

39th

Annual Report
2002 - 2003

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The Andhra Pradesh Paper Mills Limited



The Andhra Pradesh Paper Mills Limited

BOARD OF DIRECTORS

(As on 28.06.2003)

L.N.Bangur, Chairman
 Dr.N.Tata Rao
 Alka Bangur
 S.N.Daga
 N.Srinivasan
 S.K.Arora, IAS
 K.V.Rao, IAS
 S.D.Mathur (IFCI Nominee)
 R.K.Joshi
 S.Ramachandran (IDBI Nominee)
 Ms.Sheetal Bangur
 P.J.V.Sarma (ICICI Nominee)
 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)
 K.George Thomas - Vice President (Marketing)

Works :

P.K.Suri - Vice President (Operations)
 P.K.Sarkar - General Manager (Works)
 Y.V.Choudary - General Manager (Works)

Company Secretary

C. Prabhakar

REGISTERED OFFICE

Rajahmundry 533 105
 East Godavari District,
 Andhra Pradesh, India
 Tel. : (0883) 2471831 to 2471838
 Fax : (0883) 2461764
 E-mail: appmrjy@andhrapaper.com

WORKS :

Unit : APPM

Rajahmundry 533 105
 East Godavari District,
 Andhra Pradesh, India
 Tel. : (0883) 2471831 to 2471838
 Fax : (0883) 2461764
 E-mail: appmrjy@andhrapaper.com

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CORPORATE OFFICE

501-509, Swapnalok Complex,
 5th Floor, 92/93, Sarojini Devi Road,
 Secunderabad-500 003, Andhra Pradesh, India
 Tel. : (040) 27813625, 27813715
 Fax : (040) 27813717
 E-mail: appmcorp@andhrapaper.com

Unit : CP

Industrial Area, MR Palem - 533 126
 Kadium Mandalam, East Godavari District,
 Andhra Pradesh, India
 Tel. : (0883) 2454651
 Fax : (0883) 2453538
 E-mail: appmcp@andhrapaper.com

Website: www.andhrapaper.com

AUDITORS

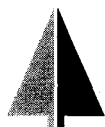
Brahmayya & Co.,
 Chartered Accountants,
 Visakhapatnam

COST AUDITORS

Narasimha Murthy & Co.,
 Cost Accountants,
 Hyderabad

PRINCIPAL BANKERS

State Bank of India
 Canara Bank



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		FIVE YEARS AT A GLANCE				
		2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
OPERATING RESULTS:						
Production	Tons.	149874	154322	88745	94334	91543
Sales	Tons.	146125	156967	86801	95281	93072
Turnover	Rs. lacs	40860.40	42375.50	28555.07	27020.73	25770.29
Profit before depreciation and tax	Rs. lacs	4157.21	3532.30	4035.32	2639.55	2069.54
Depreciation	Rs. lacs	1921.66	1873.84	991.81	894.19	837.85
Provision for tax	Rs. lacs	169.00	120.00	240.00	310.00	129.33
Provision for Deferred Tax	Rs. lacs	140.00	155.00	—	—	—
Profit after tax	Rs. lacs	1926.55	1383.46	2803.51	1435.36	1102.36
Dividend on Equity Shares	Rs. lacs	295.72	295.72	337.47	253.04	140.62
Dividend on Preference Shares	Rs. lacs	42.50	214.46	—	—	—
Tax on Dividend	Rs. lacs	37.89	15.13	34.42	38.97	15.47
Retained Profit	Rs. lacs	1550.44	858.15	2431.62	1143.35	946.27

