

HINDUSTAN PAPER CORPORATION LIMITED

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**HINDUSTAN PAPER CORPORATION LIMITED**

**BOARD OF DIRECTORS**

- CHAIRMAN-CUM-MANAGING DIRECTOR** : **Shri M. V. Narasimha Rao**  
(From 09.02.2012)
- DIRECTORS** : **Shri Harbhajan Singh**  
(Upto 04.05.2012)
- Shri Shashank Goel**  
(From 04.05.2012 to 05.09.2012)
- Shri Ambuj Sharma**  
(From 05.09.2012)
- Shri R. Asokan**  
(Upto 09.11.2011)
- Shri S. N. Bhattacharyya**
- Shri Amitabha Banerjee**
- Shri Shashi Kanth Jain**
- Shri T. R. Malakar**  
(Upto 16.10.2011)
- COMPANY SECRETARY** : **Shri L. R. Ekanath**  
(Upto 05.04.2012)
- MANAGER (SECRETARIAT)** : **Shri K. G. Vijayakumaran**  
(From 06.04.2012)
- BANKERS** : Canara Bank  
Central Bank of India  
State Bank of India  
United Bank of India  
UCO Bank  
IDBI Bank  
Andhra Bank
- AUDITORS** : M/s. D. K. Chhajer & Co.  
Chartered Accountants  
6, Old Court House Street  
2nd Floor  
Kolkata - 700 001

## HINDUSTAN PAPER CORPORATION LIMITED

### REGISTERED OFFICE

: 'South Tower' (4th Floor)  
SCOPE Minar  
Laxmi Nagar District Centre  
Delhi - 110 092

### CORPORATE OFFICE

: 'Ruby Building'  
75C, Park Street  
Kolkata - 700 016

### SUBSIDIARIES

: Hindustan Newsprint Limited  
P.O. Newsprint Nagar  
Dist. Kottayam  
Kerala - 686 616  
  
Nagaland Pulp & Paper Co. Ltd.  
P.O. Paper Nagar, Tuli  
Dist. Mokokchung - 798 623  
Nagaland  
  
Jagdishpur Paper Mills Limited  
214A & 215 Ansal City Centre Tower  
China Bazar Road  
Lucknow - 226 001 (U.P.)

## WHOLETIME DIRECTORS & CHIEF EXECUTIVES

### HINDUSTAN PAPER CORPORATION LIMITED

Chairman-cum-Managing Director	: <b>Shri M. V. Narasimha Rao</b> (From 09.02.2012)
Director (Operations)	: <b>Shri S. N. Bhattacharyya</b>
Director (Finance)	: <b>Shri Amitabha Banerjee</b>
Director (Marketing)	: <b>Shri Shashi Kanth Jain</b>

## HINDUSTAN PAPER CORPORATION LIMITED

### SUBSIDIARIES

#### **Hindustan Newsprint Limited**

Chairman and Managing Director (Additional Charge) : **Shri M. V. Narasimha Rao**  
Director (Finance) : **AIR Cmde P. K. Mukherjee**  
(From 20.02.2012)

#### **Nagaland Pulp & Paper Company Limited**

Chief Executive Officer : **Shri Mohan Jha**

#### **Jagdishpur Paper Mills Limited**

Chief Executive Officer : **Shri A. S. Upadhyaya**  
(Upto 31.05.2012)  
**Shri R. C. Singh**  
(From 29.06.2012)

### UNITS

#### **Nagaon Paper Mill**

Chief Executive : **Shri H. N. Baruah**  
(From 12.11.2010 to 08.11.2011  
as Actg. CE)  
(From 22.06.2012 as CE)  
**Shri P. K. Bhuyan**  
(From 09.11.2011 to 23.01.2012  
as Actg. CE)  
(From 24.01.2012 to 04.06.2012 as CE)  
**Shri N. K. Ghosh**  
(From 05.06.2012 to 21.06.2012 –  
Addl. Charge)

#### **Cachar Paper Mill**

Chief Executive : **Shri T. R. Gowda**  
(Upto 11.11.2011)  
**Shri Pratap Goswami**  
(From 11.11.2011)

## HINDUSTAN PAPER CORPORATION LIMITED

### CHAIRMAN'S STATEMENT

I am immensely delighted to extend a warm welcome to you to the 42nd Annual General Meeting of your Company. I feel honoured and privileged of addressing you on this occasion. The Directors' Report and the Audited Annual Accounts for the Financial Year 2011-12 have already been with you for sometime and with your kind permission, I would like to deem them as read.

#### **HPC Performance during 2011-12**

In spite of the inadequate fibre raw material availability for Cachar Paper Mill (CPM) persisting throughout FY 2011-12 the falling capacity utilization since the previous three years was arrested and 80% capacity utilization was achieved against the capacity utilization of 52% during the previous financial year. The effects of gregarious flowering of pre-dominant bamboo species viz *Melocanna baccifera* (Muli bamboo) in the major bamboo catchment areas of CPM resulted in reduced availability of fibrous raw material for CPM. However, the natural re-generation of the flowered species has started to show signs of maturity. However, during FY 2011-12, supply of bamboo from the major source i.e. Mizoram was totally suspended on account of restriction imposed by Govt of Mizoram on issue of permits for supply of bamboo to CPM. This source accounts for around 60% of the total fibre raw material requirement of CPM and thus there was no option but to opt for procurement of fibrous raw material from non-conventional sources to ensure continuity of mill operations.

The gregarious flowering also resulted in non-supply from other major sources like Lease forest areas of Barak Valley and Tripura. Procurement of bamboo from Dima Hasao Autonomous Council (DHAC) was limited in spite of availability on account of the logistical constraints. The road connecting bamboo bearing areas of DHAC to CPM remains to be unipliable for heavy traffic on account of poor road conditions and thus

road transportation from this important source was not possible. The century old metre gauge rail network connecting Dima Hasao to CPM witnessed frequent disruptions during this period on account of landslides. Moreover, the limited availability of wagons in this section prevented smooth and sustained supply of bamboo by rail from this source. Essential commodities like food grains are also required to be transported through this rail network and in such cases wagons are allotted preferentially and allotment of wagons for bamboo transport was adversely affected. The completion of East West corridor and conversion to BG rail connectivity will help in overcoming the logistical constraints faced by CPM.

The landlocked positioning of CPM in the highly infrastructurally deficient region makes it unviable to procure fibre raw material from alternative sources. The absence of feeder roads connecting the bamboo catchment areas makes it impossible for vehicles to access these areas and extract bamboo from the hilly and rough terrain and more so during the prolonged rainy season spanning from March to September. However, all possible non-conventional sources like procurement of imported pulp, procurement of pulpwood from outside states and transfer of fibrous raw material from NPM to CPM were explored and such initiatives only could arrest the downtrend and substantially increase capacity utilization during FY 2011-12.

HPC mills in Assam were set up in these industrially backward and infrastructurally deficient areas for the sole purpose of socio-economic development of this region and on the basis that the availability of fibre raw material at low costs would offset the numerous locational adversities. To add to the woes, the State Government has imposed Entry Tax on raw materials and Agriculture Cess on bamboo procured by the mills. Despite all odds, your company has left no stone unturned to face the challenges head on.

## HINDUSTAN PAPER CORPORATION LIMITED

The figures below depict the performance of your Company during FY 2011-12, as a group along with its operating Subsidiary Hindustan Newsprint Ltd. (HNL):

Sl. No.		FY 2011-12
1	Production (tonnes)	282712
2	Sales (tonnes)	277874
3	Sales Turnover (₹ Cr.)	1041.38
4	PBT (₹ Cr.)	(-) 134.86
5	PAT (₹ Cr.)	(-) 88.31
6	Net Worth (₹ Cr.)	873.81

Performance of your company has been affected due to non-availability of the most vital input i.e. fibrous raw material from the major conventional sources.

### Industrial Performance

Growth in statistical terms is meaningless unless it helps every individual and all sections of society, which is where the trickle-down theory has its genesis. If we have been able to withstand the pressure of the global meltdown, it is because of our resilience and our unique approach to the problem. It was not borrowed or taken from an eminent economist's textbook. We adopted what we considered best suited to our country, society and culture.

The global economy is under stress. Growth rates have slowed down everywhere. There is considerable uncertainty about the period over which growth will revive in the industrialised world.

The Indian economy has been affected by these developments. Our exports have shrunk and the fiscal deficit has gone up. Growth decelerated to 6.5% last year. This has dampened investor sentiment. Doubts are being raised in some quarters about the India growth story going astray.

Economies go through ups and downs and downturns

do dampen spirits. However, such downturns can have value if they make us focus on the weaknesses that are masked when times are good. India's slowdown is partly because of the global downturn, but it is partly also because of domestic constraints which have arisen.

We cannot do much about the global slowdown. Though we can certainly make a difference to the world if we do the right things at home to accelerate our own growth. But we can, and we must, correct our own weaknesses, and create new opportunities for economic growth and employment at home. This is the challenge before us. I assure you, this will now remain the focus of your Company in the months ahead.

### Indian Paper Industry

Indian paper industry is poised to grow at the rate of 8% per annum. The per capita paper consumption increased to more than 9kg. Still, the figure is low compared to more than 42 kg in China and more than 350 kg in developed countries. India has emerged as one of the fastest growing markets when it comes to consumption.

Paper in India is made from 40 per cent of hardwood and bamboo fibre, 30 per cent from agro waste and 30 per cent from recycled fibre. Indian paper industry can be more competitive by adding improvements of key ports, roads and railways and communication facilities, revision of forest policy is required for wood and bamboo based paper industries so that plantation can be raised by the paper industry, cooperatives of farmers and state government. Degraded forest land should be made available to the industry for raising plantations. Duty free imports of new & second hand machinery/equipment should be allowed for technology up-gradation.

Major issues confronting India's pulp and paper industry are high cost of production caused by inadequate availability and high cost of raw materials. Energy cost has increased on account of inadequate

## HINDUSTAN PAPER CORPORATION LIMITED

availability of coal thereby increasing imports. Non-availability of good-quality fibre, uneconomical plant size, technological obsolescence and environmental compliances are a big challenge. While issues related to technology, capacity and environment come directly under the purview of companies, raw material shortage is a disadvantage affecting all.

Essentially, there is a huge potential for automation and system integrators to work collaboratively with India's pulp and paper companies and help them acquire the competitive edge. This means paper mills in India have tremendous opportunity to improve their profit margin by increasing their investments in automation systems and enterprise solutions, and integrating them to achieve collaborative production management. With the country's economy showing a growth trend, the paper consumption in India is bound to expand, and the existing gap with Asian and World average is a good indicator of the industry's growth potential.

India is witnessing a significant growth in the paper production capacity at present. Existing facilities are going for capacity expansions to achieve economy of scale. The limited availability and rising cost of virgin fibre (like pulpwood and bamboo) for paper production is resulting in a shift towards alternate raw material like wheat straw, bagasse, re-cycled paper, etc. especially for new upcoming paper mills thereby controlling the spiralling production cost and become more competitive in the paper market. The domestic market is also showing tremendous growth potential for value added paper like Copier paper.

