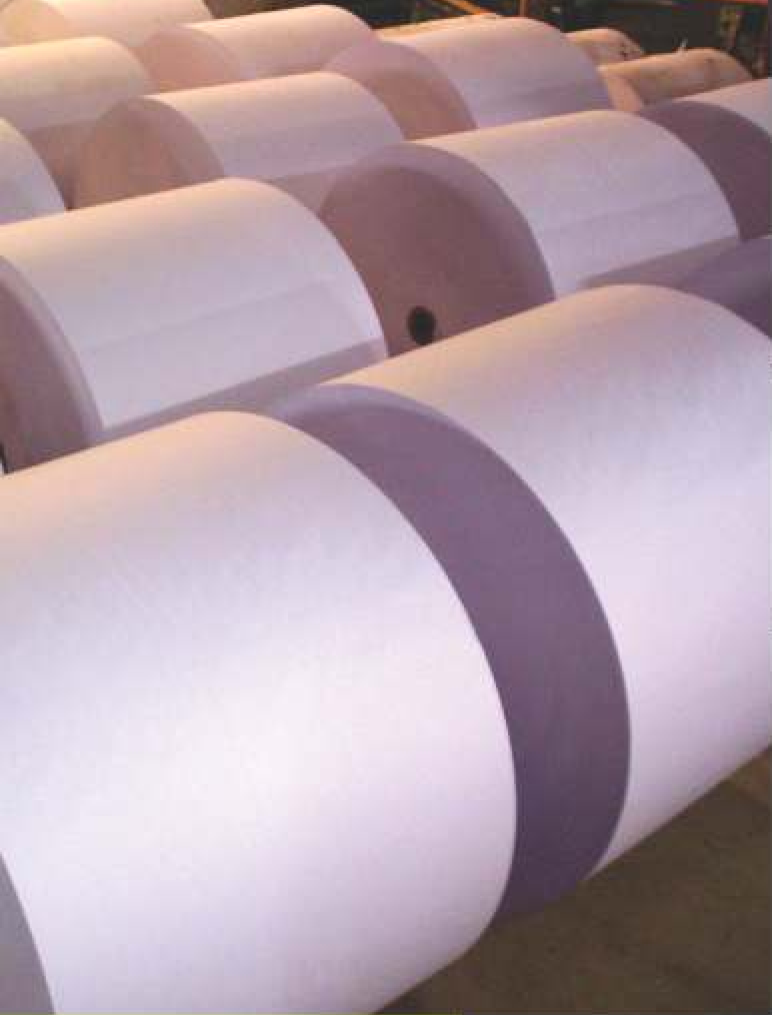


ABC Paper ltd

*an Environment Conscious Organisation*

# 14th Annual Report 2010-2011

ABC Paper ltd

an Environment Conscious Organisation

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | JK Khaitan | Chairman & Managing Director |
| | Justice (Rtd) S S Sodhi | |
| | D C Mehandru | |
| | U K Khaitan | |
| | Yashovardhan Saboo | |
| | D S Sandhwalia | |
| | Ashutosh Khaitan | |
| | Pavan Khaitan | Managing Director |
| **SENIOR EXECUTIVES** | Roshan Garg | Sr. Vice President (Finance) |
| | Somesh Jawa | Sr. Vice President (Marketing) |
| | Jagdeep Hira | Vice President (Operations) |
| | Col (Rtd) Manohar Singh | Vice President (HR & Admn) |
| **COMPANY SECRETARY** | Vivek Trehan | |
| **AUDITORS** | M/s. BSR & Co.<br>Chartered Accountants<br>Chandigarh | |
| **COST AUDITORS** | M/s R.J. Goel & Co.<br>Cost Accountants<br>Delhi | |
| **PRINCIPAL BANKERS** | State Bank of Patiala<br>State Bank of India<br>Punjab National Bank<br>State Bank of Bikaner and Jaipur | |
| **REGISTERED OFFICE & WORKS** | Paper Mill<br>Saila Khurd 144529<br>Distt. Hoshiarpur, Punjab | |
| **HEAD OFFICE** | SCO 18-19 First Floor<br>Sector 8-C, Madhya Marg<br>Chandigarh 160 009 | |

**CONTENTS** **Page**

# NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the members of ABC Paper Limited will be held at Paper Mill, Saila Khurd, Distt. Hoshiarpur, Punjab on Friday the 2nd September, 2011 at 11.30 am to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To declare dividend on the Equity Shares and Preference Shares.
3. To appoint a Director in place of Shri Yashovardhan Saboo, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri D.C. Mehandru, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

6. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:

   "RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors/Finance Committee of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company wheresoever situate present or future and the whole or substantially the whole of the undertaking of the Company together with the power to enter upon and take possession of certain assets of the Company in certain events of default in favour of Punjab National Bank (PNB) and State Bank of Patiala (SBOP) to secure the Term Loan/Corporate Loan and/or other borrowings lent and advanced by them to the Company aggregating to Rs. 8,200 lacs (i.e. Term Loan/Corporate Loan of Rs. 2750 lacs and working capital of Rs. 5,450 lacs) together with interest, additional interest, compound interest, liquidated damages/penal interest, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to secure the said financial assistance/borrowings availed/to be availed by the Company from PNB and SBOP.

   RESOLVED FURTHER that the mortgage/charges created/to be created and/or all agreements/documents executed/to be executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified.

   RESOLVED FURTHER that the Board of Directors/Finance Committee of Directors be and is hereby authorized to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgages/charges in favour of PNB and SBOP.

   RESOLVED FURTHER that the Board of Directors/ Finance Committee of Directors of the Company be and is hereby authorized to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such things, deeds, matters as may be necessary, desirable and expedient for giving effect to the above resolution."

By Order of the Board
**For ABC PAPER LTD.**

**Regd. Office:**
Paper Mill, Saila Khurd-144 529,
Distt. Hoshiarpur, Punjab
Dated : May 24, 2011

**Vivek Trehan**
*Company Secretary*

**NOTES**:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DEPOSITED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. Information required under Clause 49 IVG(i) of the Listing Agreement (relating to Corporate Governance) with respect to the Directors retiring by rotation and, being eligible, seeking re-appointment is given in the Corporate Governance Report annexed to this Annual Report.

4. The Registers of Members and Share Transfer Books of the Company will remain closed from 24th August, 2011 to 2nd September, 2011 (both days inclusive).

5. The dividend for the year 2010-11 on the equity and preference shares will be paid to those members whose names appear in the Registers of Members of the Company as on 2nd September 2011. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership position as at the end of the day on 23rd August, 2011 as per data to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

6. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Shareholders who have not encashed their dividend warrant(s) for the years 2006-07, 2007-08, 2008-09 and 2009-10 are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.

7. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, **MAS Services Limited,** T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph:- 011-26387281/82/83 Fax:- 011-26387384 quoting registered Folio No. (a) details of their bank account/change in bank account, if any, to enable the Company to print these details on the dividend warrants; and (b) change in their address, if any, with pin code number. The following information to be incorporated on the dividend warrants may be furnished:

   i) Name of Sole/First joint holder and the folio number.

   ii) Particulars of Bank Account, viz.
      (a) Name of the Bank
      (b) Name of the Branch
      (c) Complete address of the Bank with Pin Code number
      (d) Bank Account Number allotted by the Bank and nature of the Account (Savings/Current etc.)

8. In terms of Section 109A of the Companies Act, 1956, the shareholders of the Company may nominate a person on whom the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit nomination in Form 2B.

9. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to Sr. Vice-President (Finance), by 22nd August, 2011.

10. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.

11. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrars and Share Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

12. The documents referred to in the proposed resolutions are available for inspection at its Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on all working days, upto the date of the meeting.

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

**Item No. 6**

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Ltd. Company shall not , except with the consent of the members in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole of each such undertaking.

Punjab National Bank (PNB) and State Bank of Patiala (SBOP) have sanctioned Term Loan/Corporate Loan and working capital to the Company aggregating to Rs. 8,200 lacs (Term Loan/Corporate Loan of Rs. 2,750 lacs and working capital of Rs. 5,450 lacs).

The creation of mortgage/charge for the above Term loan/Corporate loan and working capital to the Company requires approval of the members under section 293(1)(a) of the Companies Act, 1956.

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

By Order of the Board
**For ABC PAPER LTD.**

**Regd. Office:**
Paper Mill, Saila Khurd-144 529,
Distt. Hoshiarpur, Punjab
Dated : May 24, 2011

**Vivek Trehan**
*Company Secretary*

# DIRECTORS' REPORT

**To the Members,**

Your Directors take pleasure in presenting the 14th Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31st March, 2011.

**FINANCIAL HIGHLIGHTS**

The summarized financial results of the Company for the year 2010-11 are given hereunder.

**(Rs. in lacs)**

| | **2010-11** | 2009-10 |
|---|---|---|
| Sales & other income | **32184.73** | 22179.10 |
| Operating Profit | **4755.71** | 3914.22 |
| Interest | **2265.00** | 1771.66 |
| Gross Profit | **2490.71** | 2142.56 |
| Depreciation | **1464.11** | 1205.96 |
| Profit before tax | **1026.60** | 936.60 |
| Provision for | | |
| -Current Tax | **(178.79)** | (159.17) |
| -Tax Provision for earlier years | **(15.09)** | - |
| -Prior period Deferred Tax Adjustment | **1083.35** | - |
| -Deferred Tax charge for the year | **(285.40)** | (2188.92) |
| -MAT credit entitlement | **200.84** | 159.17 |
| Net Profit after tax | **1831.51** | (1252.32) |
| Balance b/f from previous year | **922.36** | 2441.08 |
| Profit available for appropriations | **2753.87** | 1188.76 |
| **Appropriations:-** | | |
| - Proposed Dividend on | | |
| (a) Equity shares | **87.26** | 87.26 |
| (b) Preference Shares @ Rs. 0.70 Per share | **8.71** | 12.23 |
| (c) Tax on dividend | **15.94** | 16.91 |
| (d) Capital Redemption Reserve | **50.00** | 50.00 |
| (e) General Reserve | **100.00** | 100.00 |
| Balance carried to Balance Sheet | **2491.96** | 922.36 |

**DIVIDEND**

Your Directors are pleased to recommend Rs. 0.70 per share (7%) on the Redeemable Preference Shares of Rs.10/- each, on the preference share capital of Rs. 1,00,00,000/- and Rs. 1.00 per share (10%) on the Equity Shares of Rs.10/- each, on the equity share capital of Rs. 8,72,63,630/- for the year ended 31st March, 2011 aggregating to Rs. 95,98,007/- and to pay a dividend tax of Rs. 15,94,133/-.

**OPERATIONS**

The production of paper during the year under review was 79,980 metric tonnes as against 60,553 metric tonnes in the previous year. The sale of paper was 80,119 metric tonnes as against 60,304 metric tonnes in the previous year. The figures given in the Financial Highlights for the current year under review show the following trends over the previous year;

Gross sales turnover and other income is up by 45.1% at Rs. 32184.73 Lacs, operating profit is up by 21.5% at Rs. 4755.71 Lacs, Profit before Tax is up by 9.6% at Rs.1026.60 Lacs. Net profit after tax stood at Rs. 1831.51 Lacs after deferred tax adjustment of Rs. 1083.35 Lacs accrued on the unabsorbed deprecation for the previous year.

The previous two years has been a period of ever increasing capacities in the paper industry. It has been a situation of oversupply in the market, wherein demand is gradually catching up. The indelible mark on reduced price lines of paper products is very visible. Despite this trend, we have been able to operate at higher levels of production and sale, and have been able to offset the negatives to a large extent.

Robust growth and steady fiscal consolidation have been the hallmark of the Indian economy in 2010-11. The growth has been broad based and has been 8.6% in 2010-11 and is expected to be around 9% in 2011-12. However higher inflation rate, higher input prices and volatility in global markets have been a cause of concern which may impact the projected growth.

In line with the economy growth recovery in 2010-11, the Govt. has implemented gradual exit from stimulus package extended to the industry in the previous years. In the budget for the year 2011-12, the Govt has enhanced the excise duty applicable to the paper industry from 4% to 5% and has also withdrawn the excise duty exemption provided to the state textbooks corporations as also the exemption on the first clearance of 3500 MT which has been hitherto available to Agro paper mills.

As part of the Mill Expansion Plan, the Chemical Recovery Plant, the Co-generation plant and Paper Machine had already been commissioned in the previous year(s). The operations of Paper Machine-4, which were under stabilization in the previous year, have since been stabilized during the year under review which is visible from the improved operational performance. The results of enhanced capacity operations will be further visible in the current financial year 2011-12 as your company further endeavors to optimize capacity utilization in view of the stabilization of PM-4 and to achieve optimum capacity utilization during 2011-12.

The members were informed in the last annual report that pulp mill is at advanced stage of implementation. The Directors are pleased to inform that pulp street which was the remaining project of the Mill Expansion Plan, has also been commissioned during the year under review.

Furthermore, during the year under review the company has also taken up projects for debottlenecking the constraints and putting up balancing equipment/ equipments towards the cost reduction initiatives and to improve the quality of its product. To this end, the Banks have sanctioned a term loan of Rs. 1250 lacs for the purpose. Your company has further conceived few projects in its pursuit to continue with cost reduction initiatives in 2011-12.

The detailed performance of Company's operations for the year ended 31$^{st}$ March, 2011 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

**FINANCE**

**(a) Project finance**

Punjab National Bank has sanctioned a Term Loan of Rs. 1250 lacs, for putting up the balancing equipments. Of this, an amount of Rs. 846.89 lacs has been disbursed during the year under review and the balance will be disbursed in the current year 2011-12.

**(b) Working capital**

The enhanced working capital limits amounting to Rs. 5,450 lacs (fund based Rs. 2,850 lacs & non-fund based Rs. 2,600 lacs) have been appraised by Punjab National Bank. Punjab National Bank has sanctioned their share and sanction by State Bank of Patiala, the consortium of banker, is in process.

**(c) Fixed Deposits**

As on 31$^{st}$ March, 2011, your Company had Fixed Deposits of Rs. 1413.90 lacs. There were no overdue deposits as on 31$^{st}$ March, 2011; nor was there any failure in making repayment of the fixed deposits on maturity, including interest due thereon, in terms of the conditions of your Company's Fixed Deposits Scheme.

**SHIFTING THE REGISTERED OFFICE FROM THE NATIONAL CAPITAL TERRITORY OF DELHI TO THE STATE OF PUNJAB**

Consequent to the Special Resolution dated January 25, 2011 passed by the shareholders through Postal Ballot, the company filed a petition with the Company Law Board (CLB). CLB vide its order dated May 11, 2011 has confirmed and approved the shifting of Registered Office from the National Capital Territory of Delhi to the State of Punjab. The necessary forms pursuant to the Companies Act, 1956 are being filed.

**DELISTING OF EQUITY SHARES FROM U.P. STOCK EXCHANGE**

The Company was listed on Bombay Stock Exchange and U.P. Stock exchange, Kanpur. Since the trading at Kanpur Exchange was almost inactive, the Company voluntarily delisted itself from the Kanpur Stock Exchange with effect from 14th March 2011. However, the company continues to be listed on Bombay Stock Exchange, which has nationwide trading terminals.

**JOINT VENTURE WITH GRANIT RECHERCHE DEVELOPPEMENT S.A.**

The Company had a joint venture with Granit Recherche Developpement S.A. of Switzerland for treatment of black liquor through the "Lignin Precipitation System (LPS)" plant in joint venture Company (JV) under the name of "Greencone Environs Private Limited". The Company had invested a sum of Rs. 1,29,83,000 in equity shares (49.62%) which has been sold at par value during the year under review. The operations of Greencone will continue as it is.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure which forms part of this Report.

**PERSONNEL**

Cordial employee relations were maintained throughout the year in the Company. The Directors express their appreciation for the contribution made by the employees, at all levels, to the operations of the Company during the year.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are to be set out in the Annexure which forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. This statement shall be made available for inspection by any member during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining such particulars may write to the Sr. Vice-President (Finance) & CFO/ Company Secretary at the Registered Office of the Company.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Yashovardhan Saboo and Sh. D.C. Mehandru retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

**AUDITORS & AUDITOR'S REPORT**

M/s B S R & Co., Chartered Accountants, Statutory Auditors of the company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

The company has received a certificate from the auditors to the effect that their reappointment, if made, would be within the prescribed limit under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Annexure to the Auditor's Report are self-explanatory and do not call for any comments.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) that the accounting policies selected and applied are consistent and the judgments and estimates made 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 profit of the company for that period;

(iii) that proper and sufficient care has been taken 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;

(iv) that the annual accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE**

A Report on Corporate Governance along with a Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the listing agreement with stock exchanges is annexed and forms part of the Annual Report.

**ACKNOWLEDGMENT**

Your Directors convey their sincere thanks to the various agencies of the Central Government, State Governments, Banks and other concerned agencies for all the assistance and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the vendors, suppliers, dealers, customers, shareholders and investors have placed in the Company. Your Directors also record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

**Place: Chandigarh** | **J.K. Khaitan**
Dated: May 24, 2011 | *Chairman & Managing Director*

## ANNEXURE

### STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

### 1. CONSERVATION OF ENERGY

(a) Energy conservation continues to be an important thrust area for the Company and is regularly monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting by installing CFLs and better use of natural lighting, (ii) reduction of energy loss by installing capacitators, (iii) replacement of outdated high power and energy intensive equipments, (iv) installing solar street lights and solar water heating system, (v) installation of VFDs (AC drives), (vi) automation/interlocking of motors and other equipments, and (vii) revamping of steam lines to reduce leakages. The pulp mill has been automated by installing state of the art instruments for better control of process thereby making it energy efficient. Further, the Co-generation plant has in effect removed the inefficiencies and bottlenecks of external sourcing power thereby increasing the operational efficiencies.

