Fixed Assets	Rs. lacs	15,814.79	12,355.65	11,553.84	11,112.90	11,192.18
Investments	Rs. lacs	6,510.68	4,918.30	3,298.57	3,334.07	4,202.30
Net Current Assets	Rs. lacs	4,058.18	2,617.16	2,908.45	3,734.78	2,027.41
Miscellaneous Expenses (To the extent not written off)	Rs. lacs	610.13	252.14	44.83	42.81	-
Total	Rs. lacs	26,993.78	20,143.25	17,805.69	18,224.56	17,421.89
Book value per Equity Share	Rs.	145*	1,231	2,036	1,867	1,761
Earnings per Share	Rs.	25*	128	196	134	176
Dividend (Equity)		30%	25%	25%	25%	40%

\* based on the sub-divided face value of equity shares of Rs.10/- each. The figures for earlier years are based on the face value of Rs.100/- per share.

# The Andhra Pradesh Paper Mills Limited



## NOTICE

NOTICE is hereby given that the **Thirty Seventh Annual General Meeting** of the Members of **The Andhra Pradesh Paper Mills Limited** will be held on **Friday, the 3rd day of August, 2001** 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, 2001, 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, 2001.
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 N.Srinivasan 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 a **Special Resolution**:  
 RESOLVED THAT pursuant to the provisions of Sections 31 and 86 and all other applicable provisions, if any, of the Companies Act, 1956 read with Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001 including any statutory modifications or re-enactment thereof, the existing Article 13 be and is hereby replaced by the following new Article:

#### Kinds of Capital 13:

The Share Capital of the Company shall be of two kinds viz.

#### (a) Equity Share Capital –

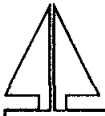
- (i) with voting rights; or
- (ii) with differential rights as to dividend, voting or otherwise in accordance with such Rules and subject to such conditions as may be prescribed by the Central Government.

#### (b) Preference Share Capital.

8. 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 Sections 31, 179 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 103 be and is hereby replaced by the following new Article:

#### Poll: 103

Before or on the declaration of the result of voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the



## Annual Report 2000 - 2001

Company – (i) which confer a power to vote on the resolution not being less than 1/10th of the total voting power in respect of the resolution; or (ii) on which an aggregate sum not less than Rs.50,000/- has been paid up.

9. 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 31 and all other applicable provisions of the Companies Act, 1956, the words "5 (five) Equity Shares" occurring in Article 22A of the Articles of Association of the Company be and are hereby replaced by the words "50 (fifty) Equity Shares of Rs.10/- each."

10. 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 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 52A of the Articles of Association of the Company be and is hereby replaced by the following new Article:

### **Restriction on transfer of less than 50 Equity Shares: 52A**

Without prejudice to the generality of the Article 52, the Directors shall not accept the application for transfer of less than 50 (fifty) Equity Shares of Rs.10/- each in the Company, provided, however, this condition shall not apply to:

- (i) the transfer of Equity Shares made in pursuance of any statutory provision or an order of a competent Court of Law,
- (ii) the transfer of all the Equity Shares by an existing Shareholder holding less than 50 (fifty) Equity Shares of Rs.10/- each by a single transfer to a single or joint names,
- (iii) the transfer of all the Equity Shares of an existing Shareholder holding less than 50 (fifty) Equity Shares of Rs.10/- each to one or more transferees whose holding in the Company will not be less than 50 (fifty) Equity Shares each, after the said transfer,
- (iv) the transfer of not less than 50 (fifty) Equity Shares of Rs.10/- each in the aggregate in favour of the same transferee in two or more transfer deeds, submitted together within which one or more relate (s) to the transfer of less than 50 (fifty) Equity Shares of Rs.10/- each, and
- (v) the transfer of Shares made under special circumstances at the discretion of the Directors to avoid undue hardship in genuine cases.

11. 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 Sections 31, 97 and all other applicable provisions, if any, of the Companies Act, 1956, the words "15 days" appearing in Article 67 (1) of the Articles of Association of the Company be and are hereby replaced by the words "30 days".

12. 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 Sections 31, 193 and all other applicable provisions, if any, of the Companies Act, 1956, the words "fourteen days" and "14 days" appearing in Article 106 of the Articles of Association of the Company be replaced by the words "30 days" and "30 days" respectively.

13. 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 Sections 31, 159 and all other applicable provisions, if any, of the Companies Act, 1956, the words "42 days" appearing in Article 123 of the Articles of Association of the Company be replaced by the words "60 days".

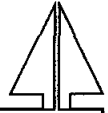
**Registered Office:**  
Rajahmundry-533 105  
East Godavari District,  
Andhra Pradesh.