SOURCES OF FUNDS:						
Share Capital — Equity	Rs. lacs	1182.89	1182.89	1124.89	1124.89	562.50
Share Capital — Preference	Rs. lacs	163.33	326.67	—	—	—
Reserves & Surplus	Rs. lacs	17585.39	16333.63	15154.18	12722.56	10887.65
Shareholders Funds	Rs. lacs	18931.61	17843.19	16279.07	13847.45	11450.15
Borrowings	Rs. lacs	16186.86	16565.64	10714.71	6295.80	6355.54
Deferred Tax (Net)	Rs. lacs	1133.00	993.00	—	—	—
Total	Rs. lacs	36251.47	35401.83	26993.78	20143.25	17805.69

APPLICATION OF FUNDS						
Net Fixed Assets	Rs. lacs	25955.45	26356.35	15814.79	12355.65	11553.84
Investments	Rs. lacs	3681.57	2952.35	6510.68	4918.30	3298.57
Net Current Assets	Rs. lacs	5851.64	5167.74	4058.18	2617.16	2908.45
Miscellaneous Expenses (To the extent not written off)	Rs. lacs	762.81	925.39	610.13	252.14	44.83
Total	Rs. lacs	36251.47	35401.83	26993.78	20143.25	17805.69

Book Value per Equity Share	Rs.	154	141	145	123	204
Earnings per Share	Rs.	16	10	25	13	20
Dividend (Equity)	%	25	25	30	25	25

In view of the amalgamation of erstwhile Coastal Papers Ltd., with the Company during the year 2001-2002, the figures of the earlier years are not comparable.



The Andhra Pradesh Paper Mills Limited

NOTICE

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Members of The Andhra Pradesh Paper Mills Limited will be held on **Friday, the 5th September, 2003** 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, 2003, Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To note the interim dividend on preference shares and declare dividend on the equity shares for the year ended 31st March, 2003.
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 reappointed 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 at a remuneration of Rs.2.50 Lakhs net of service tax plus 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 K.V. Rao, who was appointed as Additional Director of the Company by the Board of Directors under Article 129 of the Articles of Association and who ceased 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 a Director of the Company.

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

Registered Office:

Rajahmaundry 533 105
East Godavari District,
Andhra Pradesh .

C. Prabhakar
Company Secretary

Date : 15th July, 2003



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NOTES

1. **A member entitled to attend and vote at this Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy form duly completed must reach the Registered Office of the Company at least forty eight hours before the commencement of the meeting.**
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 7 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 31st July, 2003 to 7th August, 2003 (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 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, 2003 as recommended by the Board, if sanctioned, at this Annual General Meeting will be payable on or after 22.09.2003 to those Members whose names appear in the Company's Register of Members as on 7th August, 2003. 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.

Shareholders holding shares in electronic form may please note that their bank account details as furnished by their depositories to the Company will be printed on the dividend warrants and the Company will not entertain any direct request from such shareholders for deletion/change in such bank details. Shareholders who wish to change, their bank account details are advised to intimate their Depository Participants (DPs) about such change with complete details of bank accounts.

6. The Members holding shares in physical form are requested to notify any change in their address immediately to the Registrars/Company and those Members holding shares in electronic form should inform change in address to their Depository Participants.
7. The Members are requested to bring their copies of Annual Report to the Meeting.
8. Investors desirous of availing the facility of Electronic Credit of dividend are requested to fill in the form attached to this 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 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.