### **Bamboo - the green gold**

HPC mills in Assam are inherently dependant on bamboo growing stock in the North Eastern region to meet its fibrous raw material requirement. India has 136 bamboo species out of the total 1250 species of bamboo found in the world and is one of the richest bamboo growing countries. The North Eastern region constitutes 28% of the total bamboo growing area of

the country. The total growing stock in the country is estimated to be 80.4 million tonnes, two thirds of it from North East. The North East is called the home of Bamboo and this natural resource is intimately interwoven with the socio-cultural fabric of the local populace.

Bamboos are some of the fastest growing plants in the world and are capable of growing 60 cm (24 in.) or more per day due to a unique rhizome-dependant system. However, the growth rate is dependant on local agro-climatic conditions. Bamboos are of notable economic and cultural significance in East Asia and South East Asia, being innumerable used for activities like building materials, as a food source and as a versatile raw product.

Bamboo is the fastest growing canopy for the re-greening of degraded lands, and its stands release 35% more oxygen than equivalent stands of trees. Some bamboo even sequester up to 12 tonnes of carbon dioxide per hectare. Bamboo can also lower light intensity and protects against ultraviolet rays. Traditional belief holds that being in a bamboo grove - the favorite dwelling place of Buddha - restores calmness to emotions and stimulates creativity. Bamboo is a mystical plant: a symbol of strength, flexibility, tenacity and endurance. Throughout Asia, bamboo has for centuries been integral to religious ceremonies, art, music and daily life. It can be found in the paper, the brush and the inspiration for poems and paintings. Some of the earliest historical records from the 2nd century B.C. were written on green bamboo strips.

Unlike wood, bamboo is much denser and grows faster making it an easily replenishable resource. Bamboo is a rapidly renewable resource because when harvested sustainably the plant re-grows from the same root stalk, maturing in just a few years unlike most trees which take far longer to grow and are incapable to re-growing of the same plant after harvesting. Bamboo thrives naturally, totally unassisted, without the use of any pesticides or fertilizer growing to its maximum height

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in roughly three months, and reaching maturity after only three or four years. It also spreads rapidly across large areas like other plants in the grass family. Selective felling of bamboo as per silvi-cultural norms and care during the monsoon season when new stalks emerge goes a long way in sustainable harvesting on annual basis.

### **Fibre Raw Material Requirement**

HPC mills in Assam were set up in the industrially backward areas on the premise of abundant availability of bamboo for meeting the entire fibrous raw material requirement for paper production. Nagaon Paper Mill (NPM) in Morigaon District was based on the rich bamboo stock in Karbi Anglong Autonomous Council areas and Cachar Paper Mill (CPM) on the bamboo abundantly available in Dima Hasao Autonomous Council (DHAC) areas and accordingly long term agreements were drawn among Govt. of Assam, HPC and the respective District Councils.

KAAC fulfils around 40% of the bamboo requirement for NPM and the balance requirement is met from other bamboo bearing areas within the State. Some bamboo is also procured from the State of Meghalaya. CPM on the other hand is unable to procure substantial quantity of bamboo from DHAC inspite of availability on account of poor road and deficient rail infrastructure connecting these areas. CPM has to depend on century old metre gauge rail network for transportation of bamboo from DHAC by rail which is prone to frequent disruptions and more so in the monsoon season as landslides block the rail tracks for days on end. Moreover, availability of rakes is limited and preference is given for transportation of food grains and other essential commodities to the logistically constrained north eastern states and after meeting such requirements wagons are allotted for transportation of bamboo.

CPM sources its requirement from Barak Valley Districts as well as from the neighbouring states of

Mizoram, Meghalaya and Tripura with Mizoram being the major source accounting for around 60% of CPM's fibrous raw material requirement. However, the decision taken by Govt of Mizoram to restrict issue of permits for bamboo transportation from Mizoram to CPM since 28.03.2011 is still persisting despite regular follow-up at all levels which has affected productivity of CPM.

The flowering of muli bamboo which is the predominant bamboo available in Barak Valley and the neighbouring states has resulted in the production shortfall since FY 2008-09. All out efforts are being made by CPM to procure bamboos of alternative species which have not been affected by gregarious flowering but the same is difficult on account of low availability and rough terrain in these regions. However, the post gregarious re-generation of new bamboo is successful in most areas and it is expected that fully mature muli bamboo will again be readily available in the flowered areas from 2013-14 onwards.

### **Farm Forestry - achieving fibre security**

Your company's efforts to get unused and non-productive barren lands from the State Govt for raising large scale captive plantations has not yielded any positive response. Even though bamboo is renewable product and replenishes naturally, HPC is implementing a Farm Forestry Initiative wherein high yielding, quick growing and disease resistant superior quality bamboo plantlets grown in the state-of-the-art bamboo tissue culture lab at NPM is distributed to interested farmers/ growers as well as Govt agencies at subsidized rates for raising bamboo plantations. This scheme is being accepted whole-heartedly by the local farmers in the periphery of the mills.

### **Tissue Culture - the green technology**

Plant tissue culture encompasses culturing of plant parts on an artificial medium. The basic key used in plant tissue culture is the totipotency of plant cells, meaning that each plant cell has the potential to

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regenerate into a complete plant. With this characteristic, plant tissue culture is used to produce genetically identical plants (clones) in the absence of fertilization, pollination or seeds. In plant tissue culture, plants or explants are cultured in a specific plant medium, which contains essential plant nutrients and hormones. Other plant growth factors like light and temperature are maintained and regulated by using artificial conditions. All the procedures of plant tissue culture are conducted under sterile (aseptic) conditions. The explants then develop stem, roots and leaves. The generated plantlets are hardened before planting in outdoor conditions.

A state-of-the-art tissue culture lab with capacity of 2 million plantlets per annum was installed at NPM in collaboration with National Mission on Bamboo Application, an arm of Technology Information Forecasting Advisory Council, under Department of Biotechnology, Govt. of India with the objective to identify and raise superior bamboo genotypes for large scale plantation in North Eastern India, improve productivity of bamboo with high yielding varieties in shorter rotation, promote bamboo based agro-forestry systems and optimally utilize wastelands with bamboo TC planting material.

Commercial production of Tissue Culture Plantlets(TCP) was started on 06.10.2007 and the bamboo species currently being propagated are Bambusa balcooa, Bambusa tulda and Bambusa nutans. The species selection is based on agro-climatic suitability of the local region, availability of good quality explants for carrying out the initiation process, growth rate, yield, resistance to disease and demand of the prospective planters. The bamboo TCPs generated in the lab are also in high demand among local farmers/ growers as well as from the State Forest Departments of the NER for taking up scientific bamboo plantations on a large scale.

The first batch of TCPs planted by local bamboo growers/farmers and various State Forest Departments

in the NE region are now achieving full maturity, field trials and plantations taken up from these TCPs are showing positive and desired results.

### Project Activities

HPC is trying to make a foray in the growing copier paper segment and accordingly the cut size sheeter with ream wrapping machine commissioned in Cachar Paper Mill in the month of January 2010 is operational. The installed capacity is 60 tpd. The machine has facilities for automatic ream wrapping of A-4 size paper. The machine is also equipped with A-3 size cutting facility with manual ream wrapping. This will help your company in making a foray into the copier paper market which is showing tremendous growth.

### Hindustan Newsprint Limited (HNL)

During 2011-12 this Subsidiary of your Company achieved a production of 102450 MT which is 102.5% of the installed capacity and sold the entire production of 102450 MT of newsprint. HNL is planning to make a foray in the Writing and Printing paper segment with the objective to meet the demands in the Southern States as transportation cost of Writing and Printing paper from HPC mills in Assam is substantial.

### NPPC

The Revival and Upgradation Scheme of NPPC, another Subsidiary of your Company was originally sanctioned by GoI/BIFR on 27.06.2007 for a production capacity of 66,000 tpa paper with a total project outlay of ₹552.44 crore. During the tendering process for the project, a very high cost escalation has been experienced by NPPC with regard to the sanctioned costs for Plant & Machinery. A revised cost estimate of ₹679 crore was formulated after reconfiguring the technical and financial options and was submitted to the approving authority seeking requisite approval and the same is awaited.

### JPML

To diversify its product profile, achieve economy of

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scale, cater to the increasing demand for value added paper and become pan-Indian in operations, HPC envisaged setting up of a Greenfield paper mill project with a capacity of 3 lakh tpa located close to the major demand centres. Extensive feasibility studies were carried out with the assistance of globally renowned consultant and a site at Jagdishpur in Sultanpur District in Uttar Pradesh was selected. Approval for this project was accorded by Govt. of India on 03.12.2007. A Company in the name and style of Jagdishpur Paper Mills Limited (JPML) with registered office at Lucknow was formed and Certificate of Incorporation was issued on 08.05.2008 by Registrar of Companies, Uttar Pradesh and Uttranchal. Project activities could not commence yet since the land identified by UPSIDC for the plant facilities is yet to be handed over to the Subsidiary. After vigorous follow-ups by your Company with Govt. of UP, M/s Uttar Pradesh State Industrial Development Corporation (UPSIDC) have agreed to hand over the 62.59 acres of land at the prevailing revised market rate at Utelwa Industrial Area. Your Company is making all out efforts through the good offices of the Administrative Ministry to get the land allotted at concessional rate to facilitate commencement of project activities and thereby taking your Company to the forefront in this highly competitive market.

### **Climate Change - Healing the future**

Global warming has become perhaps the most complicated issue facing the world. On the one hand, warnings from the scientific community are becoming louder, as an increasing body of science points to rising dangers from the ongoing build up of human-related greenhouse gases - produced mainly by the burning of fossil fuels and forests. On the other, the technological, economic and political issues that have to be resolved before a concerted worldwide effort to reduce emissions can begin have gotten no simpler, particularly in the face of a global economic slowdown.

At the heart of this issue is a momentous tussle between rich and poor countries over who steps up

first and who pays most for changed energy menus. In the meantime, recent fluctuations in temperature have intensified the public debate over how urgently to respond. The recent combination of flooding, heat waves and droughts were taken by most researchers trained in climate analysis as evidence to show that weather extremes are getting worse. The long-term warming trend over the last century has been well-established, and scientists immersed in studying the climate are projecting substantial disruption in water supplies, agriculture, ecosystems and coastal communities.

Some years back, the idea of a national low-carbon growth strategy for India would have been hard to imagine as Low Carbon was seen to be at loggerheads with India's ambitious economic development agenda and was too controversial a concept to find a voice in domestic politics. Yet in January 2010, Prime Minister, Shri Manmohan Singh constituted a 26-member expert group to help develop a low-carbon growth strategy for India. This signifies a fundamental shift in thinking on the issue of climate change and development in India. The National Action Plan on Climate Change outlines long-term measures as India has committed to meet a reduction in national energy intensity of 25 percent by 2020 and needs to work out a strategy and various specific measures that will enable us to meet this.

### **Sustainable / Green business practices - the need of the hour**

Sustainability derives its greatest power and effect in organizations when it is deeply embraced as a set of core values that genuinely integrate economic prosperity, environmental stewardship and social responsibility. Sustainable business, or green business, is an endeavour that has no negative impact on the global or local environment, community, society, or economy—a business that strives to meet the triple bottom line viz. profit, planet and people. Often, sustainable businesses have progressive environmental

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and human rights policies. A Green business practice incorporates principles of sustainability into each business decision, supplies environment-friendly products or services that replace demand for non-green products & services, be greener than traditional competition and make an enduring commitment to environmental practices in its business operations.

