

The Sirpur Paper Mills Limited

09
annual
report
10

The Sirpur Paper Mills Limited

Annual Report 2009-10

Forward looking statement

In this annual report, we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expect’, ‘project’, ‘intend’, ‘plan’, ‘believe’ and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

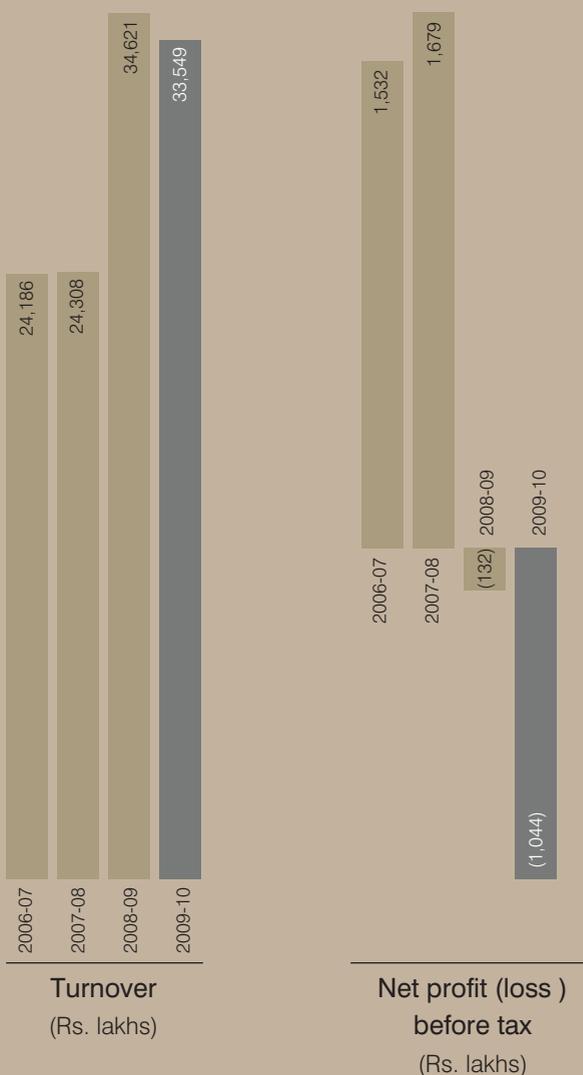
Corporate identity & highlights	02
Vice Chairman & Managing Director’s review	04
Strengths	06
Our machines	07
Management discussion and analysis	08
Directors’ report	22
Corporate governance report	31
CEO/CFO certificate	42
10-year financial highlights	43
Financial sections	44
Notice to shareholders	68
Corporate information	77
Board committees	78

“
Our
greatest
glory is not
in never
failing, but
in rising up
every time
we fail.
”

– Ralph Waldo Emerson

The Sirpur Paper Mills Limited is one of India's largest integrated paper manufacturers, reputed for its range, quality and consistency.

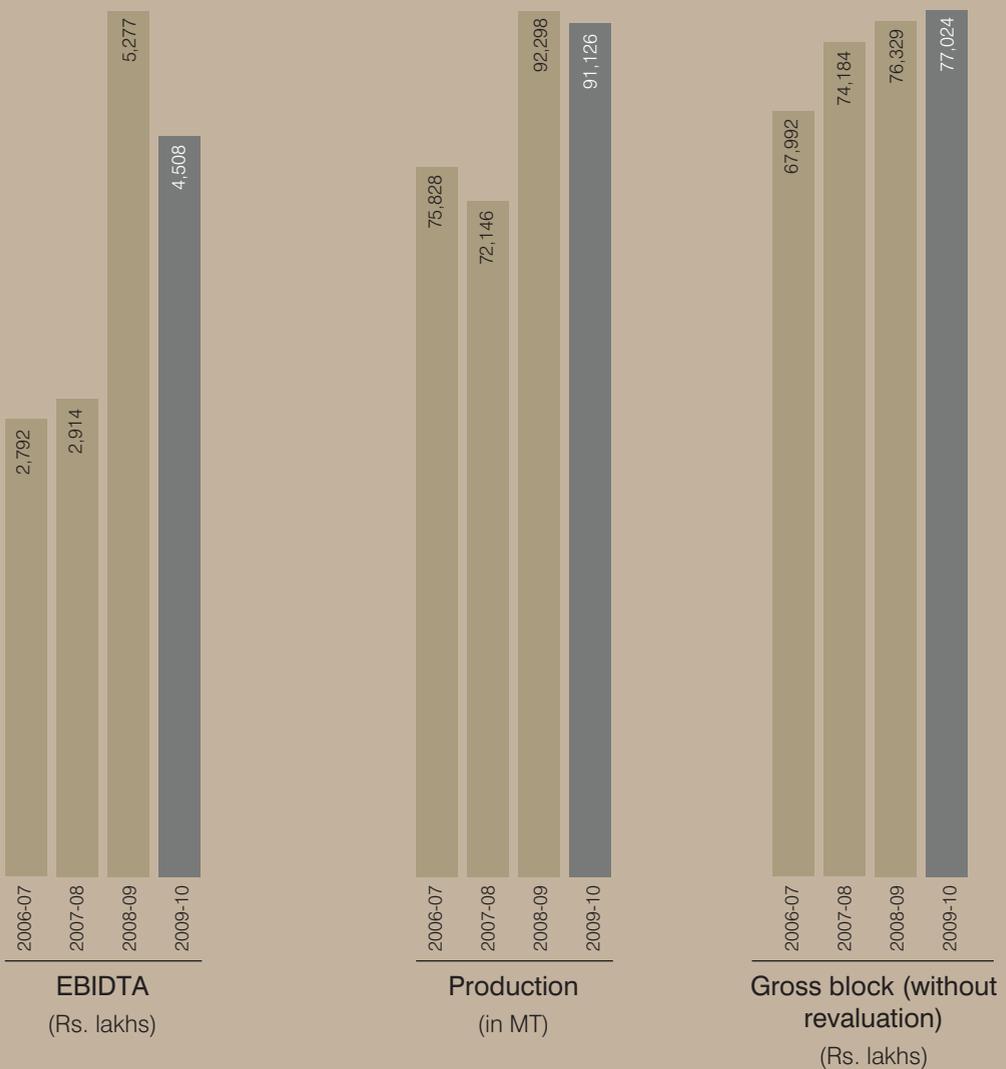
Performance, 2009-10



The Sirpur Paper Mills Ltd. was incorporated in 1938 and Shri Ranjan Kumar Poddar (Chairman) and Shri Devashish Poddar (Managing Director) have been at the helm of the Company since 1994.

The Company's extensive product portfolio comprises writing and printing paper, cream wove and maplitho paper, ledger, bank and account book paper, speciality grade paper-board, parchment, airmail and pastel paper, industrial kraft paper, base for coated paper, duplex and triplex board and copier paper, among others.

- The Company is headquartered in Gurgaon with its registered office in Hyderabad.
- The Company's manufacturing facility is located in Sirpur-Kagaznagar (Andhra Pradesh) comprising eight operational paper machines (1,38,300 TPA) with captive power generation plants.
- The Company's promoters' holding accounted for 46.39%.
- The Company's stocks are actively traded on the National Stock Exchange and the Bombay Stock Exchange.
- The Company has dominant domestic presence through a strong, pan-India distribution network comprising six depots and 50 dealers.





Vice Chairman & Managing Director's review

Dear Shareholders,

Our performance in 2009-10 was unfortunately not up to the mark. This disappointment did not weaken our resolve but only strengthened it and has inspired us to do better.

Overview

Our production, revenues and profits declined during 2009-10. Consequently, our performance could not translate into enhanced value for all those who own shares in our Company.

There were a number of reasons for this.

One, our capacity utilisation stood at only 66 percent, constrained by the performance of the 150-TPD paper machine, which struggled to achieve a production of 66 TPD, pulling down the corporate average. Besides, this machine was dedicated to value-added varieties, so the decline carried corresponding profitability and product mix implications as well. In a capital-intensive business, much of the profitability is derived from enhanced asset utilisation, which we could not achieve.

Two, there was an 18-day strike at our plant with a corresponding production and revenue loss.

Three, we encountered sluggish market conditions for the first three quarters of 2009-10. Following the recession, demand contracted in Europe and America, leading to huge inventory pile-ups and sharp price decline in the international market. Also,

excess global supplies were dumped in the country.

Four, competitive imports capped the realisations of Indian paper manufacturers.

Upward trend

The global economy showed reasonable recovery in the second half of 2009-10 with a number of economies posting positive growth in gross domestic production. Going ahead, global growth is expected to rebound from -0.8% in 2009 to 3.9% in 2010 and a projected 4.3% in 2011 with corresponding positive implications for the paper industry.

We capitalised on the recovery in the paper market starting from the last quarter of 2009-10. The recovery transpired owing to natural disasters – earthquakes in Chile and Indonesia – that affected the ability of these countries to supply paper to the global market. Consequently, once the global inventory was cleared, demand exceeded supply and pulp prices hardened, in turn strengthening paper realisations.

Economic outlook

Indian GDP growth rebounded from 6.7% in 2008-09 to 7.4% in FY2009-10 with a projected 9.2% in 2010-11 (Source: CMIE). For the writing and printing segment of the

In India, annual paper consumption was estimated at 10 million tonnes and is expected to rise to 15 million tonnes by 2015



Indian paper industry, the important development was the Indian government's educational thrust, especially its landmark 'education for all until 14' decision. Not only did this sustain rising paper offtake but the government's decision to maintain paper and paperboard excise at 4 percent enhanced the price-value proposition for consumers.

Industry outlook

The outlook for the paper industry is favourable for the foreseeable months. The prevailing global pulp shortage is expected to increase as a large paper consumer like China is increasing its paper manufacturing capacity, indicating a growing appetite for raw material. It would only be reasonable to expect that this increase in raw material demand and prices will translate into higher paper realisations.

In India, annual paper consumption was estimated at 10 million tonnes by 2010 and is expected to rise to 15 million tonnes by 2015. Correspondingly, per capita consumption is expected to increase from around 8 kg in December 2009 to an estimated 10 kg by 2012, as paper production and consumption grow at CAGR of 8.4% and 9% respectively till 2012-13 (Source: IPMA).

Corporate response

At Sirpur, we have embarked on two initiatives on a war footing.

One, we are addressing the under performing paper machines with a complete overhaul, converging all the necessary mechanical, electrical and instrumentation competencies. We are optimistic that we will soon have something positive to report.

Two, we have installed a wet-end pulp making machine, which will enable us to address the buoyant global pulp market. The acquired machine possesses the capacity to generate Rs. 50 crore in a full year's working.

Shareholder value

At Sirpur, we recognise that our shares did not enhance over the last year. I must assure our stakeholders that we are seized of this reality and are endeavouring to correct it in the most effective way and in the shortest time.

Sincerely,

Devashish Poddar



Strengths

Input proximity

The Company's plant in Kagaznagar has around 63,813 sq. km of its surrounding area under forest cover, ensuring abundant raw material availability in a legal and organised way. Proximity to multiple raw material sources enables the Company to meet raw material requirements with speed and flexibility. The plant is also located near a perennial river source.

Brand

The Company's decades-old industry experience has enhanced brand credibility. The Company is respected for product customisation and even small-batch delivery, which is a relative rarity in this volume-driven business.

Portfolio

The Company's product basket comprises numerous paper varieties and niche varieties customised for clients.

Quality

The Company's products are subjected to more than 24 stringent shop floor quality checks.

Distribution

The Company facilitates wide product availability with six depots in Mumbai, Delhi, Chennai, Kolkata, Hyderabad and Jaipur and 50 authorised wholesalers and their sub-dealers across India.

Integrated

The Company has a 350 tonne pulp making plant resulting in product integration. Pulp production protects production cost in a falling market and improves margins in a rising market.

Captive power

The Company is protected from rising energy costs in a power-intensive business through captive power generation plants. The cost of captive generation was Rs. 1.34 per unit in 2009-10 compared with the grid cost of Rs. 2.92 per unit

Our machines

PM-8

Capacity of 150 TPD,
commissioned in 2008

PM-1

Production
commenced in 1942
present capacity
of 31 TPD

PM-2

Commissioned in
1953 present capacity
of 31 TPD

PM-7

Commissioned in
2002 with capacity
of 60 TPD

**The eight
operational
paper
machines at
Sirpur.**

PM-3

Commissioned in
1959, present
capacity
of 39 TPD

PM-6

Commissioned in
1974, present
capacity
48 TPD

PM-5

Commissioned in
1976, present
capacity
of 12 TPD

PM-4

Commissioned in
1966, present
capacity
of 9 TPD

Management's discussion and analysis

Economy overview

Global paper industry

The global paper industry is dominated by North America, Europe and Asia. The US leads production with over 100 million tonnes per annum, nearly a third of the world's paper production. The Asian paper market is growing faster than Europe and Africa.

Asia is expected to account for 38% of global paper consumption by 2015. Asia's principal paper producing and consuming markets are Japan, China, India, Malaysia, Singapore and Thailand. Japan enjoys the highest per capita consumption (over 250 kg) in Asia, followed by Singapore (over 145 kg). Developed countries like the US, Canada, Germany and the UK enjoy higher per capita consumption of 300 kg, 243 kg, 233 kg and 202 kg, respectively. Global per capita consumption is estimated at around 56 kg whereas the Asian average is around 46 kg. Given this background, India's per capita consumption is a mere around 8 kg.

Indian paper industry

Globally, India ranks 15th among paper producing countries. The Indian paper industry's production constitutes 1.6% of the global paper and paperboard production.

The industry employs more than 0.12 million people directly and 0.34 million people indirectly (*Source: IPMA*).

Capacity and production: The Indian paper sector is dominated by small and medium size units. Paper production is likely to grow at 8.4% CAGR till 2012-13.

Consumption: Current paper consumption is at 8.5 million tonnes a year. Paper consumption is expected to grow close to 10 million tonnes by 2010 and 15 million tonnes by 2015 following robust investments being made in the country's educational infrastructure, which will translate into enhanced literacy. Per capita consumption increased to 8 kg and is expected to touch 10 kg by 2012.

Paper demand is expected to grow at a CAGR of 9% till 2012-13.

Industry threats and concerns

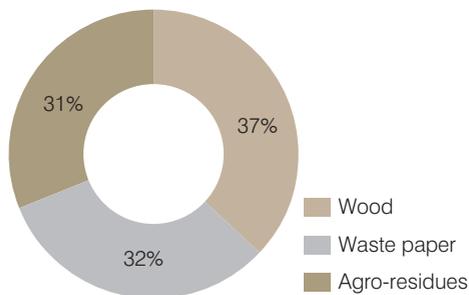
Capital intensity: The paper industry is capital-intensive and targeting a capital expenditure of over Rs. 13,000 crore across the next three years on fresh capacity expansion, modernisation and efficiency enhancement.

Current paper consumption is at 8.5 million tonnes a year. Paper consumption is expected to grow close to 10 million tonnes by 2010



Raw materials: The tight availability of raw materials – wood, bamboo, recycled fibre, bagasse, wheat, straw and rice husk, among others – represent an industry concern.

India's raw material availability



Of the total wood (key raw material) consumed in India, only 3% is used by the paper industry while 90% is used as fuel. By 2012-13, additional wood requirements are anticipated at about 8 million tonnes, around 6% of the total domestic consumption. To maintain an ecological balance, 2 million hectares will need to be afforested (Source: IPMA).

Coal and power: Denied 'core sector' status, the power-intensive industry is not guaranteed uninterrupted coal supply from collieries. Consequently, paper mills suffer from high power costs and inadequate coal

supply. Besides, power derived from the state electricity grid is expensive.

Waste paper: In India, about 8,50,000-10,00,000 tonnes of paper is recovered annually, the recovery rate being only 20% compared with 65% globally. Nearly 50% of the industry's requirement of waste paper is imported as India is deficient in waste paper collecting, sorting and grading systems.

'Go Green' drive: A growing focus on paper saving leading to lower use and a shift to e-bills and e-statements could affect paper consumption.

Industry drivers

Education reforms: India's education sector accounts for 30% of the country's writing and printing paper demand. The Indian government emphasised increasing education investment, raising the allocation for school education from Rs. 26,800 crore in 2009-10 to Rs. 31,036 crore in 2010-11 (Source: Union Budget). Moreover, India's states will have an access to Rs. 3,675 crore for elementary education under the thirteenth Finance Commission grants for 2010-11.

Enhanced literacy: Increasing literacy levels from 57.9% in 1999 to 63% in 2009 catalysed paper consumption. The Eleventh Plan

(2007-11) targets an 80% literacy rate, a reduction in the literacy gender gap to 10% and a reduction in rural-urban literacy levels (urban nearly 90%, rural 69%). Consequently, India's paper consumption is expected to grow from 8.5 million tonnes to over 15 million tonnes by 2015.

Global events: Demand for paper is expected to strengthen on account of the Commonwealth Games in Delhi, Shanghai 2010 International Expo and Asian Games.

Technology businesses: Growth of BPOs and KPOs increased paper demand. Besides, penetration of mobile telephony, increased paper usage owing to mailing of monthly statements of accounts, telephone and credit card bills to customers. The increased IT penetration has increased copier paper demand.

Print media growth: Increased advertising spends from emerging sectors (education, retail and telecom) are expected to widen the market for the regional print media.

Changes in lifestyles: Indian incomes are likely to grow three-fold over the next two decades. By 2025, India is expected to become the world's fifth-largest consuming

country. With 2.5% urbanisation growth, the number of subscribers needing bills and credit card statements, print media advertisements, purchases and innovative packaging, among others, will catalyse paper demand.

Corporate growth: Corporate growth and the increasing integration of global corporations with Indian counterparts requiring more documentation.

Hygiene: Tissue papers, manufactured under strict hygienic condition, find wide institutional use across hotels, hospitals, railways, airlines, offices, the tourism industry and individuals.

Way ahead

India is among the world's fastest growing paper markets. An increase in consumption by one kg per capita is likely to strengthen national consumption by a million tonnes per annum. As per industry estimates, paper production and consumption are likely to grow at a CAGR of 8.4% and 9% till 2012-13 (Source: IPMA). India's paper industry size is expected to grow to around 38 million tonnes by 2025.

CREP compliance

India's paper and pulp industry has broadly implemented the recommendations of corporate responsibility for environmental protection (CREP). CREP initiatives will help the industry project a clean image through the use of clean technologies. CREP comprised the following points:

- Commitment to reduce water consumption and waste water discharge
- Use treated waste water for irrigation
- Reduce AOX level in waste water
- Install lime kiln to recycle lime sludge
- Install a non-condensable gas management system to reduce odour
- Reduce colour in waste water

Our operations

The average wood cost per tonne decreased by Rs. 89 in 2009-10



1 Operations Inputs management

For a paper manufacturing company, raw material security is of utmost importance especially at a time when its raw material exploitation can be considered climate-impacting. The Company meets 95% of its wood requirement through the Agricultural Marketing Committee (AMC). AMC is a government-regulated body controlling raw material supply and prices. Sirpur's plant is situated in Kagaznagar (Andhra Pradesh) with around 63,813 sq. km under forest cover, ensuring abundant and proximate raw material availability. The wood is procured within a distance of 600 km from the plant. The average wood cost per tonne decreased by Rs. 89 in 2009-10 compared with the previous year despite an increase in prices by Rs. 150 per tonne in October 2009 by Agricultural Marketing Committee.