(b) The Company has devised a system of regular energy audit. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.

(c) The adoption of energy conservation measures has helped the Company in reduction of production costs.

(d) Total energy consumption and energy consumption per unit of Production of paper for the year 2010-11 is given in the table below.

| **POWER & FUEL CONSUMPTION** | **2010-11** | **2009-10** |
|---|---|---|
| **1 ELECTRICITY** | | |
| (a) Purchased | | |
| Units (lacs KWH) | **204.53** | 112.09 |
| Total amount (Rs. lacs) | **1059.73** | 590.27 |
| Rate/Unit (Rs./KWH) | **5.18** | 5.27 |
| (b) Own generation | | |
| Through Steam Turbine/ Generator | | |
| Units (lacs KWH) | **776.76** | 633.31 |
| Cost/Unit (Rs./KWH) | **2.86** | 3.43 |
| **2 COAL (for Boiler)** | | |
| Quantity (Tonnes) | **67,736** | 34,802 |
| Total cost (Rs. lacs) | **2,594.88** | 1,354.19 |
| Average rate (Rs.) | **3,831** | 3,891 |
| **3 OTHERS** | | |
| (a) Rice Husk (for Boiler) | | |
| Quantity (Tonnes) | **65,391** | 74,528 |
| Total cost (Rs. lacs) | **2,373.42** | 2,554.44 |
| Rate/Unit (Rs. MT) | **3,630** | 3,427 |
| **4 CONSUMPTION/TONNE OF PRODUCTION** | | |
| Production (Tonnes) | **79,980** | 60,553 |
| Electricity/Tonnes (KWH) | **1,227** | 1,231 |
| Furnace Oil/tonne (KL) | **0.003** | 0.006 |
| Coal/Tonne (MT) | **0.847** | 0.575 |
| Others Rice husk (MT) | **0.818** | 1.231 |

### II. TECHNOLOGY ABSORPTION

**Research and Development**

Specific areas in which R&D efforts have been made by the company are:

(a) Developing surface sized paper suitable for multi colour printing.

(b) Use of precipitated calcium carbonate instead of ground calcium carbonate to produce industrial grade value added paper.

(c) Cost reduction in color printing paper by identifying and using more efficient dye. Re-use of secondary fibre in second grade quality.

(d) Identification of alternate raw materials. The Company continues to carry out research and development in several areas including raw material & process developments towards efficiency improvements, quality improvements, waste reduction etc. Apart from process improvements, the research and development also aims at finding equivalent substitutes of various inputs to have cost savings to supplement the quality.

(e) Preservation of agro raw material for longer duration, by specially designed storage tools to minimize degradation of agro material resulting in better yield and strength properties of pulp.

(f) Conducted wheat straw de-dusting trials and fine fraction diverted to boiler house for use as fuel. This resulted in improved pulp yield.

(g) The Company has derived benefits of product diversification, cost optimization as well as cost reduction and better quality as a result of the ongoing efforts.

(h) The research and development is an on-going exercise and efforts will continue to be made in future.

(i) The expenditure on R & D has been as follows:

**(Rs. in lacs)**

| | | 2010-11 | 2009-10 |
|---|---|---|---|
| (i) | Capital | **4.60** | 7.49 |
| (ii) | Recurring | **43.33** | 40.14 |
| (iii) | Total | **47.93** | 47.63 |
| (iv) | Total R&D expenditure as a percentage of turnover | **0.15** | 0.22 |

**Technology absorption, adaptation and innovation**

The Company has not imported any technology for its products.

**III. FOREIGN EXCHANGE EARNINGS & OUTGO**

Particulars with regard to foreign exchange earnings & outgo appear on page 49 of the Annual Report.

For and on behalf of the Board

**Place: Chandigarh**
Dated: May 24, 2011

**J.K. Khaitan**
*Chairman & Managing Director*

# MANAGEMENT DISCUSSION & ANALYSIS

**1. An overview of the Economy and Business Environment**

The world economy is gradually recouping from the economic downturn, but the pace and shape of the recovery remains uncertain. However, the strong and vibrant economic performance of the Asian economies is aiding the positive trend.

As per IMF's WEO April 2011 forecast the global growth is likely to moderate from 5% in 2010 to 4.4% in 2011. Growth is projected to decelerate in advanced economies due to diminishing impact of fiscal stimulus and high oil and other commodity prices. Growth in the emerging markets is also expected to decelerate on account of monetary tightening and rising commodity prices.

Indian economy has recovered fast and overall growth figures indicate that the recovery made is moderate but encouraging. As per the revised estimates, real Gross Domestic Product (GDP) is estimated to be around 9% in 2011-12 as compared to 8.6% in 2010-11. Industry and the service sector, have recovered due to the Govt's stimulus package and its resolve to accelerate the reforms process. With the indication of the normal monsoon and moderate oil prices it is expected that real GDP growth will be 8.5-9% for 2011-12 with 4.5% agriculture industry and services sector growing at 8-9% and 9-10% respectively. However, the continuous monetary tightening that has been carried out since 2009 has not been able to tackle the inflationary scenario, and high inflation rate seems to be a major dampener which is being unrelentlessly monitored by RBI and the Government.

**2. Industry structure and Development**

Paper and paperboard demand is expected to grow at 8.1 per cent CAGR, from 8.7 million tonnes to 12.8 million tonnes over the period 2010-11 to 2015-16. Demand for writing and printing paper would grow at 7.9 per cent CAGR, between 2010-11 to 2015-16 compared to 6.5% in the preceding 5 years. Demand for surface sized papers is likely to go up from 3.3 million tonnes in 2010-11 to 4.9 million tonnes in 2015-16 with strong growth in segments like copier, coated and maplitho segments.

Within W&P paper, demand for copier paper is likely to record the strongest growth at around 17 per cent. With the revival in the economy, there is a greater demand for good quality copier paper from the office printing segment. Consequently, the share of copier paper in demand for W&P paper would increase from an estimated 16 per cent in 2010-11 to 24 per cent by 2015-16.

In other segment, the growth is primarily driven by the government's thrust on education and GDP growth in the overall economy. To a large extent, the demand of the paper is driven by population growth, increase in level of literacy and decline in dropout rate, public and private spending on education, level of business activity, growth in the printing and publishing industry, GDP growth, rise in E-ticketing businesses and mobile billing, increasing presence of modern retail formats and convenience stores.

Of the total paper and paper board demand, writing & printing paper accounts for about 32 per cent, industrial paper accounts for about 49 per cent, newsprint accounts for about 15 per cent and speciality paper accounts for 4 per cent.

The factors that impact the demand for W&P paper include printing of books and stationery for education, usage of office printing and stationery, and printing of company-published statutory documents such as annual reports, share issue forms, etc.

Office printing is the next biggest end-use segment after education. Demand for office stationery and printing will increase as the performance of the Indian economy improves. As a result, demand for maplitho will increase by 6-7 per cent between 2010-11 and 2015-16.

To cater to the increasing demand, as per CRISIL Research, capacity additions of over 4 million tonnes are to take place in the paper and paperboard segments from 2010-11 to 2015-16, entailing cumulative investments to the tune of Rs 350-400 billion.

Writing & printing paper consumption has been growing steadily over the years. In India the per capita consumption of paper is low at 9.45 kg; but it is gradually improving in line with the economic growth, industrial production, print media expenditure, population growth, Govt. spending and continuous thrust on education, decline in dropout rates in educational institutions and increased literacy levels.

Part of the additional capacities have become operational during the year under review. Currently the supply is exceeding the demand. A few large mills which announced capacity expansion earlier are expected to become operational in 2011-12 and 2012-13.

Educational books and materials accounted for the highest share (around 43 per cent) of W&P paper demand in 2010-11. As growth in education is fairly insulated from variations in the economic cycle, demand for paper from this segment is largely unaffected by downturns in the economy.

Around 1,63,100 new educational institutions are expected to be established in the country by 2014-15, as an outcome of the Indian government's Right to Education Act (RTE) initiative. In 2009, the government had passed the RTE to stimulate the spread of education in the country. Correspondingly, the Gross Enrolment Ratio (total enrolments/total number of students in the corresponding age bracket) is expected to increase to 90 per cent by 2015. Additionally, recent initiatives like Rashtriya Madhyamik Shiksha Abhiyan and Sarva Shiksha Abhiyan have boosted the demand for W&P paper.

However, there has been a gradual shift in demand from the traditional creamwove and maplitho to higher varieties such as copier and coated paper. Despite a gradual decline in share to 47 per cent from 52 per cent, creamwove continued to be the largest contributor to the total W&P demand. On the other hand, demand for coated paper and branded copier has been increasing over the years.

**3. Opportunities and Threats**

The envisaged growth in the value-added printing & writing paper segment in India presents an invaluable opportunity, and your company plans to leverage it by tapping its institutional strength in distribution supply chain, cost competitiveness and premium quality paper alongwith its branding image. The year 2010-11 has also seen additional capacities becoming operational, impacting the demand and supply, thereby affecting sales realizations. Further capacities, which were announced by the mills earlier are expected to be operational in the current year.

Paper exports, account for around 6-7 per cent of domestic production, are likely to increase at 8.6 per cent CAGR to 0.9 million tonnes in 2015-16 from 0.6 million tonnes in 2010-11. Paper exports from India are confined to neighboring countries.

With the complete implementation of Mill Expansion Plan, the company has become one of the most cost competitive paper mill as well as one of the large player in the writing and printing segment. Further it has also enabled your company in the manufacturing of premium quality paper, including coated paper, which is placed in the higher value paper category, competing with quality specifications of other large paper mills.

The copier segment is the fastest growing segment in the industry. The demand for writing & printing paper is driven, among others, by the Govt.'s continued commitment to education sector, GDP growth and the increasing presence of modern retail formats and convenience stores. The commissioning of PM-4 has benefitted the company by improved product quality, enhanced product range, increased production capacity, higher operational efficiencies coupled with economies of scale.

Raw material imports are expected to increase to 28-30 per cent of total domestic production in the coming years as more players are focusing on manufacturing higher quality paper, causing demand for imported pulp to increase. Pulp prices increased by 30-40 per cent in 2010 due to the increase in demand and a decline in total pulp availability on account of some plant shutdowns globally. In 2011, global raw material prices are further expected to increase by 6-8 per cent.

The domestic prices of paper are expected to increase in the short term, but not to the extent of rise in raw material prices. The mills would find it difficult to pass on the entire increase in raw material prices because of market forces.

Raw material costs account for around 45-50 per cent of the operating income of players in the paper industry. However, Indian paper players are largely insulated from volatility in raw material prices, as imported pulp and wastepaper account for only about 29 per cent of the raw materials used in paper production. Players have undertaken farm forestry and plantation schemes to meet the balance requirement. Although raw material costs are estimated to remain firm in 2011 as compared to 2010, it is expected that domestic paper and paperboard players will see an improvement in profitability over the next 2 years, given the rise in paper prices on the back of high operating rates.

Rising operating rates in the domestic paper industry (W&P paper, Industrial paper and Newsprint) are expected to lend support to an across-the-board rise in domestic paper prices. Prices of W&P paper are projected to rise by 4-6 per cent in 2011-12 over the previous year, backed by rising pulp prices and are likely to rise further by about 2-3 per cent in 2012-13. Industrial paper prices are expected to show a much sharper rise in 2011-12 at 11-13 per cent on the back of high operating rates coupled with rising international wastepaper prices. In 2012-13, paperboard prices are forecast to rise by 3-4 per cent.

In 2011-12 and 2012-13, operating margins of W&P players are likely to improve. The presence of high value-added products in their portfolio, like copier and coated paper, is expected to help larger players earn higher realisations and consequently, higher margins as compared to the smaller players.

Substantial Investments in upgradation and ECF compliance imperative for paper mills are needed. Until recently, India's pulp and paper industry used chlorine as the key bleaching ingredient. Usage of chlorine and chlorine compounds generates carcinogenic substances. These are discharged with the water used for processing pulp into streams and rivers, thus harming the aquatic environment.

Chlorine-free paper is categorised as 'Totally chlorine-free' (TCF) or 'Elementally Chlorine-Free' (ECF). TCF paper is produced with pulp that is either bleached without chlorine or its compounds, or not bleached at all. ECF paper is produced from pulp that is bleached using a chlorine derivative, but without using elemental chlorine.

Recognising the harmful effects of using chlorine, the government has directed the Indian paper industry to produce only ECF paper by 2012. The deadline, set earlier has been extended from time to time.

**4. Risks and Management Perception**

The paper industry is labour intensive, power intensive as well as capital intensive and is exposed to several risks i.e. changes in the government policies, environment policies, duties and taxes, technological obsolescence and external economic factors.

Your Company adopts a comprehensive and integrated risk appraisal and mitigation thereof as part of the management process in risk management.

The company uses agro waste materials as basic raw materials to manufacture paper. The availability of raw materials is seasonal and is dependent upon reasonably good monsoon. The agro residue material does exist on the ground, but the availability may be a constraint as free accessibility is getting limited due to increased capacities by the paper mills in the region. This may not be able to sustain the future material requirements taking into account the needs of premium quality paper, and the environmental issues involved. Moreover, materials like bagasse are increasingly being used by sugar mills and power plants for co-generation of power and are no longer available to the paper mills as raw material for manufacturing of paper. The continuous increase in prices of raw material, imported pulp and other inputs continues to be a matter of great concern for the industry. Locational advantage of the company's paper mill provides an added access to the major raw material sources and insulates it, to some extent on this front.

Cost of fuel i.e. coal, rice husk and other bio mass fuels is increasing and the prospect of availability of good quality fuel is diminishing. The electricity authorities have also increased tariff and power purchased from the grid has become more expensive. However, the company has got itself registered with Coal India and has been meeting part of its requirements in co-generation plant, thus mitigating the cost affect to some extent, though Coal India has also recently increased prices considerably.

India's wood resources are limited; therefore cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favoring industrial plantation, securing future wood supplies will be Industry's biggest challenge. To this end, your company had initiated the Agro-forestry process by creation of a Nursery at the Mill to grow high quality clonal plants. At the Nursery, we are preparing clonal varieties of fast growing hard wood trees, whose pulp aids in good quality of paper. We are also propagating the growing of plantations on a large scale by touching base with the farming community and making them aware of the financial gains and other benefits attached to farm forestry.

India has a total land area of 3.3 million sq km; with forests covering only 0.7 million sq km. About 78 per cent of the total land area is non-forest area. With diminishing forest resources and limitations on enlarging man-made forests, there is scarcity of raw material for paper mills. Moreover, the limited raw material can be put to many alternative uses.

Cost of raw materials forms the largest cost component in the paper industry, accounting for 55-60 per cent of the total cost. Hence, even a slight increase in raw material price skews the cost structure of players

The company continued its efforts at proper raw material mix, cost reductions, optimization & control and product mix optimization. The chemical recovery, co-generation plant and other cost reduction measures coupled with variety of distinctive products manufactured with higher operational efficiencies and economies of scale has significantly increased its cost competitiveness.

## 5. Outlook

Paper has enjoyed a relatively strong demand in view of the (i) lifecycle of a paper product from manufacture to consumption and disposal being short, as paper is used more in the nature of a consumption good and not as a durable (ii) Wide usage, right from an individual to a company and (iii) no real low cost substitute for paper.

The Indian paper and paperboard industry has the potential and the capabilities to service the demand in domestic and international market; and also to create huge employment avenues in rural India through agro production and forestry; provided the competitiveness of the value chain is encouraged by the government.

Steps taken by your company in the previous years to continue up-gradation of technology, improve working parameters and to reduce its operational costs and add value to its products for its customers will enable the company to face challenges in coming times.

The level of substitution has not increased to threatening levels. While W&P paper does not face any major threat from substitutes, the increased preference for online storage and dissemination of data and information could marginally affect demand. However, despite the higher level of technology being used in the corporate sector, there has been no decline in the demand for paper. In fact, demand for paper has increased.

Availability of adequate good quality agro raw materials at cost effective prices, higher capital outlay, and stringent environment regulations are the major entry barriers for the Greenfield projects.

## 6. Company's Financial Performance & Analysis

The production of paper during the year under review was 79,980 metric tonnes as against 60,553 metric tonnes in the previous year. The sale of paper was 80,119 metric tonnes as against 60,304 metric tonnes in the previous year. The company recorded gross sales turnover of Rs. 31896.76 lacs [net of excise Rs. 30656.49 lacs] as against Rs. 22093.68 lacs [net of excise Rs. 21261.75 lacs] in the previous year and operating profit of Rs. 4755.71 lacs as against Rs. 3914.22 lacs in the previous year. Profit earned before Tax is Rs.1026.60 lacs (previous year Rs. 936.60 lacs) and net profit after tax stood at Rs. 1831.51 Lacs (previous year Loss after tax of Rs. 1252.32 lacs). The computation of deferred taxation liability for the previous year amounting to Rs. 2188.92 lacs did not consider the impact of unabsorbed depreciation. In the current year, the deferred tax has been corrected to include the same leading to an additional net deferred tax credit of Rs. 1083.35 lacs in the year under review.