Sustainability is a three-legged stool of people, planet, and profit. Sustainable businesses with the supply chain try to balance all these three through the triple-bottom-line concept using sustainable development and sustainable distribution to impact the environment, business growth and the society. It is a business that meets the needs of the present world without compromising the ability of the future generations to meet their own needs. Sustainable development within a business can create value for customers, investors and the environment. A sustainable business must meet customer needs, at the same time, treating the environment well.

### **Contribution to Govt. Exchequer**

Your Company's contribution to the Govt. exchequer during 2011-12 is given below:

<b>Items of Revenue</b>	<b>[₹ Cr.] 2011-12</b>
Excise Duty	18.75
Sales Tax/ VAT/ CST	22.35
Entry Tax & Service Tax	7.45
Corporate Income Tax	-
Customs Duty	7.38
Redemption of Preference Share Capital	-
Dividend	-
Dividend Tax	-
Interest on GoI Loan	-
<b>Total</b>	<b>55.93</b>

### **Assistance Required**

HPC mills operating in the infrastructurally deficient locations in the North Eastern region have to compete

with other paper mills in the country which enjoy industry friendly facilities. The only advantage in the form of adequate availability of fibrous raw material at reasonable costs no longer stands on account of the gregarious flowering of the pre-dominant bamboo species in the major bamboo catchment areas. CPM is still connected by the 105 year old MG track which entails trans-shipment for all incoming and outgoing materials from BG to MG or vice-versa at Lumding. In addition to this the Railways have restricted direct booking to CPM since October 2008 which entails multiple handling of goods due to unloading and further loading on trucks for road transportation resulting in high transportation costs. Road infrastructure for transportation of raw material and other inputs is in a deplorable condition. As trucks cannot ply on the road connecting DHAC (the major bamboo source for CPM) to CPM, transportation of bamboo by rail from this source is the only available alternative. In spite of availability of adequate good quality bamboo nearby to the mill site, CPM is unable to source this material due to transportation problems. To compete with paper mills operating in other parts of the country the BG Rail link in Lumding-Badarpur-Silchar section and Lumding-Haflong-Silchar section of the East - West corridor of NHAI is the only probable solution but work on both fronts have been delayed mainly on account of law and order problems in the NE Region. To effectively compete with other paper mills on a level playing field HPC mills warrant transport subsidy to compensate for the extra costs incurred on account of inability of the Govt to provide suitable transportation facilities.

HPC mills are also being subjected to Entry tax on raw materials and other inputs sourced from outside whereas there is no entry tax on import of paper into the State. In addition to this GoA is charging Agricultural cess on bamboo procured by the mills even though bamboo is not an agricultural product. Such unjustified levies on the already disadvantaged mills need to be reviewed immediately. Fiscal props are

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required for offsetting the locational and logistical disadvantages of North Eastern Region (NER) in the pattern of such concessions given to Oil Refineries in the NER.

### Corporate Social Responsibility

Your Company as a responsible corporate citizen has been taking up all possible steps to ensure the socio-economic development of the community residing in the peripheral region for a wholesome development of this economically backward region. Our efforts range from initiatives taken for development of villages in the vicinity of the mills by providing basic amenities like providing safe drinking water, setting up of educational institutions to boost the literacy levels in the region, development of roads and bridges in a bid to improve the basic infrastructure, etc. Under the self employment schemes your company also provides sustainable employment opportunities by aiding formation of small scale industries at the village level. Your company is also highly concerned with the health facilities available to the families residing around the mills and frequently conducts free medical camps and distribute medicines to the local populace free of cost on such occasions. Your Company has also implemented Prime Minister's 15 Point Path Pradarshan Awareness Programme in several Higher Secondary Schools in the nearby villages around the Mills targeted to reach out to the minority students. Your company has also provided substantial land free of cost to the Public Works Department, Govt of Assam for construction of road under Prime Minister's

Gramin Sadak Yojana (PMGSY) Scheme to improve infrastructure and provide connectivity to the local people.

### Road Ahead - our foray into the future

The rapid and substantial increase in the cost of fibre and fuel and other necessary inputs required for paper making coupled with low capacity utilization due to gregarious flowering of bamboo has led to significant increase of the production costs. The competing paper mills are going for large scale capacity expansions and improved latest technologies. Your company is also striving hard to keep pace with the competition and implemented cost cutting measures to combat the financial effect of under capacity utilization at CPM due to acute scarcity of fibre raw material caused by the gregarious flowering of the pre dominant bamboo species in the region. This fibre raw material problem is expected to plague us for some more time but the employees of your company have taken up this challenge and are making all out efforts to combat this present crisis period with a firm belief to come out victorious and effectively compete with our competitors.

M. V. NARASIMHA RAO  
Chairman-cum-Managing Director

Delhi  
September 28, 2012

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NOTICE

NOTICE is hereby given that the 42nd Annual General Meeting of the Members of the Company will be held at its Registered Office at 'South Tower' (4th floor), SCOPE Minar, Laxmi Nagar District Centre, Delhi-110 092 on September 28, 2012 at 1630 hours to transact the following business :

**ORDINARY BUSINESS**

Ordinary Resolution :

1. To receive, consider and adopt the Directors' Report and audited Accounts of the Company for the year ended 31st March, 2012 together with the Auditors' Report thereon and the Comments of the Comptroller & Auditor General of India.

By order of the Board  
For Hindustan Paper Corporation Limited

(L. R. Ekanath)  
Incharge Company Secretary

**Registered Office :**

South Tower (4th Floor)  
SCOPE Minar  
Laxmi Nagar District Centre  
Delhi - 110 092  
Dated : September 24, 2012.

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**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the Meeting.
2. As required under Sections 171 and 219 of the Companies Act, 1956 consent of all the members, entitled to attend and vote at this Meeting, for holding the AGM at shorter notice has been obtained.

## HINDUSTAN PAPER CORPORATION LIMITED

### Directors' Report to the Shareholders

To  
The Members,  
Hindustan Paper Corporation Ltd.

Gentlemen,

On behalf of the Board of Directors, I am privileged to present the 42nd Annual Report on the performance of your Company for the Financial Year ended March 31, 2012 along with Audited Statement of Accounts, Auditors' Report and Comments of the Comptroller and Auditor General of India after review thereon.

#### 1. PERFORMANCE HIGHLIGHTS

Your Company achieved a production output of 180262 tonnes of paper registering combined capacity utilization of 90.13% and sales of 175424 tonnes during 2011-12 against 154783 tonnes of production and 167634 tonnes of sales achieved in the previous year. The shortfall in production was mainly due to acute shortage of fibrous raw material i.e. bamboo at Cachar Paper Mill (CPM) and regulation of production at Nagaon Paper Mill (NPM) due to plant shutdown coupled with mechanical and electrical problems in Pulp Mill.

#### 2. Financial Results

(₹ crores)

	2011-2012	2010-2011
i) Sales Turnover		
- Paper	724.82	657.05
- Caustic	1.52	4.74
	<b>726.34</b>	661.79
ii) Operating Profit/ Loss(-) (before interest on Govt. Loan, Depreciation and Miscellaneous Expenditure written-off)	<b>(-) 112.71</b>	(-) 65.61

iii) Interest on Government of India Loan	-	-
iv) Depreciation and Miscellaneous Expenditure written-off	<b>20.10</b>	21.83
v) Profit/Loss (-) before prior period adjustment	<b>(-) 138.93</b>	(-) 87.44
vi) Prior period adjustments	<b>0.03</b>	(-) 4.25
vii) Profit/Loss (-) Before Tax (after prior period adjustments)	<b>(-) 138.90</b>	(-) 91.69
viii) Profit/Loss (-) After Tax	<b>(-) 95.20</b>	(-) 63.34

#### 3. Contribution to the Exchequer

Your Company's operations at Nagaon Paper Mill (NPM) and Cachar Paper Mill (CPM) for the year under report contributed a total sum of ₹ 55.93 crore to the State / Central Exchequer as under :

(₹ Crores)

Nature of Revenue	2011-2012	2010-2011
Excise Duty	<b>18.75</b>	13.38
Sales Tax/VAT etc.	<b>22.35</b>	16.23
Other Rates & Taxes including Entry Tax and Service Tax	<b>7.45</b>	8.22
Corporate Income Tax	-	-
Customs Duty	<b>7.38</b>	0.94
Interest on Loan to GoI	-	-
Redemption of Preference Share Capital	-	-
Dividend	-	-
Dividend Tax	-	-
<b>Total</b>	<b>55.93</b>	38.77

#### 4. OPERATIONAL REVIEW

##### 4.1 UNITS

##### 4.1.1 CACHAR PAPER MILL (CPM)

CPM could register 80.00% capacity utilization during the year by producing 80061 tonnes of

## HINDUSTAN PAPER CORPORATION LIMITED

writing and printing paper against 52781 tonnes in the previous year. The higher capacity utilization is attributed to the procurement of fibrous raw material from the non conventional sources after stoppage of supply from the State of Mizoram on account of imposition of restrictions.

### 4.1.2 NAGAON PAPER MILL (NPM)

NPM registered a capacity utilization of 100.00% with a production output of 100201 tonnes during the year against 102002 tonnes in the previous year.

## 4.2 SUBSIDIARY COMPANIES

The audited statement of accounts of the three subsidiary companies - Hindustan Newsprint Ltd. (HNL), Nagaland Pulp & Paper Company Ltd. (NPPC) and Jagdishpur Paper Mills Ltd. (JPML)- together with the reports of the Directors and Auditors for the year ended March 31, 2012 are annexed as required under Section 212 of the Companies Act, 1956.

### 4.2.1 Hindustan Newsprint Limited (HNL)

The Newsprint market showed improvements during the fiscal 2011-12. This has helped the company to grab orders from major publishers and sell entire production of 102450 MT and achieved zero stock by March 31, 2012. The sales turnover during the year was ₹ 315.04 crore as against the last year turnover of ₹ 301.66 crore. The Company made a net profit of ₹ 6.89 crore during the year as compared to ₹ 5.04 crore during the last year.

### 4.2.2 Nagaland Pulp & Paper Company Limited (NPPC)

Though Paper production operations continued to remain suspended during the year, the Company has started operation of

Chipper since July, 2011 and chipped 2112 MT of Bamboo and Wood and 2240 MT of chips were sent to the Holding Company. During the year, 2112 MT of bamboo and wood were chipped and sent 2240 MT chips to NPM including 128 MT of chips recovered from the Silo as left over material while the Unit was in operation. The chips so sent to the Nagaon Mill of HPC were pegged at a cumulative value of ₹ 124.38 lakhs. The Company incurred a net loss of ₹ 1190.05 lakhs during FY 2011-12 and the accumulated losses incurred by the Company till 31.03.2012 amounts to ₹ 8393.36 lakhs. The net worth of the Company stood at (-) ₹ 7176.35 lakhs as on 31.03.2012.