Highlights, 2009-10

The Company undertook the following initiatives to address growing raw material requirements:

- Provided farmers training in enhancing productivity; distributed high-yielding subsidised planting material of different species on the basis of climatic and soil conditions
- Encouraged the development of high-yielding clones as per the soil condition to improve genetic quality
- Provided farmers assistance and a guaranteed buyback of all raw material offered, enhancing their returns. The Company distributed planting material to farmers covering an area of 1,600 hectares in the Prakasham, Krishna, Guntur, Khammam, Karimnagar and Adilabad districts

Distribution of planting stock and area covered in the past ten years by Sirpur

Scheme	Variety	Distribution (in lakhs)	Area covered (In hectares)
Farm forestry	Eucalyptus clones	16.09	789
	Eucalyptus seedlings	228.00	3,000
	Subabul stumps	350.00	3,500
	Subabul seed converted into seedlings	1,668.00	16,621
	Total	2,262.09	23,910

Outlook

The availability of raw material in coastal areas is decreasing day by day because of the uprooting of plantation by farmers and also the stiff competition among the Companies, the A. P. Mills and others. The cost is also expected to go up in future, for which the Company intends to take the following measures:

- Develop pulp wood plantations in the catchment area by encouraging farmers in their own lands, by supplying of plantation material and technical guidance
- Encourage farmers by developing eucalyptus plantations through joint farm

management on their own lands by supplying eucalyptus clones and plantation material

- Encourage field boundary plantation programme around the agricultural crop on the farmer's land
- Pursue the government for allotment of revenue waste forest land areas for taking up large plantations
- Taking up eucalyptus plantation on the Mills' vacant lands
- Follow up for raising farm forestry plantations with the help of local banks by giving loans to the farmers under tri-party agreement.



In the paper manufacturing business, where a number of varieties are processed at any given time for the diverse needs of various users, it is imperative to produce quality product through quality assurance at each stage.

Sirpur is respected for its consistent ability to meet stated and implied customer needs.

Highlights, 2009-10

- Absorbed the new pulp washing and bleaching technology related to the new fibre line, resulting in consistently enhanced paper brightness
- Optimised cooking conditions to achieve consistent pulp quality

■ Modified the steam and condensate system and stabilised steam temperature and pressure to eliminate process variations, improving product quality

■ Eliminated shade variations by replacing basic dyes with pigment dyes, improving paper quality

■ Installed a thermo-profile calliper control system for the improvement in calliper profile across deckles, ensuring a better printability of our product

■ Introduced neutral sizing of paper in premium products, enhancing competitiveness



3 Operations Manufacturing

In the capital-intensive paper industry, competitive business advantage is derived from the ability to maximise production and related efficiency at the lowest possible cost.

Sirpur encountered challenges in maximising production during the year under review.

Highlights, 2009-10

- Produced 91,126 MT of paper as against 92,298 MT in 2008-09, a marginal fall despite the suspension of production for 18 days due to the contract workers' strike
- Focused on conservation of water helped reduce fresh water usage by 33% and lowered pumping power consumption by 25%

Challenges

- Addressed and rectified the problem of

drive gear boxes in PM-8 where oil leakages, bearing failures and gear failures were persistent

- Overhauled the NIPCO press with international experts; rectified loading problems
- Added capacitors to maintain a power factor at 0.97, optimising grid power consumption

Agenda, 2010-11

- Improve production with a new approach flow screen for PM-8
- Centralise bleached pulp refining to save up to 2,000 kwh of energy
- Install a new rewinder for PM-1 and PM-2 to meet quality requirement of the market



4 Operations Research and development

In a business that is capital-intensive and a variety of products need to be manufactured, it is imperative to strengthen product and process efficiency through informed research and development.

The Company's research focuses on cost reduction, superior quality and a responsible environmental footprint.

New product development

- Developed use of single dye to eliminate shade variations and reversion, improving paper quality
- Developed use of pigment dye to improve permanency and reduce colour reversion for prime maplitho paper
- Developed better and appealing writing

and printing paper using high 'E' value optical, brightening agents in powder form

New process development

- Developed neutral paper sizing using the rosin emulsion-based sizing system
- Used pigment dyes instead of basic dyes in tinting paper, leading to uniform shade and lower reversion
- Achieved high brightness (+90% ISO) as well as high fluorescence writing and printing paper through OBA addition at the wet end and surface application

Blueprint

The Company, because of its rich and experienced R&D and process teams, moved from acid sizing to neutral sizing on machines. The Company plans to switch to alkaline sizing using state-of-the-art technology. On successful implementation of alkaline sizing, the Company aims to use ground calcium carbonate and precipitated calcium carbonates fillers to improve paper quality.



5 Operations

5 Intellectual capital

In a knowledge-intensive business like paper, it is imperative to optimise the recruitment, training and retention of people.

Highlights, 2009-10

- Achieved a productivity of 32.11 tonnes per person as against 31.66 tonnes in 2008-09
- Developed a detailed recruitment policy
- Established a corporate HR division for scientific performance appraisal, individual target settings and productivity-linkages to remuneration
- Trained 150 trainees inducted during the year

Recruitment

The Company plugged vacancies with qualified and experienced professionals.

Training and development

- Trained employees in skill development leading to enhanced productivity
- Initiated the development of a new training

module for implementation in 2010-11

- Started the process of identifying employee training needs through a newly-designed performance appraisal system

Employee welfare

- Provided accommodation to employees and their families
- Facilitated the schooling of employees' children, besides arranging for their transportation, canteen, shops and clubs, among others, to cater to basic needs of resident
- Conducted sports activities; developed cultural forums
- Organised staff events and meets

Agenda, 2010-11

Going ahead, the Company intends to implement total productive maintenance concept which will lead to gains in system development, training, housekeeping, preventive maintenance and group activities.



6 Operations Information technology

In a business where raw material needs to be sourced from diverse points at different prices, where different paper varieties need to be produced for different customers and prices to be monitored across different markets, the role of information technology cannot be over-emphasised. Over the years, the Company strengthened its IT network leading to informed decision making.

Highlights, 2009-10

- Integrated the weigh bridge and weighing scales systems with SAP for complete automation of goods receipt process

- Installed systems for connectivity at depots and branches for online billing

Strategic blueprint

- Installation of optic fibre networking across the factory, permitting transmission over longer distances and higher bandwidths
- Implementation of dispatch automation systems and Production Planning Module under SAP
- Implementation of a banking module of SAP



7 Operations Marketing

In a business where a number of paper producers are marketing similar products, the ability to maximise revenues is influenced by effective marketing and a compelling price-value proposition.

Highlights, 2009-10

- The Company retained its institutional customers in a challenging year.
- The Company worked closely with its customers, enhanced product awareness and customised products.

Strengths

Wide product basket: The Company offers a wide product range among paper

manufacturers – writing and printing paper, packing and wrapping paper and boards – across niche varieties and grades.

Deeper penetration: The Company possesses six depots and over 50 authorised dealers all over India. The Company also caters to the demand of the rural and semi-urban population through sub-dealers.

Strategic blueprint

- Widen the product base by adding cut-to-size papers
- Develop copier and maplitho paper variety and quality



8 Operations Health, safety and environment

Health and safety

In a labour-intensive business like paper, it is imperative to protect working conditions with the objective to ensure worker health and safety.

The Company addressed the above through the following priorities:

- Compliance with statutory regulations
- Compliance with necessary safety appliances, devices and gadgets to be given to employees
- Compliance with employee training in the area of safety and occupational health

Total number of accidents	2007	2008	2009	2010 (up to 31 March)
Reportable	20	32	19	03
Fatal	–	01	01	–
Total	20	33	20	03

Highlights, 2009-10

- Installed safety equipment including chlorine monitor, chlorine neutralisation system, wind sack, showers and smoke detectors
- Conducted blood donation camps, free eye-examinations for drivers and crane operators, and regular medical check-up for hazardous process area workmen

Environment

The efforts to improve environmental compliance was furthered from last year.

Water conservation: Utilisation of back water after physico-chemical treatment, is used on paper machine 6, replacing its entire fresh water requirement; Utilisation of paper machine 7 and 8 back water for pulp dilution replacing fresh water; Utilisation of process condensate for unbleached pulp dilution.

Waste water treatment: To further improve the quality of waste water, the Company is installing a mist cooling system.

Air quality: To improve ambient air quality and control odorous gas emissions, the Company is installing a NCG burning system. Most of the critical equipment are imported from the USA.

Treated waste water for irrigation: The Company has completed the pipeline laying work for its prestigious irrigation programme. It will start supplying treated waste water for irrigation in 2010-11.

Key achievements, 2009-10

- Reduction in water consumption, which has reduced pumping power from 18,000 kwh/day in 2008-09 to 14,000 kwh/day in 2009-10
- Laying of the lift irrigation system

Financial review



Gross revenue

The Company's sales turnover decreased from Rs. 346.21 crore in 2008-09 to Rs. 335.49 crore in 2009-10, a decrease of almost 3.10%. This is because of decline in average sales realisation by Rs. 1,400 per ton.

Production of paper and paper board also decreased from 92,298 MT in 2008-09 to 91,126 MT in 2009-10. Production decreased due to a suspension of production for 18 days in November 2009 due to contract workers' strike and non-stabilisation of expansion plan to the rated capacity.

Earnings before depreciation and tax also decreased from Rs. 26.61 crore in 2008-09 to Rs.19.31 crore in 2009-10.

Cost analysis

Wood and coal are the Company's two major inputs. Wood is purchased through agricultural marketing committee which increased wood prices by Rs. 150 per tonne i.e. 9.4% in October 2009. The prices of coal increased by 9% from time to time during the year.

The workers' agreement for a period of five years from 1 April 2008 to 31 March 2013, was concluded on 24 May 2010 and a staff increment was also made with effect from

1 April 2008. As a consequence, employees' cost increased by Rs. 4.41 crore. Overheads were constantly controlled. Despite the increase in prices of major inputs and employee costs, the overall cost of production was contained.

Due to a decrease in selling prices, low capacity utilisation and workers strike, the Company suffered a loss of Rs. 11.85 crore during 2009-10. However, the Company has not suffered any cash loss.

Fund employed

The funds employed (Rs. crore) were as follows:

	2009-10	2008-09
Equity capital	15.01	15.01
Reserves and surplus (without Revaluation reserve)	169.02	180.74
Loan funds	296.81	300.17
Deferred tax liability	10.60	9.21
Less: Miscellaneous expenses not written off	-	-1.09
Total	491.44	504.04

Reserves and surplus: The reserves and surplus decreased owing to the losses suffered by the Company. As on 31 March

2010, the Company's reserves and surplus was 11 times the paid up capital.

Loan funds: To meet the long term requirement of funds, loans of Rs. 75 crore were sanctioned by banks. A short term loan of Rs. 12 crore has been availed from a bank during the year. After the close of the year, the Company raised Rs. 5 crore from a preferential issue of ordinary shares to a promoter of the Company in accordance with SEBI (Issue of capital and disclosure requirements) regulations.

The Company also availed a sales tax deferment loan amounting to Rs. 2.01 crore.

The cost of funds decreased marginally to 10.30% in 2009-10 compared with 10.76% in 2008-09. The debt (long term) equity ratio increased from 1.19 in 2008-09 to 1.36 in 2009-10 because of a reduction in reserves and surplus and increased borrowings.

Interest cover declined from 1.79 in 2008-09 to 1.57 in 2009-10.

Working capital

Net current assets: The net current assets of the Company improved to Rs. 30.25 crore as on 31 March 2010, compared with Rs. 23.46 crore as on 31 March 2009.

Inventory: Inventory increased by 15% from Rs. 30.64 crore as on 31 March 2009 to Rs. 35.21 crore as on 31 March 2010. The inventory cycle stood at 34 days of turnover equivalent in 2009-10 compared with 27 days in 2008-09.

Debtors: Outstanding debtors stood at Rs. 49.45 crore as on 31 March 2010 compared with Rs. 61.66 crore as on 31 March 2009. The decrease was the result of better sales credit policy. Debtors on 31 March 2010 were equivalent to 52 days of turnover as against 61 days on 31 March 2009.

Internal controls

Sirpur has well defined internal control systems in place, which ensure a reliability of financial statements and informations. The systems safeguard against misuse, fraud and irregularities. Systems of internal control has been designed in order to provide the directors with reasonable assurance that the Company assets are safeguarded, transactions are properly authorised and recorded and all material errors and irregularities are either prevented or detected in a timely way. Evaluation of management policies and ensuring compliance of applicable laws are ongoing processes and monitored constantly.

All significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee meets the statutory auditors to ascertain their views on the adequacy of internal control systems in the Company and their observations on the financial reports. The Audit Committee's observations and suggestions are acted upon by the management.

Risk management



Every business is marked by risks. The Company identified and assessed the risks associated with its business and correspondingly coordinated optimum resource application to minimise them and maximise realisations.

An industry slowdown could hamper growth

Risk mitigation

- The Company offers one of the widest product ranges among Indian paper manufacturers across the writing, printing and industrial segments.
- The revival of economic growth will boost paper demand.
- The Indian government emphasised increasing education investment, raising the allocation for school education from Rs. 26,800 crore in 2009-10 to Rs. 31,036 crore in 2010-11 (Source: Union Budget).

Scarcity of wood resources could affect production

Risk mitigation

- The Company's raw material requirement is sourced from within Andhra Pradesh, a state enjoying 63,813-sq km of forest cover.
- Nearly 95% of the Company's wood requirement is sourced from within 600 km.
- The Company undertook social and farm forestry and developed nurseries to propagate clonal varieties of seedlings, which were then sold to farmers at subsidised rates. This securitised the Company's raw material procurement.
- The Company supported farmers to improve plantation practices.

Low product differentiation could affect brand appeal

Risk mitigation

- The Company markets value-added products under the 'Sirpur' brand through a well established supply chain.
- The Company marketed 40 paper varieties.
- The Company increased its niche product positioning through the introduction of cut-to-size copier paper.
- The Company's capability to customise and produce brighter and finer paper translated into customer loyalty.

Low technology absorption could affect growth

Risk mitigation

- The Company invested Rs. 435 crore in cutting-edge technology under mill development plan.
- The Company upgraded its technologies to meet global quality standards.
- The Company is addressing production related issues/problems faced in 2009-10 and is expected to soon report normalised production.

Stringent regulatory norms could restrict growth

Risk mitigation

- The Company's production has not been censured for any statutory transgression.
- The Company's state-of-the-art equipment and investment in pollution control equipment enabled it to address demanding CREP recommendations.

IT growth could lead to a decline in paper use

Risk mitigation

- Electronic data storage is vulnerable to data theft and virus attack, encouraging paper back-up
- Only 7.1% of India uses the internet, so the writing and printing segment still enjoys attractive prospects.
- The development of new and high-end printing equipment has increased the demand for value-added paper.

Inability to widen the geographic spread could affect the business

Risk mitigation

- The Company's presence is pan-India, reducing client concentration.
- The Company's product basket, comprising smoother and brighter writing and printing paper, widened its customer base.

Corporate social responsibility



The Company believes that sustainable growth can be derived only if societal interests are nurtured. In line with this, the Company has endeavoured to strengthen its community development efforts and reinforce its position as a responsible corporate citizen. During the year under review, the Company provided financial assistance of Rs. 39 lakhs for various educational institutions, temples, sports clubs and charitable institutions. Besides this, the Company undertook the following measures during 2009-10:

Educational initiatives

- Sponsored 60 students from various educational institutions to participate in 'The Hindu painting competition' organised by *The Hindu* newspaper in Hyderabad
- Provided in-plant training to MBA and engineering students of several colleges in Andhra Pradesh and other states

Health initiatives

- Conducted free monthly eye camps, facilitating cataract operations
- Supplied drinking water to locals during summer

Social welfare initiatives

- Facilitated water supply to Kagaznagar township through water taps and water tankers across various wards
- Planted 1,50,000 saplings across 162 acres under the Green Belt Programme
- Provided land and financial support for the construction of temples, mosques and churches
- Revamped and maintained a children's park, cricket and football grounds
- Empowered social organisations in the area of community development

Directors' Report

To the Shareholders

Your directors have the pleasure in presenting their Annual Report and audited accounts of the Company with Auditors' Report for the year ended 31st March, 2010.

Homage to Late Shri G.P. Birla

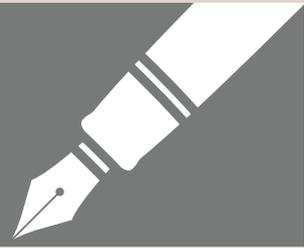
We wish to place on record our deep sorrow at the sad demise of Shri G.P. Birla on 5th March 2010. He was chairman of the Company from 23rd July 1954 to 31st December 1969. His contribution to the development and progress of the Company has been magnificent. He was an outstanding industrialist, a humanist with an urge to improve the lot of weaker sections, a philanthropist and a pioneer in the establishment of cultural, scientific, technological, medical, archaeological and research institutions. His death is an irreparable loss.

Economic scenario

The global economy recovered smartly during 2009-10 in the latter half driven by an extra ordinary level of co-ordinated

international action in the form of policy stimulus, monetary as well as fiscal. However, the pace and shape of recovery remains uncertain, once the stimulus is withdrawn. The challenges faced in honouring external debt obligations by certain european countries have added to these uncertainties. The developing economies are faced with challenges of high rate of inflation, sharp escalation in asset prices, exchange rate volatility and increased capital inflows.

The Indian economy staged a remarkable recovery to grow at 7.4% during 2009-10 facilitated by policy stimulus and increased Govt. spending. It is estimated that GDP will grow at around 8% during 2010-11. The Indian economy is expected to have a stable and sustained growth as a result of multiple growth drivers such as young population, skilled manpower, rising savings and investment rates, large domestic demand, emergence of globally competitive firms and infrastructure development.



Working results

	Rs. in lakhs	
	2009-10	2008-09
Profit before interest, depreciation and tax	4,507.86	5,276.91
Interest	2,576.81	2,616.15
Profit before depreciation and tax	1,931.05	2,660.76
Depreciation	2,975.40	2,793.06
Profit / (Loss) before tax	(1,044.35)	(132.30)
Less : Provision for taxation		
- Wealth Tax	1.20	1.00
- Fringe Benefit Tax	–	24.00
- Deferred Tax	139.00	6.06
Profit / (Loss) after tax	(1,184.55)	(163.36)
Balance brought forward from previous year	3,153.42	3,760.22
Balance available for appropriation	1,968.87	3,596.86
APPROPRIATIONS		
Transfer to general reserve	–	180.00
Dividend on Ordinary Shares	–	225.17
Tax on Proposed dividend	–	38.27
Balance carried to Balance Sheet	1,968.87	3,153.42
	1,968.87	3,596.86

Dividend

The Company has suffered loss during the year and as such the Board of directors do not recommend any dividend.

Performance

During the year, the Company's production of paper and paperboard was 91,126 MT compared to 92,298 MT in previous year. Capacity utilisation remained 66% during the year. The production suffered due to non stabilisation of expansion project to rated capacity and suspension of production for 18 days in November 2009 due to contract workers' strike.

Net sales were Rs. 335.49 crore in 2009-10

compared to Rs. 346.21 crore in 2008-09.