10. INFORMATION REQUIRED UNDER THE LISTING AGREEMENT

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

1) **SHRI L.N. BANGUR:**

Shri L.N.Bangur has been associated with the Company as Director from May, 1985 and as Chairman from September, 1992. He hails from the Bangur family well-known in the trade and industry for over a century. He is a commerce graduate having experience in the field of trade and industry of more than three decades. He has a long and varied experience with many industrial undertakings pertaining to industries like Paper, Plantations, Textiles apart from trading and investment activities. He is the Chairman of Digvijay Investments Ltd., The Kishore Trading Co. Ltd., Shree Krishna Agency Ltd., The Swadeshi Commercial Co. Ltd., The General Investment Co. Ltd., Maharaja Shree Umaid Mills Ltd., The Peria Karamalai Tea & Produce Co. Ltd., and also Director of M.B.Commercial Co. Ltd., Sri Vithoba Investments Ltd., Amalgamated Development Ltd., Placid Ltd., Samay Books Ltd., Apurva Export Pvt. Ltd., and The Marwar Textiles (Agency) Pvt. Ltd., In addition, he is also a Managing Committee Member of Mugneeram Ramcoowar Bangur Charitable & Religious Co. and The Associated Chambers of Commerce & Industry of India and also Committee Member of Federation of Indian Chambers of Commerce and Industry and Bharat Chambers of Commerce & Industry of India. He is also a member of Audit Committee of Digvijay Investments Ltd and member of Share Transfer Committee of The Peria Karamalai Tea & Produce Co Ltd.



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2) SHRI S.N. DAGA:

Shri S.N. Daga has been associated with the Company as Director since 29th March, 1997. Shri S.N. Daga is a commerce graduate and having niche in Construction, Chemical and Biotech Industries. He is a Director of VINS Bioproducts Limited, Essjay Technologies Limited and Essjay Developers Private Limited. With over 30 years experience in Management and Technical fields, he is successfully managing various public limited and private limited companies.

3) SHRI N. SRINIVASAN:

Shri N. Srinivasan has been associated with the Company as Director from 4th September, 1998. He is one of the leading Chartered Accountants with more than 4 decades of experience in the field of finance and accounting. He was associated with Fraser & Ross as senior partner for more than 20 years. He was the past Chairman of Southern India Regional Council and Central Council Member of The Institute of Chartered Accountants of India. He was also Deputy President of Associated Chambers of Commerce & Industry, Chairman of Madras Chambers of Commerce and Industry and past President of Indo Australian Chambers of Commerce. He is also a Director of United Breweries (Holdings) Ltd., Herbertsons Ltd., Tractors and Farm Equipment Ltd., The Peria Karamalai Tea & Produce Co. Ltd., India Cements Capital & Finance Ltd., Ador Multiproducts Ltd., Amco Batteries Ltd., The United Nilgiri Tea Estates Company Ltd., GATI Ltd., Aurofood (Private) Limited, Dempo Industries Pvt. Ltd., Paterson Consulting Group Pvt. Ltd., UT Worldwide (India) Pvt. Ltd., Fairmeans Investments (P) Ltd., and also Managing Committee Member of Associated Chambers of Commerce and Industry of India (ASSOCHAM), Madras Chambers of Commerce & Industry, Indo Australian Chamber of Commerce and The Employers' Federation of Southern India. He is also a Member/Chairman of Audit Committees of GATI Ltd., Herbertsons Ltd., UB Holdings Ltd and India Cements Capital & Finance Ltd and Member of Investors' Grievance Committee and Remuneration Committee of UB Holdings Ltd.

4) SHRI K.V. RAO :

Shri K.V. Rao, IAS., has been associated with the Company as Director since 28th June, 2003. Shri K.V. Rao is a post graduate in Science and Arts. He joined IAS in 1976 and is presently working as Principal Secretary to Government & Commissioner for Industrial Promotion, Industries & Commerce Department, Government of Andhra Pradesh. He also held various positions like Joint Secretary to Government of India, Lok Sabha Secretariat, Joint Secretary, Ports, Ministry of Surface Transport, Vice-Chairman and Managing Director, A.P. Industrial Infrastructure Corp., Ltd., and Addl. Secretary, Industries & Commerce Department, Government of Andhra Pradesh. He is the Chairman of A.P. State Trading Corporation Ltd.

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

Regarding Item No.7.

Shri K.V. Rao, IAS, who was nominated by Government of Andhra Pradesh, was appointed as Additional Director by the Board of Directors at their meeting held on 28th June, 2003 and pursuant to Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, he holds office up to this Annual General Meeting.

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 K.V. Rao for appointment as a Director of the Company.