Implementation of the BIFR sanctioned Rehabilitation Scheme launched by the Company faced a road block due to wide variation in the price quotes by various bidders compared to the cost estimate as per the Sanctioned Scheme, necessitating de novo updation of the Scheme. Your Company analysed the viability of the six options contained in the report submitted by M/s. SPB-PC, the Consultant appointed for preparing the Techno-Economic Feasibility Report (TEFR) of the Company with particular emphasis on the 5th and 6th options. Accordingly, in the new option (7th option - in two phases) recommended by the Consultant with an initial investment of ₹ 619 crores (₹ 570 crore + ₹ 49 crore - NCRPS) in the first phase and ₹ 260 crores in the second phase, the first phase envisages a production of 50,000 TPA pulp and 20,000 TPA of paper with 112 tpd pulp and 60 tpd paper available for sale. The second phase is slated for a production of 66500 tpa pulp and 66000 tpa of paper.

This option of ₹ 879 crores, so prepared and submitted to DHI on 25.03.2011 was again

## HINDUSTAN PAPER CORPORATION LIMITED

reviewed at various levels and a further reduction of ₹ 200 crores was done after exploring the various options both technically and financially, the final revised project cost now stands at ₹ 679 crores. This was re-reviewed and the final revised cost of the mill revival plan working out to ₹ 529 crores net of grant in aid (including ₹ 49 crores towards pressing creditors and losses) after considering the grant in aid has been put up to the PIB and approval of the same is awaited.

### 4.2.3 Jagdishpur Paper Mills Limited (JPML)

During the year under report the EMD deposited with UPSIDC on 28.10.2010 along with application for allotment of 62.59 acres (253301.73 sq. mtr.) of land was returned by them stating that the land at Utelwa Industrial Area was under dispute. In June 2012 after CMD, HPC's meeting with the Chief Secretary, Govt. of UP and the Managing Director, UPSIDC, UPSIDC have agreed to hand over the 62.59 acres (253301.73 sq. mtr.) of land at Utelwa but the land price at Utelwa area stands revised and the market value has gone up. Though only ₹ 10 crores was provided in the DPR towards the land cost and going by the present revised market rate of ₹ 1300/- per sq. mtr. the 62.59 acres (253301.73 sq. mtr.) would be costing around ₹ 33 crore (approx). Your company has taken up the matter with UPSIDC vide letter dated July 03, 2012 and assistance of the Administrative Ministry i.e. Deptt of Heavy Industry, Ministry of HI&PE, GoI has also been sought vide communication dated July 04, 2012 to get required land for the JPML Project allotted at the originally allotted rate of ₹ 25/- per sq. mtr. in 2003. UPSIDC has conveyed vide their letter dated 27.08.2012 that the land rate of ₹ 1300/- per sq. mtr. remains the same plus

location and corner charges, lease rent, maintenance charges etc. will be extra and have advised for complying with other formalities to proceed in the matter.

### 5. MARKETING

During the year under review, the sale of writing and printing paper was 1,75,424 MT with a sales turnover of ₹ 724.82 crores as compared to 1,67,634 MT with a sales turnover of ₹ 657.05 crores during the previous year.

### 6. EXPANSION, MODERNISATION & DIVERSIFICATION

Schemes viz. winder upgradation, two street SSP feeding, Quality Control System for L&T Machine, multi-fuel AFBC Boiler at NPM and cut size sheeter at CPM have been commissioned under Modernisation & Technological Upgradation Plan (MTUP). Projects related to environmental requirement have already been taken up on priority. Your Company is putting all out efforts to implement the MTUP despite funds constraint.

### 7. FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars regarding foreign exchange earnings and expenditure appear in the Notes on Accounts attached to this Report.

### 8. EXPENDITURE ON FOREIGN TOUR, TRANSIT ACCOMMODATION AND ENTERTAINMENT

Expenditure on foreign tour, transit accommodation (net) and entertainment of your Company during the year was ₹ Nil lakh, ₹ 58.57 lakhs and ₹ 6.20 lakhs respectively against ₹ Nil lakh, ₹ 44.68 lakhs and ₹ 5.57 lakhs in the previous year.

## HINDUSTAN PAPER CORPORATION LIMITED

### 9. HUMAN RESOURCE DEVELOPMENT

The policy on Human Resource Management (HRM) is being reviewed from time to time to cope with the fast changing technological scenario in the industrial arena of the country. The growth and advancement of the employees for the fulfilment of organization's objectives have been factored in the HRM policies of the Company. Greater focus and attention have been given to promote and inculcate value-based culture, utilizing the fullest potential of employees through interventions by internal and external resource persons.

During the year under review, 1187 persons have been exposed to various in-house programmes through 65 training programmes organized for Executives, Supervisors, Workmen, Trade Union Leaders and Contractors' workers. The Company has sponsored 90 employees for 19 External programmes.

The Scheme formulated for recognizing the employees who have served the Company for 25 years or more is continuing.

### 10. CITIZENS' CHARTER

In compliance with the directive for adoption of 'Seven Step Model for Citizen Centricity' recommended by the Second Administrative Reforms Commission in its twelfth report entitled "Citizen Centric Administration - The Heart of Governance" for making Government Organisations transparent, accountable and citizen - friendly, as contained in the DO letter No. G-11012/2/2009-PG dated June 9, 2009 of Secretary, Ministry of Personnel, Public Grievances & Pensions forwarded by the Administrative Ministry vide its letter No. 5(4)/2009-PE VII dated August

28, 2009, your Company has prepared a Citizens' Charter and the same has been hosted on the Company's website [www.hindpaper.in](http://www.hindpaper.in) since September 16, 2009 covering the Company's vision, mission, strategy, the business transacted, service provided, initiatives to ensure customer satisfaction vis-à-vis expectations, Customer Complaint Handling and the Grievance Redressal Mechanism etc. The General Manager (HR&ES) of your Company has been nominated as the Nodal Officer for dealing with all the matters related to the Citizens' Charter.

### 11. INDUSTRIAL RELATIONS

The relationship between the Unions and the Management continued to be cordial during the year under review. Mutual trust and confidence created a very healthy industrial relations climate, contributing to the smooth functioning of the Mills.

### 12. WORKERS' PARTICIPATION IN MANAGEMENT

In order to develop culture of Participative Management in the Company, various participative fora like Workers' Committee, Joint Management Council, Shop Floor Councils, Safety Committee, House Allotment Committee and Canteen Committee have been formed and are functioning well. Interaction between the representatives of employees and management at regular intervals through the fora, contributed to improving the working environment of the organization.

### 13. OFFICIAL LANGUAGE POLICY

Your Company continued its proactive initiative for implementation of Government of India's Policy on Official Language in its letter and spirit. Meetings of the Official

## HINDUSTAN PAPER CORPORATION LIMITED

Language Implementation Committee (OLIC) were held regularly. Quarterly Progress Reports regarding Progressive Use of Official Language, Hindi were sent to authorities concerned from time to time.

The Annual Programme for FY 2011-12 on Official Language, notified by the Ministry of Home Affairs, Govt. of India has been implemented. A number of books in Hindi on various useful subjects were procured and distributed amongst the employees to encourage them to develop the reading habit in Hindi. Month of September 2011 was celebrated as 'Rajbhasha Mah'. On this occasion, messages of Minister of Home Affairs, Minister of Heavy Industries and Public Enterprises and CMD were distributed amongst the employees and various competitions based on Hindi were conducted. On this occasion three Seminars were conducted at NPM on 20th, at CPM on 21st & at CHQ on 29th September. A Sarva Bhasha Kavi Sammelan was conducted each at CPM on 10th September and at NPM on 14th September. A special issue in Hindi of 'Hindustan Paper Sandesh', an in-house magazine of the Company, was also released on the occasion.

As advised by DHI, an annual award to commemorate the birth anniversary of Late Shankar Dayal Singh, a noted Hindi Scholar and author as well as Member of Parliament - both Lok Sabha and Rajya Sabha - to give recognition to the employees of the Company who do commendable work in Rajbhasha was instituted.

Your Company also gave cash prizes to the wards of the employees who secured highest marks in Hindi in the final examination of Class X & XII.

### 14. EMPLOYEE WELFARE

HPC, as a socially responsible organization, has been striving towards betterment of its employees by providing different welfare facilities. Your Company has been providing health facilities to employees as well as families, education facility to the children, comfortable & hygienic residence in its township, recreation etc. The Company has also been providing a Post Retirement Medical Benefit Scheme for retired employees and a Group Personal Accident Policy to support the family at the time of death or permanent total disablement of employee.

### 15. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company in its 206th BoD Meeting held on March 30, 2011 approved the Corporate Social Responsibility (CSR) Policy framed as per DPE guidelines with an objective to help enrich the quality of life of the community of the nearby areas of Mills of the Company, create positive impact by making sustainable development in the society and promote good environmental practices and to be a responsible and responsive corporate citizen through endeavours to create a safe, harmonious and ecologically balanced environment.

Blending passion for corporate performance with compassion for communities is central to HPC's corporate philosophy of peripheral area development and community development. Preparing, empowering and inspiring communities in the locational periphery of Mills for attaining long-term sustenance through voluntary social actions covering micro-enterprises, self-help groups etc. and regarding the community as a major stakeholder and accordingly identifying their

## HINDUSTAN PAPER CORPORATION LIMITED

needs and addressing their concern areas has ensured a better quality of life. Your Company has been playing a dominant role in the socio-economic development of the North-East Region and recognizes that, its business activities have direct and indirect impact on the society. The company strives to integrate its business values and operations in an ethical manner to demonstrate its commitment to sustainable development.

Your Company has undertaken some of the activities during FY 2011-12 under CSR like Women empowerment, Vocational programme, safe drinking water provision for persons residing in the vicinity of the Mills, Free Medical & Eye Camps, infrastructure development in nearby villages like constructing/repairing roads, school buildings, street lighting etc. A sum of ₹ 35,18,000/- was incurred by your Company towards implementation of CSR activities and about 1,40,000 persons are benefited.

### 16. EMPLOYMENT OF SCHEDULED CASTES (SC)/ SCHEDULED TRIBES (ST), OTHER BACKWARD CLASSES (OBC), PERSONS WITH DISABILITIES (PwD) AND EX-SERVICEMEN (ESM)

The position of employment of members of SC/ST, OBC, PwD and ESM as on March 31, 2012 is given in **Annexure-I** of this report.

### 17. POSITION OF WOMEN EMPLOYEES

The particulars of women employees in the Company, as on March 31, 2012 are given in **Annexure-II**.

### 18. ENVIRONMENTAL COMPLIANCE

As a responsive and responsible corporate citizen, your Company has taken pro-active steps for combating environmental degradation. Your Company has installed appropriate systems for controlling and monitoring pollutants in the manufacturing units in accordance with the prescribed environmental standards and regulations. Action has been taken to convert existing mercury cell based Caustic & Chlorine Plant to membrane cell based plant and other environmental projects to comply with CREP guidelines. NPM, CPM and HPC colony at Salt Lake, Kolkata are accredited with ISO 14001 : 2004 Certification.

HPC has installed a solar powered LED Lighting system, a bio-gas plant and 2 Nos. Solar powered Water Heating system at HPC Colony, Salt Lake.