The profit before depreciation and tax was Rs. 19.31 crore in 2009-10 compared to Rs. 26.61 crore in 2008-09. Net loss after tax amounted to Rs. 11.85 crore in 2009-10 against Rs. 1.63 crore in 2008-09. Average sales realisation decreased by Rs. 1,400 per MT during the year as compared to that in previous year.

Prices of major inputs namely wood and coal have also risen. Wood prices of subabul, which is purchased through agricultural marketing committees, increased by 9.4% in the month of October 2009 and that of coal purchased from collieries by 9% from time to time during the

year. Further, the employees cost also increased by Rs. 4.41 crore on account of workers' agreement and staff increment with effect from 1st April 2008. In spite of all these factors, the strategic management has helped to contain the overall cost of production.

The contributory factors for the losses are non stabilisation of the expansion project leading to less production and decrease in sales prices of the finished products.

Finance

The Company has met all its commitments towards payment of interest and loan instalments in time.

In order to meet the long term requirements of funds, Rs. 75 crore has been sanctioned by the banks. Further a short term loan of Rs. 12 crore has been availed from a bank during the year.

The Company has also raised Rs. 5 crore from the preferential issue of ordinary shares to a promoter of the Company in accordance with SEBI (Issue of capital and disclosure requirements) regulations.

The Company continued to avail sales tax deferment loan under Andhra Pradesh government policy.

The above timely co-operation by the lenders and the promoters of the Company has eased out the Company's liquidity position.

Though there is recovery in the economy, yet due to inflationary pressure, the interest rates are under pressure.

Plantation

The Company has continued its social and farm forestry initiatives and distributed 144 Lakhs good quality planting material in 2009-10 covering an area of 1,600 hectares. Efforts have also been continued to train and provide technical guidance to farmers in various farming activities. The industry has been representing to government to facilitate public – private partnership to allot revenue waste lands for large scale plantation.

Human Resources development

The Company is continuously making efforts

to grow the top line and improve operational efficiencies. The agreement with the workers has been concluded for a period of five years w.e.f. 1st April 2008. The cordial industrial relations were maintained throughout the year barring 18 days strike by contract workers. As an important part of HR initiatives, continuous focus is being given on training and development of employees, creating an environment of learning and aligning rewards & recognition with performance.

Outlook

Pulp and waste paper prices in international market remained sluggish in most part of the year 2009 and as such paper manufacturers dependent on imported pulp and waste paper were able to sustain with low sales realisations. In international market pulp and paper prices are hotting up from January 2010 due to which the paper and paper board prices in domestic market are also firming up.

From April 2010 paper and paper board prices have increased by about 8 to 10%. The quality of our product has also established which is also adding to increase in net sales realisation.

The cause of concern is capacity addition between 3.50 to 4 lakh tons by leading manufacturers. However, due to emphasis on education, increased per capita income, demand for hygienic packaged food, corporate growth and technology business such as BPO and KPO etc. demand for paper and paper board will increase faster than production capacities.

The thrust and emphasis to increase volume of business, manufacture of value added products and control over cost and overheads are major contributory factors for better performance. Barring unforeseen circumstances, the profitability of the Company is expected to be better.

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo

Particulars of conservation of energy, technology absorption and foreign exchange



earnings and outgo as required u/s 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of directors) Rules, 1988, are given in annexure 'A' attached hereto and forms a part of this report.

Particulars of employees

Statement on particulars of employees drawing Rs.24 Lakhs or more per annum, if employed for whole of the year or Rs.2 Lakhs or more per month, if employed for a part of the year pursuant to the provisions of section 217(2A) of the Companies Act, 1956, is given in annexure 'B' attached hereto and forms a part of this report.

Directors' responsibility statement

The directors confirm

- a) That in the preparation of the annual accounts, all applicable accounting standards have been followed and that no material departures have been made from the same;
- b) That they have selected such accounting policies and applied them consistently and made judgments 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 and of the loss of the Company for the year ended on that date;
- c) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That they have prepared the annual accounts on a going concern basis.

Auditors' Report

The auditors have invited attention of shareholders towards note no. 8 of schedule 22 regarding conclusion of wage agreement on 24th May, 2010 and charged to Profit and Loss Account Rs. 441 lakhs which includes Rs. 227 lakhs for the year 2008-09 and also stated that no provision was made during 2008-09 as the matter was then under adjudication and no additional burden was then anticipated.

The wage agreement was concluded on 24th May, 2010 w.e.f. 1st April, 2008 for a period of five years and the arrears relating to year 2008-09 and 2009-10 upon ascertainment and determination was provided in the accounts for the year ending 31st March, 2010.

The other observations made in the Auditors' Report are self explanatory and therefore, do not call any further comments under section 217(3) of the Companies Act, 1956.

Corporate Governance

Your directors affirm commitment to good Corporate Governance practices. During the year under review, the Company was in compliance with the provisions of clause 49 of the listing agreement with the stock exchanges relating to Corporate Governance.

A report on 'Corporate Governance' along with the certificate of practicing company secretaries for its due compliance are annexed hereto as part of this annual report.

Directors

Shri L. K. Dash, a director retiring by rotation has resigned. The Board of directors of the Company in its meeting held on 9th August, 2010 has accepted his resignation. The Board, while noting Shri L. K. Dash's vacation of office as director, placed on record its appreciation for the valuable advice received from him during his tenure of office as director of the Company.

Life Insurance Corporation of India requested the Company to co-opt Ms. Poonam Bodra, Principal, LIC Zonal Training Centre, Jamshedpur, on the Board of the Company on 'retire by rotation' basis. The Board of directors appointed Ms. Poonam Bodra as an additional director with effect from 9th August, 2010. Ms. Poonam would continue to hold office up to ensuing annual general meeting pursuant to Article 114 of the Articles of Association of the Company. A notice has been received from a member pursuant to section 257 of the Companies Act, 1956, signifying his intention proposing her candidature for appointment as director of the Company at the ensuing annual general meeting.

Shri M. P. Dokania, executive director retired and also vacated the office as director of the Company at the end of his tenure on 30th April, 2010.

At the extra-ordinary general meeting of the Company held on 26th May, 2010, Shri T.V.V. Satyanarayana was appointed as whole-time director, designated as executive director of the Company w.e.f. 30th April, 2010, for a period of one year. However, Shri Satyanarayana resigned and also vacated the office as director of the Company due to personal reasons w.e.f. 9th August, 2010.

The Board placed on record its appreciation for his valuable guidance, control of overall Company's affairs, in various capacities including as whole-time director of the Company.

Shri Rameshwar Lall Lakhotia, B. Tech. (Chemical & Engg.) was appointed as additional director with effect from 24th July 2010 pursuant to Section 260 of the Companies Act, 1956. Shri Lakhotia will hold office up to the date of this annual general meeting. A notice has been received from a member pursuant to section 257 of the Companies Act, 1956, signifying his intention proposing his candidature for appointment as director of the Company at the ensuing annual general meeting.

Shri R. L. Lakhotia was also appointed as whole-time director designated as executive director with effect from 24th July 2010, for a period of two years up to 23rd July 2012. The proposal for his appointment, remuneration and other terms are being placed for the approval of the shareholders at the ensuing annual general meeting. Approval of the Central Government will be sought, where required. The Board recommends for passing of a special resolution confirming his appointment.

Shri Ranjan Kumar Poddar, Shri Sudhir Jalan and Shri Laxminiwas Sharma, directors of the Company, retire by rotation under Article

122 of the Articles of Association of the Company at the ensuing annual general meeting and are eligible for re-election.

Auditors

Messers. Deloitte Haskins & Sells, Chartered Accountants, retire as auditors of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and to fix their remuneration.

As required under the provisions of Section 224 of the Companies Act, 1956 the Company has obtained a written certificate from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in-conformity with the limits specified in the said section.

Cost accounting records

Pursuant to the provisions of section 233B of the Companies Act, 1956, your directors have appointed M/s. S.S. Zanwar & Associates, cost accountants, Hyderabad as the cost auditors to conduct the cost audit of your company for the financial year ended 31st March 2011, which has been approved by the Central Government.

Acknowledgements

Your directors express their warm appreciation to all the employees for their diligence and contribution.

Your directors express their grateful appreciation for the continued assistance and co-operation received from the government, local bodies, participating financial institutions, banks and shareholders.

By order of the Board

Ranjan Kumar Poddar
Chairman

Date: August 9, 2010

Place: Hyderabad



Annexure 'A' to Directors' Report

Particulars as required u/s. 217 (1) (e) of the Companies Act, 1956 and forming part of the Directors' report for the year ended 31st March, 2010

A. Conservation of Energy:

a) Measures taken for Conservation of Energy:

- 1 New Atlas Capco Compressor (110 KW motor) installed at FBC and 4 Nos. old inefficient compressors (22.5 KW each) were stopped.
- 2 At Clo₂ plant, 2 Nos. New Variable Frequency Drive (VFD) panels installed (5.5 KW) for Air Blowers.
- 3 60 W. Compact Fluorescent Lamp (CFL) bulbs replaced at Fibre Line, BHEL Boiler & Paper Machines in place of 125 W, Medium Voltage (MV) Lamps.
- 4 To reduce thermal energy losses, paper machine hood was repaired and covered completely at Paper Machine No. 7 & 8.
- 5 Thermal insulation for condensate lines was provided at Paper machine area.
- 6 Considerable savings achieved by steam balance, condensate recovery, steam traps, co-generation and recycling of waste heat.
- 7 4 Nos. old inefficient NBH Boilers were stopped completely. One 7.5 MW old TG set was stopped to avoid steam condensate loss.
- 8 Continuously monitoring steam leaks and condensate leaks. Checking steam traps and repair of malfunctioning traps promptly.
- 9 In FBC Boilers and coal handling plant lighting fixtures were kept free of dust for better illumination.

b) Additional Investments & proposals, if any:

- 1 Installation of Variable Frequency Drive (VFD) for ID & FD fan motors in FBC Boilers.
- 2 Replacement of inefficient motors at causticizing section & paper machines.
- 3 Installation of New Atlas Capco Compressor at causticizing plant in place of old compressor.

c) Impact of the above measures on Consumption of Energy:

The implementation of above Energy Conservation measures has reduced the distribution losses and saved Energy.

d) Total energy consumption and energy consumption per unit of production as per Form-A:

Form -A Enclosed.

B. Technology Absorption:

Efforts made in technology absorption as per Form -B

Form -B Enclosed.

C. Foreign Exchange Earnings and Outgo:

- a) During the year under review there are no exports except sales through merchant exporters. Efforts are being made to augment exports
- b) Total foreign exchange used and earned

Used	Rs. 723.75 Lakhs*
Earned	Rs. Nil

* On Actual Payment Basis.

Form - A

(Form for disclosure of particulars with respect to conservation of energy)

A. Power and Fuel Consumption*:

	2009-10	2008-09
	Paper	Paper
1 Electricity :		
a) Purchased Units - Lakhs Kwh	676.90	725.78
Total Amount - Rs. Lakhs	1978.94	2148.20
Rate / Unit - Rs.	2.92	2.96
b) Own Generation :		
i) Through Diesel Generator		
Units - Lakhs Kwh	–	–
Units - Ltr. of Diesel Oil	–	–
Cost / Unit - Rs.	–	–
ii) Through Steam Turbine / Generator		
Units - Lakhs Kwh	1214.00	1256.18
Units - Ltr. of Fuel Oil / Gas	–	–
Cost / Unit - Rs.	1.34	1.41
2 Coal {Grade C to F (R.O.M.) used in Boiler & Rotary Lime Kiln} * :		
Quantity - M.T.	319628	318724
Total Cost - Rs. Lakhs	4993.29	4823.92
Average Rate - Rs. per Tonne	1562	1513
3 Furnace Oil :		
Quantity - (K. Ltrs)	2281	3504
Total Amount - Rs. Lakhs	571.26	891.42
Average Rate - Rs. per K. Ltr.	25045	25437
4 Others / Internal Generation :		
Quantity	–	–
Total Cost	–	–
Cost / Unit	–	–

B. Consumption per unit of production* :

Product	2009-10			2008-09		
	Electricity (Kwh)	Furnace Oil (Ltrs)	Coal (MT)	Electricity (Kwh)	Furnace Oil (Ltrs)	Coal (MT)
Paper	2075	25	3.507	2147	38	3.453

* Excluding consumption in Colony & Project erection



Form - B

(Form for disclosure of particulars with respect to Technology Absorption)

Research and Development (R&D):

1 Specific areas in which R&D was carried out by the Company

a) New Products development:

- 1 Better and appealing High Bright writing and printing paper.
- 2 Coffee Pastel Paper of unbleached pulp base using single dye of powder form.

b) New process development :

- 1 Process to use single dyes in powder form instead of liquid dyes for controlling shade variation of coloured papers.
- 2 Lab scale studies conducted to use graft biopolymers in wet end to improve wet strength, better binding of filler and fines, better runnability and fluff control.

2 Benefits derived as a result of above R&D:

- 1 Products developed have been released for regular production.
- 2 Improvement in the quality of process, product and environment.
- 3 Less market complaints.

3 Future plans of Action:

- a) New products development.
- b) Product quality enhancement.

4 Expenditure on R & D:

a) Capital (Rs. in lakhs)	-
b) Recurring (Rs. in lakhs)	21.45
c) Total (Rs. in lakhs)	21.45
d) Total R&D Expenditure as a percentage of total turnover	0.06%

Technology Absorption, Adaptation and Innovation:

- | | |
|--|---|
| 1 Efforts made in brief towards Technology absorption, adaptation and innovation | - Technology developed as a result of R&D activities has been successfully absorbed for the optimisation of process parameters and efficient utilization of inputs. |
| 2 Benefits derived as a result of the above | - Improvement in quality
- Customer satisfaction |
| 3 In case of Imported Technology: (Imported during the last 5 years reckoned from the beginning of the financial year) | |
| a) Technology Imported | - Elemental Chlorine Free Bleaching from Andritz, Finland. |
| b) Year of Import | - 2006-07 |
| c) Has technology fully absorbed | - Yes |
| d) If not fully absorbed areas where this has not taken place, reasons therefore and future plan of action | - Not applicable |

Annexure 'B' to Directors' Report

Statement of particulars of employees as required u/s 217(2A) of Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 and forming a part of the Directors' Report for the year ended 31st March, 2010.

	(a) For the whole year	(b) For part of the year	
Name	Shri Devashish Poddar	Shri S.K. Khare	Shri M.P. Dokania
Age (years)	37	72	65
Designation	Vice Chairman & Managing Director	Executive Director	Executive Director
Remuneration (Rs.)	93.16 lakhs	28.90 lakhs	24.24 lakhs
Nature of duties	Oversees the future strategies and growth of the Company	General Administration	General Administration
Qualification	B.B.A (London)	B.Sc. (Mech. and Elecl. Engg.)	B.Sc. (Mech. Engg.)
Total Experience	11	51	39
Date of joining	01-08-1999	15-07-1997	16-02-2006
Last employment held	–	The Andhra Pradesh Paper Mills Ltd.	–
Designation	–	President	–
Period (years)	–	4	–

Notes

1. Remuneration includes actual payment and/or taxable value of perquisites and the Company's contribution to provident and other funds but excluding provision for gratuity, accumulated leave and long service award.
2. Nature of employment: On contract
3. Other terms and conditions: As per rules of the Company
4. They do not hold 2% or more of the ordinary shares of the company by themselves or along with their spouse and dependent children.
5. Shri S.K. Khare and Shri. M.P. Dokania are not relatives of any director or manager of the Company whereas Shri Devashish Poddar is the relative of a director.

Corporate Governance Report



The Directors present the Company's report on Corporate governance.

1. The Company's Corporate Governance.

Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective to enhance shareholder value and to discharge social responsibility. The Corporate Governance is the structure by which responsibilities are assigned and authority entrusted among the Board of directors, senior management and employees etc.

The core principles of Corporate Governance are based on transparency, integrity, accountability and commitment to values. Efforts are made on continuous basis to improve upon all these aspects.

Empowerment is given to employees with full freedom but with a sense of responsibility.

This governance structure and the core principles ensure performance discipline, meet shareholders' aspirations and lead to increased public confidence.

2. Composition of the board

I. The Board of directors of the Company consists of eminent persons with professional expertise. SPM's Board comprises one managing director, one wholetime director and eight non-executive directors, of whom six are independent directors as on 31st March, 2010. Accordingly, the composition of the Board is in conformity with the requirements of the listing agreement.

Directors	Executive/ Non Executive Director	Independent Status	No. of other directorships held	Committee Membership of other companies Member/Chairman	
Shri Ranjan Kumar Poddar Chairman	Non Executive	Promoter	2	1	1
Shri Devashish Poddar*	Executive	Vice-Chairman & Managing Director.	1	-	-
Shri M. P. Dokania \$	Executive	Whole-time Director	-	-	-
Shri Sudhir Jalan	Non Executive	Independent	12	3#	-
Dr. M.S. Rajajee, IAS. (Retd.)	Non Executive	Independent	-	-	-
Shri Laxminiwas Sharma	Non Executive	Independent	4	1	1
Shri P. Vaman Rao	Non Executive	Independent	2	1#	2
Shri Rakesh Bhartia @	Non Executive	Independent	1	-	-
Shri S.V.Satyanarayana	Non Executive	Nominee of IDBI Bank – lender	1	1	-
Shri L. K. Dash	Non Executive	Independent	-	-	-

Including memberships in remuneration committee

* Shri Devashish Poddar - whole-time director was re-appointed as Vice-Chairman and Managing director w.e.f. 1st August 2009.

\$ Shri M.P. Dokania was appointed as whole-time director, designated as executive director w.e.f. 30th April, 2009.

@ Shri Rakesh Bhartia was appointed as director w.e.f. 29th April, 2009.

II. Directors' interest in the Company and attendance records.

Director	No. of board meetings attended during the year	Last AGM attended	No. of ordinary shares held
Shri Ranjan Kumar Poddar	5	Present	2330
Shri Devashish Poddar	4	Present	–
Shri M. P. Dokania**	5	Present	–
Shri Sudhir Jalan	4	Present	–
Dr. M.S. Rajajee	5	Present	–
Shri Laxminiwas Sharma	6	Present	–
Shri P. Vaman Rao	6	Present	2
Shri Rakesh Bhartia	3	Present	–
Shri S.V.Satyanarayana	5	Present	–
Shri L.K. Dash	5	Present	–
Shri S. K. Khare (retired)*	1	–	–

Note: During the year six board meetings were held on 29th April 2009, 22nd June 2009, 30th July 2009, 10th September 2009, 29th October 2009 and 28th January 2010.

* Shri S. K. Khare was Executive director upto 30th April, 2009.

**Shri M. P. Dokania was appointed as Executive director w.e.f. 30th April 2009.

3. Audit Committee

I. Presently, the Audit Committee comprises of one executive director and four non-executive directors, one of whom is the IDBI nominee. Two directors are chartered accountants having accounting and financial background. Shri P. Vaman Rao is the Chairman of the Committee. The Committee met five times on 22nd June 2009, 30th July 2009, 10th September 2009, 29th October 2009 and 28th January 2010 during the year and the attendance of the members at the meetings was as follows:

Name of member	Status	No. of meetings attended
1. Shri P. Vaman Rao	Chairman	5
2. Shri M. P. Dokania *	Member	4
3. Shri Laxminiwas Sharma	Member	5
4. Shri Rakesh Bhartia	Member	4
5. Shri S.V. Satyanarayana	Member	4

* Committee reconstituted consequent upon changes among directors from 30.04.2009.