In line with the economic growth recovery in 2010-11, the Govt. has implemented a gradual exit from stimulus package extended to the industry in the previous years. In the budget for the year 2011-12, the Govt has enhanced the excise duty applicable to the paper industry from 4% to 5% and has also withdrawn the excise duty exemption provided to the state textbooks corporations as also the exemption on the first clearance of 3500 MT which has been hitherto available to Agro paper mills.

The operations of Paper Machine-4, which were under stabilization in the previous year, have stabilized during the year under review which is visible from the improved operational performance in terms of production and sales levels. The results of enhanced capacity operations will be further visible in the current financial year 2011-12 as your company further endeavors to optimize capacity utilization in view of the stabilization of PM-4 and to achieve optimum capacity utilization during 2011-12.

The Pulp Street, which was the remaining project of the Mill Expansion Plan has been commissioned during the year under review. During the year the company has also taken up projects for debottlenecking the constraints and putting up balancing equipment/equipments towards the cost reduction initiatives and to improve the quality and variety of its product. To this end, Banks have sanctioned a term loan of Rs. 1,250 lacs for the purpose.

With the complete implementation of the Mill Expansion Plan, the company has become one of the most cost competitive paper mills as also one of the large paper player in the writing and printing segment. Further innovative initiatives have enabled the mill to manufacture papers of distinctive quality, which will compete with the premium quality of other large paper mills.

Input prices, particularly pulp prices, increased by around 30 per cent between January and June 2010 due to a fall in supplies owing to the earthquake in Chile in February 2010. With the restoration of supply to the pre-earthquake levels, average pulp prices corrected to around $745 per tonne in November 2010. However, the average pulp prices for 2010 at about $ 802 per tonne, were still 49 per cent higher than in 2009. These were ruling at $ 900 towards the end of the financial year.

As per CRISIL prices of pulp and wastepaper will remain firm over the medium term, in spite of correcting from the high levels seen in the second half of 2010 (July-December). High demand from the global paper and paperboard segment coupled with moderate increase in capacities until the first half of 2013 (January-June) is expected to keep prices firm at around the average levels seen in 2010.

**7. Internal Control Systems**

Your Company maintains internal control systems to provide reasonable assurance that the assets are safeguarded and transactions are properly authorized, recorded and correctly reported. The internal control system is supplemented by regular management reviews and periodical reviews by the independent firm of chartered accountants, which evaluate the functioning and quality of internal controls and checks; and provides assurance of its adequacy and effectiveness. The scope of internal audit covers a wide variety of operational methods and ensures compliance with specified standards with regard to availability and suitability of policies, practices and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The Reports of internal audit are placed before Audit Committee of the Directors for review.

**8. Human Resources**

Human resources are invaluable assets of the company and the Company's endeavor has always been to retain the best professional and technical talent. The company lays great emphasis on proper management of human resources and believes that this is the most important ingredient for achieving excellence in performance and sustainable growth. The management has process driven approach that invests in training and development needs of the employees on regular basis through succession planning, on the job training and training workshops etc.

**9. Cautionary Statement**

*Statements in this “Management's Discussions and Analysis” are describing the Company's “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and abroad and other factors such as litigation, industrial relations and other unforeseen events.*

For and on behalf of the Board

**Place: Chandigarh**
Dated: May 24, 2011

**J.K. Khaitan**
*Chairman & Managing Director*

# REPORT ON CORPORATE GOVERNANCE

## 1. Company's philosophy on Corporate Governance

The principles of Corporate Governance and the Code of Business Conduct & Ethics are the cornerstones of your Company. Your Company has consistently striven to implement best corporate governance practices reflecting its strong value system and ethical business conduct. The Company's philosophy on Corporate Governance envisages attainment of highest level of transparency, accountability and integrity in the functioning of the Company with a view to create value that can be sustained continuously for the benefit of its stakeholders. All employees are bound by a Code of Conduct that sets forth company's policies on important issues including our relationship with consumers, shareholders and Government.

## 2. Board of Directors

The Board of Directors consisted of 12 directors till 16.07.2010 which comprised of a Chairman & Managing Director, a Managing Director and ten non-Executive Directors. Out of ten, six non-Executive Directors were independent directors. The Board of Directors consists of 8 directors, as on 31.03.2011, comprising of a Chairman & Managing Director, a Managing Director and six non-Executive Directors. Out of six, four non-Executive Directors are independent directors. The Board has a healthy blend of executive and non-executive directors which ensures the desired level of independence in functioning and decision making. All the independent directors are eminent professionals and bring in wealth of expertise and experience for advising the management of the Company.

### (a) Composition of the Board

| Name of Director (S/Shri) | Catetory | No. of Board Meetings Attended during 2010-11 | | Whether attended the last AGM | No. of directorships in other public limited companies | No. of Committee positions held in other Ltd. Companies | |
|---|---|---|---|---|---|---|---|
| | | Held | Attended | | | Chairman | member |
| J.K. Khaitan, (Chairman & Managing Director) | Promoter/ Executive | 7 | 7 | Yes | 2 | - | 2 |
| Pavan Khaitan (Managing Director) | Promoter/ Executive | 7 | 7 | Yes | - | - | - |
| Yashovardhan Saboo | Independent, Non-Executive | 7 | 4 | No | 10 | - | 3 |
| Justice S.S. Sodhi, (Rtd)* | Independent Non-Executive | 7 | 4 | Yes | 1 | - | - |
| D.C. Mehandru* | -- do -- | 7 | 4 | Yes | 1 | - | 1 |
| U.K. Khaitan* | Promoter/Non -Executive | 7 | 4 | Yes | 9 | - | - |
| D.S. Sandhawalia* | Independent, Non-Executive | 7 | 4 | Yes | - | - | - |
| Ashutosh Khaitan | Promoter/Non-Executive | 7 | 4 | Yes | 2 | - | - |
| N.K. Bajaj, ** (Chairman & Managing Director) | Promoter Executive | 7 | 2 | No | 6 | 3 | 1 |
| A.K. Bajaj ** | Promoter-Non Executive | 7 | 2 | No | 4 | - | 1 |
| V.K. Bajaj ** | -- do -- | 7 | 2 | No | 5 | - | 2 |
| G.N. Mehra ** | Independent, Non-Executive | 7 | 2 | No | 6 | 4 | 4 |
| K.R. Ramamoorthy** | -- do -- | 7 | 2 | No | 8 | 2 | 7 |
| Ravindra Gupta** | -- do -- | 7 | 2 | No | 2 | - | - |
| Mohit Satyanand** | -- do -- | 7 | 2 | No | 3 | - | 3 |
| J.C. Rana ** | -- do -- | 7 | 2 | No | - | - | - |

*Appointed as Director on 03.08.2010
** Ceased to be Director w.e.f. 16.07.2010

**(b)** During the financial year 2010-11, SEVEN (7) Board Meetings were held on 30th April 2010, 2nd July 2010, 03rd August 2010, 13th August 2010, 24th September 2010, 11th November 2010 and 09th February 2011. The maximum interval between any two meetings was not more than 4 months.

**(c) Information supplied to the Board**

Information regularly provided to the Board inter-alia include:

- Annual operating plans, budgets & updates;
- Production, sales & financial performance data;
- Expansion/capital expenditure plans & updates;
- Business-wise operational review;
- Quarterly financial results with segment-wise information;
- Minutes of the meetings of the Audit and other committees as well as circular resolutions passed;
- Staff matters, including senior appointments and significant developments relating to labour relations and human resource relations;
- Materially important legal proceedings by or against the Company;
- Share transfer and dematerialization compliances;
- Fatal or serious accidents or dangerous occurrences and materially significant effluents or pollution problems;
- Materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Non-compliances of any regulatory or statutory provision or listing requirement on non-payment of dividend or delay in share transfers;
- Insider trading related disclosure procedures and such other matters;
- Details of any joint-venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business;
- Details of foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.

**(d) Materially significant related party transactions**

There have been no materially significant related party transactions, pecuniary transactions or relationship between ABC Paper Limited and its directors during the year 2010-11 that may have potential conflict with the interests of the Company.

**(e) Details of remuneration paid to the directors during the financial year 2010-11**

**(Amt. in Rs.)**

| Name of Director (S/Shri) | Relationship with other Directors | Basic Salary | Perks+ contribution to PF/other Funds | Commission | Sitting Fee | Total |
|---|---|---|---|---|---|---|
| J.K. Khaitan # | Father of Pavan Khaitan | 18,66,452 | 14,21,931 | 4,94,280 | 1,80,000 | 39,62,663 |
| Pavan Khaitan | Son of J.K. Khaitan | 20,40,000 | 16,08,331 | 5,40,240 | - | 41,88,571 |
| Yashovardhan Saboo | | - | - | - | 1,20,000 | 1,20,000 |
| Justice S.S. Sodhi, (Rtd)* | | - | - | - | 75,000 | 75,000 |
| D.C. Mehandru* | | - | - | - | 1,20,000 | 1,20,000 |
| U.K. Khaitan* | Father of Ashutosh Khaitan | - | - | - | 75,000 | 75,000 |
| D.S. Sandhwalia* | | - | - | - | 1,20,000 | 1,20,000 |
| Ashutosh Khaitan | Son of U.K. Khaitan | - | - | - | 60,000 | 60,000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| N.K. Bajaj** | Father of A.K. Bajaj & V.K. Bajaj | 8,61,452 | 7,04,465 | - | - | 15,65,917 |
| A.K. Bajaj** | Son of N.K. Bajaj and brother of V.K. Bajaj | - | - | - | 30,000 | 30,000 |
| V.K. Bajaj** | Son of N.K. Bajaj and brother of A.K. Bajaj | - | - | - | 30,000 | 30,000 |
| G.N. Mehra** | | - | - | - | 45,000 | 45,000 |
| K.R. Ramamoorthy** | | - | - | - | 45,000 | 45,000 |
| Ravindra Gupta ** | | - | - | - | 30,000 | 30,000 |
| Mohit Satyanand** | | - | - | - | 30,000 | 30,000 |
| J.C Rana ** | | - | - | - | 45,000 | 45,000 |

#Salary and perks are w.e.f. 17.07.2010 while the sitting fee is upto 16.07.2010
*Appointed as Director on 03.08.2010
** Ceased to be Director w.e.f. 16.07.2010

**3. Committees of the Board**

**(a) Audit Committee**

The constitution and terms of reference of the Audit Committee conforms to the requirements of Clause 49 and Section 292A of the Companies Act, 1956. The following functions are performed by the Audit Committee:

- ➢ Overseeing the company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- ➢ Recommending the appointment /removal of external auditors, fixing audit fees and approving payments for any other service;
- ➢ Reviewing with management the annual financial statements before submission to the Board;
- ➢ Reviewing with the management Quarterly/Half-yearly and other financial statements before submission to the Board for approval;
- ➢ Reviewing with the management, external and internal auditor, the adequacy of internal control systems and recommending improvements to the management;
- ➢ Reviewing the adequacy of internal audit function;
- ➢ Discussing with internal auditors of any significant findings and follow-up thereon;
- ➢ Reviewing the findings of any internal investigation by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of the internal control systems of a material nature and reporting the matter to the Board;
- ➢ Discussing with the external auditors before the audit commences on the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;
- ➢ Reviewing the Company's financial and risk management policies; and
- ➢ Initiating investigations into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

The Company continues to derive immense benefit from the deliberations of the Audit Committee. Consequent to the resignations of Shri G.N.Mehra, Shri N.K.Bajaj, Shri K.R.Ramamoorthty and Sh. J.C.Rana, the Audit committee was reconstituted on

03.08.2010 and as on 31st March, 2011, the committee is comprised of the following five directors of the Company – three non-executives & independent and two executive & non-independent:

| | | |
|---|---|---|
| Shri D.C.Mehandru | Chairman | Independent, Non-Executive Director |
| Shri J.K.Khaitan | Member | Non-independent, Executive Director |
| Shri Yashovardhan Saboo | Member | Independent, Non-Executive Director |
| Shri D.S.Sandhawalia | Member | Independent, Non-Executive Director |
| Shri Pavan Khaitan | Member | Non-independent, Executive Director |

During the financial year 2010-11, Audit Committee met 4 times and the attendance of the Directors on the above meetings was as follows:

| Director | No. of meetings held | No. of meetings attended |
|---|---|---|
| Shri J.K.Khaitan | 4 | 3 |
| Shri Pavan Khaitan | 4 | 4 |
| Shri Yashovardhan Saboo | 4 | 3 |
| Shri D.C.Mehandru | 4 | 3 |
| Shri D.S.Sandhawalia | 4 | 3 |
| Shri N.K.Bajaj* | 4 | 1 |
| Shri G.N.Mehra* | 4 | 1 |
| Shri K.R.Ramamoorthy* | 4 | 1 |
| Shri J.C.Rana* | 4 | 1 |

* Ceased to be Director w.e.f. 16.07.2010

The Sr. Vice President (Finance) and other senior executives (when required) are invited in the meetings. Representatives of the statutory auditors, cost auditors and internal auditors are also invited to the meetings, when required. Most of the meetings are attended by the statutory auditors.

The Company Secretary acts as Secretary of the committee.

All the members of the Audit Committee, except Shri Yashovardhan Saboo, were present at the last AGM held on 24th September, 2010.

**(b) Remuneration Committee**

The broad terms of reference of the Committee are to determine and recommend to the Board, compensation payable to the Managing Directors/Executive Directors.

The remuneration of the working directors is decided by the Board based on the recommendation of the Remuneration Committee within the ceiling prescribed under the Companies Act, 1956. The remuneration to non-executive directors comprised of the sitting fee only.

Consequent to the resignations of Shri G.N.Mehra, and Sh. Mohit Satyanand the Remuneration Committee was reconstituted on 03.08.2010 and as on 31st March 2011, the committee is comprised of the following three directors of the Company:

| | | |
|---|---|---|
| Shri Yashovardhan Saboo | Chairman | Independent, Non -Executive Director |
| Shri D.C.Mehandru | Member | Independent, Non -Executive Director |
| Shri D.S.Sandhawalia | Member | Independent, Non-Executive Director |

**(c) Shareholders/Investors' Grievance Committee**

The company has constituted Shareholders'/Investors' Grievance Committee for speedy disposal of all grievances/complaints relating to shareholders/investors. The Committee specifically looks into redressal of investors' complaints and requests such as transfer of shares, non-receipt of annual report, non-receipt of declared dividend etc.

In addition, the Committee advises on matters which can facilitate better investor services/relations.

Consequent to the resignations of Shri A.K.Bajaj and Shri J.C.Rana the Shareholders/Investors' Grievance Committee was reconstituted on 03.08.2010 and as on 31st March 2011, the committee is comprised of the following three directors of the Company:

| | | |
|---|---|---|
| Justice S.S.Sodhi (Rtd) | Chairman | Independent, Non-Executive Director |
| Shri J.K.Khaitan | Member | Non-Independent, Executive Director |
| Shri U.K.Khaitan | Member | Non-Independent, Non-Executive Director |

During the financial year 2010-11, Shareholders'/Investors' Grievance Committee met once and the attendance of the Directors on the above meeting was as follows :

| Directors | No. of meetings held | No. of meetings attended |
|---|---|---|
| Justice S.S. Sodhi (Rtd) | 1 | 1 |
| Shri J.K. Khaitan | 1 | 1 |
| Shri U.K. Khaitan | 1 | 1 |

Shri Vivek Trehan, the Company Secretary is the Compliance Officer of the Company.

During the Year, the Company received 4 complaints which were replied/resolved to the satisfaction of the investors. As on 31st March, 2011, no complaints and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2010-11 have been acted upon by the Company and no transfer was pending.

**4. General Body Meetings**

The last three Annual General Meetings of the Company were as under:

| Financial Year | Date | Time | Place |
|---|---|---|---|
| 2007-08 | 25.09.2008 | 11.30 a.m. | Sirifort Auditorium,<br>August Kranti Marg,<br>New Delhi-110 049 |
| 2008-09 | 25.09.2009 | 11.30 a.m. | NCUI Auditorium,<br>August Kranti Marg,<br>New Delhi-110 016 |
| 2009-10 | 24.09.2010 | 11.30 a.m. | NCUI Auditorium,<br>August Kranti Marg,<br>New Delhi-110 016 |

**5. Disclosures**

(i) There were no transactions of material nature with the directors or the management or their subsidiaries or relatives etc. during the year that had potential conflict with the interests of the Company at large.

(ii) The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and in conformity, in all material respects, with the generally accepted accounting principles and standards in India. The estimates/judgements made in preparation of these financial statements are consistent, reasonable and on prudent basis so as to reflect true and fair view of the state of affairs and results/operations of the Company.

(iii) The Company has well-defined Risk Management Policies for its business, which are periodically reviewed to ensure that the executive management controls risk by means of a properly defined framework.

(iv) The Company has not raised any funds from the capital market (public/rights/preferential issues etc.) during the financial year under review.

(v) There was no instance of non-compliance of any matter relating to the capital markets by the Company. No penalties or strictures have been imposed on the company by the stock exchanges, SEBI or any other statutory Authorities on any matter relating to the capital market since the listing of the Company.

(vi) The Company is complying with all mandatory requirements of clause 49 of the listing agreements. Non-mandatory requirement relating to Remuneration Committee has been adopted by the company.