### 19. OCCUPATIONAL HEALTH & SAFETY

Your company is committed to promote and maintain the Occupational Health & Safety Assessment Series (OHSAS) to protect the human resource properties of the Company and surrounding neighbourhood against any anticipated hazards attributable to the Company's work. Both the Mills of HPC are continuing accreditation of OHSAS 18001:2007. The Occupational Health related activities in both the Mills are imparted through the Occupational Health Centre situated inside the Mills. Mandatory periodical medical examination of the employees (regular/contractual) is conducted to monitor their health condition.

## HINDUSTAN PAPER CORPORATION LIMITED

### 20. RIGHT TO INFORMATION

In accordance with the provisions of Right to Information Act (RTI-2005), Public Information Officers/Assistant Public Information Officers have been notified to receive and act upon the information sought for from the Company. Full addresses and all other essential particulars about the said Information Officers have been hosted on the Company's website. During the period of April, 2011 to March, 2012, total 84 queries were received and all were replied on time.

### 21. VIGILANCE

The company is committed towards bringing about greater transparency in all its activities and towards this end a multifaceted vigilance strategy covering preventive, detective, administrative and punitive measures is in place. Various programmes are undertaken to sensitize the employees about corruption and the means to combat it in order to ensure probity and integrity in the Organisation. Besides scrutiny of files, vigilance surveillance and frequent surprise inspections in the Mills are carried out in a regular manner to plug avenues for revenue leakage along with deterrent action. In order to improve vigilance administration by leveraging technology, various activities are undertaken such as uploading of tender documents and finalized contracts on the company website, online registration of vendors/suppliers to provide equal opportunity, rationalisation in procurement of important inputs, payments to the suppliers on first come first serve basis, increasing the payments through EFT/RTGS, online submission of Annual Property Return (APR) by the individual employees and scrutiny of the APRs thereof. Vigilance page has been created in the HPC website to facilitate hosting CVC circular/Vigilance

functioning/Awareness etc. and registration of complaints through e-mail. Action is taken for identification of sensitive posts and follow up rotational transfer. Apart from this, system improvement and preventive vigilance activities such as simplification and modification of the existing rules/procedures of the company are undertaken so that the company can gain through greater transparency and optimal management of resources. Towards this end, various training programmes/seminars are conducted in the Mills and CHQ.

### 22. CORPORATE GOVERNANCE

The Report on Corporate Governance is **annexed**.

### 23. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

The Company has strength in servicing customers through widely distributed marketing depots and a strong stockist network all over India, large capacity to cater to the needs of the customers in a short time. The weakness of the company lies in the location of its two mills i.e. NPM and CPM in North-Eastern region which are vulnerable to locational hazards, inadequate infrastructural facilities like transport both rail and road, telecommunication and also dearth of skilled manpower in the region. The demand of paper is growing @ 7.3% CAGR. Increasing literacy level, Govt. focus on spread of education and literacy by substantial increase in budget outlay on education and SSA (Sarbhya Siksha Abhiyan), robust growth of service industry are the major growth drivers for paper industry. The company is experiencing a threat of reduced availability of forest raw materials, absence of land for captive plantation,

## HINDUSTAN PAPER CORPORATION LIMITED

insurgency, frequent natural disasters like flood, landslides, earthquake in the North Eastern region.

### 24. RISK MANAGEMENT

Your Company is exposed to various risks such as market risk, operational risk, investment risk, manpower risk and strategic risk. Risk assessment exercise is a continuous process done at all levels of the organization so as to be guarded against unknown as well as unprecedented setbacks. Senior Management has identified the inherent risks in the business which are mainly related to the segment in which they are working. All the risks are given equal importance and by balancing all the risks, the overall risk of loss to the company is minimized/mitigated. The market risks are minimized by continuous study of the market and customer grievance mechanism. The operational risks are minimized by taking planned action in advance. Investment risks are minimized through sensitivity analysis, break-even analysis before investments are made in projects. Manpower risks are minimized through training of personnel and strategic risks such as Govt. and Economic factors, new technology which have major impact on the cost, price, product and sales are taken care of to the extent possible by cost reduction, quality management, modernization and upgradation of plant & machinery, study of the market and customer grievance mechanism.

### 25. BOARD MEETINGS

The Board held four Meetings during the year under report. The dates of the meetings were June 13, 2011, August 26, 2011, December 30, 2011 and January 12, 2012.

### 26. DIRECTORS

The Competent Authority had vide DHI Order No. 8[6]/2000-PE VII dated February 21, 2011 entrusted the additional charge of

CMD, HPC to Shri M V Narasimha Rao, Managing Director, Hindustan Newsprint Limited for a period of six months from the date of approval of Appointment Committee of the Cabinet (ACC) i.e. 21.02.2011 or till the appointment of a regular incumbent or till further orders whichever is the earliest.

In terms of DHI Order No. 8(6)/2000-PE-VII dated August 01, 2011 the Competent Authority had entrusted additional charge of CMD, HPC to Shri M. V. Narasimha Rao for a further period of six months w.e.f. 21.08.2011.

In terms of DHI Order No. 8(93)/2004-PE.VII dated January 07, 2008 upon expiry of the tenure as a part-time non-official Director, Shri T R Malakar ceased to be Director of the Company w.e.f. October 16, 2011.

In accordance with DHI Order No. 8(93)/2004-PE.VII dated November 09, 2011 Shri R Asokan, D(F), DHI ceased to be a member of the Company's Board w.e.f. November 09, 2011.

Shri M. V. Narasimha Rao, Managing Director, Hindustan Newsprint Limited, a Subsidiary of HPC who is holding the additional charge of the post of Chairman-cum-Managing Director, HPC from 21.02.2011 has taken over as the Chairman-cum-Managing Director of the Company w.e.f. February 09, 2012 pursuant to DHI Order 8(21)/2011-PE VII dated December 23, 2011.

In accordance with Deptt. of Heavy Industry, Ministry of HI&PE Order No. 8(93)/2004.PE.VII dated May 04, 2012 Shri Shashank Goel, Joint Secretary, Deptt. of Heavy Industry, Ministry of HI&PE, GoI has been inducted as a Director representing the Administrative Ministry vice Shri Harbhajan Singh. Pursuant to Deptt. of Heavy Industry, Ministry of HI&PE, GoI Order No. 8(93)/2004-PE.VII dated September 05, 2012 Shri

## HINDUSTAN PAPER CORPORATION LIMITED

Ambuj Sharma, Joint Secretary, Deptt. of Heavy Industry, Ministry of HI&PE, GoI has joined the Board as Part-time Official Director with immediate effect vice Shri Shashank Goel.

Board of Directors wish to place on record their sincere appreciation of the contribution made by S/Shri T R Malakar, R Asokan, Harbhajan Singh and Shashank Goel during their association with the Board as also otherwise.

Presently, the Board consists of five Directors.

### 27. AUDITORS

M/s D K Chhajer & Co. (CA 0162), Chartered Accountants, 6, Old Court House Street, 2nd Floor, Kolkata-700001 were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the year ended March 31, 2012 vide Order No. CA.V/COY/CENTRAL GOVT/2 HP PAPER(1)/25 dated August 17, 2011.

### 28. AUDIT COMMITTEE

The Audit Committee could hold only one meeting i.e. on August 26, 2011 during the year under report. As Shri T. R. Malakar, Chairman & Member of the Audit Committee ceased to be so upon expiry of his tenure as a part-time non-official director on the Company's Board on 16.10.2011 ceased to be a Member of the Audit Committee.

In terms of Order No. 8(93)/2004-PE VII dated November 09, 2011 of the Competent Authority upon cessation of Shri R. Asokan, Director (Finance), DHI as Director of the Company w.e.f. November 09, 2011 Shri Asokan ceased to be a member of the Audit Committee from that date. Thus the strength of the Audit Committee fell below the statutorily required minimum rendering it dysfunctional.

### 29. REMUNERATION COMMITTEE

BoD at its 197th Meeting held on May 05,

2009 constituted a Remuneration Committee headed by Shri T R Malakar, Part-time Non-official Director along with Director (Finance) and Director (Operations) as Members for dealing with Performance Related Variable Pay Scheme (PRVPS) based on Performance Management Scheme (PMS) aligned to DPE stipulations in terms of DPE OM No. 2(70)/08 DPE(WC) dated November 26, 2008 read with its subsequent OM No. DPE(WC)GL VII/09 dated April 02, 2009.

### 30. SUB-COMMITTEE(S) OF BOARD OF DIRECTORS

The Sub-Committee of the Board of Directors on Procurement held 01 meeting during the year under report on July 30, 2010. Shri Supratim Dhar who as Member of the Sub-Committee ceased to be so w.e.f. January 06, 2011 on expiry of his three year tenure as a part-time Non-official Director of the Board pursuant to DHI Order dated January 07, 2008. This Sub-Committee has been reconstituted by the Board at the 207th Meeting held on June 13, 2011 comprising Shri M. V. Narasimha Rao, CMD as Chairman with Shri S. N. Bhattacharyya, Director (Operations), Shri Amitabha Banerjee, Director (Finance) and Shri Shashi Kanth Jain, Director (Marketing) as Members.

### 31. ENERGY CONSERVATION, R&D, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The required information in accordance with the Provisions of Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is furnished at **Annexure-IIIA and IIIB** which form part of this Report.

### 32. PARTICULARS OF EMPLOYEES

Particulars of employees under Sec 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules,

## HINDUSTAN PAPER CORPORATION LIMITED

1975 are not annexed since none of the employees who was on the rolls of the Company for the whole or part of the year was in receipt of remuneration exceeding the ceiling prescribed under present guidelines.

### 33. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956 your Directors hereby state :-

- i) that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) that your Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
- iv) that your Directors have prepared the annual accounts on a going concern basis.

### 34. ACKNOWLEDGEMENT

The Directors wish to acknowledge the efforts of the employees at all levels for the smooth conduct of business operations of your

Company and its Subsidiaries. The Directors also acknowledge with thanks the invaluable support extended to your Company by various Ministries of the Government of India, particularly, Ministry of Heavy Industries and Public Enterprises, Ministry of Environment and Forests, Ministry of Development of North Eastern Region (DoNER), Ministry of Home Affairs, Ministry of Finance and the Railway Board. The Directors place on record their gratitude to the Governments of Assam, Kerala, Nagaland and West Bengal, the North-Eastern Council and the Autonomous District Councils of Karbi-Anglong and Dima Hasao for the assistance extended by them. The Directors also thank the Comptroller & Auditor General of India and the Statutory Auditors of the Company for their suggestions and guidance to improve the quality of the financial statements and internal management control system of the Company. The Directors are also grateful to the Bankers, Customers and Vendors for their unstinted support.

For and on behalf of the Board

**M. V. Narasimha Rao**  
Chairman-cum-Managing Director

Delhi,  
September 28, 2012

**HINDUSTAN PAPER CORPORATION LIMITED**

**REPORT ON CORPORATE GOVERNANCE**

**1. Company's Philosophy on Code of Governance**

The Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, lenders and the Government. The Company is committed to achieving and maintaining good standards of corporate governance.