The Chief finance officer, Head of internal audit, statutory auditors and cost auditors are the permanent invitees. The Company secretary is the secretary of the committee.

The chairman of the audit committee was present at the Annual General Meeting of the Company held on 10th September, 2009.

The object of audit committee is to monitor and effectively supervise your Company's financial reporting process with a view to provide accurate, timely and proper

disclosure and the integrity and quality of the financial reporting. The audit committee has power to investigate any activity, seek information from any employee and obtain legal and other professional advice.

II. Terms of Reference

The terms of reference of the audit committee includes the following:

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial



statements are correct, sufficient and credible.

2. Recommend to the Board, the appointment, re-appointment or removal of the statutory auditors/cost auditors and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Review with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters to be included in the directors' responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustment made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party

transactions.

5. Review with the management, performance of statutory and internal auditors, adequacy of the internal control system.
6. Review the adequacy of internal audit functions including the structure of the internal audit department, staffing and seniority of the official heading the department, report structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereto.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

During the year, the committee has reviewed the internal controls put in place to ensure that accounts of your Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the committee found no discrepancy or weakness in the internal control system of your Company.

4. Remuneration Committee

I. Composition:

The Remuneration Committee comprises of four Independent directors. The Committee met two times on 29th April 2009 and 22nd June 2009 during the year and the attendance of the members at the meetings was as follows:

Name of member	Status	No. of meetings attended
1. Dr. M. S. Rajajee, IAS(Retd)	Chairman	2
2. Shri Sudhir Jalan	Member	–
3. Shri Laxminiwas Sharma	Member	2
4. Shri Rakesh Bhartia	Member	–

II. Terms of Reference

To review, decide and recommend the remuneration package of the managerial personnel of the Company including pension rights and any compensation payment, in accordance with the provisions of the Companies Act, 1956.

III. Remuneration Policy

Remuneration of employees largely consists of base remuneration, perquisites and performance incentive, which vary for cadres and are governed by industry pattern, qualification and experience of the employee, responsibilities handled and individual performance etc. The

remuneration committee while approving the remuneration of managerial personnel takes into account the financial position of the Company and trend in the industry. Besides, the above remuneration policy, the Company ensures to bring about the objectivity in determining the remuneration package while striking a balance between interest of the Company and the shareholders.

IV. Details of directors' remuneration paid for the year 2009-10

(a) Executive Directors

Remuneration details (Rs.)

Name and Designation	Salary Perquisites & allowances	Performance Bonus	Employers' contribution to Provident Fund/- Super-annuation Fund	Total	Retirement benefits
Shri Devashish Poddar, (vice-chairman & managing director)	79,76,240	Nil	13,39,200	93,15,440	As per company's rules
Shri M. P. Dokania, *(executive director)	22,58,813	Nil	1,65,000	24,23,813	-Do-
Shri S. K. Khare ***(executive director)	28,42,705***	Nil	47,250	28,89,955	-Do-

* Appointed on 30-04-2009

** Upto 30-04-2009

*** Includes gratuity Rs. 3,50,000/-

Note:

1. As the provision for gratuity, leave encashment and long service award is made on an actuarial basis for the Company as a whole, the amount pertaining to wholetime directors is not included above.

– Notice period for termination of appointment of managing/whole-time directors is three months from either side.

– No severance pay is payable on termination of appointment of managing/ whole-time directors.

– No stock option has been given.

(b) Non-Executive Directors

Name of Directors	Sitting fees paid during 2009-10 (Rupees)
Shri. Ranjan Kumar Poddar	50,000
Shri Sudhir Jalan	40,000
Dr. M.S. Rajajee	58,000
Shri Laxminiwas Sharma	92,000
Shri P. Vaman Rao	84,000
Shri Rakesh Bhartia	42,000
Shri S.V.Satyanarayana, IDBI Nominee*	66,000
Shri L.K. Dash	50,000

* Sitting Fee was remitted to IDBI Bank Ltd as per terms of appointment of nominee director.

No remuneration except sitting fees for attending board meetings/committee meetings was paid to any non-executive directors.



5. Shareholders' Grievances Committee

Shareholders' complaints/grievances are redressed by the Registrar and Transfer Agent, namely Venture Capital and Corporate Investment Pvt. Limited. The Board also constituted the Shareholders' Grievances' Committee. The Committee comprises of two executive directors and two non-executive directors as on 31st March 2010.

The Committee met once during the year on 29th October, 2009 and reviewed the grievances/complaints received and the action taken on the grievances/complaints. Attendance of the members is as follows:

Name of member	Status	No. of meetings attended
1. Shri Laxminiwas Sharma	Chairman	1
2. Shri M. P. Dokania	Member	1
3. Shri P. Vaman Rao	Member	1
4. Shri Devashish Poddar	Member	1

Terms of reference

The functioning and broad terms of reference of the Shareholders' Grievances Committee as adopted by the Board is as under:

- a. To look into redressing of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- b. To do all other acts or deeds as may be necessary or incidental thereto. The main object of the committee is to strengthen the investor relations.

The Company Secretary and the compliance officer is entrusted with the responsibility to specifically look into the redressal of the shareholders' and investors' complaints and report the same to Shareholders' Grievances Committee.

During the year 6 (six) complaints / letters were received from the shareholders. The same were resolved to the satisfaction of the shareholders.

As on 9th August 2010, no requests involving transfer of shares are pending for processing.

In order to expedite the process of share transfers, the Board has delegated the powers of approving transfer of shares to the Company Secretary and Senior manager (legal). The delegated authority is attending to share transfer formalities at least once in a fortnight. All valid share transfers during the year ended 31st March 2010 have been acted upon. The Company had no complaints pending at the close of the financial year.

6. General Body Meetings.

a) Details of the last three Annual General Body Meetings of the Company are as under:

Details of General Body Meetings:

Year	Date	Day	Time	Venue
2008-09	10th September, 2009	Thursday	11.00 A.M.	"Bhaskara Auditorium", B.M. Birla Science Centre, Adarshnagar, Hyderabad.
2007-08	28th August, 2008	Thursday	2.00 P.M.	"Bhaskara Auditorium", B.M. Birla Science Centre, Adarshnagar, Hyderabad.
2006-07	13th September, 2007	Thursday	10.30 A.M.	"Bhaskara Auditorium", B.M. Birla Science Centre, Adarshnagar, Hyderabad.

b) The following Special Resolutions were passed at the last three annual general meetings

(i) Re – Appointment of M/s. Deloitte Haskins & Sells as Auditors.

(ii) Re-appointment of Shri S. K. Khare, whole-time director designated as executive director for a period of 2 years (from 1st May, 2007 to 30th April 2009) and fixing his remuneration.

(iii) Re-appointment of Shri Devashish Poddar, Whole-time director designated as Chief Operating Officer for a period of 2 years (from 1st August, 2007 to 31st July 2009) and fixing his remuneration.

(iv) Appointment of Shri M.P. Dokania, whole-time director designated as executive director for a period of one year (from 30th April 2009 to 29th April 2010) and fixing his remuneration.

(v) Appointment of Shri Devashish Poddar as vice-chairman & managing director for a period of two years (from 1st August, 2009 to 31st July 2011) and fixing his remuneration.

c) During last year, none of the resolutions passed at the annual general meeting was required to be put through postal ballot as per the Companies (passing of resolution by Postal Ballot) Rules, 2001.

7. Code of Conduct

The Board of directors has adopted the Code of business conduct and ethics for directors and senior management. The said Code has been communicated to the directors and members of the senior management. The said code has been posted on the Company's website www.sirpurpaper.com. A declaration has been given by executive director that all directors and senior management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended 31st March, 2010. The said

declaration is annexed herewith.

8. Disclosures

1. During the year, there were no transactions with the promoters, directors or the management or their relatives that had potential conflict with the interest of the Company. The Company has no subsidiaries.

Transactions with related parties as per requirements of Accounting Standard (AS-18) – 'Related Party Disclosures' are disclosed in Note No. 24 of Schedule 22 to the Accounts in the Annual Report.

2. In the preparation of the financial statements, the Company has followed the Accounting Standards as prescribed by Companies (Accounting Standards) Rules, 2006. The significant accounting policies, which are consistently applied, are disclosed in Schedule 21 to the accounts in the Annual Report.

3. The Company has laid down procedures to inform Board about the risk assessment and minimization. The Board periodically discusses the significant business risks identified by the management and the mitigation measures to address such risks.

4. There were no instances of non-compliance by your Company on any matter related to the capital markets, during the last three years and no strictures or penalties have been imposed on your Company by the stock exchange or any statutory authority.

5. The wholetime director and the chief financial officer of your Company have issued necessary certificate pursuant to clause 49 of the listing agreement and the same is attached and forms part of the annual report.

9. Means of Communication

1. Quarterly results and statutory notices are published in prominent daily newspaper viz. Business Standard / Financial Express /



Economic Times and Andhra Bhoomi / Andhra Prabha / Vaartha.

2. Shareholding pattern and the quarterly results are sent to all the stock exchanges, where securities of the Company are listed, on quarterly basis and also provided to the web site www.corpfiling.co.in. The above data is also provided in the Company's website www.sirpurpaper.com.

3. Management discussion and analysis forms part of the annual report, which is mailed to the shareholders of the Company individually.

4. Separate E-mail ID for registering Investors grievances "complianceofficer@sirpurpaper.com" has been created in compliance of Clause 47(f) of the listing agreement.

10. General Shareholders' information:

1. Annual General Meeting will be held on Thursday, the 30th September 2010 at 2.30 P.M. at "Surana Auditorium" Federation House, 11-6-841, (The Federation of A.P. Chambers of Commerce & Industry Building), Red Hills, Hyderabad - 500 004 (A.P.)

2. Financial calendar:	1st April to 31st March
Financial reporting for the –	
First Quarter results	- Before 15th August,
Annual General Meeting	- Before 30th September,
Second Quarter results	- Before 15th November,
Third Quarter results	- Before 15th February
Fourth Quarter results	- Before 15th May.
3. Dates of book closure:	25th September 2010 to 30th September 2010 (both days inclusive)

4. **Listing on Stock Exchanges:** The Bombay Stock Exchange Limited, Mumbai (BSE), National Stock Exchange of India Limited (NSE). Annual Listing Fees for the year 2010-2011 has been paid to the above stock exchanges.

5. Stock codes & demat ISIN:

	For fully paid shares:
On The Bombay Stock Exchange Limited	502455
On National Stock Exchange of India Limited NSDL & CDSL	SIRPAPER EQ. INE: 202C01010

6. The Company has issued and allotted 8,77,869-ordinary shares of Rs.10/-each at a premium of Rs.47/-per share on preferential basis to M/s. Aravali Securities & Finance Ltd., a promoter of the Company on 28th May 2010, as per SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009. The said shares are listed on BSE and NSE. The ordinary shares issued under the preferential offer shall bear a lock-in of three years i.e. from the date of allotment (28th May 2010) till 28th May, 2013. Further, the entire pre-preferential shareholding of the promoter are locked-in for a period of six months from the date of allotment i.e. upto 28th November, 2010 as per the said regulations of SEBI.

7. Stock Market Price data for the year 2009-10 (for fully paid up shares)

i. Share price on BSE & NSE

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2009	39.75	30.75	39.90	31.00
May, 2009	51.00	31.00	51.90	27.90
June, 2009	59.70	47.00	58.05	46.00
July, 2009	52.45	41.65	53.80	41.20
August, 2009	56.90	43.00	56.70	45.35
September, 2009	61.60	52.90	61.90	56.05
October, 2009	59.50	51.10	60.00	50.55
November, 2009	57.90	43.80	61.60	44.10
December, 2009	57.90	51.90	58.00	51.20
January, 2010	75.70	53.30	75.75	53.00
February, 2010	59.00	47.10	58.85	47.00
March, 2010	53.80	46.30	52.95	46.30

ii. BSE SENSEX

Month	Open	High	Low	Close
April, 2009	9,745.77	11,492.10	9,546.29	11,403.25
May, 2009	11,635.24	14,930.54	11,621.30	14,625.25
June, 2009	14,746.51	15,600.30	14,016.95	14,493.84
July, 2009	14,506.43	15,732.81	13,219.99	15,670.31
August, 2009	15,694.78	16,002.46	14,684.45	15,666.64
September, 2009	15,691.27	17,142.52	15,356.72	17,126.84
October, 2009	17,186.20	17,493.17	15,805.20	15,896.28
November, 2009	15,838.63	17,290.48	15,330.56	16,926.22
December, 2009	16,947.46	17,530.94	16,577.78	17,464.81
January, 2010	17,473.45	17,790.33	15,982.08	16,357.96
February, 2010	16,339.32	16,669.25	15,651.99	16,429.55
March, 2010	16,438.45	17,793.01	16,438.45	17,527.77

8. Share Transfer System:

The Company's shares are traded in the stock exchanges compulsorily in demat mode. The Company has appointed a registrar as common agency to look after both physical and demat share work. The shares, which are lodged for transfer at the Registrars and Transfer Agents of the Company, are processed and returned to shareholders within stipulated time. The address of the Registrars and Transfer Agents for correspondence is as under:

Venture Capital and Corporate Investments Private Limited.

Unit: The Sirpur Paper Mills Limited

12-10-167, Bharat Nagar, Hyderabad-500 018.

Tel.No.040-23818475/23818476, Fax No.040-23868024

E-Mail: info@vccilindia.com

E-Mail ID for registering investor grievances: complianceofficer@sirpurpaper.com



10.A. (a) Distribution of Shareholding as on 31st March 2010

Number of ordinary Shares held	Number of Shareholders		Shareholdings	
	Nos.	%	Nos.	%
1 to 500	9,249	85.06	13,30,698	8.86
501 to 1000	814	7.48	6,49,425	4.32
1001 to 2000	397	3.65	6,02,445	4.01
2001 to 3000	116	1.06	2,94,571	1.96
3001 to 4000	69	0.63	2,47,622	1.65
4001 to 5000	53	0.48	2,44,426	1.62
5001 to 10000	84	0.77	6,18,797	4.12
10001 and above	89	0.83	1,10,23,201	73.43
Total	10,871	100.00	1,50,11,185	100.00

(b) Distribution of shareholding as on 28th May, 2010.

Number of ordinary Shares held	Number of Shareholders		Shareholdings	
	Nos.	%	Nos.	%
1 to 500	9,115	85.07	13,00,603	8.18
501 to 1000	787	7.34	6,29,613	3.96
1001 to 2000	395	3.69	5,93,009	3.73
2001 to 3000	122	1.14	3,03,142	1.91
3001 to 4000	69	0.64	2,48,037	1.56
4001 to 5000	49	0.46	2,28,470	1.44
5001 to 10000	87	0.81	6,34,138	3.99
10001 and above	91	0.85	1,19,52,042	75.23
Total	10,715	100.00	1,58,89,054	100.00

B. (a) Categories of Shareholders as on 31st March 2010

Category	Number of Shares held	Percentage (%)	Number of shareholders	Percentage (%)
Promoters & persons acting in Concert	64,93,505	43.26	5	0.04
Public Financial Institutions, Insurance Companies & Government Companies	19,00,646	12.66	6	0.06
Banks and Mutual Funds	5,201	0.03	23	0.21
Non-resident Individuals	75,084	0.50	78	0.72
Other Bodies corporate	16,94,219	11.29	391	3.60
Others	48,42,530	32.26	10,368	95.37
Total	1,50,11,185	100.00	10,871	100.00

(b) Categories of shareholders as on 28th May, 2010

Category	Number of Shares held	Percentage (%)	Number of shareholders	Percentage (%)
Promoters & persons acting in Concert	73,71,374	46.39	5	0.05
Public Financial Institutions, Insurance Companies & Government Companies	19,00,846	11.96	6	0.06
Banks and Mutual Funds	5,176	0.03	22	0.21
Non-resident Individuals	75,006	0.47	76	0.71
Other Bodies corporate	16,81,426	10.58	388	3.62
Others	48,55,226	30.57	10218	95.35
Total	1,58,89,054	100.00	10715	100.00

11. Dematerialisation of shares and liquidity

Trading in Sirpur shares is permitted only in dematerialised form and 1,20,93,326 Ordinary shares (representing 80.56% share capital of the Company) have been dematerialised upto 31st March 2010.

12. Books of Account: The Books of Account of the Company with respect of items mentioned in Clause (a) to (d) of sub-section (1) of Section 209 of the Companies Act, 1956 are kept at the Mills Office at factory. The address of the factory is as mentioned below.

13. The addresses for correspondence are as mentioned below.

Registered Office:

The Sirpur Paper Mills Ltd
5-9-22/1/1, 1st Floor
Ashoka Chambers, Opp: New MLA Quarters
Adarshnagar, Hyderabad – 500 063
Tel No. (040) 23236301/23298705
Fax no. (040) 23232470
E-Mail: registeredoffice@sirpurpaper.com
spmregdoff@gmail.com

Factory Location:

Sirpur- Kaghaznagar- 504296
Adilabad District
Andhra Pradesh
Tel. No. (08738)238044,238045
Fax No. (08738) 238323
E- Mail: accounts@sirpurpaper.com

14. The Company has also formed certain other committees such as investment committee, borrowing committee, preferential issue allotment committee etc. for closely monitoring the Company's activities, and make recommendation to board of directors.

15. Non Mandatory requirements

- At present, the Chairman does not have any separate office with the Company. The Corporate Office of the Company supports the Chairman for discharging the responsibilities.
- As the financial performance of the Company is well publicised, individual communication of half-yearly results is not sent to the shareholders.

Declaration

As provided under Clause 49 of the listing agreement with the stock exchanges, I affirm that the Board members and the senior management personnel have confirmed compliance with the Code of Conduct, as applicable to them, for the year ended March 31, 2010.