(vii) The shareholding of non-executive Directors of the company as on 31.03.2011 is as under:

| Name of the Director | No. of shares |
|---|---|
| Justice S.S.Sodhi, (Rtd) | Nil |
| Shri D.C.Mehandru | Nil |
| Shri U.K.Khaitan | 36,248 |
| Shri Yashovardhan Saboo | Nil |
| Shri D.S.Sandhawalia | Nil |
| Shri Ashutosh Khaitan | 21,001 |

## 6. Means of Communications

The Quarterly, Half Yearly and Annual Financial Results are communicated to the stock exchanges where the Company's shares are listed as soon as they are approved and taken on record by the Board of Directors of the Company. Further, the Quarterly and Half Yearly results are published in leading newspapers such as Financial Express & Business Standard (English) and Jansatta (Hindi). The results are not sent individually to the shareholders. The financial results are also displayed on the web-site of the Company at www.abcpaperltd.com

The investors can register their grievances at Company's e-mail id i.e. abccorp@abcpaper.in

The Management Discussion and Analysis Report Forms part of the Directors' Report.

## 7. Code of Conduct

The Board of Directors of the Company have adopted Code of Business Conduct & Ethics. This Code is based on three fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary conduct and is applicable to all the Directors and senior management personnel.

In terms of the requirements of clause 49 of the Listing Agreement, the Code of Business Conduct & Ethics, as approved by the Board of Directors, has been displayed at the website of the Company at www.abcpaperltd.com . All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31st March, 2011 and a declaration to that effect signed by the Chairman & Managing Director is attached and forms part of this report.

## 8. Code of Conduct for prevention of Insider Trading

The Company has a Code of Conduct for prevention of Insider Trading in the shares and securities of the Company. This Code, interalia, prohibits purchase/sale of shares of the Company by Directors and Employees while in possession of unpublished price sensitive information in relation to the Company. This code is available on the Company's website at www.abcpaperltd.com

## 9. CEO/CFO Certification

The Certificate required under Clause 49(V) of the Listing Agreement duly signed by CEO/CFO was placed before the Board and the same is annexed to this report.

## 10. Disclosures regarding appointment/reappointment of Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Yashovardhan Saboo and Shri D.C.Mehandru retire by rotation and are eligible for reappointment.

The Profiles of the abovesaid Directors are as under:

| Name of Director | Age | Qualification | Date of Appointment | No. of the shares held in the company | Expertise | Other Directorships in Public Companies & membership of committees as on 31.03.2011 |
|---|---|---|---|---|---|---|
| Shri Yashovardhan Saboo | 52 years | B.A(Hons.) and MBA from IIM, Ahmedabad | 24.07.2007 | NIL | Industrialist having about 25 years experience in business & industry. | KDDL Limited<br>Vardhan International Ltd.<br>Vardhan Properties & investment Ltd.<br>Himachal Fine Blank Ltd.<br>Saboo Coatings Ltd.<br>Kamla Tesio Dials Limited<br>Satva Jewellery and Design Ltd.<br>Kamla Retail Ltd.<br>Mahen Boutiques Ltd.<br>Mahen Distribution Ltd.<br>**Committee Membership**<br>**Audit Committee**<br>Kamla Retail Ltd.<br>**Shareholders'/Investors, Grievances Committee**<br>KDDL Limited<br>**Remuneration Committee**<br>Saboo Coatings Ltd.<br>**Committee for consideration of Unaudited Financial Results**<br>KDDL Limited |
| Shri D.C.Mehandru | 74 years | B.A(Hons.), M.A and CAIIB | 03.08.2010 | NIL | Retired Additional Managing Director, PSIDC, having wide ranging experience for more than 35 years in finance and industrial Development. | Punjab Alkalies and Chemicals Ltd.<br>**Committee Membership**<br>**Audit Committee**<br>Punjab Alkalies and Chemicals Ltd.<br>**Management Remuneration Committee**<br>Punjab Alkalies and Chemicals Ltd.<br>**Management Review Committee**<br>Punjab Alkalies and Chemicals Ltd. |

**11. Practicing Company Secretary's Certificate on Corporate Governance**

A certificate has been obtained from the Practicing Company Secretary of the Company regarding compliance with the provisions relating to Corporate Governance laid down in Clause 49 of the listing agreement with the stock exchanges. The same is annexed to this report.

**Declaration regarding compliance of Code of Conduct**

I, J.K. Khaitan, Chairman and Managing Director of ABC Paper Ltd., hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance of the Code of Conduct for the year ended 31st March, 2011.

Place: Chandigarh
Date: May 24, 2011

**J.K.Khaitan**
*Chairman & Managing Director*

## GENERAL SHAREHOLDERS INFORMATION

- **Annual General Meeting**

| | |
|---|---|
| Date | 2nd September, 2011 |
| Time | 11.30 a.m. |
| Venue | ABC Paper Ltd., Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab |

- **Financial Calendar 2011-12 (Tentative)**

  **Board Meetings to take on record**

| | |
|---|---|
| Financial Results for Quarter ended 30.06.2011 | Second week of August, 2011 |
| Financial Results for Quarter ended 30.09.2011 | Second week of November, 2011 |
| Financial Results for Quarter ended 31.12.2011 | Second week of February , 2011 |
| Financial Results for Quarter/year ended 31.03.2012 | Second/third week of May, 2012 |
| Book Closure Date | 24.08.2011 to 2.09.2011 ( both days inclusive) |

- **Dividend Payable Date**

  Dividend, if any, declared in the forthcoming AGM will be paid on or after 2nd September, 2011 but before the statutory time limit of 30 days from the date of declaration.

- **Listing:**

| SI No. | Name & address of stock exchanges |
|---|---|
| 1 | Bombay Stock Exchange, Mumbai |
| | Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 |
| 2 | The Company has Delisted voluntarily from U.P.Stock |
| | Exchange Ltd., Kanpur on 14.03.2011. |

The Company has already paid annual listing fee for the year 2011-12 to BSE.

- **Stock Code**

  - Bombay Stock Exchange : 532937
  - Demat ISIN in NSDL and CDSL for equity Shares : INE 529I01013

- **Market Price Data**

  The monthly high/low quotation of the equity shares traded at Bombay Stock Exchange and BSE Sensex during the financial year 2010-11 are given below.

| Month | ABC Paper Share Price(Rs.) | | BSE Sensex | |
|---|---|---|---|---|
| | High | Low | High | Low |
| April 2010 | 76.00 | 51.55 | 18,047.86 | 17,276.80 |
| May 2010 | 64.50 | 53.00 | 17,536.86 | 15,960.15 |
| June 2010 | 71.00 | 53.00 | 17,919.62 | 16,318.39 |
| July 2010 | 67.65 | 58.00 | 18,237.56 | 17,395.58 |
| August 2010 | 70.00 | 58.05 | 18,475.27 | 17,819.99 |
| September 2010 | 77.95 | 62.00 | 20,267.98 | 18,027.12 |
| October 2010 | 77.90 | 65.50 | 20,854.55 | 19,768.96 |
| November 2010 | 77.50 | 40.20 | 21,108.64 | 18,954.82 |
| December 2010 | 56.70 | 43.35 | 20,552.03 | 19,074.57 |
| January 2011 | 55.80 | 43.00 | 20,664.80 | 18,038.48 |
| February 2011 | 49.85 | 35.30 | 18,690.97 | 17,295.62 |
| March 2011 | 47.45 | 34.00 | 19,575.16 | 17,792.17 |

- **Share Transfer Agent and Demat Registrar**

  The Company has appointed M/s MAS Services Ltd., New Delhi as the Registrar & Share Transfer Agents for handling both physical share registry and demat share registry work having their office at:

  **M/s MAS Services Ltd.**

  T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020
  Ph:- 011-26387281/82/83, Fax:- 011-26387384
  email:- info@masserv.com, website : www.masserv.com

- **Share Transfer System**

  The transfers are normally processed within a period of 15-20 days from the date of receipt if the documents are complete in all respects. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories i.e. NSDL and CDSL within 15 days. The connectivity with NSDL and CDSL is maintained through M/s MAS Services Ltd. The Shareholders have the option to open account with any of the depository participants registered with NSDL and CDSL.

- **Distribution of Equity Shareholding**

**(a) Shareholding Pattern as on 31st March, 2011**

| Sl. No. | Description | No. of equity shares held | Shareholding % |
|---|---|---|---|
| 1. | Promoters | | |
| | • Individuals | 331281 | 3.79 |
| | • Bodied Corporate | 5803788 | 66.51 |
| 2. | Institutional Investors | | |
| | • Mutual Funds | 250 | 0.00 |
| | • UTI /Banks/Financial Institutions | 924 | 0.01 |
| | • Insurance Companies | - | - |
| | • FIIs | - | - |
| 3. | Others | | |
| | • Private Bodies Corporate | 1304446 | 14.96 |
| | • Indian Public | 1241174 | 14.22 |
| | • NRIs/OBCs/Pak shareholders | 44500 | 0.51 |
| | **Total** | **87,26,363** | **100.00%** |

**(b) Distribution of shareholding as on 31st March, 2011**

| Range of holding | No. of shareholders | %age of shareholders | No. of shares | %age of holding |
|---|---|---|---|---|
| 1 to 5,000 | 19169 | 98.40 | 5,65,346 | 6.48 |
| 5,001 to 10,000 | 129 | 0.66 | 99,491 | 1.14 |
| 10,001 to 20,000 | 87 | 0.45 | 1,27,140 | 1.46 |
| 20,001 to 30,000 | 23 | 0.12 | 56,003 | 0.64 |
| 30,001 to 40,000 | 14 | 0.07 | 52,188 | 0.60 |
| 40,001 to 50,000 | 11 | 0.06 | 51,501 | 0.59 |
| 50,001 to 1,00,000 | 18 | 0.09 | 1,39,759 | 1.60 |
| 1.00,001 and above | 29 | 0.15 | 76,34,935 | 87.49 |
| **Total** | **19480** | **100.00** | **87,26,363** | **100.00** |

- **De-materialization of Shares**

  The Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL) to offer depository Services to the shareholders. As on March 31, 2011, approximately 95.36 % of the shares of the Company have been dematerialized.

- **Reconciliation of Share Capital Audit**

  A practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The Reconciliation of Share Capital Audit Report confirms that the total issued/paid up capital is in agreement with the total no. of shares in physical form and the total no. of dematerialized shares held with NSDL and CDSL.

- **Outstanding GDRs/ADRs/Warrants etc.**
  Not applicable

- **Plant Location**
  Saila Khurd 144529, Distt: Hoshiarpur, Punjab

- **Address for correspondence**

  **(a) Registered Office:**
  **ABC Paper Limited**
  Paper Mill, Saila Khurd 144529, Distt: Hoshiarpur, Punjab

  **(b) Registrar & Share Transfer Agent**
  **MAS Services Limited**
  T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020
  Ph:-011- 26387281/82/83, Fax:-011- 26387384
  email:- info@masserv.com, website : www.masserv.com

## PRACTICING COMPANY SECRETARY'S CERTIFICATE

**To the Members of ABC Paper Ltd.**

We have examined the compliance of the conditions of Corporate Governance by ABC Paper Limited for the year ended 31$^{st}$ March, 2011 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

We state that in respect of investor grievances during the year ended 31$^{st}$ March, 2011 grievances were received & resolved by the Company. There were no grievances which were pending with the Company as at 31$^{st}$ March, 2011 as per records maintained by the Company.

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

For **S.K.SIKKA & ASSOCIATES**
Company Secretaries

**SUSHIL K SIKKA**
Prop.
FCS 4241
CP 3582

Place: Chandigarh
Date: 24.05.2011

# CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

The Board of Directors,
**ABC PAPER LIMITED**

We, Pavan Khaitan, Managing Director and Roshan Garg, Sr. Vice President (Finance) & CFO, of ABC Paper Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31st March, 2011 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;

2. 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;

3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 which are fraudulent, illegal or violative of the Company's code of conduct;

4. Proper and sufficient care has been taken 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.

5. We further certify that:-

   (a) There have been no significant changes in internal controls during the year;

   (b) There have been no significant changes in accounting policies during the year;

   (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having significant role in the Company's internal control systems.

**Roshan Garg**
*Sr. Vice President (Finance) & CFO*

**Pavan Khaitan**
*Managing Director*

Place : Chandigarh
Date : 18.5.2011

# AUDITORS' REPORT

**To the Members of**
**ABC Paper Limited**

1) We have audited the attached Balance Sheet of ABC Paper Limited ("the Company") as at 31 March 2011 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4) Further to our comments in the Annexure referred to in para 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 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 comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;

   (v) on the basis of written representations received from the directors as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

   (vi) 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 31 March 2011;

   b. in the case of the Profit and Loss Account, of the profit 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.

*For* **B S R & Co.**
*Chartered Accountants*
Registration No. 101248W

**Kaushal Kishore**
*Partner*
Membership No. 090075

Place : Chandigarh
Date: 24 May 2011

**Annexure referred to in paragraph 3 of the Auditors' report to the members of ABC Paper Limited on the financial statements for the year ended 31 March 2011**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, the Company has physically verified its fixed assets during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.

(c) The Company did not dispose off substantial part of its fixed assets during the year.

(ii) (a) According to the information and explanations given to us, inventories, except goods-in-transit, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) (a) According to the information and explanations given to us, during the year, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (b) to (d) of paragraph 4 (iii) of the order are not applicable.

(e) According to the information and explanations given to us, the Company has during the year taken unsecured loans from two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 16,669,315 (including interest of Rs. 169,315) and the year end balance was Rs. 11,500,000 (including interest of Rs. Nil).

(f) According to the information and explanations given to us, the rate of interest and other terms and conditions in respect of unsecured loans taken by the Company, are not, prima-facie, prejudicial to the interest of the Company.

(g) According to the information and explanations given to us, the loans taken by the Company from the two companies covered in the register maintained under Section 301 of the Act, are repayable on demand and the Company is regular in repaying the principal and interest amounts as per this arrangement.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The company did not have any sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any major weakness in the aforesaid internal control system during the year.

(v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) According to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in para (v) (a) above and exceeding the value of Rs 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time except for certain transactions which are for the specialized requirements of the respective parties and for which suitable alternate sources are not available to obtain comparable quotations.

(vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. As informed to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or Tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.

(vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is commensurate with the size of the Company and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect of products covered where, pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956 in respect of products covered and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of these records with a view to ensuring whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Excise duty, Employee State Insurance, Customs duty, Wealth tax, Cess and other material statutory dues, to the extent applicable, have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor education and protection fund, Employees' State Insurance, Income- tax, Sales- tax, Service tax, Customs duty, Excise duty, Wealth tax, Cess and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited with appropriate authorities on account of any dispute, except as mentioned below:

| *Name of the Statute* | *Nature of the Dues* | *Amount of dues (Rs)* | *Amount paid under protest (Rs)* | *Period to which the amount relates* | *Forum where dispute is pending* |
|---|---|---|---|---|---|
| Income-tax Act, 1961 | Income-tax | 7,57,000 | - | 2005-2006 (Assessment year) | Commissioner of Income tax (Appeals) |
| | | 3,87,15,648 | 52,06,854 | 2008-2009 (Assessment year) | |
| Central Excise Act, 1944 | Excise duty | 4,47,35,506 | - | 2000-2001 to 2007-2008 | Commissioner of Customs and excise |
| | | 1,81,89,683 | - | 2005-2006 to 2006-2007 | Customs Excise and Service –tax Appellate Tribunal |
| | | 55,43,646 | - | April 2007 | |
| | | 65,06,088 | - | 2008-09 | Commissioner of Customs and excise |

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding dues to any financial institutions or debentureholders during the year.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) As explained to us, the Company had given a corporate guarantee of Rs. 72,000,000 for loans taken from a bank by a company, which was a joint venture company [refer to note 3(c) of schedule 15] . According to the information and explanations given to us, the terms and conditions of the above guarantee are not prejudicial to the interest of the Company, considering that the Company had a significant investment in the joint venture.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

*For* **B S R & Co.**
*Chartered Accountants*
Registration No. 101248W

**Kaushal Kishore**
*Partner*
Membership No. 090075

Place : Chandigarh
Date: 24 May 2011

# BALANCE SHEET AS AT 31 MARCH, 2011

**(All amounts are in Indian Rupees)**

| | Schedule | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **9,72,63,630** | 10,22,63,630 |
| Reserves and surplus | 2 | **51,50,01,462** | 34,30,42,338 |
| | | **61,22,65,092** | 44,53,05,968 |
| **Loan funds** | | | |
| Secured loans | 3 | **1,57,10,91,348** | 1,53,93,12,740 |
| Unsecured loans | 4 | **41,55,31,463** | 41,71,52,765 |
| | | **1,98,66,22,811** | 1,95,64,65,505 |
| **Deferred tax liabilities (net) (Refer to note 12 of schedule 15)** | | **23,97,69,852** | 31,95,64,356 |
| | | **2,83,86,57,754** | 2,72,13,35,829 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 5 | | |
| Gross block | | **3,22,89,18,681** | 2,93,25,09,886 |
| Less : Accumulated depreciation / amortisation | | **88,05,22,532** | 74,43,59,386 |
| Net block | | **2,34,83,96,149** | 2,18,81,50,500 |
| Capital work-in-progress (including capital advances) | | **5,57,32,670** | 18,60,74,665 |
| | | **2,40,41,28,819** | 2,37,42,25,165 |
| **Investments** | 6 | **-** | - |
| **Current assets, loans and advances** | 7 | | |
| Inventories | | **27,06,96,421** | 31,23,04,364 |
| Sundry debtors | | **18,33,54,598** | 7,40,43,833 |
| Cash and bank balances | | **2,99,77,928** | 1,43,35,315 |
| Loans and advances | | **10,46,86,754** | 12,95,32,250 |
| | | **58,87,15,701** | 53,02,15,762 |
| ***Less :*** | | | |
| **Current liabilities and provisions** | 8 | | |
| Current liabilities | | **13,76,79,627** | 16,72,06,106 |
| Provisions | | **1,65,07,139** | 1,58,98,992 |
| | | **15,41,86,766** | 18,31,05,098 |
| **Net current assets** | | **43,45,28,935** | 34,71,10,664 |
| | | **2,83,86,57,754** | 2,72,13,35,829 |
| Significant accounting policies and notes to the financial statements | 15 | | |