**2. Board of Directors**

The Board of HPC is structured in accordance with the Corporate Governance Guidelines for CPSEs and various Office Memorandum issued by Department of Public Enterprises (DPE). As on 31.03.2012 it consists of four Functional Directors (including the Chairman-cum-Managing Director). The Directors on the Board are appointed by the President of India in terms of Article 96(a) of the Article of Association of the Company.

Details of the composition of the Board of Directors, category of the Directors, their attendance at the Board Meeting(s) and Annual General Meeting, other directorships held by them during FY 2011-12 are given below :

Name	BoD Meeting(s) attended/ held during tenure of Director	AGM attended	Other Directorship(s)
a) FUNCTIONAL DIRECTORS			
i) Shri M V Narasimha Rao	4/4	Yes	03
Chairman-cum-Managing Director (from 09.02.2012) DIN-00470654			

ii) Shri S N Bhattacharyya  
Director (Operations)  
DIN - 03147076

iii) Shri Amitabha Banerjee  
Director (Finance)  
DIN - 03315975

iv) Shri Shashi Kanth Jain  
Director (Marketing)  
DIN-03479271

**b) PART-TIME DIRECTORS (GOVT. NOMINEES)**

i) Shri Harbhajan Singh  
Joint Secretary  
Deptt. of Heavy Industry  
Ministry of HI & PE  
DIN - 02922092

ii) Shri R Asokan  
Director (Finance)  
Deptt. of Heavy Industry  
Ministry of HI & PE  
DIN - 01079166

**c) PARTI-TIME NON-OFFICIAL/ INDEPENDENT DIRECTORS**

i) Shri T R Malakar  
DIN - 01717286

a (i) Held additional charge of CMD, HPC till 08.02.2012 and took over as full-time CMD w.e.f. 09.02.2012.

b (ii) Ceased to be Director w.e.f. 09.11.2011

@ Ceased to be part-time non-official Director on 16.10.2011 upon expiry of his tenure as such.

## HINDUSTAN PAPER CORPORATION LIMITED

BoD of the Company met four times during the financial year under report (i.e. June 13, 2011, August 26, 2011, December 30, 2011 and January 12, 2012) and all information required pursuant to the DPE Guidelines were placed before the Board.

### 3. Audit Committee

The Audit Committee has been constituted as per the provisions of Section 292A of the Companies Act, 1956. The Audit Committee has been functioning as per the requirement of the Companies Act, 1956 and during the year only one meeting of the Audit Committee was held as the strength of the Committee fell below the statutorily required minimum on cessation of membership of the Committee of S/Shri T R Malakar and R Asokan upon their ceasing to be Directors of the Company on 16.10.2011 and 09.11.2011 respectively.

### 4. Disclosures

Details of Remuneration paid to Functional Directors are as under :

Sl. No.	Particulars	2011-12 (₹)
(a)	Salary & Allowances	44,35,979.00
(b)	Contribution to PF	4,97,535.00
(c)	Other Benefits	2,01,034.00
	Total :	<u>51,34,548.00</u>

During FY 2011-12 Shri M V Narasimha Rao, Chairman-cum-Managing Director did not draw any salary & perquisites from the Company as he received his remuneration from HNL, a subsidiary of HPC, as its Managing Director.

Part-time Non-official (Independent) Director(s)

Part-time Non-official Directors do not have any material pecuniary relationship or transaction with the Company and its management. They do not

receive any remuneration/commission except Sitting Fee(s) payment of which is made pursuant to Clause 118A of the Articles of Association of the Company at the rate approved by the Board.

Payment of Sitting Fee during FY 2011-12 - NIL.

### 5. Annual General Meetings (immediately preceding 3 years)

AGM for FY ended	Date & Time of AGM	<u>Venue</u>
2010-11	Sept. 28, 2011 : 1200 hours	Registered Office at South Tower, 4th Floor, SCOPE Minar, Laxmi Nagar District Centre, Delhi-110092
2009-10	Sept. 28, 2010 : 1030 hours	- do -
2008-09	Sept. 14, 2009 : 1600 hours	- do -

### 6. Code of Conduct

The Board of Directors has laid down the Code of Business Conduct and Ethics for the Board members and Senior Management of the Company as approved by the Board at its 205th Meeting held on 23rd February, 2011 effective from April, 2011. Accordingly, necessary Affirmation in the prescribed format has been received from all members of the Senior Management group to the effect of compliance of the Code of Business Conduct and Ethics as on 31st March, 2012 and a Declaration to this effect by the Chairman-cum-Managing Director pertaining to FY 2011-12 is annexed herewith.

**HINDUSTAN PAPER CORPORATION LIMITED**

**ANNUAL DECLARATION REGARDING  
COMPLIANCE OF CODE OF CONDUCT & ETHICS FOR  
FY 2011-12 UNDER CORPORATE GOVERNANCE GUIDELINES**

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This is to certify that Code of Business Conduct & Ethics adopted by this Corporation w.e.f. 01.04.2011 based on the guidelines issued by DPE on Corporate Governance for CPSEs, have been complied with by all Board Members and Senior Management of the Company for FY 2011-12.

(M. V. Narasimha Rao)

Chairman-cum-Managing Director

HINDUSTAN PAPER CORPORATION LIMITED

Annexure - I

Position regarding employment of Scheduled Castes (SC)/ Scheduled Tribes (ST), Other Backward Classes (OBC), Ex-Servicemen (ESM) and Persons with Disabilities (PwD) as on 31.3.2012 among HPC Personnel

1. Representation of SC/ST/OBC

Classification of post	No. of Employees	No. belonging to					
		SC	%	ST	%	OBC	%
Group 'A'	447	35	7.83	9	2.01	39	8.72
Group 'B'	199	13	6.53	5	2.51	20	10.05
Group 'C'	1604	185	11.53	141	8.79	116	7.23
Group 'D'	168	20	11.9	46	27.38	26	15.47

2. Representation of Ex-Servicemen

Group	Total No. of posts filled up	Disabled Ex-Servicemen	%	Dependent of Ex-Servicemen killed in action	%	Other Ex-Servicemen	%
C	1604	–	–	–	–	5	0.28
D	168	–	–	–	–	–	–

3. Representation of Persons with Disabilities (PwD)

No. of Employees in Group 'C' & 'D'	Category of PwD	Number
1772	(a) Visual	3
	(b) Hearing	1
	(c) Orthopaedic	10

HINDUSTAN PAPER CORPORATION LIMITED

Annexure - II

**PARTICULARS OF WOMEN EMPLOYEES AS ON 31.3.2012**

Category		Present Strength	
Grade	Pay Scale	Total No. of Employees	No. of Women Employees
<b>Executives (E)</b>			
Schedule-A	₹ 80000-125000	0	0
Schedule-B	₹ 75000-100000	4	0
E-9	₹ 62000-80000	0	0
E-8	₹ 51300-73000	3	0
E-7	₹ 43200-66000	11	0
E-6	₹ 36600-62000	36	0
E-5	₹ 32900-58000	60	1
E-4	₹ 29100-54500	103	3
E-3	₹ 24900-50500	103	5
E-2	₹ 20600-46500	70	8
E-1	₹ 16400-40500	57	6
	<b>TOTAL (E)</b>	<b>447</b>	<b>23</b>
<b>Supervisors (S)</b>			
S-2A	₹ 16400-40500	31	3
S-2	₹ 12600-32500	85	8
S-1	₹ 11500-29600	83	8
	<b>TOTAL (S)</b>	<b>199</b>	<b>19</b>
<b>Workmen (W)</b>			
W-9B	₹ 12600-32500	233	9
W-9A	₹ 11500-29600	242	8
W-9	₹ 10700-27400	249	10
W-8	₹ 10000-25000	282	8
W-7	₹ 9500-24000	177	5
W-6	₹ 8900-22000	120	7
W-5	₹ 8500-20500	147	5
W-4	₹ 8200-19800	154	7
W-3	₹ 7900-18100	88	4
W-2	₹ 7700-17200	50	1
W-1	₹ 7500-16500	30	0
	<b>TOTAL (W)</b>	<b>1772</b>	<b>64</b>
	<b>GRAND TOTAL (E + S + W)</b>	<b>2418</b>	<b>106</b>

## HINDUSTAN PAPER CORPORATION LIMITED

### Annexure - III A

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended March 31, 2012.

#### I. CONSERVATION OF ENERGY

##### A) Energy Conservation Measures implemented at NPM & CPM

- i) In-house Energy Conservation Task Forces identified schemes in 2011-12 for conservation of power, water and steam. Accredited Energy Managers are in place both at NPM & CPM.
- ii) Schemes earlier recommended by CPPRI, accredited energy auditor by Bureau of Energy Efficiency (BEE), who were engaged in 2006 for conducting statutory energy audit at NPM & CPM, are under various stages of implementation in phased manner. A new agency viz., M/s. TUV SUD South Asia has been appointed in March 2012 for conducting Energy Audit at NPM & CPM.
- iii) Schemes implemented :
  - Replacement of conventional asbestos sheets with transparent sheets in different plants.
  - Replacement of Dynodrive by VFD in DCW-1.
  - Replacement of 10 nos. geysers in Guest House with Solar Heater.
  - Changing of old Aerators with energy efficient Aerators.
  - Re-cycling of Control room AC Water and Pump Sealing / Cooling water.
  - Fitting of energy efficient Steam Traps in Primary & Secondary Air Pre-heater condensate line.
  - Replacement of 300 nos. TFL by CFL / LED at Control Room, Office and Plant / Colony Street.
  - Installation of 1 no. Energy Saving CT Fan in Cooling Tower.

##### B) Proposals Under Implementation :

- Hydrobin decanting water to bottom ash hopper in boilers.
- Trimming of mill water pump impellers.
- Inception of vacuum pump for evaporator ejector system.
- Changing of two cooling tower fans by energy efficient fans.
- Replacement of metallic impellers of vent fans with energy efficient light weight impellers of Finishing House.
- Replacement of Dynodrive by VFD in DCW-2.
- Replacement of Mercury Cell with Membrane Cell.

##### C) The total energy consumption and the consumption per unit of production are shown in **Appendix**.

## HINDUSTAN PAPER CORPORATION LIMITED

### II. PARTICULARS AS PER FORM B

#### A) Research & Development (R&D)

##### **Applied R&D activities on**

- Trial of anti-fluff chemicals using starch.
- Use of PVA Synthetic Adhesive for making core pipes.
- Laboratory scale trial for production of high strength paper by optimization of refining and fibre fractionation.
- Plant scale trial for removal of colour in effluent before discharge by using Ferric Chloride.
- Laboratory scale trial of cooking aids.
- Laboratory scale trial of ECF Bleaching with Oxygen bleaching.
- Product upgradation through development of alternative fillers: Lab. Scale trial to replace SSP by GCC as alternate fillers.

#### B) Technology Absorption, Adaptation & Innovation

##### 1. **Efforts in brief made towards technology absorption, adaptation and innovation :**

- i) Colour removal by dosing Ferric Chloride.
- ii) Laboratory scale trial of cooking aids
- iii) Development of alternate fillers by replacing Soap Stone Powder (SSP) with Ground Calcium Carbonate (GCC).

##### 2. **Benefits :**

- i) Colour removal achieved upto 25% by way of dosing Ferric Chloride.
- ii) Laboratory scale trial of cooking aid found encouraging. Plant scale trial planned to be taken in 2012-13 may prove its worth.
- iii) Result of Lab Scale trial encouraging. Plant scale trial proposed in 2012-13.