For The Sirpur Paper Mills Limited

Hyderabad,
9th August 2010

R. L. Lakhotia
Executive director



Compliance Certificate on Corporate Governance

TO THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED

We have examined the compliance of conditions of Corporate Governance by The Sirpur Paper Mills Limited, for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the directors and the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that the Shareholders/Investor Grievance Committee has maintained records to show the investor grievance and certified that as at March 31, 2010 there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A. J. SHARMA & ASSOCIATES**
Company Secretaries

Hyderabad,
9th August 2010

A. J. Sharma
Membership No. CP-2176, FCS-2120

CEO and CFO Certificate

THE BOARD OF DIRECTORS OF THE SIRPUR PAPER MILLS LIMITED:

- a. We have reviewed the financial statements and the cash flow statement of The Sirpur Paper Mills Limited (the company) for the year ended March 31, 2010 and to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, significant deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year, if any and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Hyderabad,
9th August 2010

R. L. Lakhotia
Executive Director

Srikrishna Modani
Vice President (F & C)

10-year Financial Highlights



(Rs. in lakhs)

	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01
1 Production - Paper & Board (MT)	91126	92298	72146	75828	78883	78490	79170	77974	60921	60197
2 Turnover (Gross)	34935	36847	27116	27042	26865	25429	24955	23190	17687	17876
3 Profit Before Dep. & Tax	1931	2661	2851	2577	2609	2391	2786	2641	2288	2468
4 Profit Before Tax	-1044	-132	1679	1532	1618	1528	1977	1874	1826	2022
5 Profit After Tax	-1185	-163	3262	1332	1459	1410	1792	1247	1162	1621
6 Retained Earning	-1185	-427	2648	718	974	934	1322	964	953	1391
7 Share Capital	1501	1501	1501	1501	1101	835	835	835	835	835
8 Reserves & Surplus	16902	17964	18348	15670	12434	9348	8609	7236	6218	7077
9 Shareholder's Funds	18403	19465	19849	17171	13535	10182	9444	8071	7053	7912
10 Loan Funds	29681	30017	27298	24720	13960	8991	7047	5737	6254	4513
11 Deferred Tax Liability	1060	921	915	2143	2478	2512	2512	2481	2224	
12 Net Fixed Assets	46110	48048	48330	41859	25907	16815	13695	11991	12127	7036
13 Investments	10	10	410	337	1729	2007	576	475	465	1077
14 Net Current Assets	3025	2346	-677	1838	2336	2865	4731	3822	2937	4312
15 PBDT To Turnover (%)	5.53	7.22	10.51	9.53	9.71	9.40	11.16	11.39	12.94	13.81
16 Return on Net Worth (%)	-6.44	-0.84	16.43	7.76	10.78	13.85	18.98	15.45	16.48	20.49
17 Earning Per Share (Rs.)	-7.89	-1.09	21.73	9.17	13.65	16.41	21.49	14.95	13.93	19.44
18 Dividend on Ordinary Shares (%)	0	15	35	35	35*	50	50	30	25	25
19 Book Value/Per Share \$ (Rs.)	129.66	135.81	138.32	128.66	145.45	152.20	143.34	126.51	111.22	94.85
20 Debt (Long Term) Equity Ratio (\$)	1.36	1.19	1.03	1.13	0.70	0.43	0.48	0.40	0.52	0.38

Note:- Revaluation of Fixed Assets not considered.

\$ Ignoring Deferred tax liability

* for 2005-06 computed on equivalent of paid up value of Rs.10/- per share.

Financial Section



Auditors' Report

TO THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED

1. We have audited the attached Balance Sheet of **THE SIRPUR PAPER MILLS LIMITED** ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to Note 8 of Schedule 22 forming part of the financial statement regarding conclusion of wage agreement with the workers and the charge to the profit and loss account of Rs. 441 lakhs (including Rs. 227 lakhs for the year 2008-09). No provision had been made in the financial statements for the previous year ended March 31, 2009 for arrear wages as the matter was then under adjudication and management, then, did not anticipate any additional financial burden.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No.008072S)

K. Rajasekhar
Partner
(Membership No.23341)

Secunderabad
August 9, 2010



Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities, clauses (vi), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. Plant and Machinery include Rs. 457.07 lakhs being cost allocated on the basis of technical estimates to assets installed prior to 1961-62.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has taken a loan of Rs. 500 lakhs from a party during the year. At the year-end, the outstanding balance of such loan taken aggregated Rs. 500 lakhs and the maximum amount involved during the year was Rs. 500 lakhs.
 - (b) The rate of interest and other terms and conditions of the loan are, in our opinion, prima facie not prejudicial to the interests of the Company.
 - (c) The payment of principal amount and interest in respect of such loan are as per stipulations.
 - (d) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions (other than the loan referred in Para (iv) above) have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.



- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of paper and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Sl. No.	Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
1	Income Tax Act, 1961	Income Tax	CIT (Appeals)	2006 - 2007	42.01
2	Central Excise Act, 1944	Excise duty	CESTAT	2000 - 2008	47.20
3	Central Excise Act, 1944	Excise duty	Commissioner (Appeals)	2006 - 2008	89.57
4	Central Excise Act, 1944	Excise duty	High Court	2006 - 2007	184.25
5	Central Excise Act, 1944	Service Tax	CESTAT	2005 - 2008	970.45
6	Value Added Tax	Value Added Tax	Sales Tax Appellate Tribunal	2005 - 2008	318.42
7	Value Added Tax	Value Added Tax	Appellate Deputy Commissioner	2008 - 2009	160.54

- (x) The Company does not have any accumulated losses and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xiv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No.008072S)

Secunderabad
August 9, 2010

K. Rajasekhar
Partner
(Membership No.23341)



Balance Sheet As at 31 March 2010

Schedule	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	1	1,501.19	1,501.17
b) Reserves & Surplus	2	22,499.50	23,911.42
			24,000.69
2. LOAN FUNDS			
a) Secured Loans	3	27,793.66	28,830.54
b) Unsecured Loans	4	1,887.62	1,186.64
			29,681.28
3. DEFERRED TAX LIABILITY (NET)			1,060.24
(Refer note 27 of Schedule 22)			921.24
TOTAL			54,742.21
			56,351.01
II. APPLICATION OF FUNDS			
4. FIXED ASSETS	5		
a) Gross Block		81,946.80	79,898.17
b) Less: Depreciation		30,914.35	28,281.26
c) Net Block		51,032.45	51,616.91
d) Capital Work-in-Progress		674.71	2,269.14
(Includes Advance for Capital Goods Rs.163.25 lakhs) (31-3-2009 Rs.1506.30 lakhs)			
			51,707.16
5. INVESTMENTS	6		10.00
6. CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	7	3,521.30	3,064.53
b) Sundry Debtors	8	4,887.98	6,109.49
c) Cash and Bank Balances	9	468.27	1,149.86
d) Loans and Advances	10	4,152.66	3,416.37
			13,030.21
7. Less: CURRENT LIABILITIES AND PROVISIONS			
a) Current Liabilities	11	9,012.30	10,262.03
b) Provisions	12	992.86	1,132.53
			10,005.16
NET CURRENT ASSETS			3,025.05
8. MISCELLANEOUS EXPENDITURE	13		-
(To the extent not written off or adjusted)			109.27
TOTAL			54,742.21
			56,351.01
Contingent Liabilities (Refer note 1 of Schedule 22)			
Significant Accounting Policies	21		
Notes on Accounts	22		

As per our report attached
For Deloitte & Haskins & Sells
Chartered Accountants

For and on behalf of the Board

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

R. L. Lakhota
Executive Director

Priya Sharma
Company Secretary

Secunderabad, 9 August 2010



Profit and Loss Account For the year ended 31 March 2010

Schedule	2009-10		2008-09
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
INCOME			
Sales	14	34,934.82	36,847.23
Less: Excise Duty		1,385.90	2,226.11
		33,548.92	34,621.12
Other Income			
Operations	15	483.74	228.97
Financial		12.69	196.17
		496.43	425.14
TOTAL		34,045.35	35,046.26
EXPENDITURE			
Raw Materials consumed	16	7,979.04	8,069.55
(Accretion to) / Depletion of Stocks	17	133.45	(782.05)
Manufacturing and Other Expenses	18	21,425.00	22,869.15
		29,537.49	30,156.65
Less: Transfer to Capital Work in Progress		–	387.30
		29,537.49	29,769.35
Interest (Net)	19	2,576.81	2,616.15
Depreciation		3,202.87	3,051.30
Less: Transfer from Revaluation Reserve		227.47	258.24
		2,975.40	2,793.06
TOTAL		35,089.70	35,178.56
(LOSS) BEFORE TAX		(1,044.35)	(132.30)
Taxation	20	140.20	31.06
(LOSS) AFTER TAX		(1,184.55)	(163.36)
Balance brought forward from last year		3,153.42	3,760.22
AMOUNT AVAILABLE FOR APPROPRIATIONS		1,968.87	3,596.86
APPROPRIATIONS			
Proposed Dividend		–	225.17
Tax on Dividend		–	38.27
Transfer to General Reserve		–	180.00
		–	443.44
BALANCE CARRIED TO BALANCE SHEET		1,968.87	3,153.42
		1,968.87	3,596.86
Significant Accounting Policies	21		
Notes on Accounts	22		
Basic & Diluted EPS (Face Value of Rs.10 each)		Rs. -7.89	Rs. -1.09
(Refer note 25 of Schedule 22)			

As per our report attached
For **Deloitte & Haskins & Sells**
Chartered Accountants

For and on behalf of the Board

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
*Vice-Chairman &
Managing Director*

R. L. Lakhotia
Executive Director

Priya Sharma
Company Secretary

Secunderabad, 9 August 2010



Cash flow Statement For the year ended 31 March 2010

	2009-10		2008-09	
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
A Cash Flow From Operating Activities:				
Profit Before Tax		(1,044.35)		(132.30)
Adjustments For				
Depreciation	2,975.40		2,793.06	
(profit)/Loss on Sale of Assets	(12.69)		(119.01)	
(profit)/Loss on Sale of Current Investments	-		(76.90)	
provision for doubtful debts/Advances w/back	(43.67)		(35.47)	
Interest Income	(811.55)		(594.89)	
Interest on Borrowings	3,388.36		3,211.04	
Dividend Income	-		(0.26)	
Miscellaneous Expenses W/off	-		18.25	
		5,495.85		5,195.82
Operating profit Before Working Capital Changes		4,451.50		5,063.52
Adjustments for changes in				
Trade and Other Receivables	485.45		(3,408.53)	
Inventories	(456.77)		(737.40)	
Trade payables and other Liabilities	(1,121.36)		2,203.68	
		(1,092.68)		(1,942.25)
Cash Generated from Operations		3,358.82		3,121.27
Direct Taxes/Refund received		(15.62)		(142.16)
Net cash from Operating Activities		3,343.20		2,979.11
B Cash flow from Investing Activities:				
capital expenditure incl, advance paid for purchase of Fixed Assets		(934.44)		(2,536.81)
sale of fixed assets		32.40		169.01
purchase of Investments		-		(4,690.26)
sale of Investments		-		5,167.16
Dividend received		-		0.26
Net Cash Used in investing Activities		(902.04)		(1,890.64)
C Cash flow from financing Activities:				
Interest and financing charges paid (excluding interest capitalised)		(3,392.95)		(3,210.95)
Interest received on deposits with Banks, Suppliers and other deposits etc.,		861.41		516.90
Calls in arrear received		0.12		0.29
Proceeds from Borrowings		5,407.83		10,688.87
Repayment of Borrowings		(5,743.72)		(7,970.15)
Inter corporate loans received		8.00		-
dividend paid		(263.44)		(614.68)
Net cash used in financing activities		(3,122.75)		(589.72)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(681.59)		498.75
Cash and cash equivalents as at 31 March 2009		1,149.86		651.11
Cash and cash equivalents as at 31 March 2010		468.27		1,149.86

Note:

- Bank balance includes restricted amount of Rs. 123.26 lakhs (31-03-2009: Rs. 467.58 lakhs) towards margin money deposits with banks and Rs. 31.93 lakhs (31-03-2009: Rs. 32.36 lakhs) towards unclaimed dividend.
- The Cash flow statement is prepared under 'indirect method' as set out in Accounting Standard - 3 on Cash Flow Statements as notified in the Companies (Accounting Standards) Rules, 2006.

As per our report attached

For and on behalf of the Board

For Deloitte & Haskins & Sells

Chartered Accountants

K. Rajasekhar
Partner

Ranjan Kumar Poddar
Chairman

Devashish Poddar
Vice-Chairman &
Managing Director

R. L. Lakhota
Executive Director

Priya Sharma
Company Secretary

Secunderabad, 9 August 2010



Schedules forming part of Accounts

	As at 31 March 2010 (Rs. Lakhs)	As at 31 March 2009 (Rs. Lakhs)
1 SHARE CAPITAL		
Authorised		
250,00,000 Ordinary Shares of Rs. 10 each (31-3-2009: 250,00,000 ordinary shares of Rs. 10 each)	2,500.00	2,500.00
10,00,000 Preference Shares of Rs. 100 each (31-3-2009: 10,00,000 preference shares of Rs. 100 each)	1,000.00	1,000.00
	3,500.00	3,500.00
Issued		
150,13,205 Ordinary shares of Rs. 10 each (31-3-2009: 150,13,205 ordinary shares of Rs. 10 each)	1,501.32	1,501.32
Subscribed and Called up		
150,11,185 Ordinary Shares of Rs. 10 each fully paid up (31-3-2009: 150,11,185 ordinary shares of Rs. 10 each) (inclusive of Rs. 10.41 lakhs transferred from General Reserve)	1,501.12	1,501.12
7,052 Less Call in arrears at Rs. 6 each (31-3-2009: 7,252 Ordinary Shares of Rs. 6 each)	0.42	0.44
Add : Forfeited Shares (amount originally paid up)	0.49	0.49
TOTAL	1,501.19	1,501.17

	As at 31 March 2009 (Rs. Lakhs)	Additions during the year (Rs. Lakhs)	Deductions/ Adjustments during the year (Rs. Lakhs)	As at 31 March 2010 (Rs. Lakhs)
2 RESERVES AND SURPLUS				
Capital Reserve	9.16			9.16
Capital Redemption Reserve	70.93			70.93
Securities Premium Account	6,635.09	0.10		6,635.19
General Reserve	8,204.79	13.11 *		8,217.90
Revaluation Reserve	5,838.03		240.58 **	5,597.45
Profit & Loss Account	3,153.42		1,184.55	1,968.87
TOTAL	23,911.42	13.21	1,425.13	22,499.50

* Includes transfer from Revaluation Reserve Rs. 13.11 on account of Assets Sold / Discarded

** Deduction on account of assets sold / discarded Rs.13.11 lakhs and

Depreciation provided on Revalued portion of fixed assets Rs. 227.47 lakhs

	As at 31 March 2010 (Rs. Lakhs)	As at 31 March 2009 (Rs. Lakhs)
3 SECURED LOANS		
Cash Credit / Overdrafts from Banks		
Central Bank of India	741.15	1,638.13
State Bank of Hyderabad	370.19	1,369.60
Andhra Bank	398.76	414.18
Industrial Development Bank of India (IDBI)	-	893.40
		4,315.31
Term Loans from Financial Institutions, Banks and Others		
IDBI Bank (IDBI)	9,405.00	9,900.00
State Bank of Hyderabad (SBH)	4,741.18	4,005.74
State Bank of Patiala (SBP)	2,850.00	2,998.93
State Bank of Mysore (SBM)	1,520.00	1,594.22
Syndicate Bank (SYB)	1,900.00	2,000.05
State Bank of Bikaner & Jaipur (SBBJ)	2,291.66	2,500.67
Central Bank of India (CBI)	-	1,500.47
Andhra Bank (AB)	2,375.00	-
Axis Bank (AXIS)	1,200.00	-
		26,282.84
Vehicle Loan		
ICICI Bank	0.72	15.15
TOTAL	27,793.66	28,830.54



Schedules forming part of Accounts

Notes:

- (i) Nature of Security
- (a) Cash Credit / Overdraft against book debts with banks are secured by a first charge by way of hypothecation of the Company's Stock of finished goods, raw materials, stock in process, consumable stores and spares, bills receivables, book debts and all other movable current assets of the Company, both present and future and also by a second charge created and / or to be created, ranking after charge created and / or to be created in favour of the Term Lenders of the Company on the Company's immovable properties and movable properties both present and future.
- (b) Term Loans from IDBI, SBH, SBP, SBM and SYB are secured / to be secured by a mortgage by deposit of title deeds in respect of Company's immovable properties and a first charge by way of hypothecation of the Company's movable assets including movable machinery, spares, tools and accessories, both present and future, subject to prior charges created and or to be created in favour of Banks on Current Assets for securing the borrowings for the Working Capital requirements.
- The mortgage and charges referred to above rank pari passu inter se
- (c) Term Loan from SBBJ and Andhra Bank is secured by a first pari passu charge on the fixed assets of the Company.
- (d) Short Term Loan from CBI is secured by Hypothecation of the Company's stocks of finished goods, raw materials, stock in process, consumable stores and spares, bills receivables, book debts and all other movable current assets of the Company, both present and future.
- (e) Short Term Loan from Axis is secured by Sub servient charge on current assets and movable fixed assets of the Company
- (f) Vehicle Loan with ICICI Bank is secured by hypothecation of the Vehicles.
- (ii) IDBI has the right to convert the loan outstanding upto Rs. 6,080 lakhs in to fully paid Ordinary Shares in the event of default in repayment of principal amount of loan or interest thereon or any combination thereof.
- (iii) Installments repayable within one year Rs. 6,869.35 lakhs (31-3-2009: Rs. 1,514.61 lakhs)

	As at 31 March 2010 (Rs. Lakhs)	As at 31 March 2009 (Rs. Lakhs)
4 UNSECURED LOANS		
Inter corporate loan	500.00	–
Sales Tax Deferment Loan from Govt. of Andhra Pradesh (Refer Note 22 of Schedule 22)	1,387.62	1,186.64
TOTAL	1,887.62	1,186.64

Note: Amount repayable within one year Rs. 500 lakhs (31-3-2009 Rs. NIL lakhs)

5 FIXED ASSETS										(Rs. Lakhs)	
PARTICULARS	GROSS BLOCK (At Cost/Revalued)				DEPRECIATION				NET BLOCK		
	As at 31-03-09	Additions	Deletions	As at 31-03-10	Up to 31-03-09	For the Year	Deletions	Up to 31-03-10	As at 31-03-10	As at 31-03-09	
Land	1,122.96	–	–	1,122.96	–	–	–	–	1,122.96	1,122.96	
Buildings	6,301.64	1,262.65	–	7,564.29	3,767.41	124.59	–	3,892.00	3,672.29	2,534.23	
Plant & Machinery	71,731.41	1,168.33	569.04	72,330.70	24,135.97	3,005.65	550.94	26,590.68	45,740.02	47,595.44	
Railway Sidings	42.48	–	–	42.48	9.34	1.93	–	11.27	31.21	33.14	
Furniture & Fixtures & Other Office Appliances	177.57	202.41	6.87	373.11	123.61	22.99	5.97	140.63	232.48	53.96	
Motor Cars, Lorries and Other Vehicles	522.11	4.75	13.60	513.26	244.93	47.71	12.87	279.77	233.49	277.18	
TOTAL	79,898.17	2,638.14	589.51	81,946.80	28,281.26	3,202.87	569.78	30,914.35	51,032.45	51,616.91	
	(52,774.58)	(27,841.04)	(717.45)	(79,898.17)	(25,855.00)	(3,051.30)	(625.04)	(28,281.26)	(51,616.91)		

Note : Figures in brackets represent previous year's figures.