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

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

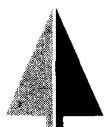
By Order of the Board,
For The Andhra Pradesh Paper Mills Limited,

Registered Office:

Rajahmaundry 533 105
East Godavari District,
Andhra Pradesh .

C. Prabhakar
Company Secretary

Date : 15th July, 2003



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DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting their Thirty Ninth Annual Report and the Audited Accounts for the year ended 31st March, 2003.

Financial Results	Rs./Crores	
	2002-2003	2001-2002
Sales and other income (after accounting for accretion/decretion in stocks)	424.75	421.87
Gross Profit	41.58	35.32
Less: Depreciation	19.22	18.74
Less: Provision for Current Tax	1.69	1.20
Deferred Tax	1.40	1.55
Net Profit	19.27	13.83
Add: Profit of erstwhile Coastal Papers Ltd.	---	3.41
Less: Income tax paid for earlier years	0.23	0.14
Add: Profit brought forward from previous Year	15.65	7.82
Profit available for appropriation	34.69	24.92
Appropriations		
Transfer to General Reserve	1.93	1.39
Transfer to Capital Redemption Reserve	1.63	1.63
Transfer to Debenture Redemption Reserve	1.00	1.00
Interim dividend on Preference Shares	0.43	1.48
Tax on Interim preference dividend paid	---	0.15
Proposed Dividend on preference shares	---	0.66
Proposed dividend on equity shares	2.96	2.96
Tax on Equity Dividend	0.37	---
Balance carried to Balance Sheet	26.37	15.65
	34.69	24.92

Performance:

The year under review concluded with your Company registering production of 1,49,874 MTs. and sales of Rs.408.60 crores. The Profit Before Tax (PBT) was Rs.22.36 crores. The Profit

after deferred tax stood at Rs.19.27 crores as compared to Rs.13.83 crores in the previous year registering a growth of 39% due to improved sales realizations and effective cost control measures.

Dividend:

An interim dividend at 14.5% amounting to Rs.37,63,383/- on 3,26,667 Redeemable Cumulative Preference Shares of Rs.100/- each from 1.4.2002 to 15.1.2003 and Rs.4,86,646/- on 1,63,334 Redeemable Cumulative Preference Shares of Rs.100/- each from 16.1.2003 to 31.3.2003 was declared by the Board on 13th March, 2003 and the said amount was paid to ICICI Bank Ltd. on 25.3.2003. This dividend shall be considered as final dividend.

Your Directors are pleased to recommend a dividend of Rs.2.50 per equity share on 1,18,28,890 equity shares of Rs.10/- each aggregating to Rs. 2,95,72,225/- . This dividend will be free of income tax at the hands of shareholders.

Marketing and Exports:

The paper and paperboard market showed some signs of revival during the financial year, as compared to the conditions in the previous year. The demand for Writing & Printing Grades and Cultural varieties remained buoyant during the year. However, Newsprint and Industrial Grades like Kraft Paper witnessed drastic reduction in prices during the first three quarters. Some buoyancy was visible in these grades during the fourth quarter for a short period.

During the year under review, exports touched a level of 10680 tons as compared to 7349 tons last year (growth of 45.3%) and the earnings in foreign exchange were to the tune of Rs.25.16 crores as compared to Rs.17.10 crores last year (increase of 47.13%).

Coastal Papers bagged a contract for supply of 3000 MT of Delux Maplitho paper to the National Curriculum & Textbook Board, Bangladesh during the year under review which was executed in April/May, 2003. The Company has already initiated action for expanding the export market for Coastal Papers to other countries like Sri Lanka.

RAW MATERIALS:

Raw Material procurement:

Continuous follow-up with the Government of Andhra Pradesh for supply of Bamboo Industrial Cuts resulted in beginning of supply of some quantity of Bamboo Industrial Cuts from Government of Andhra Pradesh during the year. However, the balance major quantity is to be covered from adjoining States like Maharashtra, Chattishgarh and Orissa.