The schedules referred to above form an integral part of the financial statements
As per our report attached to the Balance Sheet

For **BSR & Co.**
Chartered Accountants
Registration No. 101248W

**Kaushal Kishore**
Partner
Membership No. 090075

Place : Chandigarh
Date : May 24, 2011

For and behalf of **ABC Paper Limited**

**J.K. Khaitan**
Chairman & Managing Director

**Pavan Khaitan**
Managing Director

**Roshan Garg**
Sr. Vice President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : May 24, 2011

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

**(All amounts are in Indian Rupees)**

| | Schedule | **For the year ended 31 March 2011** | For the year ended 31 March 2010 |
|---|---|---|---|
| **INCOME** | | | |
| Sales (gross) | | **3,18,96,75,970** | 2,20,93,67,621 |
| Less: Excise duty | | **12,40,26,873** | 8,31,92,230 |
| Sales (net) | | **3,06,56,49,097** | 2,12,61,75,391 |
| Other income | 9 | **2,87,96,925** | 85,43,168 |
| | | **3,09,44,46,022** | 2,13,47,18,559 |
| **EXPENDITURE** | | | |
| Raw materials consumed | 10 | **97,13,45,645** | 61,03,11,773 |
| Decrease / (increase) in stocks of finished goods and work-in-process | 11 | **13,67,888** | (1,24,03,510) |
| Employees' remuneration and benefits | 12 | **16,93,68,378** | 12,36,58,175 |
| Manufacturing and other operating expenses | 13 | **1,47,67,92,837** | 1,02,17,29,662 |
| Depreciation and amortisation | 5 | **14,64,11,520** | 12,05,96,281 |
| Interest expense | 14 | **226,500,141** | 17,71,66,077 |
| | | **2,99,17,86,409** | 2,04,10,58,458 |
| **Profit before tax** | | **10,26,59,613** | 9,36,60,101 |
| Income tax | | | |
| - Current tax | | **(1,78,78,357)** | (1,59,17,534) |
| - Tax provision of earlier years | | **(15,09,315)** | - |
| - Prior period deferred tax credit (Refer to note 12 of schedule 15) | | **10,83,35,000** | (21,88,91,700) |
| - Deferred tax charge for the year (Refer to note 12 of schedule 15) | | **(2,85,40,496)** | - |
| - Minimum alternate tax (MAT) credit entitlement | | **2,00,84,817** | 1,59,17,534 |
| **Profit / (loss) after tax** | | **18,31,51,263** | (12,52,31,599) |
| Balance brought forward | | **9,22,36,572** | 24,41,07,964 |
| Profit avilable for appropriations | | **27,53,87,836** | 11,88,76,365 |
| **Appropriations** | | | |
| Proposed dividend on equity shares | | **87,26,363** | 87,26,363 |
| Proposed dividend on preference shares | | **8,71,644** | 12,22,603 |
| Corporate dividend tax | | **15,94,133** | 16,90,827 |
| Transferred to capital redemption reserve | | **50,00,000** | 50,00,000 |
| Transferred to general reserve | | **1,00,00,000** | 1,00,00,000 |
| Balance carried forward to the Balance Sheet | | **24,91,95,696** | 9,22,36,572 |
| **Earnings/(loss) per equity share - basic and diluted** (Refer to note 13 of schedule 15) | | **20.87** | (14.51) |
| Significant accounting policies and notes to the financial statements | 15 | | |

The schedules referred to above form an integral part of the financial statements
As per our report attached to the Balance Sheet

For **BSR & Co.**
Chartered Accountants
Registration No. 101248W

**Kaushal Kishore**
Partner
Membership No. 090075

Place : Chandigarh
Date : May 24, 2011

For and behalf of **ABC Paper Limited**

**J.K. Khaitan**
Chairman & Managing Director

**Pavan Khaitan**
Managing Director

**Roshan Garg**
Sr. Vice President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : May 24, 2011

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

**(All amounts are in Indian Rupees)**

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net profit before tax | **10,26,59,613** | 9,36,60,101 |
| **Adjustments:** | | |
| Depreciation | **14,64,11,520** | 12,05,96,281 |
| Loss on sale of fixed assets | **27,46,333** | - |
| Interest expense | **21,99,54,326** | 17,09,08,504 |
| Interest income | **(36,31,603)** | (16,07,827) |
| Foreign exchange gain | **(7,52,055)** | - |
| Provision for dimunition in value of investment written back | **(1,29,83,000)** | - |
| Provision for dimunition in value of investment | **-** | 1,29,83,000 |
| Operating profit before working capital changes | **45,44,05,134** | 39,65,40,059 |
| **Adjustments for:** | | |
| Increase in sundry debtors | **(10,93,10,765)** | (2,62,34,049) |
| Decrease in loans and advances | **4,73,40,211** | 3,35,33,919 |
| Decrease/(increase) in inventories | **4,16,07,943** | (16,55,97,394) |
| Increase in current liabilities and provisions | **2,16,89,694** | 1,66,75,382 |
| **Cash generated from operating activities** | **45,57,32,217** | 25,49,17,917 |
| Less: Taxes paid (net of income tax refund) | **(2,16,10,367)** | (1,89,11,116) |
| **Net cash from operating activities (A)** | **43,41,21,850** | 23,60,06,801 |
| **Cash flow from investing activities** | | |
| Purchases of fixed assets incuding capital work in progress | **(22,95,36,272)** | (35,05,74,847) |
| Sale of fixed assets | **46,34,906** | - |
| Interest received | **34,44,401** | 13,98,906 |
| Sale of investments | **1,29,83,000** | - |
| **Net cash (used in) investing activities (B)** | **(20,84,73,965)** | (34,91,75,941) |
| **Cash flow from financing activities** | | |
| Redemption of preference share capital | **(50,00,000)** | (50,00,000) |
| Capital subsidy received | **-** | 1,00,14,000 |
| Working capital loan taken | **-** | 15,22,83,499 |
| Repayment of working capital loan | **(15,54,664)** | - |
| Other secured loans taken | **36,44,30,864** | 38,71,83,950 |
| Other secured loans repaid | **(33,48,95,509)** | (32,17,77,960) |
| Unecured loans taken | **50,49,94,979** | 38,69,45,145 |
| Unecured loans repaid | **(50,66,16,281)** | (26,96,25,009) |
| Interest paid | **(21,97,24,868)** | (19,73,75,822) |
| Dividend paid | **(1,16,39,793)** | (2,71,61,451) |
| **Net cash (used in)/from financing activities (C)** | **(21,00,05,272)** | 11,54,86,352 |
| **Net increase in cash and cash equivalents (A+B+C)** | **1,56,42,613** | 23,17,212 |
| **Cash and cash equivalents at beginning of the year (refer to sch. 7)** | **1,43,35,315** | 1,20,18,103 |
| **Cash and cash equivalents at end of the year (refer to schedule 7)*** | **2,99,77,928** | 1,43,35,315 |

* Includes pledged as security for letters of credit / bank guranantees Rs. 2,18,12,600 (previous year Rs.1,14,38,400 ) and earmarked against public deposits Rs. 65,00,000 (previous year Rs.Nil)

The above cash flow statement has been prepared in accordance with the "Indirect Method" as set out in the Accounting Standard (AS)-3, "Cash flow Statements".

**Significant accounting policies and notes to the financial statements - schedule 15**

As per our report attached to the Balance Sheet

For **BSR & Co.**
Chartered Accountants
Registration No. 101248W

**Kaushal Kishore**
Partner
Membership No. 090075

Place : Chandigarh
Date : May 24, 2011

For and behalf of **ABC Paper Limited**

**J.K. Khaitan**
Chairman & Managing Director

**Pavan Khaitan**
Managing Director

**Roshan Garg**
Sr. Vice President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : May 24, 2011

## Schedule 1 : SHARE CAPITAL

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Authorised** | | |
| 1,75,00,000 (Previous year 1,75,00,000) equity shares of Rs.10 each | **17,50,00,000** | 17,50,00,000 |
| 25,00,000 (Previous year 25,00,000) 7% redeemable preference shares of Rs. 10 each | **2,50,00,000** | 2,50,00,000 |
| | **20,00,00,000** | 20,00,00,000 |
| **Issued, subscribed and paid up** | | |
| 87,26,363 (Previous year 87,26,363) equity shares of Rs.10 each, fully paid up | **8,72,63,630** | 8,72,63,630 |
| 10,00,000 (Previous year 15,00,000) 7% redeemable preference shares of Rs. 10 each, fully paid up | **1,00,00,000** | 1,50,00,000 |
| | **9,72,63,630** | 10,22,63,630 |

**Note**

1. Paid up equity share capital includes 64,26,463 (previous year 64,26,463) equity shares of Rs. 10 each issued and alloted as fully paid up to the shareholders of Amrit Banaspati Company Limited on 24 July 2007 pursuant to the scheme of arrangement between Amrit Banaspati Company Limited, ABC Paper Limited and Amrit Enterprises Limited.
2. The preference shares are redeemable in 4 equal instalments of Rs. 50,00,000 each at the end of 3rd, 4th, 5th and 6th year from the date of allotment i.e 27 September 2006. During the year preference shares of Rs.50,00,000 (previous year Rs. 50,00,000) has been redeemed.

## Schedule 2 : RESERVES AND SURPLUS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **General reserve** | | |
| Opening balance | **23,57,91,766** | 22,57,91,766 |
| Add: transferred from profit and loss account | **1,00,00,000** | 1,00,00,000 |
| | **24,57,91,766** | 23,57,91,766 |
| **Capital redemption reserve** | | |
| Opening balance | **50,00,000** | - |
| Add: transferred from profit and loss account (on redemption of preference shares) | **50,00,000** | 50,00,000 |
| | **1,00,00,000** | 50,00,000 |
| **Capital subsidy** | **1,00,14,000** | 1,00,14,000 |
| **Profit and loss account** | | |
| Opening balance | **9,22,36,572** | 24,41,07,964 |
| Add: Profits / (loss) for the year | **18,31,51,263** | (12,52,31,599) |
| Less: Appropriations during the year | **(2,61,92,140)** | (2,66,39,793) |
| | **24,91,95,696** | 9,22,36,572 |
| | **51,50,01,462** | 34,30,42,338 |

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

## Schedule 3 : SECURED LOANS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Loans from banks** | | |
| Term loans (Refer foot note 1) | **1,24,25,27,146** | 1,28,41,56,652 |
| Working capital (Refer foot note 2) | **24,90,44,107** | 25,05,98,771 |
| Buyer's credit (Refer foot note 2) | **6,23,12,401** | - |
| Vehicle loans (Refer foot note 3) | **1,26,57,722** | 45,57,317 |
| **Loans from others** | | |
| Finance lease obligations (Refer foot note 4) | **45,49,972** | - |
| | **1,57,10,91,348** | 1,53,93,12,740 |

**Nortes**

1. Term loans are secured by a first parri passu charge on fixed assets of the Company movable and immovable both present and future and a first charge by way of hypothecation over the machinery, machinery spares, tools and other movables and future ranking pari passu with charges created/ to be created subject to prior charge of the bankers for working capital on specifed movables.

   Certain term loans are also secured by second charge on the current assets of the Company. The term loans are also secured by personal guarantees of directors. [Due within one year Rs.34,20,61,422 (previous year Rs. 27,63,18,184)]"
2. Working capital loans from banks are secured by hypothecation of all current assets and second charge on the fixed assets of the Company. These loans are also secured by personal guarantees of directors. Working capital loans from banks are repayable on demand.
3. Vehicle Loans from bank are secured against hypothecation of the specified vehicles purchased from proceeds of the said loan. [Due within one year Rs. 40,86,828 (previous year Rs. 36,22,895)]
4. Secured against assets taken on finance lease. [Due within one year Rs.18,72,388 (previous year Rs. Nil)]

## Schedule 4 : UNSECURED LOANS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Fixed deposits from public # | **14,13,90,000** | 7,17,23,000 |
| Loans from others* | **27,41,41,463** | 34,54,29,765 |
| | **41,55,31,463** | 41,71,52,765 |

# include deposits taken from directors Rs.2,25,00,000 (previous year Rs. nil). Due within one year Rs.6,38,55,000 (previous year Rs. 3,48,59,000).

* Due within one year Rs. 8,99,98,532 (previous year Rs. 8,99,94,926).

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

## Schedule 5 : FIXED ASSETS

| | GROSS BLOCK | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31st March 2010 | Additions** | Deletions | As at 31st March 2011 | Upto 31st March 2010 | For the year | Deletions | Upto 31st March 2011 | As at 31st March 2011 | As at 31st March 2010 |
| **Tangible assets** | | | | | | | | | | |
| Freehold land | 77,67,078 | - | - | 77,67,078 | - | - | - | - | 77,67,078 | 77,67,078 |
| Buildings | 30,42,94,115 | 2,99,82,304 | - | 33,42,76,419 | 4,22,91,781 | 1,01,65,828 | - | 5,24,57,609 | 28,18,18,810 | 26,20,02,334 |
| Plant and machinery | 2,48,27,48,292 | 27,34,01,883 | 1,44,07,626 | 2,74,17,42,549 | 63,38,80,814 | 12,56,55,419 | 93,19,481 | 75,02,16,752 | 1,99,15,25,797 | 1,84,88,67,478 |
| Electric installation | 1,60,65,106 | 8,99,308 | - | 1,69,64,414 | 1,46,66,291 | 69,252 | - | 1,47,35,543 | 22,28,871 | 13,98,815 |
| Laboratory equipment | 47,84,482 | 4,60,033 | - | 52,44,515 | 14,69,416 | 2,41,923 | - | 17,11,339 | 35,33,176 | 33,15,066 |
| Water supply system | 2,07,14,133 | - | - | 2,07,14,133 | 84,56,722 | 7,19,039 | - | 91,75,761 | 1,15,38,372 | 1,22,57,411 |
| Furniture and fixtures | 72,71,707 | 3,23,061 | - | 75,94,768 | 48,81,438 | 2,19,183 | - | 51,00,621 | 24,94,147 | 23,90,269 |
| Vehicles | 86,84,058 | 24,94,765 | 31,72,587 | 80,06,236 | 24,54,998 | 7,31,333 | 9,18,137 | 22,68,194 | 57,38,042 | 62,29,060 |
| Equipment and appliances | 72,69,315 | 3,93,190 | 49,400 | 76,13,105 | 43,46,886 | 2,79,265 | 10,756 | 46,15,395 | 29,97,710 | 29,22,429 |
| Gas cylinders | 78,095 | - | - | 78,095 | 74,190 | - | - | 74,190 | 3,905 | 3,905 |
| Computers* | 1,14,47,635 | 60,83,864 | - | 1,75,31,499 | 74,81,357 | 21,91,691 | - | 96,73,048 | 78,58,451 | 39,66,278 |
| Total | 2,87,11,24,016 | 31,40,38,408 | 1,76,29,613 | 3,16,75,32,811 | 72,00,03,893 | 14,02,72,933 | 1,02,48,374 | 85,00,28,452 | 2,31,75,04,359 | 2,15,11,20,123 |
| Intangible assets | | | | | | | | | | |
| Paper brands | 6,13,85,870 | - | - | 6,13,85,870 | 2,43,55,493 | 61,38,587 | - | 3,04,94,080 | 3,08,91,790 | 3,70,30,377 |
| Total | 6,13,85,870 | - | - | 6,13,85,870 | 2,43,55,493 | 61,38,587 | - | 3,04,94,080 | 3,08,91,790 | 3,70,30,377 |
| GRAND TOTAL | 2,93,25,09,886 | 31,40,38,408 | 1,76,29,613 | 3,22,89,18,681 | 74,43,59,386 | 14,64,11,520 | 1,02,48,374 | 88,05,22,532 | 2,34,83,96,149 | |
| Previous year | 1,97,78,55,532 | 95,46,54,354 | - | 2,93,25,09,886 | 62,37,63,105 | 12,05,96,281 | - | 74,43,59,386 | | 2,18,81,50,500 |
| Capital work-in-progress [(including capital advances of Rs. 2,51,07,139 (previous year Rs. 2,28,82,685)] | | | | | | | | | 5,57,32,670 | 18,60,74,665 |
| | | | | | | | | | 2,40,41,28,819 | 2,37,42,25,165 |

* Include assets taken on finance lease during the year Rs.53,74,250 (previous year Rs. nil). Refer note 11 of Schedule 15.
** Include borrowing cost capitalized of Rs.14,25,220 (previous year Rs. 2,70,60,179). Refer note 5 of Schedule 15.