Schedules forming part of Accounts

	As at 31 March 2010		As at 31 March 2009	
	Nos.	(Rs. Lakhs)	Nos.	(Rs. Lakhs)
6 INVESTMENTS				
NON-TRADE INVESTMENTS				
(A) LONG TERM INVESTMENTS				
(Unquoted - at cost less provision for dimunition in value)				
Neptune Paper Mills Limited (in liquidation)				
Equity Shares of Rs.10 each fully paid	167,500	16.75	167,500	16.75
Beloit India Limited (in liquidation)				
Equity Shares of Rs.100 each (paid up Rs. 5 per share) net of receipts towards return of Capital	60,000	1.18	60,000	1.18
		17.93		17.93
Less : Provision for Dimunition		17.93		17.93
		-		-
(B) CURRENT INVESTMENTS				
Unquoted (At Lower of Cost and Market Value)				
In Others				
IDBI Flexi Bonds Series 18 of Rs. 5,000 each	200	10.00	200	10.00
		10.00		10.00
Total of A + B (Gross)		27.93		27.93
Less : Provision for Diminution		17.93		17.93
TOTAL		10.00		10.00
Notes :				
1) Aggregate amount of Quoted Investments		-		-
2) Aggregate amount of Unquoted Investments		10.00		10.00
		10.00		10.00
Aggregate amount of market value of Quoted Investments		-		-

	As at 31 March 2010		As at 31 March 2009	
	(Rs. Lakhs)		(Rs. Lakhs)	
7 INVENTORIES				
Chemicals, Stores and Spares		1,540.26		1,033.21
Stores-in-Transit		140.18		230.37
Raw Materials		795.21		621.85
Process Stocks		766.24		741.26
Finished Goods		269.20		424.03
		3,511.09		3,050.72
Excise Duty on Closing Stocks		10.21		13.81
TOTAL		3,521.30		3,064.53



Schedules forming part of Accounts

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
8 SUNDRY DEBTORS			
Outstanding for a period exceeding six months			
Unsecured - Considered Good	142.53		59.25
Unsecured - Considered Doubtful	56.62		56.62
		199.15	115.87
Other Debts - Considered Good			
Secured	2,816.40		2,850.87
Unsecured	1,929.05		3,199.37
		4,745.45	6,050.24
		4,944.60	6,166.11
Less: Provision for Doubtful Debts		56.62	56.62
TOTAL		4,887.98	6,109.49

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
9 CASH AND BANK BALANCES			
Cash in Hand		22.67	17.97
Balance with Scheduled Banks			
In Current Accounts	290.41		631.95
In Dividend Accounts	31.93		32.36
In Term Deposits (including lodged with banks as margin against Letters of Guarantee Rs.123.26 lakhs and Overdraft facility Rs. NIL lakhs (31-3-2009 Rs.141.42 & Overdraft Rs. 326.16 lakhs))	123.26		467.58
		445.60	1,131.89
TOTAL		468.27	1,149.86

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
10 LOANS AND ADVANCES - UNSECURED			
Advances recoverable in cash or in kind or for value to be received (Note-1)	1,164.77		798.17
Interest accrued on loans,deposits/bills	95.90		110.49
Claims lodged with Railways, Insurance Companies and Others (Refer Note no.10 of Schedule 22 also)	233.07		126.70
Advance Tax and tax deducted at source (Net of Provision for Tax Rs. 406.12 lakhs (31-3-2009: Rs. 418.97 lakhs))	259.50		245.84
Security and other trade deposits with Public Bodies and Others (Note-2)	1,424.26		1,160.41
Inter corporate and Other Loans (Refer note 5 of Schedule 22)	975.68		1,018.95
		4,153.18	3,460.56
Less: Provision for Doubtful Loans and Advances		0.52	44.19
TOTAL		4,152.66	3,416.37
Of the above:			
Considered good	4,152.66		3,416.37
Considered doubtful	0.52		44.19
	4,153.18		3,460.56

- Note:**
1. Due from Wholetime Directors & Officers Rs. NIL, (31-3-2009: Rs. 7.64 Lakhs) Maximum Balance due at any time during the year Rs. 0.33 lakhs (31-3-2009: Rs. 7.64 lakhs)
 2. Security and other Trade Deposits includes balance with Custom authorities Rs. 50.00 lakhs (31-3-2009: 50.00 Lakhs)



Schedules forming part of Accounts

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
11 CURRENT LIABILITIES			
Acceptances		30.66	10.02
Sundry Creditors			
Dues to Micro and Small Enterprises		11.37	24.79
Dues other than to Micro and Small Enterprises			
for Goods and Services	3,144.19		4,705.96
for Expenses	1,901.53		1,416.14
Others	14.82		24.01
		5,060.54	6,146.11
Investor Education & Protection Fund *		31.93	32.36
Preference Share Redemption amount unclaimed		1.29	1.29
Employee Benefits		14.21	22.05
Advance/Deposit from Customers and Contractors		3,822.08	3,892.35
Interest Accrued but not due on Loans		–	4.59
Tax deducted at Source		30.01	114.66
Provision for Excise Duty on Closing Stocks		10.21	13.81
TOTAL		9,012.30	10,262.03

* Investor Education & Protection Fund represents Unclaimed Dividend required to be transferred to this fund on completion of 7 years. No such amount is due as on the Balance sheet date

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
12 PROVISIONS			
For Long Term Employee Benefits		992.86	860.54
For Proposed Dividend		–	225.17
For Tax on Dividend		–	38.27
For Contingencies		–	8.55
TOTAL		992.86	1,132.53

	As at 31 March 2010		As at 31 March 2009
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
13 MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Finance Charges on Borrowings		–	109.27
TOTAL		–	109.27



Schedules forming part of Accounts

	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
14 SALES		
Sale of Paper and Paper Board	34,785.07	36,678.66
Sale of Coal Ash, Scrap and Other Waste	149.75	168.57
	34,934.82	36,847.23

	(Rs. Lakhs)	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
15 OTHER INCOME			
Operations			
Water Supply Charges	4.28		3.83
Rent	41.39		14.59
Provision for Bad Debts written back	43.67		35.47
Sales Tax Incentive	28.35		-
Miscellaneous Income	366.05		175.08
		483.74	228.97
Financial			
Dividend Income from Current Investments	-		0.26
Profit on Sale of Fixed Assets	12.69		119.01
Profit on Sale of Current Investments	-		76.90
		12.69	196.17
TOTAL		496.43	425.14

	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
16 RAW MATERIALS CONSUMED		
(Refer note 17 of Schedule 22)		
Opening Stocks	621.85	705.22
Add: Purchases	8,152.40	7,776.22
	8,774.25	8,481.44
Add/(Less): Closing Stocks	(795.21)	(621.85)
	7,979.04	7,859.59
Less: Transfer to Trial Run Production	-	585.83
	7,979.04	7,273.76
Add: Transfer from Trial Run Production	-	795.79
TOTAL	7,979.04	8,069.55

	(Rs. Lakhs)	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
17 (ACCRETION TO) / DEPLETION OF STOCKS			
Closing Stocks:			
Finished Goods	269.20		424.03
Process Stocks	766.24		741.26
Excise duty on stock at bonded warehouse	10.21		13.81
		1,045.65	1,179.10
Less: Opening Stocks:			
Finished Goods	424.03		79.41
Process Stocks	741.26		311.64
Excise Duty on stock at bonded warehouse	13.81		6.00
		1,179.10	397.05
(Accretion To)/Depletion Of Stocks		133.45	(782.05)



Schedules forming part of Accounts

	2009-10		2008-09
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
18 MANUFACTURING AND OTHER EXPENSES			
Chemicals, Stores and Spares Consumed		5,951.83	7,662.36
Conversion Charges		64.20	72.20
Power and Fuel		7,701.59	8,169.34
Payments to and Provision for employees			
Salaries, Wages and Bonus etc.	4,856.16		4,158.94
Contribution to Provident and Other Funds	583.63		468.91
Welfare Expenses	159.83		164.22
		5,599.62	4,792.07
Repairs to:			
Building	113.98		122.58
Plant & Machinery	216.37		208.65
Other Assets	32.89	363.24	23.96
Other Expenses:			
Insurance		59.36	59.30
Rent		35.76	46.33
Lease Rent		18.00	18.00
Rates & Taxes		33.34	38.52
Vehicle Expenses		35.75	36.47
Travelling & Conveyance		226.95	218.01
Commission to Wholesalers		402.19	359.71
Stationery, Printing, Post, Telephone and Advertisement		81.67	90.91
Directors' Sitting Fees		4.82	3.30
Excise Duty on Opening / Closing Stock Difference		(3.60)	7.81
Auditors' Remuneration (Refer note 14 of Schedule 22)		10.92	10.29
Prior Period Expenses		0.60	1.48
Miscellaneous Expenses		420.41	268.97
Freight, Carriage and Cartage Charges		418.35	658.89
TOTAL		21,425.00	22,869.15

Note:

Research and development expenses amounting to Rs. 21.45 lakhs (2008-09 : Rs. 17.27 lakhs) have been included in respective primary heads of expenditure.

	2009-10		2008-09
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
19 INTEREST (Net)			
Expenses			
On Term Loans	2,757.25		2,732.40
Others	631.11		622.76
		3,388.36	3,355.16
Less: Interest Capitalised		–	144.12
		3,388.36	3,211.04
Less: Income			
On Term Deposits with Banks	55.53		64.14
On Inter corporate and Other Loans	135.31		109.05
Others (from customers/debtors, on deposits, etc..)	620.71		421.70
		811.55	594.89
TOTAL		2,576.81	2,616.15

Note: Tax Deducted at Source on interest received Rs. 83.09 lakhs (2008-09: Rs. 29.52 lakhs)

	2009-10		2008-09
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
20 TAXATION			
Income Tax for the year:			
Current Tax		1.20	1.00
Deferred Tax		139.00	6.06
Fringe Benefit Tax		–	24.00
TOTAL		140.20	31.06



Schedules forming part of Accounts

21 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Concepts

The financial statements are prepared under the historical cost convention except for certain fixed assets, which has been revalued, in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

2. Use of Estimates

The preparation of Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. Fixed Assets

Fixed Assets are valued at revalued cost less depreciation. Pre-operative expenses including trial run expenses (net of revenue) are capitalised. Borrowing costs during the period of construction is added to the cost of eligible fixed assets.

4. Investments

Long-term investments are carried at cost less provision for diminution other than temporary, if any, in value of such investments. Current investments are carried at lower of cost and market value.

5. Inventories

- a. Inventories are valued at lower of cost and net realisable value.
- b. Cost of Finished goods and Goods in Process are ascertained on weighted average basis.
- c. Cost of Raw materials, chemicals and stores and spares comprises purchase price (Net of CENVAT and other deductible taxes wherever applicable), freight and handling, duties and other attributable costs and is valued on weighted average basis.
- d. Excise duty on finished goods awaiting despatch is added to inventory.

6. Sales

Income from Sales is accounted for Ex-Mills/Ex-depots on despatch. The Sale value is inclusive of excise duty, but is exclusive of sales tax and is net of trade discount.

7. Employee Benefits

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are accounted in accordance with Accounting Standard (AS) 15 "Employee Benefits" as notified by Companies (Accounting Standard) Rules, 2006.

The Company has a Defined Contribution Plan for its employees' Retirement benefits comprising of Provident Fund, Superannuation Fund, Employees' State Insurance Fund and Employees' Pension Scheme (Under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952). The Company contributes to Provident Fund, Superannuation Fund and Employees' State Insurance Fund and Employees' Pension Scheme and has no further obligations to the plan beyond its contribution.

The Company has a Defined Benefit Plan comprising of Gratuity Fund, Compensated absence and Long Service Award. The liability for the Gratuity, Compensated absence and Long Service Award is determined on the basis of independent actuarial valuation. Liability for Gratuity is partly funded with a recognised Gratuity Fund managed by Life Insurance Corporation of India.

8. Research & Development Expenses

Revenue expenditure on research and development is charged to the Profit and Loss account of the year in which it is incurred. Capital expenditure on research & development is included in fixed assets.

9. Government Grants

Grants received against specific fixed assets are adjusted to the cost of assets and revenue grants are recognised in the Profit & Loss Account in accordance with the related scheme in the period in which these are accrued and are deducted in reporting the related expenses.

10. Depreciation

- (a) Fixed assets are depreciated on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions/deletions is worked out on pro-rata basis.

Schedules forming part of Accounts

21 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(b) Assets revalued have been depreciated on straight line basis over the balance useful lives estimated by the valuer, and the excess of depreciation so calculated over the depreciation calculated in (a) above is transferred from Revaluation Reserve.

11. Foreign Currency Transactions

- i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.
- ii) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates.
- iii) The difference in translation of monetary assets and liabilities and realised gains/losses to foreign exchange transactions are recognised in Profit & Loss Account.

12. Deferred Tax

Deferred Tax is accounted for by computing the tax effect of timing differences that arise during the year and reverse in subsequent periods.

22 NOTES ON ACCOUNTS

1. Contingent liabilities not provided for:

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
A) Claims / Demands under dispute		
(i) Income Tax	113.46	234.87
(ii) Excise Duty etc.	165.77	80.35
(iii) Value Added Tax	186.16	182.69
(iv) Demand from Government of A.P. for Forest related Cases	2,191.55	2,191.55
(v) State levies	454.91	441.75
(vi) Labour related cases	393.24	254.46
(vii) Suppliers and service contracts	121.85	216.75
	3,626.94	3,602.42

2. The Forest Department, Government of Andhra Pradesh has demanded interest of Rs.1,225.52 lakhs (included in Note 1 (A) (iv) above) on delayed payment of differential royalty which had been levied for the period 1980-81 to 1984-85. The Company has contested this demand in the High Court of Andhra Pradesh and in terms of the Order of the Court a sum of Rs.100 lakhs has been deposited and a Corporate Guarantee has been given for the balance amount. Based on the legal opinion, the management is hopeful of a decision in its favour and consequently, no provision has been made for the aforementioned demand of Rs.1,225.52 lakhs.
3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 296.98 lakhs (31-3-2009: Rs. 264.89 lakhs) against which advances paid amount to Rs. 34.14 lakhs (31-3-2009: Rs. 34.43 lakhs).
4. Total outstanding Bank Guarantees and Letters of Credit as on 31 March 2010, aggregated to Rs. 792.58 lakhs (31-3-2009: Rs. 921.45 lakhs), which are secured against the Company's assets stated in note (i) of Schedule 3.
5. Inter-corporate and other loans (Schedule – 10) of Rs. 975.68 lakhs as on 31 March 2010: are in the opinion of the management considered good and recoverable having regard to the parties from whom the amounts are due and the previous record of the repayment.



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

6. Capital Work in progress includes machinery in stock, fee for technical assistance, building under construction, advance to suppliers and other pre-operative expenses net of realisable value, pending allocation/capitalisation. Pre-operative expenses pending allocation/capitalisation are as follows.

(Rs. Lakhs)

Particulars	31 March 2010	31 March 2009
Raw Material (Bamboo, Wood & Pulp)	–	585.83
Consumption of Chemicals	–	212.35
Power & Fuel (Coal, Furnace Oil & Grid Power)	–	241.43
Travelling	–	9.13
Bank Charges	–	26.38
Consultancy	–	25.00
Miscellaneous expense	–	0.49
Amortisation of Finance Charges	–	1.51
Packing Materials	–	3.16
Salaries & Wages	–	34.45
Freight	–	9.40
Interest during Construction period	–	144.12
Transfer from Profit and Loss Account		
Chemical Recovery cost	–	217.07
Alum	–	12.58
Water	–	5.03
Electricity and Steam	–	151.41
Mill Wrapper	–	1.21
Sub Total	–	1,680.55
Less: Sales of paper (Net of Excise duty Rs.NIL Lakhs (31-03-2009 Rs. 36.28 Lakhs)	–	311.71
Add: Depletion of Stocks	–	
Process Stocks	–	15.62
Less: Pulp Transfer to Raw-Materials	–	795.79
Add: Expenditure up to previous years	–	6,031.54
TOTAL	–	6,620.21
Less: Allocated to Fixed assets including CWIP	–	6,620.21
Balance pending allocation	–	–

7. Details as per the requirement of provisions Under MSMED Act 2006

Rupees Lakhs

Item No	Particulars	2009-10	2008-09
a)	(i) The Principal amount remaining unpaid at the end of the year	11.37	24.79
	(ii) The interest due on above	0.21	0.35
b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	Nil	Nil
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under the Act.	3.73	3.00

The disclosure is based on information available with the Company regarding the status of suppliers.

8. The wage agreement with workers' union covering the period from 1 April 2008 to 31 March 2013 was concluded on 24 May 2010 and the effect thereof towards arrears aggregating to Rs. 441 lakhs including Rs. 227 lakhs for the year 2008-09 was recorded in the financial statements for the year ended 31 March 2010.



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

9. A. Managerial Remuneration:

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
Whole-time Directors		
Salary and Allowances	117.41	102.77
Performance Bonus	-	-
Contribution to Funds	15.51	19.46
Perquisites	9.88	7.27
Gratuity	3.50	-
Non Whole-time Directors		
Sitting Fees	4.82	3.30
TOTAL	151.12	132.80

Note: As the provision for gratuity, compensated absence and long service award is made on an actuarial basis for the Company as a whole, the amount pertaining to whole-time directors is not included above.

9. B. Computation of Net Profit for the year ended 31 March 2010 in accordance with Sections 198 and 309(5) of the Companies Act, 1956

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
Profit as per P&L Account (Before tax)	-1044.35	-132.30
Add:		
Managerial remuneration	151.12	132.80
Depreciation in Books	2975.40	2793.06
	2082.17	2793.56
Less:		
Provision for Doubtful Debts & adv.w/back	43.67	35.47
Profit on Sale of Assets	12.69	119.01
Profit on Sale of Investments	-	76.90
	2025.81	2562.18
Less:		
Depreciation as per Sec. 350	2975.40	2793.06
	-949.59	-230.88
Add/Less:		
Surplus on Sale of Assets (Under Sec.350)	12.69	119.01
	-936.90	-111.87

10. As per the provisions of Industrial Investment Promotion Policy 2005-10 of Government of Andhra Pradesh, the Company is eligible for part reimbursement of power consumption charges. Necessary claim for 2008-09 and 2009-10 have been filed with the relevant authorities. The amount so eligible aggregating to Rs. 184.36 lakhs (31-03-2009: Rs. 111.72 lakhs) is included in loans and advances with a corresponding credit to power & fuel expenses of Rs. 72.64 lakhs (31-03-2009: Rs. 111.72 lakhs).