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

C. Prabhakar  
Company Secretary

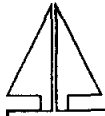
Date : 22nd May, 2001

# The Andhra Pradesh Paper Mills Limited



## 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.7 to 13 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 10th July, 2001 to 3rd August, 2001 (both days inclusive).
4. Securities and Exchange Board of India (SEBI) informed that trading in equity shares of the Company would be compulsory in dematerialised form by all investors with effect from 28th August, 2000. The Company had already entered into agreements in March, 2000 with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders can dematerialise their equity shares in the Company through their Depository Participants.
5. The dividend for the year ended 31st March, 2001 as recommended by the Board, if sanctioned, at this Annual General Meeting will be payable on or after **1st September, 2001** to those Members whose names appear in the Company's Register of Members as on 3rd August, 2001. 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 for this purpose.
6. The face value of each equity share of Rs.100/- has been sub-divided into 10 equity shares of Rs.10/- each with effect from 16th January, 2001. Those shareholders who are still holding the old share certificates for equity shares having face value of Rs.100/- each may please surrender the old share certificates to the Senior Secretarial Officer, The Andhra Pradesh Paper Mills Ltd., Rajahmundry – 533 105, East Godavari District, Andhra Pradesh for issue of new share certificates with face value of Rs.10/- each.
7. The Members holding shares in physical form are requested to notify any change in their address immediately to the Company and those Members holding shares in electronic form should inform change in address to their Depository Participants.
8. The Members are requested to bring their copies of Annual Report to the Meeting.
9. The Members who have so far not encashed their dividend warrants for the years ended 31st March, 1995, 1996, 1997, 1998, 1999 and 2000 (including interim dividend) may immediately approach the Company with their dividend warrants for revalidation.
10. Investors desirous of availing the facility of Electronic Credit of dividend are requested to fill in the form attached to this Annual Report.
11. 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 in physical form. Nomination forms can be obtained from the Secretarial Department at the Registered Office. 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 such shares.



## Annual Report 2000 - 2001

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

#### Regarding Item No.7

Section 86 of the Companies Act, 1956 as amended by the Companies Amendment Act, 2000 has now permitted the Companies to issue shares with differential rights as to dividend, voting or otherwise. It is proposed to amend the existing Article 13 to provide for issue of Equity Shares with differential voting rights. This is only enabling provision and would be used as and when required.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

#### Regarding Item No.8

Section 179 of the Companies Act, 1956 requires that only Members holding at least 1/10th of the total voting power or holding the shares on which an aggregate sum of not less than Rs.50,000/- has been paid-up can demand a poll. The present Article is proposed to be amended to bring it in line with the present provisions of the said Section.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

#### Regarding Item No.9 & 10

Each Equity Share of the Company having face value of Rs.100/- has been sub-divided into 10 Equity Shares having face value of Rs.10/- each from 16th January, 2001. Consequent upon the said sub-division, it has become necessary to increase the number of Equity Shares i.e. '5 (five) Equity Shares' as specified in Articles 22A and 52A to "50 (fifty) Equity Shares of Rs.10/- each". The amendment of the said Articles is consequential in nature.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

#### Regarding Item No.11

Section 97 of the Companies Act, 1956 requires that the Notice of increase in Share Capital shall be filed with the Registrar of Companies within 30 days after passing of the Resolution by the Shareholders authorising the increase of Share Capital.

The present Article which provides for 15 days is proposed to be amended to bring it in line with the present provisions of the said Section.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

## The Andhra Pradesh Paper Mills Limited



### Regarding Item No.12

Section 193 of the Companies Act, 1956 requires that the Minutes of the proceedings of General Meeting shall be dated and signed by the Chairman within 30 days of the Meeting. The present Article which provides for 14 days is proposed to be amended to bring it in line with the present provisions of the said Section.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

### Regarding Item No.13

Section 159 of the Companies Act, 1956 requires that Annual Return shall be filed with the Registrar of Companies within 60 days from the date of Annual General Meeting. The present Article which provides for 42 days is proposed to be amended to bring it in line with the present provisions of the said Section.

Your Directors recommend the resolution for approval by the Members.

None of the Directors of the Company is concerned or interested in this resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations shall be open for inspection by the Members at the Registered Office of the Company on any working day prior to the date of Annual General Meeting between 10.00 A.M. and 12.00 Noon.

### Registered Office:

Rajahmundry-533 105  
East Godavari District,  
Andhra Pradesh.

Date : 22nd May, 2001

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

C. Prabhakar  
Company Secretary





## Annual Report 2000 - 2001

### DIRECTORS' REPORT

To

#### The Members

Your Directors have pleasure in presenting their Thirty Seventh Annual Report and the Audited Accounts for the year ended 31st March, 2001.

#### Financial Results

	2000-2001 Rs./Crores	1999-2000 Rs./Crores
<b>Sales and other income</b>	<b>296.65</b>	<b>270.78</b>
(after accounting for accretion/decretion in stocks)		
<b>Gross Profit</b>	<b>40.35</b>	<b>26.39</b>
Less: Depreciation	9.92	8.94
Provision for Taxation	2.40	3.10
<b>Net Profit</b>	<b>28.03</b>	<b>14.35</b>
Add: Transfer from Investment Allowance Reserve	0.39	0.73
Less: Income-Tax paid for earlier years	—	1.52
Add: Profit brought forward from previous year	26.11	16.90
<b>Profit available for appropriation</b>	<b>54.53</b>	<b>30.46</b>
<b>Appropriations</b>		
Transfer to General Reserve	40.00	1.43
Transfer to Debenture Redemption Reserve	3.00	—
Interim Dividend	—	1.52
Proposed Final Dividend	3.37	1.01
Tax on Dividend	0.34	0.39
Balance carried to Balance Sheet	7.82	26.11
	<b>54.53</b>	<b>30.46</b>

Pending sanction of the Scheme of Amalgamation of Coastal Papers Limited, a Subsidiary, with the Company with effect from 1st October, 2000 by the High Court of Andhra Pradesh, the accounts for the year have been prepared without giving effect to the said Scheme of Amalgamation.