## Schedule 6 : INVESTMENTS

| | **As at 31 March 2011** | As at 31 March 2010 |
|---|---|---|
| Long term investments (trade and unquoted) - Joint Venture | | |
| Greencone Environs Private Limited*<br>Nil (Previous year 12,98,300) equity shares of Rs.10 each fully paid. | - | 1,29,83,000 |
| Less: Provision for impairment in investment | - | (1,29,83,000) |
| | - | - |

* Disposed off during the current year. (refer note 8 of schedule 15)

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

## Schedule 7 : CURRENT ASSETS, LOANS AND ADVANCES

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Inventories** | | |
| (valued at the lower of cost and net realisable value) | | |
| Stores and spares | **8,70,24,325** | 7,46,41,172 |
| Packing material | **34,70,007** | 23,55,286 |
| Raw materials | **8,08,43,935** | 13,97,34,406 |
| Chemicals and fuels | **8,05,93,842** | 7,54,27,921 |
| Work-in-process | **1,19,18,239** | 1,26,64,843 |
| Finished goods | **67,80,502** | 74,01,786 |
| Loose tools | **65,571** | 78,950 |
| | **27,06,96,421** | 31,23,04,364 |
| **Sundry debtors** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Debts outstanding for a period exceeding six months | | |
| - Considered good | **12,99,086** | - |
| - Considered doubtful | **22,59,655** | 45,72,430 |
| Less: provision for doubtful debts | **(22,59,655)** | (45,72,430) |
| Other debts | **18,20,55,512** | 7,40,43,833 |
| | **18,33,54,598** | 7,40,43,833 |
| **Cash and bank balances** | | |
| Cash in hand | **7,76,307** | 7,58,121 |
| Balances with scheduled banks | | |
| - Current accounts | **8,89,021** | 21,38,794 |
| - Fixed deposit accounts* | **2,83,12,600** | 1,14,38,400 |
| | **2,99,77,928** | 1,43,35,315 |

* Includes pledged as security for letters of credit / bank guranantees Rs. 2,18,12,600 (previous year Rs.1,14,38,400) and earmarked against public deposits Rs. 65,00,000 (previous year Rs.Nil)

| | | |
|---|---|---|
| **Loans and advances** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| - Considered good | **3,83,94,850** | 7,59,28,792 |
| - Considered doubtful | **9,76,766** | 9,76,766 |
| Less: Provision for doubtful advances | **(9,76,766)** | (9,76,766) |
| | **3,83,94,850** | 7,59,28,792 |
| Advance income tax and tax deducted at source [net of provision for tax Rs. 8,83,28,273 (previous year Rs. 10,84,89,578)] | **71,55,699** | 48,45,759 |
| MAT credit entitlement | **4,60,45,331** | 2,59,60,514 |
| Balance with excise, service tax, customs and sales tax authorities | **1,25,64,659** | 2,24,58,172 |
| Interest accrued but not due on fixed deposits from banks | **5,26,215** | 3,39,013 |
| | **10,46,86,754** | 12,95,32,250 |

(All amounts are in Indian Rupees)

## Schedule 8 : CURRENT LIABILITIES AND PROVISIONS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Current liabilities** | | |
| Acceptances | **2,09,36,387** | - |
| Sundry creditors other than micro and small enterprises# | | |
| - Creditors for capital goods | **2,07,58,544** | 7,25,73,595 |
| - Trade | **4,08,49,917** | 3,95,89,471 |
| Other liabilities | **5,25,63,330** | 5,41,26,269 |
| Interest accrued but not due on fixed deposits | **25,71,449** | 9,16,771 |
| | **13,76,79,627** | 16,72,06,106 |
| # Refer note 6 of Schedule 15. | | |
| **Provisions** | | |
| Proposed dividend | | |
| - on preference shares | **8,71,644** | 12,22,603 |
| - on equity shares | **87,26,363** | 87,26,363 |
| Corporate dividend tax | **15,94,133** | 16,90,827 |
| Leave encashment | **53,14,999** | 42,59,199 |
| | **1,65,07,139** | 1,58,98,992 |

## Schedule 9 : OTHER INCOME

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Interest income | | |
| - from banks on fixed deposits [gross of tax deducted at source Rs. 1,42,626 (previous year Rs.1,16,214)] | **14,13,066** | 7,96,362 |
| - others [gross of tax deducted at source Rs. 55,286 (previous year Rs. 1,20,261)] | **22,18,537** | 8,11,465 |
| Rent received | **13,38,904** | 13,40,329 |
| Liabilities / provisions no longer required written back | **12,78,238** | 9,38,087 |
| Provision for diminution in value of investment (Long term, trade) written back (refer note 8 of Schedule 15) | **1,29,83,000** | - |
| Foreign exchange gain (net) | **35,45,944** | - |
| Miscellaneous income | **60,19,236** | 46,56,925 |
| | **2,87,96,925** | 85,43,168 |

(All amounts are in Indian Rupees)

## Schedule 10 : RAW MATERIALS CONSUMED

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Raw materials | | |
| Opening stock | **13,97,34,406** | 4,60,74,960 |
| Add : Purchases | **91,24,55,174** | 70,39,71,219 |
| Less : Closing stock | **8,08,43,935** | 13,97,34,406 |
| | **97,13,45,645** | 61,03,11,773 |

## Schedule 11 : DECREASE / (INCREASE) IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Opening stock | | |
| Work-in-process | **1,26,64,843** | 76,63,119 |
| Finished goods | **74,01,786** | - |
| | **2,00,66,629** | 76,63,119 |
| Closing stock | | |
| Work-in-process | **1,19,18,239** | 1,26,64,843 |
| Finished goods | **67,80,502** | 74,01,786 |
| | **1,86,98,741** | 2,00,66,629 |
| | **13,67,888** | (1,24,03,510) |

## Schedule 12 : EMPLOYEES' REMUNERATION AND BENEFITS

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Salaries and allowances | **15,16,25,153** | 11,12,89,516 |
| Contribution to provident and other funds | **1,48,44,058** | 1,04,89,024 |
| Employee welfare expenses | **28,99,167** | 18,79,635 |
| | **16,93,68,378** | 12,36,58,175 |

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

## Schedule 13 : MANUFACTURING AND OTHER OPERATING EXPENSES

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Stores, spares, chemicals and packing material consumed | **70,51,31,242** | 42,05,90,693 |
| Power and fuel | **58,46,46,383** | 43,93,74,314 |
| Repairs and maintenance | | |
| - Building | **13,01,997** | 8,95,386 |
| - Plant and machinery | **1,80,35,376** | 2,49,66,357 |
| Insurance | **50,74,109** | 42,72,369 |
| Rent (net) | **28,20,170** | 23,23,775 |
| Rates and taxes | **40,21,588** | 37,06,644 |
| Legal and professional | **4,25,07,453** | 2,71,49,322 |
| Research and development | **31,566** | 1,70,580 |
| Freight and cartage | **1,17,31,072** | 69,31,696 |
| Dealer's commission | **1,24,90,989** | 81,49,111 |
| Cash discounts | **52,76,637** | 45,06,591 |
| Directors sitting fees | **10,05,000** | 13,03,500 |
| Loss on sale of fixed assets (net) | **27,46,333** | - |
| Pollution control expenses* | **2,86,32,308** | 2,46,61,560 |
| Provision for impairment in investment | **-** | 1,29,83,000 |
| Travelling and conveyance | **1,31,60,046** | 1,24,61,638 |
| Commission to directors | **10,34,520** | 11,76,031 |
| Royalty expenses | **2,54,09,253** | 1,65,36,457 |
| Sundry balances written off | **5,67,383** | - |
| Miscellaneous expenses | **1,11,69,412** | 95,70,638 |
| | **1,47,67,92,837** | 1,02,17,29,662 |

* includes Rs. 72,71,353 (previous year Rs. 63,16,797) and Rs.1,98,06,512 (previous year Rs. 1,71,63,069) towards salary and wages and power consumption cost respectively.

## Schedule 14: INTEREST EXPENSE*

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Interest on :** | | |
| - Term loans | **15,93,13,609** | 12,12,51,633 |
| - Working capital loans | **2,38,72,132** | 1,43,08,243 |
| - Vehicle loans | **10,84,590** | 5,66,490 |
| - Fixed deposits from public | **1,33,61,116** | 62,40,781 |
| - Finance lease obligations | **2,38,935** | - |
| - Others | **2,20,83,944** | 2,85,41,357 |
| - Bank charges | **65,45,815** | 62,57,573 |
| | **22,65,00,141** | 17,71,66,077 |

* Also refer note 5 of Schedule 15.

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

# Schedule 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

**1. Background**

ABC Paper Limited ("the Company"), is a limited Company incorporated under the provisions of the Companies Act, 1956.

The Company is listed on Bombay Stock Exchange. The Company has voluntarily delisted itself from the Kanpur Stock Exchange with effect from 14 March 2011.

The Company's business primarily consists of manufacture and sales of paper, mainly in the domestic markets.

**2. Significant Accounting Policies**

**a. Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the accounting standards as notified under the Companies (Accounting Standards) Rules, 2006 and the presentational requirements of the Companies Act, 1956, to the extent applicable.

**b. Use of estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimation of future obligations under employee retirement benefit plans, estimated useful life of fixed assets, etc. Actual results could differ from these estimates. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standards.

**c. Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition less accumulated depreciation. Cost is inclusive of freight, duties, taxes, other directly attributable normal costs to bring the assets to their working condition for intended use and net of Cenvat/VAT availed. Advances paid towards acquisition of fixed assets, not ready to put to use before the year end, are disclosed as capital work-in-progress.

Other than leased assets, depreciation is provided at the rates specified in Schedule XIV of the Companies Act, 1956 on the following basis:

| | |
|---|---|
| - Second hand captive power plant | Written down value method |
| - All other assets | Straight line method |

In respect of fixed assets taken on finance lease, the depreciation is provided on the straight line method over the useful life of assets as estimated by the management (presently 3 years) or lease period, whichever is shorter.

In respect of assets added/disposed off during the year depreciation is charged on a pro-rata basis with reference to the month of addition/disposal. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

Assets costing upto Rs. 5,000 per unit are fully depreciated in the year of purchase.

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. These assets are valued at cost which comprises its purchase price and any directly attributable expenditure.

Intangible assets in the form of paper brands are amortised under the straight line method over their estimated useful life of 10 years.

**d. Capital subsidy**

Government grants are deducted from the value of the concerned asset if the grant is specifically received for the purchase, construction or acquisition of the asset. However, if it is received as a contribution towards the total investment or by way of contribution to its capital outlay and no repayment is ordinarily required to be made, such grants are treated as capital reserves.

**e. Impairment**

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard 28, 'Impairment of Assets', to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(All amounts are in Indian Rupees)

**f. Accounting for investment**

Investments are classified into current and long term investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are stated at the lower of cost and fair value. Long term investments, including interests in joint venture companies, are carried at cost. A provision for diminution in value is made to recognize a decline other than temporary in the value of long term investments.

**g. Inventories**

Inventories are valued at the lower of weighted average cost and net realisable value. Cost of inventories includes all costs incurred in bringing the inventories to their present location and condition.

Cost of raw material, chemicals and fuels, stores and spare parts, packing material and loose tools are determined on weighted average cost method.

Cost of work-in-process and manufactured goods includes direct materials, direct labour and appropriate factory overheads. Soda ash (by- product) is measured at net realisable value.

**h. Foreign currency transactions**

The Company accounts for effects of difference in foreign exchange rates in accordance with Accounting Standard 11 notified by the Companies (Accounting Standards) Rules, 2006. Foreign currency transactions are recorded using the exchange rate prevailing on the date of transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currency are restated at the exchange rate prevailing at the year end. The resultant differences are recognised in the Profit and Loss Account.

**i. Revenue recognition**

Revenue from sale of products is recognised on transfer of all significant risk and rewards of ownership to the buyer which coincides with despatch of goods from factory premises and is recognised on accrual basis. The sales are recorded at invoice value net of rebate / trade discounts, sales tax and returns and including excise duties.

Interest income is recognised on an accrual basis on time proportion method, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the right to receive payment is established by the balance sheet date.

Exports benefits (Duty entitlement pass book) are recognized on an accrual basis at the anticipated realisable value, based on past experience.

**j. Employee benefits**

***Short term employee benefits***

All employee benefits payable/available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and bonus, short term compensated absences, etc., are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

***Post employment benefits***

*Defined contribution plans*

The employee's provident fund scheme and employee state insurance scheme of the Company are defined contribution plans. The Company's contribution paid/payable under the schemes is recognised as an expense in the Profit and loss account during the year in which the employee renders the related service. The Company contributes to the Regional Provident Fund Commissioner to cover its liability towards employees' provident fund dues.

*Defined benefit plans*

The Company's gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation carried at the year end using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. Actuarial gains and losses are recognised immediately in the profit and loss account.

The Company contributes to a registered trust administered by it to cover its liabilities towards employees' gratuity. Liability with respect to the Gratuity plan determined as above and any differential between the fund amount as per the trust and the liabilities as per actuarial valuation is recognised as an asset or liability.

***Other long term employee benefits***

Benefits under the Company's leave encashment constitute other long term employee benefits. Other long-term employee benefits are recognised as an expense in the profit and loss account for the period in which the employee has rendered services. Estimated liability on account of long-term benefits is actuarially determined based on the projected unit credit method using the yield on government bonds, as on the date of balance sheet, as the discounting rate. Actuarial gains and losses are recognized to the Profit and Loss Account.

**k. Research and development expenditure**

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

**l. Taxes on income**

Income tax expense comprises current tax and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset is recognised using the tax rates that have been enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each Balance Sheet date to reassess realisation. However, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence of realisation of such assets.

Minimum Alternative Tax (“MAT”) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax in future. MAT Credit entitlement can be carried forward and utilized for a specific period as prescribed under the law from the year in which the same is availed. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

**m. Leases**

***Operating leases***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease charges are recognised as an expense in the Profit and loss account on a straight line basis.

***Finance leases***

Assets and liabilities acquired under finance leases are recognised at the fair value of leased asset at the inception of the lease. However, in cases where the fair value of the leased asset from the standpoint of the lessee exceeds the present value of minimum lease payments, the asset is recognised at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

**n. Provisions and contingencies**

The Company recognises a provision when there is a present obligation as a result of a past event and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are not discounted to its present value, and are determined based on the management's best estimate of the amount of obligation required at the year end. These are reviewed at each balance sheet date and adjusted to reflect current management estimates.

Provision for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non occurrence of future events not wholly within the control of the Company. Contingent liabilities are also disclosed for present obligations in respect of which it is not probable that there will be an outflow of resources or a reliable estmate of the amount of obligation cannot be made. When there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote, no disclosure or provision is made.

**o. Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets to the extent that they relate to the period till such assets are ready to be put to use. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to profit and loss account.

**p. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive. At present the Company does not have any dilutive potential equity shares.

**3. Contingent liabilities and capital commitments**

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| a) Claims against the Company not acknowledged as debts | | |
| - Income tax matters | 3,94,72,648 | 7,57,000 |
| - Excise duty matters | 7,49,74,923 | 6,61,78,233 |
| b) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 8,82,38,626 | 5,84,42,685 |
| c) Guarantees given by the Company on behalf of other party # | 7,20,00,000 | 7,20,00,000 |

# In the previous years, the Company had given a corporate guarantee of Rs. 7,20,00,000 (previous year Rs.7,20,00,000) in favour of a bank in consideration of their granting credit facilities of Rs.7,20,00,000 to Greencone Environs Private Limited (a joint venture company upto 6 July 2010) for setting up of a Lignin Precipitation System "LPS Project" at Sailakhurd, for which the Company is contingently liable. The outstanding loan as on 31 March 2011 is Rs. 49,24,985 (previous year Rs.1,48,50,000). The Company has received a counter guarantee from one of the present joint venturers in "Greencone Environs Private Limited", in respect of the guarantee given by the Company.

d) Subsequent to the year-end, a search was carried out by the Income tax authorities at various premises of the Company and the assessments are under progress. The management has assessed its position and is of the view that it would not have any impact on the financial statements of the Company as at and for the year ended 31 March 2011.

**4. Auditors' remuneration (excluding service tax)**

| | Year ended 31 March 2011 | Year ended 31 March 2010 |
|---|---|---|
| Statutory audit fees | | |
| - Current auditors | 5,00,000 | - |
| - Previous auditors | - | 2,75,000 |
| **Limited review** | | |
| - Current auditors | 3,00,000 | - |
| - Previous auditors | 7,500 | 30,000 |
| **Reimbursement of out of pocket expenses** | | |
| - Current auditors | 20,938 | - |
| - Previous auditors | 1,07,735 | 1,56,060 |
| **Total** | **9,36,173** | **4,61,060** |

**5.** Borrowing costs amounting to Rs. 14,25,220 (previous year Rs. 2,70,60,179) attributable to acquisition and construction of fixed assets have been capitalized during the year.

**6.** Based on the information presently available, there are no amounts due to any micro or small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

**7.** During the previous year, the Company had received Rs.1,00,14,000 from the Ministry of New and Renewable Energy as Government's contribution towards the capital outlay for installing a 10 MW Bio-mass Cogeneration Plant for the captive use of the Company. The amount was shown as a capital reserve.

**8.** The Company had a joint venture with Granit Recherche Developpement S.A. of Switzerland for treatment of black liquor through a process "Lignin Precipitation System (LPS)" plant in joint venture company (hereinafter referred as JV) under the name of "Greencone` Environs Private Limited". The Company had invested a sum of Rs. 1,29,83,000 in equity (49.62%) and had an outstanding unsecured loan of Rs. 5,99,99,725 as on 31 March 2010.