11. Disclosure in accordance with the revised AS-15 is as under:-

I. Charge to the Profit and Loss Account based on contributions:

(Rs. Lakhs)

	Year Ended 31 March 2010	Year Ended 31 March 2009
Employer's contribution to Provident Fund	102.52	86.54
Employer's contribution to Superannuation Fund	21.85	21.18
Employer's contribution to Employees' State Insurance	103.87	106.58
Employer's contribution to Employees' Pension Scheme	131.45	118.95



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

II. Disclosures in accordance with the defined benefit plans based on actuarial reports as on 31 March 2010.

(Rs. Lakhs)

	2009-10			2008-09		
	Gratuity	Leave	Long Service award	Gratuity	Leave	Long Service award
A. Change in Defined Benefit Obligation (DBO) during the year						
Present value of (DBO) at the beginning of the year	1880.57	357.14	159.31	1786.05	437.63	179.45
Current Service Cost	81.05	28.36	6.80	75.40	29.65	6.33
Interest Cost	139.16	26.79	11.39	134.07	24.60	13.57
Actuarial Losses/ (Gains)	89.60	50.46	(0.94)	32.60	(50.48)	(30.28)
Past Service Cost	22.80	-	-	-	-	-
Benefits Paid	(155.01)	(86.01)	(13.92)	(147.55)	(84.26)	(9.76)
Present value of (DBO) at the end of the year	2058.17	376.74	162.64	1880.57	357.14	159.31
B. Change in the Fair Value of Assets during the year						
Plan Assets at the beginning of the year	1536.79	NA	NA	1396.65	NA	NA
Actual Return on Plan Assets	138.30	NA	NA	133.14	NA	NA
Actual Company's Contribution	84.60	86.01	13.92	154.55	84.26	9.76
Benefits Paid	(155.01)	(86.01)	(13.92)	(147.55)	(84.26)	(9.76)
Plan Assets at the end of the year	1604.68	NA	NA	1536.79	NA	NA
C. Net Asset (Liability) recognised in the Balance Sheet as at end of the year						
Present value of Defined Benefit Obligations	2058.17	376.74	162.64	1880.57	357.14	159.31
Fair Value of Plan Assets	(1604.68)	NA	NA	(1536.79)	NA	NA
Funded status - Surplus (Deficit)	(453.49)	(376.74)	(162.64)	(343.78)	(357.14)	(159.31)
Net Asset (Liability) recognised in Balance Sheet	(453.49)	(376.74)	(162.64)	(343.78)	(357.14)	(159.31)
D. Components of Employer's Expenses						
Current Service Cost	81.05	28.36	6.80	75.40	29.65	6.33
Interest cost	139.16	26.79	11.39	134.07	24.60	13.57
Expected Return on Plan Assets	(112.92)	NA	NA	(105.01)	NA	NA
(Gain) / Actuarial Losses	64.22	50.46	(0.94)	4.47	(50.48)	(30.28)
Past Service Cost	22.80	-	-	-	-	-
Expenses / (Income) recognised in Profit and Loss Account	194.31	105.61	17.25	108.93	3.77	(10.38)
E. Actual Contribution and Benefit Payments for the year						
Actual Benefit Payments	155.01	86.01	13.92	147.55	84.26	9.76
Actual Contributions	84.60	86.01	13.92	154.55	84.26	9.76
F. Principal Actuarial Assumptions						
Principal Actuarial Assumptions:						
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Expected Return on Plan Assets	7.5%	NA	NA	8%	NA	NA
Salary Escalation						
- Staff	8%	8%	8%	8%	8%	8%
- Workers	7%	7%	7%	7%	7%	NA

GRATUITY

The Gratuity Fund is invested in a Group Gratuity Cash Accumulation Policy offered by Life Insurance Corporation (LIC) of India. The invested return earned on the policy comprises bonus declared by LIC having regard to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return to each major class are not readily available. We understand that LIC's overall portfolio of assets is well diversified and as such, the long-term return on the policy is expected to be higher than the rate of return on Central Government bonds.



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

12. The following amounts are included under other heads of accounts which are in addition to the amounts shown under respective primary heads:

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
Salary, Wages and Bonus	8.03	7.94
Workmen & Staff Welfare Exp.	13.70	14.88
Repairs to Buildings	59.34	89.51
Medical Aid & Sanitation	23.68	28.15
Stationery, Printing, Telephone etc.	11.25	9.90
Motor Vehicle Expenses	14.46	22.17
Repairs to Plant and Machinery	151.40	132.44

13. The Company's significant leasing arrangements are in respect of operating leases for premises (Residential, Office, Stores, Godowns etc.). These leasing arrangements which are not non-cancelable range between 11 months and 3 years generally or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule-18.

14. Auditors' Remuneration

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
Statutory Auditors		
Audit fees	5.50	5.50
Fees for Limited Review	3.75	3.15
Fees for Certification	0.10	0.12
Reimbursement of Expenditure	1.57	1.52
TOTAL	10.92	10.29

The above excludes service tax and education cess thereon.

15. Licensed and Installed Capacities and Production

Particulars	Installed Capacity (a)		Production	
	2009-10 MT	2008-09 MT	2009-10 MT	2008-09 MT
Class of Products				
i) Pulp, Paper and Board	138300	*138300	91126 (b)	92298 (b)
ii) Complete Pulp and Paper Making Plant (10 -15TPD)	4 Nos.	4 Nos.	(-)	(-)
iii) Generation of Electricity	MW	MW	KWH lakhs	KWH lakhs
	32	32	1,238.94	1,285.29

* With effect from 1 May 2008

Licensed capacity is not applicable in terms of Govt. of India's Notification.

(a) Installed Capacities are as certified by the Executive Director.

(b) Represents finished production of Paper and Paper Board. Production of pulp is not separately ascertained, Pulp Plant being integral part of Paper and Paper Board Plant.

Note: Generation of electricity is for internal consumption. The installed capacity of these Plants for the current year and for earlier years is as per the original designed capacity.

16. Turnover, Closing and Opening Stocks

	2009-10 MT	2008-09 MT	2009-10 (Rs. lakhs)	2008-09 (Rs. lakhs)
Turnover (net of excise duty)				
(a) Paper and Board	91225	90635	33399.17	34452.55
(b) Others (Coal Ash, Scrap and other waste)			149.75	168.57
TOTAL			33548.92	34621.12



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

Finished goods	Closing Stocks		Opening Stocks	
	MT	(Rs. lakhs)	MT	(Rs. lakhs)
(a) Paper and Board				
2009-10	819	269.20	1244	424.03
2008-09	1244	424.03	304	79.41

17. Raw Materials consumed

Particulars	2009-10	2008-09	2009-10	2008-09
	MT	MT	(Rs. lakhs)	(Rs. lakhs)
i) Pulp	416	137	106.10	51.23
ii) Bamboo	3,558	7,007	121.55	245.84
iii) Wood	2,37,239	2,24,682	7,745.26	7,535.58
iv) Waste Paper Cutting	512	491	6.13	26.94
TOTAL			7,979.04	7,859.59
Add : Pulp transferred from Trial Run Production		4,894		795.79
				8,655.38
Less: Consumption for Trial Run Production				
Bamboo		409		13.45
Wood		16,583		572.38
			7,979.04	8,069.55

Note: Consumption of Coal and Furnace Oil included in Power and Fuel is as below:

Particulars	2009-10	2008-09	2009-10	2008-09
	Quantity	Quantity	(Rs. Lakhs)	(Rs. Lakhs)
(a) Coal (M.T.)	3,21,056	3,30,563	5,015.60	5,003.08
(b) Furnace Oil (Kilo Litre)	2,281	3,504	571.26	891.42

Note: Excludes Nil MT (4400 MT) of coal valued at Rs. Nil (60.86) lakhs & Furnace Oil Nil (Nil KL) valued at Rs. Nil (Nil lakhs) consumed during trial run production

18. Value of Imports (C.I.F.)

Particulars	2009-10	2008-09
	(Rs. Lakhs)	(Rs. Lakhs)
i) Raw Materials	106.65	49.48
ii) Components & Spare Parts	50.82	39.55
iii) Capital Goods	-	125.28

19. Expenditure in Foreign Currency

Particulars	2009-10	2008-09
	(Rs. Lakhs)	(Rs. Lakhs)
A) Travelling expenses	25.35	34.88
Books	0.09	0.09
Consultancy	389.59	51.50
Advertisement	-	0.54
TOTAL A	415.03	87.01
B) Amount remitted in foreign currency on Account of Dividend Payment		
a) Year for which dividend relates	2008-09	2007-08
b) Number of non resident share holders	1	1
c) Number of ordinary shares held	11,84,967	11,84,967
d) Dividend remitted	17.77	41.47
TOTAL B	17.77	41.47
TOTAL A+B	432.80	128.48

Note: Except as stated above the Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividend have been made to non- resident shareholders.



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

20. Value of consumption of Indigenous and Imported Raw Materials, Stores, Chemicals, Components and Spare Parts and the percentage of each to the total consumption.

	Raw Materials				Chemicals, Stores & Spares			
	2009-10		2008-09		2009-10		2008-09	
	Rs. Lakhs	%	Rs. Lakhs	%	Rs. Lakhs	%	Rs. Lakhs	%
Indigenous	7870.56	98.64	8027.83	99.48	5920.02	99.47	7574.37	98.85
Imported	108.48	1.36	41.72	0.52	31.81*	0.53	87.99*	1.15
TOTAL	7979.04	100.00	8069.55	100.00	5951.83	100.00	7662.36	100.00

* Excluding value of Imported Materials issued and allocated to Capital Expenditure

21. Earnings in Foreign Exchange

Particulars	2009-10 (Rs. Lakhs)	2008-09 (Rs. Lakhs)
Export (F.O.B)	-	-
TOTAL	-	-

Note: The above excludes export sales through merchant exports Rs. 70.08 lakhs (2008-09: Rs. 350.03 Lakhs) and Sales to Nepal Rs. Nil lakhs (2008-09: Rs. 78.94 lakhs)

22. As per final eligibility certificate of Commissioner of Industries, Hyderabad the Sales Tax payable on the sale of products manufactured by the Company over and above the turnover of Rs. 18,465 lakhs is eligible for deferment up to a maximum tax of Rs. 6,545.85 lakhs. The deferment is to be availed in 14 financial years commencing from 21 March 2002 (2001-02) to 20 March 2016 (2015-16). Each year's deferment is payable after 14 years from the year of deferment without interest. Based on the above, deferment liability as at 31 March 2010 has been computed at Rs. 1,387.62 lakhs (31-3-2009: Rs. 1,186.64 lakhs) and considered as part of Unsecured Loans (Schedule - 4).

The above deferment of Rs. 1,387.62 lakhs includes an amount of Rs. 23.44 lakhs relating to the year 2008-09, which has been disallowed by the Commercial tax authority in the sales tax assessment of the said year. The Company has contested the basis on which the assessing authority has disallowed the Company's claim in a writ petition filed in the High court of Andhra Pradesh. The High court, in terms of its order dated 22 April 2010 has suspended initiation of any coercive steps till the Company's petition is adjudicated up on.

23. The Company operates only in one business segment viz. Paper and Paper Board. The Company's operations predominantly consist of production and sales of paper and paper boards. The power generated is for captive use. Hence, there are no reportable segments under Accounting Standard 17. During the year, substantial part of the Company's business has been carried out in India. The condition prevailing in India being uniform no separate geographical disclosures are considered necessary.

24. RELATED PARTY DISCLOSURES

- (a) List of Related Parties and Relationships

Party	Relation
A. Aravali Securities & Finance Ltd.	Promoters holding is more than 20%
B. Key Management Personnel	
Shri S. K. Khare	Executive Director (Up to 30 April 2009)
Shri M. P. Dokania	Executive Director (30 April 09 onwards)
Shri Devashish Poddar	Vice Chairman & Managing Director

- (b) Related Party Transactions

Transactions	Promoters	Key Management Personnel
Interest Income	35.00 (35.00)	- (-)
Interest Expenses	1.53 (-)	- (-)
Lease Rent Expenses	18.00 (18.00)	- (-)
Income on Rent, Office Maintenance, Fooding Charges & Telephone Expenses	6.30 (-)	- (-)
Management contracts	- (-)	146.30 (129.50)
Unsecured Short Term Loan Received	500.00 (-)	- (-)
Outstanding as on 31 March 2010		
Payable	501.53 (-)	25.00 (3.71)
Receivable	368.09 (365.96)	- (-)

Figures in brackets are for the previous year.



Schedules forming part of Accounts

22 NOTES ON ACCOUNTS (Contd.)

25. Earnings/(Loss) per Share (EPS)

BASIC and DILUTED

Particulars	2009-10	2008-09
Profit/(Loss) after tax as per accounts (Rs. lakhs)	(1184.55)	(163.36)
Weighted average number of shares (Nos)	1,50,11,185	1,50,11,185
EPS (Rs.)	-7.89	-1.09

26. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise towards amount payable in foreign currency on account of import of goods and services are as below :-

2009-10				2008-09			
US \$	15700	Rs. 7.07	lakhs	US \$	15700	Rs. 8.18	lakhs
EURO €	32882	Rs.19.27	lakhs	EURO €	642300	Rs.442.61	lakhs

27. The Major components of the net deferred tax liability are as under:

(Rs. Lakhs)

	As on 31 March 2009	Expense / (credit) for the year	As on 31 March 2010
Deferred Tax Liability			
Depreciation	5,197.74	581.39	5,779.13
	<i>2,094.14</i>	<i>3,103.60</i>	<i>5,197.74</i>
TOTAL	5,197.74	581.39	5,779.13
	<i>2,094.14</i>	<i>3,103.60</i>	<i>5,197.74</i>
Deferred Tax Assets			
a) Disallowance under			
Income Tax U/s 43B & other provisions	415.36	(4.25)	411.11
	<i>481.33</i>	<i>(65.97)</i>	<i>415.36</i>
b) Disallowances under			
Income tax for Provision for	28.10	(28.10)	-
doubtful debts and advances	31.48	(3.38)	28.10
c) Carried Forward Depreciation	3,833.04	474.74	4,307.78
Loss under Income Tax Act	666.15	3,166.89	3,833.04
TOTAL	4,276.50	442.39	4,718.89
	<i>1,178.96</i>	<i>3,097.54</i>	<i>4,276.50</i>
Deferred Tax Liability (Net)	921.24	139.00	1,060.24
	<i>915.18</i>	<i>6.06</i>	<i>921.24</i>

Deferred Tax asset on unabsorbed depreciation has been recognised as there is virtual certainty of reversal of the same on account of higher deferred tax liability on depreciation.

Figures in italic are for the previous year

28. Figures for previous year have been regrouped wherever necessary.



Balance Sheet Abstract and Company's General Business Profile as required under Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/>	Total Assets <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/>
Sources of Funds	Reserves & Surplus
Paid up Capital <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/>	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/>
Secured Loans <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="6"/>	Unsecured Loans <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/>
Deferred Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="4"/>	
Application of Funds	Investments
Net Fixed Assets <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Net Current Assets <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="5"/>	Misc. Expenditure <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Losses <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net of Excise Duty) Gross Income <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="5"/>	Total Expenditure <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="0"/>
+ - Profit before Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="5"/>	+ - Profit after Tax <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="5"/>
+ - Earnings per Share in Rs. <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="."/> <input type="text" value="8"/> <input type="text" value="9"/>	Dividend Rate % <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

For and on behalf of the Board

Ranjan Kumar Poddar <i>Chairman</i>	Devashish Poddar <i>Vice-Chairman & Managing Director</i>	R. L. Lakhotia <i>Executive Director</i>	Priya Sharma <i>Company Secretary</i>
--	--	---	--

Secunderabad, 9 August 2010



THE SIRPUR PAPER MILLS LIMITED

Registered Office:

5-9-22/1/1, Ashoka Chambers, 1st Floor, Adarsh Nagar,
Hyderabad – 500 063, Andhra Pradesh.

Dated: 9th August 2010

NOTICE

TO THE SHAREHOLDERS:

NOTICE is hereby given that the SEVENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF THE SIRPUR PAPER MILLS LIMITED, will be held on the Thursday 30th September, 2010 at 2.30 P.M. at "Surana Auditorium", Federation House, 11-6-841, (The Federation of A.P. Chambers of Commerce & Industry Building), Red Hills, Hyderabad – 500 004 (Andhra Pradesh) to transact the following business:

As ordinary business:

1. To receive, consider, approve and adopt the Audited Accounts of the Company for the year ended 31st March 2010, together with Auditors' Report and the report of the directors thereon.
2. (a) To appoint a director in place of Shri Ranjan Kumar Poddar, who retires by rotation and is eligible for re-appointment.
(b) To appoint a director in place of Shri Sudhir Jalan, who retires by rotation and is eligible for re-appointment.
(c) To appoint a director in place of Shri Laxminiwas Sharma, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider and if thought fit, to pass with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED THAT Messrs. Deloitte Haskins & Sells, Chartered Accountants (Registration No.008072S), 1-8-384 & 385, 3rd Floor, Gowra Grand, S. P. Road, Begumpet, Secunderabad - 500 003, be and are hereby re-appointed as statutory auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and that their remuneration be and is hereby fixed at Rs.6,50,000/- (Rupees six lakh fifty thousand only) plus reimbursement of service tax, travelling and out of pocket expenses."

As Special Business:

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

"RESOLVED THAT Ms.Poonam Bodra, an additional director of the Company who holds office upto the date of this annual general meeting under Section 260 of the Companies Act, 1956, and Article 114 of the Articles of Association of the Company, and who is eligible for appointment, be and is hereby appointed as director of the Company liable to retire by rotation".

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

"RESOLVED THAT Shri Rameshwar Lall Lakhotia, an additional director of the Company who holds office upto the date of this annual general meeting under Section 260 of the Companies Act, 1956, and Article 114 of the Articles of Association of the Company and who is eligible for appointment, be and is hereby appointed as director of the Company".

6. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956 and Articles of Association of the Company and subject to such consent (s), approval (s) and permission (s) as may be necessary in this regard, consent of the shareholders of the Company be and is hereby accorded to the appointment of Shri Rameshwar Lall Lakhotia, as Wholetime director designated as Executive director on the terms and conditions as set out below:

1. **Period:** Two (2) years with effect from 24th July 2010.
2. **Remuneration:**
 - a) **Salary:** Rs. 3,75,000/- (Rupees three lakh seventy five thousand only) per month.

- b) **Performance bonus:** 0.20% of Profit before tax,
- c) **Perquisites:** The perquisites shall be as follows:
 - i. Housing: rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him),
 - ii. Free electricity and water,
 - iii. Leave travel concession: Rs.3,750/- per month.
 - iv. Medical reimbursement: Rs.1,275/- per month,
 - v. Club fees (subject to maximum of one club but excluding life membership and admission fees),
 - vi. Personal accident insurance, as per rules of the Company,
 - vii. Leave: 45 days in a year encashable at the end of the tenure,
 - viii. Gratuity (subject to ceiling in Gratuity Act), as per rules of the Company,
 - ix. Free use of Company's car with driver,
 - x. Telephone at residence.

Perquisites shall be valued as per Income tax rules, wherever applicable and, in the absence of such rules, shall be valued at actual cost.

3. Minimum Remuneration:

In the event of loss or inadequacy of profit, the whole-time director shall be paid and entitled to remuneration – salary, performance bonus and perquisites as stated hereinabove in point no. 2 as minimum remuneration.

- 4. The aggregate of the remuneration, performance bonus and perquisites as mentioned in point no. 2 in any financial year exceeding the limits prescribed from time to time under section 198, 309 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force, shall be subject to approval of Central Government.

5. Duties and responsibilities:

- a. The Wholetime director will look after entire operations, technical, managerial and administrative functions.
- b. The Wholetime director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.

- c. The Wholetime director shall adhere to the Company's code of business conduct and ethics for directors and management personnel.

6. Other major terms & conditions:

- a. The office of Wholetime director may be terminated by the Company or the Wholetime director by giving the other one-month prior notice in writing.
- b. If at any time, the said appointee ceases to be a director of the Company for any cause whatsoever, he shall cease to be Wholetime director and vice versa.
- c. The Wholetime director shall not supplement his earnings with any buying or selling commission. He shall not also become interested or otherwise concerned directly or indirectly or through his wife and/or minor children in any selling or buying agency of the Company.
- d. No sitting fee shall be paid to Wholetime director for attending the meetings of Board of directors or a committee thereof of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution".

- 7. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

"RESOLVED THAT pursuant to Section 293 (1)(e), of the Companies Act, 1956 consent of the members of the Company be and is hereby accorded to the Board of directors of the Company to contribute/donate to Charitable and other funds not directly relating to the business of the Company or to the welfare of its employees, such sum or sums in any financial year as the Board may think fit, not withstanding that such contributions/donations may be in excess of the limits laid down in the said section, provided that the aggregate of all such contributions/donations in any financial year commencing on or after 1st April, 2010 shall not exceed Rs. 45 lakhs (Rupees Forty five lakhs only).

RESOLVED FURTHER THAT the Board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution".