HINDUSTAN PAPER CORPORATION LIMITED

APPENDIX

DISCLOSURE OF PARTICULARS  
WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Sl. No.	Item	Unit	Current Year (2011-12)		Previous Year (2010-11)	
			NPM	CPM	NPM	CPM
1.	Electricity					
	a) Purchased	Lakh/KWH	192.66	240.30	48.02	140.21
	Total Amount	₹ Lakh	1154.90	1311.66	359.49	771.14
	Rate / Unit	₹/KWH	5.99	5.46	7.49	5.50
	b) Own Generation					
	i) Through Diesel Generator					
	Unit per Ltr. of Diesel	Lakh/KWH	Nil	Nil	Nil	Nil
	Oil Cost/Unit		-	-	-	-
	ii) Through Steam					
	Turbine / Generator Unit	Lakh/KWH	1674.9	1452.39	1989	1183
	Total Amount	₹ Lakh	117.28	101.72	139.27	82.85
	Rate / Unit (Duty only)	₹/KWH	0.07	0.07	0.07	0.07
2.	Coal					
	Quantity	MT	170245	151598	187501	119394
	Total Cost	₹ Lakh	9591.44	7385.71	7903.58	5320.36
	Average Rate	₹/MT	5634	4872	4215	4456
3.	Furnace Oil					
	Quantity	KL	298	735	5484	734
	Total Cost	₹ Lakh	127.04	327.60	1685.19	252.75
	Average Rate	₹/KL	42631	44571	30729	34435
4.	Others / Internal Generation					
	Quantity	Lakh/KWH	Nil	Nil	Nil	Nil
	Total Cost					
	Rate / Unit					
B.	Consumption per Unit of Production (Per MT of Paper)					
1.	Production (with details)	MT	100201	80061	102002	52781
2.	Electricity	KWH	1502	1662	1496	1845
3.	Furnace Oil	LTR	3.30	5.78	2.67	5.30
4.	Coal	MT	1.18	1.38	1.34	1.86
5.	Others (Specify)	Nil	Nil	Nil	Nil	Nil

**RESEARCH & DEVELOPMENT**

**FORM - B**

**Form for disclosure of particulars with respect to  
Technology Absorption and Research and Development**

1. Specific area in which R&D carried out by the company	R&D work on the following projects were carried out:- <ul style="list-style-type: none"> <li>i) Trial of anti-fluff chemicals using strach.</li> <li>ii) Use of PVA Synthetic Adhesive for making core pipes.</li> <li>iii) Laboratory scale trial for production of high strength paper by optimization of refining and fibre fractionation.</li> <li>iv) Plant scale trial for removal of colour in effluent before discharge by using Ferric Chloride.</li> <li>v) Laboratory scale trial of cooking aids.</li> <li>vi) Laboratory scale trial of ECF Bleaching with Oxygen bleaching.</li> <li>vii) Product upgradation through development of alternative fillers: Lab. Scale trial to replace SSP by GCC as alternate fillers.</li> </ul>
2. Benefits derived as a result of the above R&D	<ul style="list-style-type: none"> <li>i) Redcuton in fluff generation using starch at wet-end.</li> <li>ii) Core collapsing strength increase optimization in progress using PVA Synthetic.</li> <li>iii) Optimisation study of refining and fibre fractionation in progress for laboratory scale production of high strength paper.</li> <li>iv) De-colourisation of final effluent observed with use of polymer - getting lower BOD, COD values.</li> <li>v) Chemical consumption reduced. Observed chemical penetration better with uniform cooking.</li> <li>vi) Improved physical strength property of paper.</li> <li>vii) With successful Lab scale trial, plant trial is to be taken shortly to improve Optical and Surface property of paper.</li> </ul>
3. Future Plan	<ul style="list-style-type: none"> <li>i) Testing of mill waste materials like lime mud, fly ash etc. for producing bricks.</li> <li>ii) Plant scale trial to replace SSP by GCC as alternate fillers.</li> <li>iii) Study on coated paper technology.</li> <li>iv) Plant trial of cooking aids.</li> <li>v) Laboratory scale trial for production of high strength paper with better formation by optimization of refining and fibre fractionation.</li> </ul>
4. Expenditure on R&D	₹ 108.48 lakhs spent for different R&D activities carried out at NPM & CPM.
5. Technology absorption, adaptation and innovation	<ul style="list-style-type: none"> <li>i) The efforts are limited to in-house R&amp;D activities.</li> <li>ii) Alkaline sizing with AKD replacing costly acid sizing chemicals.</li> <li>iii) Optimisation study for cooking of bamboo with different percentage of wood - their pulpability and bleachability for use in appropriate ratio.</li> <li>iv) Replacement of basic dye with direct / pigment dye.</li> <li>v) Use of formaldehyde for partial replacement of chlorine dioxide in order to minimize bleaching cost.</li> </ul>

HINDUSTAN PAPER CORPORATION LIMITED

FIVE YEAR DIGEST

(₹ Lakh)

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Production (MT)	180262	154783	166639	175020	211746
Sales (MT)					
– Paper	175424	167634	148473	175091	213224
– Caustic Flakes & Lye	1316	2466	4176	3909	4490
Sales Turnover					
– Paper	72482	65705	57940	71081	83166
– Caustic Flakes & Lye	152	474	856	1026	1019
– Total	72634	66179	58796	72107	84185
Other Income	3148	2218	4288	4151	2305
Extra-ordinary credits (including Dividend from HNL)	400	Nil	Nil	1500	1238
Cost of goods sold (excluding interest & depreciation)	87452	75286	70238	69244	72024
Gross Margin	-11270	-6889	-7154	8514	15704
Interest	610	97	Nil	Nil	Nil
Cash Profit	-11880	-6986	-7154	8514	15704
Depreciation & DRE	2010	2183	2502	2441	2030
Profit Before Tax (PBT)	-13890	-9169	-9656	6073	13674
Profit After Tax (PAT)	-9520	-6334	-6330	4538	9184
Equity Share Capital	56370	56370	56370	56370	56370
Preferential Share Capital	9900	9900	9900	10468	10668
Reserves & Surplus	-3509	6010	12345	18675	15483
Long Term Loans	8	50	93	143	178
Short Term Loan	7523	Nil	Nil	Nil	Nil
Gross Block	97684	95071	94872	94198	87998
Capital Work-in-progress	3145	5633	5360	7321	8866
Net Fixed Assets (excluding WIP)	25795	25158	27236	29048	25212
Current Assets, Loans & Advances	40382	37765	53266	61702	59849
Current Liabilities & Provisions	27757	20423	23216	25147	23753
Working Capital	12625	17342	30050	36555	36096
Capital Employed	38420	42500	57286	65604	61308
Net Worth	67478	76998	83332	90229	87238
<b>Ratios</b>					
Gross Margin to Capital Employed	-0.29	-0.16	-0.12	0.13	0.26
Cash Profit to Capital Employed	-0.31	-0.16	-0.12	0.13	0.26
Profit Before Tax (PBT) as a percentage of Sales Turnover	-19.12	-13.85	-16.42	8.42	16.24
Debt Equity Ratio	0.0001	0.001	0.002	0.003	0.003
No. of employees	2417	2563	2681	2756	2708

**Note :** The above 5 year digest relates to HPC's two Units only. Loans released by GOI to MNPM and NPPC through HPC and interest accrued thereon have not been considered.

HINDUSTAN PAPER CORPORATION LIMITED

EMPLOYMENT COST SUMMARY

(₹ Lakh)

For the year ended	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
(A) Compensation					
A.1. Salaries, Wages, Allowances etc.	12457.71	11891.95	11738.26	9517.52	8938.92
A.2. Ex-gratia for VRS optees	Nil	Nil	Nil	Nil	Nil
<b>Total (A)</b>	<b>12457.71</b>	<b>11891.95</b>	<b>11738.26</b>	<b>9517.52</b>	<b>8938.92</b>
(B) Benefits & Facilities :					
Provident Fund & other Fund	1354.61	1262.27	1535.17	828.21	630.75
Gratuity	871.34	726.17	2256.22	1687.43	253.12
Township	145.39	154.96	301.89	499.25	526.16
Education (Kendriya Vidyalaya)	342.68	432.24	346.34	344.19	207.59
Medical	628.43	642.48	611.53	574.66	492.69
Transport	Nil	Nil	60.38	72.78	71.47
Other benefits including Leave Travel Concession, Leave encashment etc.	884.52	967.76	1164.89	451.48	446.53
<b>Total (B) :</b>	<b>4226.97</b>	<b>4185.88</b>	<b>6276.42</b>	<b>4458.00</b>	<b>2628.31</b>
<b>Total (A) + (B)</b>	<b>16684.68</b>	<b>16077.83</b>	<b>18014.68</b>	<b>13975.52</b>	<b>11567.23</b>
Number of Employees	2417	2563	2681	2756	2708
Average Salaries, Wages etc. per employee per annum (₹)	515420	463986	437831	345338	330093
Average cost of employees' benefits per employee per annum (₹)	174885	163320	234107	161756	97057
Average employment cost per employee per annum (₹)					
– including VRS optees	690305	627305	671939	507094	427150
– excluding VRS optees	690305	627305	671939	507094	427150

HINDUSTAN PAPER CORPORATION LIMITED

# ACCOUNTS 2011-12

HINDUSTAN PAPER CORPORATION LIMITED

BALANCE SHEET AS AT MARCH 31, 2012

Particulars	Note No.	Figures as at year ended 31.03.2012 (₹ in lakhs)	Figures as at year ended 31.03.2011 (₹ in lakhs)
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	66,270.43	66,270.43
(b) Reserves & Surplus	4	( 3,509.24)	6,010.47
<b>2. Share application money pending allotment</b>	5	5,460.00	5,460.00
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	6	16,879.01	15,875.71
(b) Deferred tax liabilities (Net)		-	-
(c) Other Long-term liabilities	7	48.00	-
(d) Long-term Provisions	8	1,928.10	932.01
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	9	7,522.98	-
(b) Trade payables	10	19,293.47	12,965.12
(c) Other current liabilities	11	6,572.85	6,537.52
(d) Short-term provisions	12	126.72	62.94
<b>Total</b>		<b>120,592.32</b>	<b>114,114.20</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
- Tangible Assets	13	25,794.59	25,157.84
- Capital work-in progress	14	1,050.43	3,494.15
(b) Non-current investments	15	21,397.30	21,397.30
(c) Deferred tax assets (net)	16	7,330.22	2,959.73
(c) Long term loans and advances	17	25,797.60	26,769.61
(d) Other non-current assets	18	48.00	-
<b>(2) Current assets</b>			
(a) Inventories	19	21,824.14	11,771.63
(b) Trade receivables	20	8,498.99	13,012.67
(c) Cash and bank balance	21	4,280.76	6,739.15
(d) Short-term loans and advances	22	4,339.46	2,719.22
(e) Other current assets	23	230.83	92.90
<b>Total</b>		<b>120,592.32</b>	<b>114,114.20</b>

See accompanying notes to Financial Statements.

In terms of our Report of even date.