During the year, consequent to an arrangement with a party, the investment has been sold at par value and the value of investment amounting to Rs. 1,29,83,000 earlier provided for in the previous year has been written back in the current year. The Company has also received back the entire unsecured loan of Rs. 5,99,99,725 during the year.

(All amounts are in Indian Rupees)

Pursuant to Accounting Standard (AS) 27 – Financial Reporting on interest in Joint Venture, the disclosures relating to the joint-venture viz., Greencone Environs Private Limited are as follows:

(a) As at 31 March 2011, the Company does not have any interest in Greencone Environs Private Limited. As at 31 March 2010, the proportion of interest of the Company in the JV was by way of equity participation to the extent of 49.62%;

(b) The aggregate amounts of assets and liabilities relating to the Company's interest in the JV are as follows:

| | **31 March 2011 (Un-audited)** | **31 March 2010* (Audited)** |
|---|---|---|
| Assets | N.A | 6,68,10,560 |
| Liabilities | N.A | 8,46,25,827 |

* Audited Figures have been substituted.

(c) The aggregate amounts of income and expenses relating to the Company's interest in the JV are follows:

| | **1 April 2010 to 6 July 2011 # (Un-audited)** | **31 March 2010* (Audited)** |
|---|---|---|
| Income | 39,56,634 | 1,25,56,276 |
| Expenses | 47,03,125 | 1,49,14,421 |

* Audited Figures have been substituted.
# on a pro-rata basis till the date it was a joint venture.

(d) As at 31 March 2010, the Company's share of:
- Capital commitment of JV is Rs. Nil.
- Contingent liabilities of JV is Rs. Nil.
- Contingent liability outstanding against the co-venturer is Rs. Nil

As at 31 March 2011, the Company does not have any interest in Greencone Environs Private Limited

**9. Related party transactions**

**A. Related parties where control exists :** None

**B. Related parties transactions and nature of related party relationships**

| **Description of relationship** | **Name of the party** |
|---|---|
| Other related parties where transactions have taken place | |
| (a) Key management personnel and individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise | - Mr. J.K. Khaitan, Chairman and Managing Director *<br>- Mr. Pavan Khaitan, Managing Director<br>- Mr. N.K.Bajaj** |
| (b) Enterprises over which, individuals (together with their relatives) mentioned in (a) above have significant influence | - Pooja Gases Private Limited**<br>- Pushpak Finvest Private Limited**<br>- United Holding Private Limited**<br>- Amrit Corp Limited**<br>- Amrit Banaspati Company Limited**<br>- Combine Overseas Limited |
| (c) Joint ventures # | - Greencone Environs Private Limited |
| (d) Investing party in respect of which the company is an associate | - Esteem Finventures Limited |

* appointed as a Chairman and Managing Director with effect from 17 July 2010

** with effect from 16 July 2010, Mr. N K Bajaj ceased to be the Chairman and Managing Director and, therefore, transactions have been disclosed till 16 July 2010

# upto 6 July 2010, Greencone Environs Private limited was a joint venture company (refer note 8 above).

(All amounts are in Indian Rupees)

**C) Transactions during the year:**

| | | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|---|---|---|
| **a)** | **Sale of goods** | **11,893** | **1,19,035** |
| | - Amrit Banaspati Company Limited | 11,893 | 1,19,035 |
| **b)** | **Reimbursement of expenses received** | **-** | **20,309** |
| | - Amrit Corp Limited | - | 20,309 |
| **c)** | **Rent income** | **10,918** | **41,000** |
| | - Greencone Environs Private limited | 10,918 | 41,000 |
| **d)** | **Reimbursement of expenses paid** | **1,65,507** | **6,79,841** |
| | - Amrit Corp Limited | 1,65,507 | 6,49,296 |
| | - Amrit Banaspati Company Limited | - | 30,545 |
| **e)** | **Unsecured loans taken** | **3,90,00,000** | **3,05,00,000** |
| | - Amrit Banaspati Company Limited | - | 3,00,00,000 |
| | - Esteem Finventures Limited | 1,15,00,000 | 5,00,000 |
| | - Combine Overseas Limited | 50,00,000 | - |
| | - Mr. J K Khaitan | 2,00,00,000 | - |
| | - Mr. Pavan Khaitan | 25,00,000 | - |
| **f)** | **Unsecured loans repaid** | **1,45,00,000** | **4,05,00,000** |
| | - Amrit Corp Limited | - | 1,00,00,000 |
| | - Amrit Banaspati Company Limited | - | 3,00,00,000 |
| | - Esteem Finventures Limited | - | 5,00,000 |
| | - Combine Overseas Limited | 50,00,000 | - |
| | - Pooja Gases Private Limited | 25,00,000 | - |
| | - Pushpak Finvest Private Limited | 25,00,000 | - |
| | - United Holdings Private Limited | 45,00,000 | - |
| **g)** | **Advances given** | **1,25,00,000** | **30,00,000** |
| | - Greencone Environs Private Limited | 1,25,00,000 | 30,00,000 |
| **h)** | **Advances recovered** | **7,24,99,725*** ** | **30,00,000** |
| | - Greencone Environs Private Limited | 7,24,99,725*** | 30,00,000 |
| **i)** | **Purchase of fixed assets** | **5,90,000** | **-** |
| | - Amrit Banaspati Company Limited | 5,90,000 | - |
| **j)** | **Interest on unsecured loans** | **19,06,891** | **32,93,498** |
| | - Amrit Banaspati Company Limited | - | 28,32,402 |
| | - Amrit Corp Limited | - | 4,61,096 |
| | - Esteem Finventures Limited | 42,657 | - |
| | - Combine Overseas Limited | 1,09,726 | - |
| | - Pooja Gases Private Limited | 32,054 | - |
| | - Pushpak Finvest Private Limited | 31,265 | - |
| | - United Holidngs Private Limited | 49,710 | - |
| | - Mr. J K Khaitan | 14,79,534 | - |
| | - Mr. Pavan Khaitan | 1,61,945 | - |
| **k)** | **Investments sold** | **1,29,83,000** | **-** |
| | - Esteem Finventures Limited | 1,29,83,000 | - |
| **l)** | **Legal and professional expenses (excluding service tax)** | **3,12,90,000** | **1,40,00,000** |
| | - Amrit Corp Limited | 55,00,000 | 1,40,00,000 |
| | - Esteem Finventures Limited | 1,81,90,000 | - |
| | - Combine Overseas Limited | 76,00,000 | - |
| **m)** | **Royalty expenses (excluding service tax)** | **2,54,09,253** | **1,65,36,457** |
| | - Amrit Corp Limited | 2,54,09,253 | 1,65,36,457 |
| **n)** | **Preference dividend paid** | **12,22,603** | **71,50,000** |
| | - Amrit Corp Limited | 12,22,603 | 71,50,000 |

Schedules forming part of the accounts
(All amounts are in Indian Rupees)

| | | |
|---|---|---|
| **o) Equity dividend paid** | **58,03,788** | **17,54,000** |
| - Esteem Finventures Limited | 42,89,538 | 17,54,000 |
| - Combine Overseas Limited | 15,14,250 | - |
| **p) Preference dividend proposed** | **3,04,932** | **12,22,603** |
| - Amrit Corp Limited | 3,04,932 | 12,22,603 |
| **q) Sale of fixed assets (excluding sales tax)** | **14,57,133** | **-** |
| - Amrit Banaspati Company Limited | 14,57,133 | - |
| **r) Managerial remuneration** | **95,37,151** | **96,28,732** |
| - Mr. J K Khaitan | 37,82,663 | - |
| - Mr. Pavan Khaitan | 41,88,571 | 39,55,483 |
| - Mr. N K Bajaj | 15,65,917 | 56,73,249 |

**D. Balances outstanding**

| | **As at 31 March 2011** | **As at 31 March 2010** |
|---|---|---|
| ***Loans and advances*** | **-** | **5,99,99,725** |
| - Greencone Environs Private Limited | N.A $ | 5,99,99,725 |
| ***Sundry creditors*** | **-** | **66,76,835** |
| - Amrit Corp Limited | N.A @ | 66,76,835 |
| ***Unsecured loans*** | **3,40,00,000** | **2,86,32,239** |
| - Amrit Banaspati Company Limited | N.A@ | 1,91,32,239 |
| - Pooja Gases Private Limited | N.A@ | 25,00,000 |
| - Pushpak Finvest Private Limited | N.A@ | 25,00,000 |
| - United Holidngs Private Limited | N.A@ | 45,00,000 |
| - Esteem Finventures Limited | 1,15,00,000 | - |
| - Mr. J K Khaitan | 2,00,00,000 | - |
| - Mr. Pavan Khaitan | 25,00,000 | - |
| ***Interest accrued but not due on unsecured loans*** | **16,41,479** | **-** |
| - Mr. J K Khaitan | 14,79,534 | - |
| - Mr. Pavan Khaitan | 1,61,945 | - |
| ***Investments*** | - | 1,29,83,000 |
| - Greencone Environs Private Limited | N.A$ | 1,29,83,000 |
| ***Provision for impairment in investment*** | **-** | **1,29,83,000** |
| - Greencone Environs Private Limited | - | 1,29,83,000 |
| ***Preference Shares*** | **-** | **1,50,00,000** |
| - Amrit Corp Limited | N.A@ | 1,50,00,000 |

@ related only upto 16 July 2010.
$ related only upto 6 July 2010.
*** recovered Rs. 3,15,00,000 before 6 July 2010 and Rs.4,09,99,725 after 6 July 2010.
The company has also given a guarantee of Rs. 7,20,00,000 to a bank on behalf of Greencone Environs Private Limited. Refer note 3 (c) above.

**10. Segment information**

The Company is engaged in the business of manufacture and sale of paper, primarily in India and nearby markets, which is a primary segment for the Company and constitutes a single business segment. Accordingly, disclosure requirements of Accounting Standard 17 "Segment Reporting", prescribed by the Companies (Accounting Standards) Rules, 2006 in relation to segment reporting is not given.

**11. Leases**

*Operating leases*

The Company has taken office premises and residential premises under operating lease agreements. Lease payments charged during the year to Profit and Loss Account aggregate Rs. 28,20,170 (previous year Rs. 23,23,775).

*Finance leases*

(All amounts are in Indian Rupees)

The Company has, during the year, acquired computer equipment under finance lease which has been capitalized as a part of computers under fixed assets. At the end of lease period, the Company has the option either to terminate the lease and return the asset or renew the lease.

a) Details of assets purchased under finance lease are as follows:

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|---|---|
| Gross book value of the asset capitalized during the year | 53,74,250 | - |
| Less: depreciation for the year | 8,95,619 | - |
| Net book value at the end of the year | 44,78,631 | - |

b) The future minimum lease payments under finance lease are as follows:

| | Total minimum lease payments outstanding as on 31 March 2011 | Interest not due | Present value of minimum lease payment |
|---|---|---|---|
| Within one year | 19,14,393 | 3,96,766 | 15,17,627 |
| Later than one year and not later than five years | 32,83,332 | 2,59,987 | 30,23,345 |
| **Total** | **51,97,725** | **6,56,753** | **45,49,972** |

**12.** The components of deferred tax balances are as follows:

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| **Deferred tax liabilities on:** | | |
| Difference between written down values as per books and as per tax laws | 35,08,65,905 | 32,60,27,053 |
| | **35,08,65,905** | **32,60,27,053** |
| **Deferred tax assets on:** | | |
| Unabsorbed depreciation | 10,30,70,963 | - |
| Provision for bonus and exgratia | 37,67,256 | - |
| Provision for leave encashment | 17,24,451 | - |
| Restructuring expenses | 7,087 | 3,68,115 |
| Finance lease obligation | 14,76,238 | - |
| Other provisions | 10,50,058 | 60,94,582 |
| | **11,10,96,053** | **64,62,697** |
| **Net deferred tax liabilities** | **23,97,69,852** | **31,95,64,356** |
| Net charge / (credit) in the profit and loss account for the year | (7,97,94,504) | 21,88,91,700 |
| Less: Prior period deferred tax (credit) / charge* | (10,83,35,000) | 21,88,91,700 |
| Deferred tax charge for the year | 2,85,40,496 | - |

* Inadvertently, the computation of deferred taxation for the previous year did not consider the impact of unabsorbed depreciation. In the current year, the deferred tax has been corrected to include the same leading to an additional net deferred tax credit of Rs. 10,83,35,000. As a result, profit for the year after tax is higher by Rs. 10,83,35,000.

**13.** The computation of basic and diluted earnings per share is set out below

| | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|---|---|
| Profit / (loss) after tax as per profit and loss account | 18,31,51,263 | (12,52,31,599) |
| Less: preference dividend including tax thereon | 10,16,415 | 14,30,384 |
| Net profit / (loss) attributable to the equity shareholders (A) | 18,21,34,848 | (12,66,61,983) |
| Number of shares used for calculating basic and diluted earnings per equity shares (B) | 87,26,363 | 87,26,363 |
| Basic and diluted earnings / (loss) per share – (A)/(B) (Nominal value - Rs. 10 per share) | 20.87 | (14.51) |

(All amounts are in Indian Rupees)

**14. Disclosures pursuant to Accounting Standard 15 on "Employee Benefits":**

**Defined contribution plans**

The Company's provident fund scheme and employee state insurance (ESI) fund scheme are defined contribution plans. The company has recorded expenses of Rs. 1,11,28,967 (previous year Rs. 84,90,633) under provident fund scheme and Rs.36,86,695 (previous year Rs.19,76,901) under ESI scheme. These have been included in schedule 12 'Employees' remuneration and benefits', in the Profit and Loss account.

**Defined benefit plans**

**Gratuity**

Gratuity is payable to all eligible employees of the Company on superannuation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme, whichever is more beneficial.

***Changes in the present value of defined benefit obligation***

| | | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|---|
| a) | Present value of obligation as at the beginning of the year | 1,85,31,312 | 1,37,58,357 |
| b) | Interest cost | 15,75,162 | 11,00,669 |
| c) | Past service cost | 11,89,571 | - |
| d) | Current service cost | 21,76,780 | 18,03,017 |
| e) | Benefits paid | (13,37,112) | (19,77,241) |
| f) | Actuarial (gain)/loss on obligation | 16,05,734 | 38,46,510 |
| g) | Present value of obligation as at the end of the year | **2,37,41,447** | **1,85,31,312** |

***Changes in the fair value of plan assets***

| | | For the year ended 31 March 2011 | For the year ended 31 March 2010 |
|---|---|---|---|
| a) | Fair value of plan assets at the beginning of the year | 1,85,29,887 | 1,37,58,357 |
| b) | Expected return on plan assets | 17,14,015 | 12,58,890 |
| c) | Actuarial gains/(loss) | (5,84,981) | (99,457) |
| d) | Contributions | 55,00,000 | 55,89,338 |
| e) | Benefits paid | (13,37,112) | (19,77,241) |
| f) | Fair value of plan assets at the end of the year | **2,38,21,809** | **1,85,29,887** |

***Amount recognised in the Balance Sheet***

| | | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|---|
| a) | Present value of obligation as at the end of the year | 23,741,447 | 1,85,31,312 |
| b) | Fair value of plan assets as at the end of the year | 23,821,809 | 1,85,29,887 |
| c) | Net asset/(liability) recognized in balance sheet | **80,362** | **(1,425)** |

***Expenses recognised in the Profit and Loss Account***

| | | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|---|
| a) | Current service cost | 21,76,780 | 18,03,017 |
| b) | Past service cost | 11,89,571 | - |
| c) | Interest cost | 15,75,162 | 11,00,669 |
| d) | Expected return on plan assets | (17,14,015) | (12,58,890) |
| e) | Curtailment cost / (credit) | - | - |
| f) | Settlement cost / (credit) | - | - |
| g) | Net actuarial (gain)/ loss recognized in the year | 21,90,715 | 39,45,967 |
| h) | Expenses recognized in the profit and loss account | **54,18,213** | **55,90,763** |

(All amounts are in Indian Rupees)

***Actuarial gain/ (loss) for the year***

| | As at 31 March 2011 | As at 31 March 2010 |
|---|---|---|
| Present value of defined benefit obligation | (16,05,734) | (38,46,510) |
| Fair value of plan asset | (5,84,981) | (99,457) |
| | **(21,90,715)** | **(39,45,967)** |

***Details of current year and previous four years of:***

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| Defined benefit obligation | 2,37,41,447 | 1,85,31,312 | 1,51,82,000 | 1,27,91,000 | N.A |
| Fair value of plan assets | 2,38,21,809 | 1,85,29,887 | 1,37,58,000 | 66,68,000 | N.A |
| Surplus/ (deficit) | 80,362 | (1,425) | (14,24,000) | (61,23,000) | N.A |
| Experience adjustment on plan liabilities (loss)/ gain* | (12,50,469) | (91,74,303) | (19,53,000) | (9,20,000) | N.A |
| Experience adjustment on plan assets (loss)/ gain* | (5,66,451) | 11,59,433 | 5,000 | 87,000 | N.A |

* As per management estimate for the year ended 31 March 2008 and 31 March 2009.

The Company's best estimate of the contributions expected to be paid during the next year is Rs. 2,043,637 (previous year Rs.1,330,068).

***The principal assumptions used in determining the gratuity benefit obligation are as given below:***

| | As at 31 March 2011 % | As at 31 March 2010 % |
|---|---|---|
| Discount rate | 8.50 | 8.00 |
| Expected rate of return on assets per annum | 7.70% to 9.25% | 7.70% to 9.15% |
| Salary escalation rate per annum | 5.00 | 5.00 |

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

The salary escalation rate is based on estimates of salary increases, which take into account inflation, promotion and other relevant factors.