Pulpwood procurement witnessed unprecedented heavy competition in the catchment primarily from the industries of adjoining States. Despite all the adversities Company's



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concerted efforts could pave the way to maintain the sustained supply throughout the year.

Raw Material Development:

During the year the Company distributed around 32.5 million of seedlings under its farm forestry scheme as against 26.3 million in the last year covering a total of 4000 hectares of land.

Although with a sustained programme of this size and type, the Company is in a position to fulfill its entire requirement of wood through farm forestry sector, but it is being enlarged continuously year after year to make availabilities easier. These are supplemented by the Research & Development activities also in this field to increase productivity.

Socio-economic commitments:

The Company actively participated in Avenue and Environmental plantations, recreational forestry at various places and development of around 4 million seedlings exclusively for rural areas in collaboration with Zilla Parishad, East Godavari District, as a part of its dedicated efforts to the society. The low cost planting techniques widely accepted by the farmers has resulted in development of mutual trust and harmony between the Company and the agrarian society along with fulfilling its commitment towards environmental and upliftment of socio-economic status of the farmers.

Other Raw Materials:

a) Rice straw:

Due to drought conditions during 1st crop and restricted water supply for 2nd crop, for cultivation of paddy and movement of rice straw by State Government through Railway rakes to other drought hit areas like Ananthapur, Ranga Reddy District etc., the demand for rice straw has gone up substantially. In spite of this, the Company is maintaining continuous supply of rice straw throughout the year.

b) Waste Paper:

The required quantity of different grades of waste paper both imported and indigenous was procured during the year under review as per production schedules. However, the prices of the imported waste paper were highly volatile due to demand from China and other new plants in Europe and USA. Prices of major varieties went up by more than 30% including the impact of rising sea freight.

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-1 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.

Environment:

In line with its commitment for Cleaner Environment, the Unit: APPM has installed "Non-Condensable Gases Handling System" consisting of collection, transportation and incineration of Odorous Gases. The system is first of its kind in Pulp and Paper Industry in India to combat the odour problem.

The Company remains committed to high level compliance of all the parameters for preservation of environment. Its Unit: APPM bagged ISO 14001 certification too.

Particulars of Employees:

There are no employees whose particulars are required to be disclosed under Sec. 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Public Deposits:

There were unclaimed Deposits amounting to Rs.10,51,000/- as on March, 31st 2003.

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, 2003 were maintained as per the Cost Accounting Records (Paper) Rules, 1975. The Order issued by the Central Government covered the cost audit for the year ended 31st March, 2003 and with the approval of the Central Government, M/s.Narasimha Murthy & Co. Cost Accountants were appointed as Cost Auditors of the Company to audit the Cost Accounts for the year ended 31st March, 2003.

Corporate Governance:

As required under Clause 49 of the Listing Agreement, Reports on Management Discussion and Analysis and Corporate Governance together with the Certificate of Auditors on Corporate Governance are given separately which form part of this Annual Report.

Directors:

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



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During the year under review, Shri Jainder Singh resigned from the Directorship of the Company with effect from 16th January, 2003. Shri K.V.Rao, IAS., Principal Secretary to Government and Commissioner for Industrial Promotion, Industries & Commerce Department, who was nominated by Government of Andhra Pradesh, was appointed as Director by the Board of Directors at the Meeting held on 28-6-2003. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, Shri K.V.Rao will hold the office upto the date of forthcoming Annual General Meeting.

Notice under section 257 of the Companies Act, 1956 has been received proposing the appointment of Shri K.V.Rao as Director as mentioned in the Notice of Annual General Meeting.

The Board of Directors places on record its warm appreciation of the excellent contribution made by Shri Jainder Singh during his tenure as Director of the Company.

Industrial Relations:

The industrial relations were cordial during the year under review except for a strike for a period of 26 days in December, 2002/ January 2003 in Unit: CP.