By Order of the Board,
For THE SIRPUR PAPER MILLS LIMITED,

Place: Hyderabad
Date: 9th August, 2010

Priya Sharma
Company Secretary.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE DULY COMPLETED, STAMPED AND LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED HEREWITH.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Items No.3,4, 5, 6 and 7 of the notice is annexed to the notice. All documents referred to in the above notice and explanatory statement are open for inspection at the registered office of the Company between 2.00 P.M. to 4.00 P.M. on all working days between Monday to Friday.
3. The Register of members and the Share transfer books of the Company will remain closed from 25th September 2010 to 30th September 2010 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, all the unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the general revenue account of the Central Government. Shareholders who have not encashed the dividend warrants for the above period may claim their dividends by submitting application in Form-II to the Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad-500 095.

Further, pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the dividend for the financial years ended 31st March, 1996 to 2002, which remained unclaimed for a period of seven years was transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to section 205 C of the said Act, after giving due notice. Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts which remain unclaimed and unpaid for a period of seven years, from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

Hence, the shareholders who have not encashed the dividend warrants for the financial years ended 31st March 2003 and thereafter, are requested to immediately forward the same to the Company for revalidation.

5. Any change in address of the members may please be notified to the registrars and share transfer agents of the Company quoting their registered folio.
6. The Reserve Bank of India (RBI), has introduced a new electronic fund transfer platform called the National Electronic Clearing System (NECS) for disbursement of dividends. Earlier, Electronic Clearing Service (ECS) was used for payment of dividends directly to the bank accounts of shareholders. The advantages of NECS over ECS include faster credit of remittances to beneficiary's account, coverage of more bank branches and ease of operations for remitting agencies. NECS essentially operates on the new and unique bank account number (having not less than 10 digits) allotted by banks post implementation of the Core Banking Solutions (CBS).
This new (NECS compliant) account number is required to be intimated to your Depository Participant (in case your shares are in demat mode) or the Company's registrar & share transfer agents (M/s. Venture Capital and Corporate Investments Pvt. Ltd., in case your shares are in physical mode) for effecting the dividend payment through the NECS mode. For those shareholders, who have already registered their bank account numbers for receiving dividend through ECS but their bank/branch has not implemented CBS, dividend payment would continue through the ECS facility.
7. Members holding shares in physical form may please note that the Securities and Exchange Board of India has made trading in the shares of the Company compulsory in dematerialised form for all investors. Hence, members are requested to open a beneficiary owner account with a depository participant, if not done so far, and may get their physical shares dematerialised.
8. Members holding shares in physical form, who are individuals, holding shares on their own behalf, singly or jointly can make nomination. Nomination form is available on request. Members holding shares in dematerialised form may please contact their depository participants for recording the nomination.
9. At the ensuing Annual General Meeting, Shri Ranjan Kumar Poddar, Shri Sudhir Jalan and Shri Laxminiwas Sharma, directors of the Company retire by rotation and are eligible for re-appointment.

Ms. Poonam Bodra, additional Director of the Company is eligible for being appointed as director at the ensuing Annual General Meeting.

The Board of directors vide resolutions dated 16th July, 2010 appointed Shri Rameshwar Lall Lakhota, as Whole-time director designated as Executive director of the Company.

Pursuant to Clause-49 of the listing agreement, the particulars of the aforesaid directors are

annexed.

10. Members desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable to keep the information ready

EXPLANATORY STATEMENT:

(As required under Section 173 of the Companies Act, 1956)

Item No.3 of the Notice:

The provisions of Section 224 A of the Companies Act, 1956, provides for the appointment or re-appointment of auditors of a company at each annual general meeting by a special resolution, if the company is one in which not less than 25 per cent of its subscribed share capital is held singly or in combination thereof by the public financial institutions or central/state governments etc. The holding of the aforesaid institutions etc., as on 31st March 2010 was 12.68 per cent. As their holdings may exceed 25 per cent of the Company's subscribed share capital, on the date of passing of the resolution at item No.3, the re-appointment of Messrs. Deloitte Haskins & Sells, as statutory auditors of the Company is being proposed to be made by a special resolution by way of abundant precaution.

The Company has already received a certificate from the auditors stating that their re-appointment, if made, will be within limits specified in Section 224(1B) of the Companies Act, 1956.

None of the directors is interested in the resolution.

Item No. 4 of the Notice:

Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and its subsidiaries combinedly are major institutional shareholders of the Company. LIC requested the Company to co-opt Ms.Poonam Bodra, Principal, Life Insurance Corporation of India, Zonal Training Centre, Jamshedpur, on the Board of the Company on "retire by rotation basis".

The Board of Directors in their meeting held on 9th August 2010, appointed Ms. Poonam Bodra, as an additional Director on the Board with effect from 9th August 2010 pursuant to Article 114 of the Articles of Association of the Company. Ms.Poonam Bodra will hold office upto the date of this Annual General Meeting. Notice alongwith a deposit of five hundred rupees, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a member proposing that Ms. Poonam Bodra be appointed as director of the Company.

Ms. Poonam Bodra is well educated and have sound administrative qualities.

The Board recommends for approving her appointment as director of the Company.

None of the directors except Ms. Poonam Bodra is interested in the resolution.

Item No. 5 & 6 of the Notice:

The Board of directors appointed Shri Rameshwar Lall Lakhota as an additional director on the Board of the Company with effect from 24th July, 2010, pursuant to Section 260 of the Companies Act, 1956. Notice alongwith a deposit of five hundred rupees, as required under Section 257 of the Companies Act, 1956, has been received by the Company from a member signifying his intention proposing Shri R. L. Lakhota's candidature for appointment as director of the Company.

Shri R. L. Lakhota a B. Tech. (Chemical & Engg.) has 42 years of rich experience in Chemical and Paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liaisoning, industrial relations etc. The Board of directors has also appointed Shri R. L. Lakhota as whole-time director, designated as Executive director of the Company, with effect from 24th July, 2010 for a period of two years upto 23rd July, 2012, on the remuneration and the terms and conditions as stated in the resolution.

The remuneration of executive director as set out in the special resolution was approved by the remuneration committee and the Board of directors at their meetings held on 23rd July, 2010 and 9th August 2010 respectively.

Shri R. L. Lakhota has given an undertaking to the Company to the effect that so long as he functions as whole-time director of the Company, he shall not become interested or otherwise concerned directly or indirectly or through his wife and/or his minor children in any buying or selling agency of the Company.

The resolutions are proposed for obtaining your approval to the appointment and the remuneration of Shri R. L. Lakhota as Executive director. The appointment will be beneficial to the Company and accordingly the Board recommends the passing of the resolutions as ordinary and special resolutions.

None of the directors except Shri R. L. Lakhotia is interested in the resolution.

The abstract of the terms of appointment and remuneration together with memorandum of concern and interest u/s 302 of the Companies Act, 1956 was sent to all the members individually.

In terms of Schedule-XIII of the Companies Act, 1956 as required, a statement giving required information is enclosed along with this notice.

Item No. 7 of the Notice:

Section 293 (1) (e) of the Companies Act, 1956 provides that the Board of Directors of a Public Company shall not without the consent of the Company in general meeting, contribute to charitable and other funds not directly relating to the business of the Company or welfare of its employees, any amounts, the aggregate of which will in any financial year exceed Rs.50,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater.

The Company, in the past has been making donations/contributions to charitable institutions or trust and other funds not directly relating to the

business of the Company or the welfare of its employees. It is proposed to obtain the approval of the members to the resolution set out in the Item No.7 of the notice enabling the Board to make such donations/contributions subject however, to a limit not exceeding Rupees Forty five lakhs in any financial year commencing on and after 1st April, 2010 notwithstanding the amount so donated/ contributed in such financial year is in excess of the limits prescribed under Section 293(1)(e) of the Act.

The resolution set out in item No.7 of the accompanying notice has to be considered accordingly and the Board recommends the same.

None of the directors of the Company is concerned or interested in the resolution save and except as trustee of the fund or trust/institution to whom donations/contributions may be made.

By Order of the Board,
For THE SIRPUR PAPER MILLS LIMITED,

Priya Sharma
Company Secretary.

Place: Hyderabad,
Date: 9th August 2010

Statement as required in terms of Schedule XIII of the Companies Act, 1956 annexed to the Notice calling Annual General Meeting for approval of remuneration and terms and conditions of the appointment of Shri Rameshwar Lall Lakhotia, executive director (Please refer Special Resolution No.6 of the Notice dated 9th August 2010).

I. General Information

1. Nature of Industry	Manufacture of Pulp, Paper and Paper Board and generation of power.			
2. Date or expected date of commencement of commercial production.	Not applicable.			
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable			
4. Financial performance based on given indicators	The key performance indicators of the Company during the previous three years. are given under:			
	(Rupees in lakhs)			
	Particulars	2007-08	2008-09	2009-10
	Sales & Other Income	24,511	35,046	34,045
	Operating Profit (EBIDT)	2,914	5,277	4,508
	Profit before depreciation & Tax	2,851	2,661	1,931
	Net Profit /(Loss) before tax	1,679	(132)	(1,044)
5. Export performance and net foreign exchange earnings	During the three years from 2007-08 to 2009-10 there are no exports except sales through merchant exporters and sales to Nepal.			
6. Foreign Investments or collaborators, if any :	Amba Investments Pvt. Ltd., a Foreign Company invested in 11,84,967 ordinary shares of Rs.10 each of the Company, constituting 7.46% of the paid up capital of the Company and there is no foreign collaboration.			

II. Information about the Appointee

1. Background details	
i. Age	65 Years
ii. Academic Qualifications	B. Tech. (Chemical & Engg.)
iii. Experience	Shri R. L. Lakhotia has 42 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, Government liasioning and industrial relations etc.
iv. Particulars of previous employment as Wholetime director	None
v. Date of approval of last re-appointment	Not Applicable
vi. Approval for increase in remuneration, if any	Not Applicable
2. Past Remuneration:	
For the financial year 2009 - 10	
i. Salary	Rs. 14.11 lakhs
ii. Allowances/Perquisites	Rs. 14.33 lakhs
iii. Remuneration payable in case of inadequacy of profits in any year	Not Applicable
3. Recognition and awards:	Nil
4. Job profile and his suitability	<p>a. The wholetime director will look after entire operations, technical, managerial and administrative functions.</p> <p>The Wholetime director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.</p> <p>b. Shri R. L. Lakhotia has 42 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, Government liasioning and industrial relations etc.</p>
5. Remuneration proposed	<p>a) Salary: Rs. 3,75,000/- (Rupees three lakh seventy five thousand) per month.</p> <p>b) Performance bonus: 0.20% of Profit before tax.,</p> <p>c) Perquisites: The perquisites shall be as follows:</p> <p>i. Housing: rent free furnished accommodation (an amount equivalent to 7.5% of his salary shall be realised from him),</p> <p>ii. Free electricity and water,</p> <p>iii. Leave travel concession: Rs.3,750/- per month.</p> <p>iv. Medical reimbursement: Rs.1,275/- per month.</p> <p>v. Club fees (subject to maximum of one club but excluding life membership and admission fees),</p> <p>vi. Personal accident insurance: As per rules of the Company</p> <p>vii. Leave: 45 days in a year, encashable at the end of the tenure,</p>

	<p>viii. Gratuity (subject to ceiling in Gratuity Act), as per rules of the Company</p> <p>ix. Free use of Company's car with driver.</p> <p>x. Telephone at residence.</p> <p>Perquisites shall be valued as per Income tax rules, wherever applicable and, in the absence of such rules, shall be valued at actual cost.</p> <p>d) Minimum Remuneration:</p> <p>In the event of loss or inadequacy of profit, the whole-time director shall be paid and entitled to remuneration – salary, performance bonus and perquisites as minimum remuneration.</p> <p>e) The aggregate of the remuneration, performance bonus and perquisites in any financial year exceeding the limits prescribed from time to time under section 198, 309 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force, shall be subject to approval of Central Government.</p>
6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person.	<p>The details of remuneration available as per published accounts of few companies for the year ended 31/03/2009 are given below and their involvement, contribution in the growth of the Company may not be same and comparable.</p> <p>a. Ballarpur Industries Ltd: Wholetime director Rs. 263.81 lakhs (for the year ended 30th June 2009)</p> <p>b. J.K. Paper Mills Limited: Wholetime director Rs. 106.63 lakhs (including commission and performance bonus).</p> <p>c. West Coast Paper Mills Ltd: Executive director Rs. 36.92 lakhs</p> <p>d. The Andhra Pradesh Paper Mills Limited: Wholetime Director Rs. 31.58 lakhs (from 12th May 2008 to 31st March 2009).</p>
7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	<p>Shri R. L. Lakhotia does not hold any shares in the Company and except employment with the Company does not have any other pecuniary relationship directly or indirectly. He is not related to any other director of the Company or managerial personnel.</p>

III. Other Information	
1. Reasons of loss or inadequate profits	<p>Mill Development and Expansion Plan including capacity expansion of 54750 MT per annum was undertaken by the Company. Inordinate delay in supply of machinery, cost overrun, long trial runs, technical problem in synchronization of various utilities and plants, commissioning of MDP delayed and finally commissioned on 1st May 2008. Even after commissioning of new project, the Company faced teething problems in stabilization such as technology could not be absorbed smoothly, not achieving rated capacity of fiber line, speed of paper machine no.8 and synchronization of various plants and instrumentation. All these factors coupled with strike, labour unrest and political disturbances have lead to non stabilization as desired both in terms of volume as well as quality resulting into low capacity utilization between 65% to 70% and losses/ inadequate profits. However, the Company has not suffered any cash losses.</p>
2. Steps taken or proposed to be taken for improvement	<p>For further improvement, following steps have been taken:</p> <ol style="list-style-type: none"> 1) Strengthen technical team at higher level, 2) Improve quality, 3) Strengthen HR department to improve upon industrial relations, 4) Reduce waste generation, 5) In house group discussions and review of performance of each plant, 6) Analysis of input/output and efficiency ratios, 7) In built checks to achieve economy in cost at every stage, 8) Additional promoters' contribution of Rs.5 crore approx.
3. Expected increase in productivity and profits.	<p>Production of paper is expected during F Y 2010-2011 to be 1.05 lakh M.T. capacity utilization 76%. Gross Profit before depreciation and net profit after depreciation are expected to be Rs.48 crore and Rs.18 crore respectively.</p>

INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED/APPOINTED:

Name	Shri Ranjan Kumar Poddar	Shri Sudhir Jalan	Shri Laxminiwas Sharma	Shri Rameshwar Lall Lakhotia	Ms. Poonam Bodra
Date of Birth	12th August, 1949	7th November 1944	17th February 1947.	26th July 1945	3rd November 1956
Appointed on	20th September 1975	31st January 2000	31st January 2000	24th July 2010	9th August 2010
Qualifications	B. A. (Economics (Hons.))	B. Com, M.B.A. from IIM, Kolkata	F.C.A.	B. Tech., (Chemical & Engg.)	M. Sc, in Zoology
Expertise in Specific functional areas	Industrialist	Industrialist and has been associated in senior management positions as Chairman and Managing director/CEO of various companies and diversified industries. President of International Chamber of Commerce (ICC India), Vice President of All India Management Association, Honorary Consul General of Greece in Kolkata and past president of FICCI.	Former President of FAPCCI and a senior Chartered Accountant and Tax Consultant.	Has 42 years of rich experience in chemical and paper industries coupled with administrative capabilities in various managerial and executive capacities including production, sales, finance, projects, government liaisoning, industrial relations etc.	Principal, LIC of India.Zonal Training Centre
Directorships in other companies	Aravali Securities and Finance Ltd, Boutique Hotels India Private Ltd.	Meenakshi Tea Co. Ltd, Bells Sofitech Limited, Bells Sofitech Inc, SES (India) Ltd, Sublime Agro Ltd, Strategic Weighing Systems Ltd, The Shahjahanpur Electric Supply Co. Ltd, ASA Holdings Pvt.Ltd, Brar Properties & Holdings Pvt. Ltd, Neo Foods Pvt.Ltd, Rieter India Pvt.Ltd.	B. N. Rathi Securities Ltd, Bapuji Estates Pvt. Ltd., Hyderabad Trade Expo Centre P. Ltd, S. I. Capital & Financial Services Ltd.	NIL	NIL
Memberships/Chairman- ships of committees across public companies	Audit Committee: Aravali Securities & Finance Ltd., – Member Shareholders' Grievances Committee: Aravali Securities & Finance Ltd., – Chairman	Audit Committee: Sublime Agro Limited - Member Strategic Weighing Systems Limited - Member Remuneration Committee: The Sirpur Paper Mills Ltd - Member Strategic Weighing Systems Limited-Member	Audit Committee: B. N. Rathi Securities Ltd - Chairman The Sirpur Paper Mills Ltd - Member. SI Capital Finance Services Ltd - Member Remuneration Committee: The Sirpur Paper Mills Ltd - Member. Shareholders' Grievances Committee: The Sirpur Paper Mills Ltd - Chairman.	Audit Committee: The Sirpur Paper Mills Ltd - Member. Shareholders' Grievances Committee: The Sirpur Paper Mills Ltd - Member.	NIL

Corporate Information

Directors:

Shri Ranjan Kumar Poddar, *Chairman*

Shri Devashish Poddar, *Vice-Chairman & Managing Director*

Shri Rameshwar Lall Lakhota, *Executive Director*

Shri Sudhir Jalan

Dr. M. S. Rajajee, *I.A.S. (Retd.)*

Shri Laxminiwas Sharma

Shri P. Vaman Rao

Shri Rakesh Bhartia

Shri S. V. Satyanarayana, *(IDBI Nominee)*

Ms. Poonam Bodra

Auditors:

Messrs Deloitte Haskins & Sells,
Chartered Accountants,
Secunderabad, Andhra Pradesh.

Legal Advisers:

Shri S. Ravi, M.S. (Calif.), LLB,
Advocate,
Hyderabad, Andhra Pradesh.

O.P. Khaitan & Co.,
Solicitors & Advocates,
New Delhi.

Bankers:

Central Bank of India
State Bank of Hyderabad
IDBI Bank Ltd,
Andhra Bank

Company Secretary:

Ms. Priya Sharma

Registrars & Share Transfer Agents:

Venture Capital and Corporate Investments Private Limited
Hyderabad, Andhra Pradesh.

Registered Office:

5-9-22/1/1, Ashoka Chambers,
1st Floor, Adarshnagar,
Hyderabad-500 063, Andhra Pradesh.

Corporate Office:

"Sirpur House", Plot No. 39, Sector – 44, Gurgaon – 122 003. (Haryana)

Mills:

Sirpur – Kaghaznagar – 504 296, Andhra Pradesh

Board Committees

Audit Committee:

Shri P. Vaman Rao – *Chairman*

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri S. V. Satyanarayana

Shri Rakesh Bhartia

Remuneration Committee:

Dr. M.S. Rajajee – *Chairman*

Shri Sudhir Jalan

Shri Laxminiwas Sharma

Shri Rakesh Bhartia

Shareholders' Grievances Committee:

Shri Laxminiwas Sharma – *Chairman*

Shri R. L. Lakhotia

Shri P. Vaman Rao

Shri Devashish Poddar

Borrowing Committee:

Shri Sudhir Jalan – *Chairman*

Shri R. L. Lakhotia

Shri Laxminiwas Sharma

Shri P. Vaman Rao

This Annual Report has been printed on Parchment and Lofty Greeting Card
manufactured by The Sirpur Paper Mills Limited

A **TRISYS** PRODUCT
info@trisyscom.com



www.sirpurpaper.com