**Demographic assumptions:**

| | As at 31 March 2011 | | As at 31 March 2010 | |
|---|---|---|---|---|
| Mortality | LIC (1994-96) duly modified | | LIC (1994-96) duly modified | |
| Retirement Age | 58 years | | 58 years | |
| **Withdrawal rates** | **Age** | **Withdrawal rate %** | **Age** | **Withdrawal rate %** |
| | Upto 30 yrs. | 3 | Upto 30 yrs. | 3 |
| | Upto 44 yrs | 2 | Upto 44 yrs. | 2 |
| | Above 44 yrs. | 1 | Above 44 yrs. | 1 |

**The major categories of plan assets are as follows:**

| | As at 31st March 2011 | As at 31st March 2010 |
|---|---|---|
| Insurer managed funds* | 1,69,04,177 | 1,12,81,220 |
| Bonds and government securities | 67,75,830 | 72,75,830 |
| Balance with banks | 1,41,802 | 1,43,217 |
| | **2,38,21,809** | **1,85,29,887** |

*The Company is not informed by the insurer (Life Insurance Corporation of India) of the investment made by it or the break - down of plan assets by investment type.

(All amounts are in Indian Rupees)

**15.** Disclosure pursuant to clause 32 of the listing agreement with stock exchanges:

| | As at 31st March 2011 | As at 31st March 2010 |
|---|---|---|
| **Loans and advances in the nature of loans to associates** | Nil | 5,99,99,725 |

Greencone Environs Private Limited
[Maximum amount outstanding during the year
Rs. 5,99,99,725 (previous year Rs.6,00,81,261)]

The above loans are in nature of unsecured loans, interest free and repayable as per terms of agreement.

**16.** Managerial remuneration:

| | For the year ended 31st March 2011 | For the year ended 31st March 2010 |
|---|---|---|
| Salaries and allowances* | 76,28,646 | 74,88,000 |
| Contribution to provident and other funds | 5,72,148 | 5,61,600 |
| Perquisites | 3,01,837 | 4,03,101 |
| Commission to directors | 10,34,520 | 11,76,031 |
| | **95,37,151** | **96,28,732** |
| Sitting fees paid to non executive directors | 10,05,000 | 13,03,500 |
| **Total** | **1,05,42,151** | **1,09,32,232** |

* Gratuity and leave encashment have been provided on an actuarial basis for the Company as a whole. Accordingly, separate figures are not available on an individual basis and, thus, not included.

**Computation of Net Profit under Section 349 in pursuant to Schedule XIII of the Companies Act, 1956 and determination of maximum amount of Managerial Remuneration**

| | For the year ended 31st March 2011 | For the year ended 31st March 2010 |
|---|---|---|
| Profit before tax as per profit and loss account | 10,26,59,613 | 9,36,60,101 |
| **Add:** | | |
| Wealth tax | 26,689 | 27,765 |
| Directors' remuneration and commission | 95,37,151 | 96,28,732 |
| Directors' sitting fees | 10,05,000 | 13,03,500 |
| Loss on sale of fixed asset (net) | 27,46,333 | - |
| Depreciation and amortizations for the year | 14,64,11,520 | 12,05,96,281 |
| Provision for diminution in value of investments | - | 1,29,83,000 |
| | 15,97,26,893 | 14,45,39,278 |
| | **26,23,86,506** | **23,81,99,379** |
| **Less:** | | |
| Depreciation/ amortization as per Section 350 of the Companies Act, 1956 | 14,59,51,484 | 12,05,96,281 |
| Provision for diminution in value of investment written back | 1,29,83,000 | - |
| | **15,89,34,484** | **12,05,96,281** |
| Profit under Section 349 of the Companies Act, 1956 | 10,34,52,022 | 11,76,03,098 |
| Maximum permissible remuneration to Managing Directors under sections 198 and 310 of the Companies Act, 1956 @ 10% of the profits computed above. | 1,03,45,202 | 1,17,60,310 |
| Restricted to (as per service agreement) | | |
| - Fixed remuneration | 85,02,631 | 84,52,701 |
| - Commission | 10,34,520 | 11,76,031 |
| **Total** | **95,37,151** | **9,628,732** |

(All amounts are in Indian Rupees)

**17.** Value of imported and indigenous raw materials consumed during the year :

| | For the year ended 31st March 2011 Value | % | For the year ended 31st March 2010 Value | % |
|---|---|---|---|---|
| **Raw materials:** | | | | |
| Imported | 27,89,64,359 | 28.72 | 14,56,55,352 | 23.87 |
| Indigenous | 69,23,81,286 | 71.28 | 46,46,56,421 | 76.13 |
| **Total** | **97,13,45,645** | **100.00** | **61,03,11,773** | **100.00** |

**18.** Value of imported and indigenous stores and spares and chemicals and packing material consumed during the year :

| | For the year ended 31st March 2011 Value | % | For the year ended 31st March 2010 Value | % |
|---|---|---|---|---|
| **Stores and spares, chemicals and packing material:** | | | | |
| Imported | **54,62,014** | **0.77** | **1,53,14,981** | **3.64** |
| Indigenous | 69,96,69,228 | 99.23 | 40,52,75,712 | 96.36 |
| **Total** | **70,51,31,242** | **100.00** | **42,05,90,693** | **100.00** |

**19.** CIF value of imports:

| | For the year ended 31st March 2011 | For the year ended 31st March 2010 |
|---|---|---|
| Raw materials | 19,48,07,264 | 26,87,50,337 |
| Capital goods | 66,44,924 | 83,43,803 |
| Spares/stores | 54,62,014 | 69,71,178 |

**20.** Expenditure in foreign currency (on accrual basis)

| | For the year ended 31st March 2011 | For the year ended 31st March 2010 |
|---|---|---|
| Travelling and conveyance | 4,41,052 | 6,08,000 |

**21.** Earnings in foreign currency

| | For the year ended 31st March 2011 | For the year ended 31st March 2010 |
|---|---|---|
| FOB value of exports | 1,12,83,511 | 32,25,777 |

(All amounts are in Indian Rupees)

**22.** Capacity and production:

Licensed capacity is not applicable as all the products manufactured are delicensed. The annual installed capacity and production are as follows:

| | | For the year ended 31st March 2011 | | For the year ended 31st March 2010 | |
|---|---|---|---|---|---|
| | Unit | Installed capacity* | Actual production | Installed capacity* | Actual production |
| Paper | MT | 1,00,000 | 79,980 | 1,00,000 | 60,553** |
| Soda ash | MT | - | 2,968 | - | - |

* installed capacities are as certified by the management and have not been verified by the auditors, being a technical matter.
** include 50 MT paper produced during trial runs.

**23.** Details of raw materials consumed during the year:

| | | For the year ended 31st March 2011 | | For the year ended 31st March 2010 | |
|---|---|---|---|---|---|
| | **Unit** | **Quantity** | **Value** | **Quantity** | **Value** |
| Wood pulp | MT | 8,090 | 27,89,64,359 | 6,189 | 14,56,55,352 |
| Wheat straw | MT | 1,04,248 | 41,55,99,784 | 90,442 | 31,65,75,121 |
| Wood chips | MT | 29,980 | 9,75,52,930 | 2,927 | 80,97,295 |
| Grasses | MT | 81,461 | 10,88,05,292 | 1,08,353 | 13,92,05,474 |
| Others* | MT | | 7,04,23,280 | | 7,78,531 |
| Total | | | **97,13,45,645** | | **61,03,11,773** |

* None of the items individually account for 10% or more in value of total materials consumed. It is impracticable to present quantitative information in view of considerable number of items diverse in size and nature.

**24.** Particulars in respect of opening and closing stocks for each class of goods dealt with by the Company:

| | **As at 31 March 2011** | | | | **As at 31 March 2010** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Opening Stock** | | **Closing Stock** | | **Opening Stock** | | **Closing Stock** | |
| | **Quantity (in MT)** | **Value** | **Quantity (in MT)** | **Value** | **Quantity (in MT)** | **Value** | **Quantity (in MT)** | **Value** |
| Paper | 249 | 74,01,786 | 110 | 36,48,176 | - | - | 249 | 74,01,786 |
| Soda ash | - | - | 355 | 31,32,326 | - | - | - | - |
| | | **74,01,786** | | **67,80,502** | | **-** | | **74,01,786** |

**25.** Particulars in respect of sales turnover (gross) for each class of goods dealt with by the Company:

| | | For the year ended 31st March 2011 | | For the year ended 31st March 2010 | |
|---|---|---|---|---|---|
| | **Unit** | **Quantity** | **Value** | **Quantity** | **Value** |
| Paper | MT | 80,119 | 3,16,65,82,145 | 60,304* | 2,20,93,67,621 |
| Soda ash (by-product) | MT | 2,613 | 2,30,93,825 | | - |
| Total | | | **3,18,96,75,970** | | **2,20,93,67,621** |

* Sales include 50 MT paper sold out of the production during trial run.

(All amounts are in Indian Rupees)

**26.** The Company's exposure in respect of foreign currency denominated liabilities not hedged by derivative instruments is as follows:

| | | As at 31 March 2011 | | As at 31 March 2010 | |
|---|---|---|---|---|---|
| | **Currency** | **Foreign Currency** | **Rs.** | **Foreign Currency** | **Rs.** |
| **Payables:** | | | | | |
| Sundry creditors | USD | 468900 | 2,09,36,386 | - | - |
| Buyer's credit | USD | 1395574 | 6,23,12,401 | - | - |

27. The statutory auditors have issued letters of confirmations in duplicate to major debtors, creditors and others for confirming their balances. Balance confirmations have been received from certain parties. The balances of other parties have been incorporated in the financial statements at the value as per the books of account. The Company, to the extent stated, has considered them as good and necessary provisions have been made in respect of debtors/advances where recovery is considered doubtful.

28. Previous year figures have been audited by another firm of Chartered Accountants.

29. Previous year figures have been regrouped/reclassified, wherever necessary, in order to conform to current year's classifications.

For **BSR & Co.**
Chartered Accountants
Registration No. 101248W

**Kaushal Kishore**
Partner
Membership No. 090075

Place : Chandigarh
Date : May 24, 2011

For and behalf of **ABC Paper Limited**

**J.K. Khaitan**
Chairman & Managing Director

**Pavan Khaitan**
Managing Director

**Roshan Garg**
Sr. Vice President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : May 24, 2011

(All amounts are in Indian Rupees)

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)**

| | | |
|---|---|---|
| **I** | **REGISTRATION DETAILS** | |
| | Registration No. | 035243 |
| | State Code | 053 |
| | Balance Sheet Date | 31st March, 2011 |
| | | **Rupees '000** |
| **II** | **CAPITAL RAISED DURING THE YEAR ENDED 31ST MARCH, 2011** | |
| | Public Issue | - |
| | Right Issue | - |
| | Bonus Issue | - |
| | Private Placement / Scheme of Arrangement | - |
| | Total | - |
| **III** | **POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AS AT 31ST MARCH, 2011** | |
| | Total Liabilities | 28,48,833 |
| | Total Assets | 28,48,833 |
| | **Sources of Funds** | |
| | Paid-up Capital | 97,264 |
| | Reserves and surplus | 5,25,177 |
| | Secured Loans | 15,71,091 |
| | Unsecured Loans | 4,15,531 |
| | Deferred Tax Liability | 2,39,770 |
| | Total | 28,48,833 |
| | **Application of Funds** | |
| | Net fixed assets | 24,04,129 |
| | Investments | - |
| | Net current assets | 4,44,704 |
| | Total | 28,48,833 |
| **IV** | **PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST MARCH, 2011** | |
| | i) Turnover - net of excise (sale of the products and other income) | 30,94,446 |
| | ii) Total expenditure | 29,91,786 |
| | iii) Profit / (Loss) before tax | 1,02,660 |
| | iv) Profit / (Loss) after tax | 1,83,151 |
| | v) Earning per share (see rule 2) (face value of Rs. 10/-) Rs. | 20.87 |
| | vi) Dividend rate( % ) | 10% |
| **V** | **PRODUCTS OF THE COMPANY** | |

Generic name of principal products/services of the company :

| **Item code No.** | **Product description** |
|---|---|
| 4802 57 90 | Paper |

**NOTE**

The above particulars should be read along with the balance sheet as at 31st March, 2011, the Profit & Loss Account for the financial year ended on that date and the Schedules forming part thereof.

Regd Office : Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

14th Annual General Meeting, Friday, the 2nd September, 2011 at 11.30 am
at Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

REGD. FOLIO No./CLIENT ID :..........................................................................................................

DIP ID No. : ..........................................................................................................

NAME : ..........................................................................................................

ADDRESS : ..........................................................................................................

If Joint Holder is attending : ..........................................................................................................
(Full name in block letters)

I certify that I am a registered shereholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 14th Annual General Meeting of the Company.

| NEME OF SHAREHOLDER/PROXY (IN BLOCK LETTERS) | Signature of the Shareholder or Proxy |
|---|---|
| | |

Regd Office : Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

## PROXY FORM

I/We________________________________________________________________

of__________________________________________being a member/members of ABC Paper Ltd. hereby

appoint______________________________________of____________________________________

in the district of______________________________________________________________

or failing him_________________________________of_________________________________

in the district of______________________________________________________________

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 2nd September, 2011 at 11.30 am at Paper Mill, Saila Khurd, Distt. Hoshiarpur, Punjab and at any adjournment thereof.

Signed this .................................... day of .............................. 2011

Affix Rupee One Revenue Stamp

Regd. Folio/Client ID No. :

DP ID No. :

No. of Shares :

Signature

Note : The Proxy must be deposited at the Shares Department of the Company at Regd. Office : Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab, India not less than 48 hours before the time for holding the meeting.

THE PROXY NEED NOT BE A MEMBER

ABC Paper ltd

an Environment Conscious Organisation

# *Our* MISSION

Achieving excellence and consistency in quality;

Preserving environment;

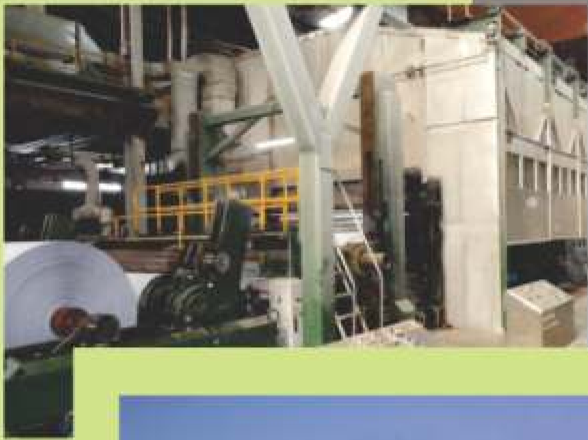
Operating in a cost economic manner with focus on productivity and growth;

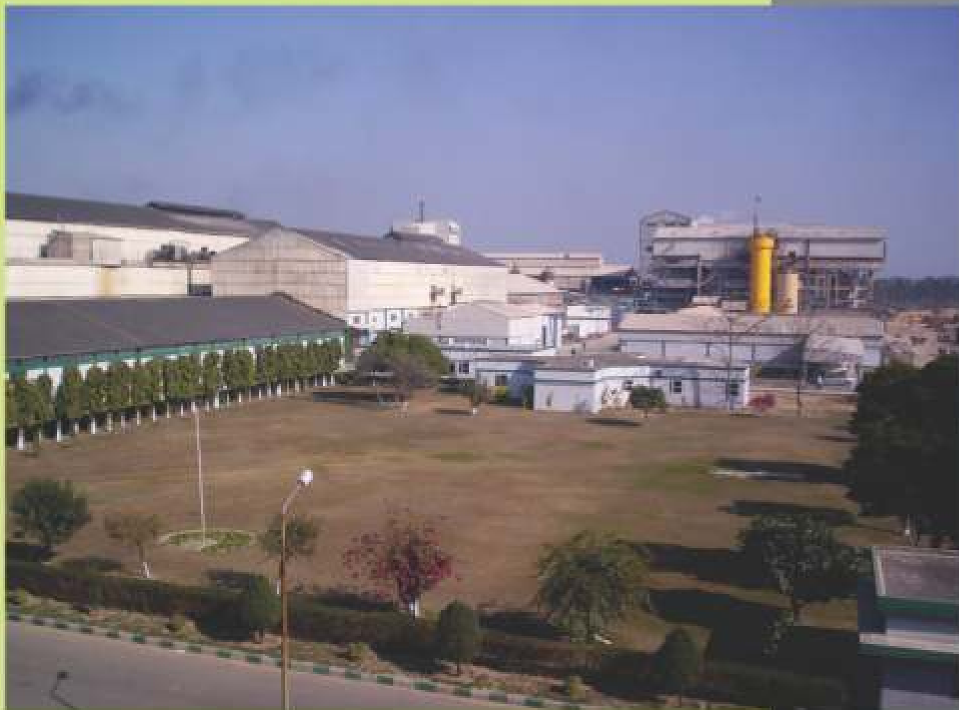
Ensuring total satisfaction of the customer;

Enhancing values to shareholders, employees and associates;

*thereby*

Attaining supremacy in the industry.





ABC Paper ltd

*an Environment Conscious Organisation*

Regd. Office : Paper Mill Saila Khurd 144 529 Distt Hoshiarpur (Punjab)