During the year under review, the Production was 88,745 Tonnes as against 94,334 Tonnes and the sales stood at 86,801 Tonnes as compared to 95,281 Tonnes in the previous year. Despite lower production and sales, the Company could register an impressive performance by recording a Net Profit of Rs.28.03 Crores as against Rs.14.35 Crores in the previous year because of upswing and favourable market conditions.

#### Dividend:

Your Directors are pleased to recommend a dividend at Rs.3/- per Equity Share aggregating to Rs.337.47 lakhs on 1,12,48,890 Equity Shares of Rs.10/- each.

#### Marketing:

During the year under review, your Company recorded sales of Rs.285.55 Crores as against Rs.270.21 Crores in the previous year. The exports were to the tune of 5313 MTs. valued at Rs.17.93 Crores as against 6828 MTs. valued at Rs.17.36 Crores in the previous year. The decrease in the volume of production and sales was on account of loss of production due to IR problems in July, 2000 and shut down of operations consequent upon a major accident in the Digester House during January, 2001.

While the general market conditions have been favourable all along, the last quarter of the year under review witnessed downturn in the market place. Export sales realisation have also started declining as the International market observed to be softening. However, the Company could avoid its impact till the year end atleast.

#### Outlook for the Industry.

The Paper Industry is observed to be in the downturn cycle and the realisations are already under severe

## The Andhra Pradesh Paper Mills Limited



pressure. Further, the industry is likely to face stiff competition from the overseas suppliers too considering the cheaper products being already imported by many other segments. While the growth in paper consumption is moderate at the level of approximately 3-4%, it is not going up in consonance with the demand growth in other sectors like IT etc. Moreover, the threat of cheaper imports make it imperative that the Indian Companies will have to strive hard to improve the quality and productivity and become cost effective with a view to combat competition from imports. The Company continued its thrust on product improvement, cost effectiveness and introduction of new products this year as well.

### Acquisition of Coastal Papers Limited:

In December, 2000, the Company acquired 42,60,000 Equity Shares of Rs.10/- each of Coastal Papers Limited (CPL) representing 71% of its Equity Share Capital. With the said acquisition, CPL became a subsidiary of the Company. The object of acquisition of CPL by the Company was to facilitate synergised operations between both the Companies and also to consolidate its market share in the paper industry with a diversified product range of Newsprint.

As the Company and CPL are engaged in the similar line of manufacture, it was proposed to amalgamate CPL with the Company with effect from 1.10.2000 so that the amalgamation will result in the combined operations being carried on more advantageously and also economically and efficiently. The Board of Directors of the Company met on 31.1.2001 and announced an exchange ratio of 1:3 for the amalgamation of Coastal Papers Limited (CPL) with The Andhra Pradesh Paper Mills Limited (APPM). The Scheme was subsequently approved by the shareholders of both APPM and CPL on 26th March, 2001 at the respective meetings of the equity shareholders convened as per the directions of the Hon'ble High Court of Andhra Pradesh. The amalgamation proceedings are in progress in the High Court of Andhra Pradesh.

### Performance of the Subsidiary Company:

During the year under review, Coastal Papers Limited recorded a turnover of Rs.120.30 Crores and a net profit of Rs.88.92 lakhs.

As required under Section 212 of the Companies Act, 1956, the Audited Accounts along with the Report of Directors and Auditors thereon and a statement showing Company's interest in Coastal Papers Limited for the year ended 31st March, 2001 are annexed.

### Raw Materials:

#### a) Bamboo:

The Company could not get allotment of bamboo from Government of Andhra Pradesh continuously for the 4th year, which forced the Company to continue procurement from various sources from adjoining States. However, persistent efforts and dialogues have finally yielded some temporary results under which some quantity of bamboo shall be available on ad-hoc basis for one year contract. Hopefully, it will find long term settlement in the coming years.

#### b) Wood:

In spite of heavy procurement pressure by different Industries of other States in the routine catchment areas developed by The Andhra Pradesh Paper Mills Ltd., through Farm Forestry, the Company could maintain sustained supply of wood throughout the year.

#### c) Farm Forestry and Research & Development activities:

During the year under review, the Company's dedicated efforts in Farm Forestry sector continued without any let up. Around 22.7 Million Casuarina seedlings and Subabul stumps were distributed to farmers against around 18.3 Million in the last year.

Trials on different species, its micro and macro propagation continued throughout the year.

#### d) Commitment to the Society:

As a part of its commitment to the society, around 4 Million seedlings were developed and distributed, particularly in rural areas along with rural development authorities of East Godavari District.