Constitution of Audit Committee:

As required under Sec. 292 of the Companies Act, 1956 read with Clause 49 of the Listing Agreement, an Audit Committee was constituted by the Board and the present members of the Audit Committee are as under:

- 1) Shri R.K.Joshi, Chairman
- 2) Shri N.Srinivasan
- 3) Shri S.D.Mathur
- 4) Shri S.Ramachandran
- 5) Shri P.J.V.Sarma

Awards:

A special award was presented to the Company by CAPEXIL (sponsored by Ministry of Commerce and Industry, Government of India) on 17th December, 2002 in recognition of outstanding export performance in respect of paper and paperboards for the year 2001-02.

The Company has also been awarded a Certificate on 28.12.2002 by DNV BV, Netherlands certifying that the Environmental Management System was found to conform to the Environmental Management System Standard: ISO 14001:1996.

The Company was given on 17.6.2003 the First Prize of TERI Corporate Environmental Award among the Category II companies (turnover in the range of Rs.100-500 crores per annum) by The Energy and Resources Institute, (TERI) New Delhi.

Directors' Responsibility Statement:

Your Directors hereby confirm and declare that:

- a) in the preparation of Annual Accounts for the year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures with the exception of Accounting Standard 22 on accounting for taxes on income issued by the Institute of Chartered Accountants of India for the reasons explained in Note No.6 of Schedule 19 (II) of the Annual Accounts for the year ended 31.03.2003;
- b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year i.e. 31st March, 2003 and of the profit of the Company for that period;
- c) they had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting the fraud and other irregularities;
- d) they had prepared the accounts for the year ended 31st March, 2003 on a going concern basis.

Reply to Auditors Observation:

As regards observation vide Item Nos. 4 (d) & (e) of Auditors Report dt. 28.06.2003 regards Accounting Standard 22 on accounting for taxes on income, a detailed explanation has been given in Note No. 6 of Schedule 19 (II) of the Annual Accounts for the year ended 31.03.2003.

Acknowledgements:

Your Directors wish to place on record their gratitude to the Central Government and the Government of Andhra Pradesh, ICICI Bank Ltd., IFCI Ltd., IDBI, IDBI Bank Ltd. and Export-Import Bank of India besides the Company's Bankers viz., State Bank of India and Canara Bank for their continued support during the year. Your Directors also wish to convey their thanks to the valued customers and dealers for their continued patronage during the year. Your Directors also place on record their appreciation of the contribution made by all the employees during the year under review.

For and on behalf of the Board,

Place: Secunderabad
Date : 15th July, 2003

L.N.Bangur
Chairman



The Andhra Pradesh Paper Mills Limited

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:

I. Measures taken for conservation of energy:

- 1) Installation of VFD in place of dynodrives for washers in Bleach Plant and installation of VFD for ID fan of Recovery Boiler.
- 2) Retrofit of fan and installation of VFD for FD fan of Coal-Fired Boiler.
- 3) Installation of heater in Recovery Boiler.
- 4) Installation of energy efficiency pumps in Stock Preparation Plant and Pulp Mill.
- 5) Improvement of flash heat recovery system in Recovery Boilers.
- 6) Replacement of compressor in Power Block.
- 7) Replacement of Suction Boxes and up-gradation of De-inking Plant.
- 8) Installation of vacuum pumps and replacement of Refiners.

II. Proposals being implemented for reduction of energy consumption are:

- 1) Installation of variable speed drives for identified fans and pumps to reduce power consumption.
- 2) Installation of electronic governor for TG sets.
- 3) Unitization of compressor in paper machines.
- 4) Replacement of existing pumps with energy efficient pumps in clear water pump house and pulp mill.

III. Impact of the above measures on the consumption of energy:

The above measures have resulted in reduction in consumption of energy, improvement in steam generation, reduction in Machine down-time, reduction in cost of production etc.