For D. K. Chhajer & CO  
Chartered Accountants  
FRN. 304138E

Niraj K. Jhunjhunwala  
Partner  
Membership No. : F057170

Place : Kolkata  
Date : 21.09.2012

L. R. EKANATH  
I/C Company Secretary

On behalf of the Board of Directors

M. V. NARASIMHA RAO  
Chairman-cum-Managing Director

AMITABHA BANERJEE  
Director (Finance)

HINDUSTAN PAPER CORPORATION LIMITED

STATEMENT OF PROFIT & LOSS  
FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note No.	Figures for the year	Figures for the year
		ended 31.03.2012	ended 31.03.2011
		(₹ in lakhs)	(₹ in lakhs)
I. Revenue from operations	25	70,028.86	64,682.24
II. Other Income	26	3,548.22	2,218.24
<b>III. Total Revenue (I+II)</b>		<b>73,577.08</b>	<b>66,900.48</b>
<b>IV. Expenses:</b>			
Cost of materials consumed	27	35,860.41	23,860.66
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	28	( 941.68)	4,687.42
Employees benefit expense	29	16,766.41	15,948.64
Finance cost	30	609.58	96.76
Depreciation and amortization expense	31	2,009.53	2,183.09
Other expenses	32	13,048.32	12,352.89
Prior period items	33	( 2.64)	425.53
Power & fuel	34	20,117.34	16,514.63
<b>Total Expenses</b>		<b>87,467.27</b>	<b>76,069.62</b>
V. Profit before exceptional and extraordinary items and tax	(III - IV)	( 13,890.19)	( 9,169.14)
VI. Exceptional Items		-	-
VII. Profit before extraordinary items and tax	(V - VI)	( 13,890.19)	( 9,169.14)
VIII. Extraordinary Items	-	-	-
IX. Profit before tax (VII-VIII)		( 13,890.19)	( 9,169.14)
X. Tax expense :			
(1) Current tax		-	-
(2) Deferred tax		( 4,370.48)	( 2,834.96)
XI. Profit from the period from continuing operations		( 9,519.71)	( 6,334.18)
XII. Profit/(Loss) from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
XIV. Profit/(Loss) from Discontinuing operations (XII-XIII)		-	-
XV. Profit for the period (XI + XIV)		( 9,519.71)	( 6,334.18)
XVI. Earning per equity share :	39		
(1) Basic		( 168.88)	( 112.37)
(2) Diluted		( 168.88)	( 112.37)

See accompanying notes to Financial Statements.

In terms of our Report of even date.

For D. K. Chhajer & CO  
Chartered Accountants

FRN. 304138E  
Niraj K. Jhunjhunwala  
Partner

Membership No. : F057170

Place : Kolkata

Date : 21.09.2012

L. R. EKANATH  
I/C Company Secretary

On behalf of the Board of Directors

M. V. NARASIMHA RAO  
Chairman-cum-Managing Director

AMITABHA BANERJEE  
Director (Finance)

HINDUSTAN PAPER CORPORATION LIMITED

**CASH FLOW STATEMENT**

S. No.	PARTICULARS	For the Year Ended 31.03.2012 (₹ in Lakh)	For the Year Ended 31.03.2011 (₹ in Lakh)
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit/(Loss) before Tax & Extraordinary items	( 13,890.23)	(9,169.15)
	Adjustment for :		
	Depreciation Provision	2,009.53	2,280.70
	Interest Income	( 320.69)	(387.73)
	Dividend Income	( 400.00)	–
	Interest Expenses	609.58	96.76
	Provisions/ liabilities no longer required	–	–
	Profit/Loss on Sale of Fixed Assets	( 28.53)	( 2.39)
	<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>(12,020.34)</b>	<b>( 7,181.81)</b>
	Adjustment for :		
	Trade & Other Receivables	(1,900.61)	(3,156.60)
	Inventories	( 10,052.54)	6,839.22
	Interest accrued on deposits	( 85.58)	–
	Trade & Other Payables	7,068.67	( 2,720.12)
	<b>Cash Generated from Operations</b>	<b>( 16,990.40)</b>	<b>( 6,219.31)</b>
	Income Tax (Paid)/Refunded	265.33	( 72.42)
	Payment of Dividend including tax on dividend	–	–
	Redemption of Share Capital	–	–
	<b>Cash Flow before Extraordinary items</b>	<b>( 16,725.07)</b>	<b>( 6,291.73)</b>
	Extraordinary Items (Deferred Revenue Expenses)	–	–
	<b>Net Cash Flow from Operating Activities</b>	<b>( 16,725.07)</b>	<b>( 6,291.73)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Investment in JPML	–	–
	Purchase of Fixed Assets/Capital Work-in-Progress	( 159.30)	( 476.73)
	Sale/adjustment of Fixed Assets	30.24	2.62
	Term Deposit with Banks	1,059.94	7,862.86
	Interest Received	320.69	594.14
	Dividend Received	400.00	–
	Loan to NPPC	–	–
	Temporary Accommodation Provided to NPPC	5,620.78	( 1,225.71)
	<b>Net Cash Flow from Investing Activities</b>	<b>7,272.35</b>	<b>6,757.18</b>



## HINDUSTAN PAPER CORPORATION LIMITED

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### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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1. **General Information :**

Hindustan Paper Corporation Limited is engaged in the business of manufacturing and trading of Paper. It has its units at Nagaon and Cachar, in the state of Assam.

2. **Significant Accounting Policies**

i) **Basis of Accounting :**

The financial statements have been prepared to comply, in all material respects, with accounting standards as notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except Interest on Income Tax, Insurance Claims, Rent and Electricity Charges received from Township which are accounted for on cash basis. The accounting policies applied by the Company are consistent with those used in the previous year.

ii) **Change in Accounting Policy :**

**Presentation and disclosure of Financial Statements**

During the year ended 31st March, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company for preparation and presentation of its Financial Statements. The adoption of Revised Schedule VI does not impact the recognition and measurement principles followed for preparation of Financial Statements. However, it has significant impact on presentation & disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements of Revised Schedule VI applicable in the current year. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non-current classification of assets and liabilities by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act 1956.

**Allocation of Corporate Office Expenses**

- a) The Revenue Expenditure for the Corporate Headquarters is allocated to the operating units on the basis of sales turnover achieved by the individual units during the year.
- b) The marketing expenses are allocated to the operating units only in the ratio of Sales Turnover.
- c) No allocation of revenue expenditure has been made to subsidiary following a change in accounting policy. Had the allocation been made the amount to be allocated would have been ₹ 722.86 lakhs.

iii) **Use of Estimates:**

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

iv) **Tangible Assets:**

- a) Tangible Assets including insurance spares and standby equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price net of Cenvat credit plus any directly attributable costs (inward freight, taxes, duties, legal, incidental expenses, borrowing cost incurred during construction/ installation period and cost of installation/erection etc.) of bringing the asset to the working condition for its intended use
- b) The expenditure on technical fees and consultants' fees is allocated to Plant & Machinery (Civil / Township) for which the expenditure is incurred
- c) Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss

## HINDUSTAN PAPER CORPORATION LIMITED

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### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS *(Contd.)*

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- d) Depreciation is provided for on Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions / sales / discard is being provided on a pro-rata basis from / up to the date of such addition / sales / discard.
- e) Leasehold Assets are amortized over the period of initial lease
- v) Intangible assets:**
- a) Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. All costs, including financing costs till commencement production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets are capitalised
- b) Intangible assets such as software, etc. are amortised based upon their estimated useful lives
- vi) Capital Work-in-Progress:**  
Capital Work-in-Progress is stated at the amount incurred up to the date of Balance Sheet. All expenditures including finance cost during construction / implementation of project are included under capital work in progress and to be allocated to the fixed assets on commencement of commercial operations.
- vii) Impairment:**  
An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which asset is identified as impaired. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased
- viii) Investment:**  
Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made are classified as Current Investments. All other investments are classified as Non-current Investments. Non-current Investments are stated at cost.
- ix) Inventories:**
- a) Inventories are valued at lower of cost or estimated net realisable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them to their respective present location and condition.
- b) Cost Formula:
- |   |   |                          |
|---|---|--------------------------|
| Raw Materials                           | : | At Weighted Average Cost |
| Work-in-Process and Finished Goods      | : | At Conversion Cost       |
| Packing Materials and Stores and Spares | : | At Weighted Average Cost |
- c) Conversion Cost of inventories approximates actual cost.
- d) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.
- e) Cost of finished goods includes excise duty.
- f) Inter unit transfer of materials remaining in stock are being valued at transfer price fixed by the management
- g) Scrap is valued at estimated net realizable value.
- h) Loose Tools are written off over a period of 5 years from the year of acquisition and this being stated at depreciated cost.
- x) Foreign Currency Transaction:**
- a) Initial Recognition:  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency prevailing at the date of the transaction or that approximate the actual rate at the date of the transaction.
- b) Subsequent Recognition:  
Monetary items denominated in foreign currencies at the year end are restated at the year end rates. Non-monetary

## HINDUSTAN PAPER CORPORATION LIMITED

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### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS *(Contd.)*

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items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

- c) Exchange Differences:  
Foreign currency assets and liabilities as on the Balance Sheet date are revalued in the accounts on the basis of exchange rates prevailing at the close of the period and exchange loss/gain arising there from, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be.
- d) Forward Exchange Contracts:  
In case of transactions covered by forward contracts, the difference between the contract rate and exchange rate prevailing on the date of transaction, is adjusted to the cost of fixed assets or charged to the Profit & Loss Account, as the case may be, proportionately over the life of the contract.
- xi) Revenue Recognition:**  
Revenue is recognised only when it can be reliably measured and it is reasonable to expect ultimate collection.
  - a) Sale of Goods:  
Sales are after adjustment of Sales Return and are inclusive of excise duty wherever chargeable. Rebates, quantity and cash discount are stated separately
  - b) Dividend:  
Dividend is accounted as income only if it has been declared till the close of the accounting year.
  - c) Insurance Claims:  
Insurance claims is recognised on cash basis.
  - d) Provision for Doubtful Debts:  
Sundry Debtors in respect of Government / Institutional parties lying outstanding for more than 5 years and receivables from private parties lying outstanding for more than 3 years are provided for as doubtful debts in the accounts.
  - e) Purchases :  
Purchases are inclusive of freight and net of Cenvat Credit, trade discount and claims
- xii) Retirement and Other Employee Benefits:**
  - a) Retirement benefit in the form of provident fund is a defined contribution scheme and is charged to the statement of Profit & Loss of the year when the contributions to the respective funds are due. The company has no obligations other than the contribution payable to the respective funds.
  - b) Gratuity liability, being a defined benefit obligation, is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Gratuity contribution is made to the approved Gratuity Fund under the Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC)
  - c) Liability towards terminal leave encashment is provided for on the basis of actuarial valuation carried out by LIC and remitted to a fund maintained by LIC under Group Leave Encashment Scheme.
- xiii) Borrowing Costs:**  
Borrowing costs relating to acquisition or construction of fixed assets which takes substantial period of time to get ready for its intended use are included in the cost of fixed assets to the extent they relate to the period till such assets are ready to be put to use. Other Borrowing costs are recognized as an expense in the year in which they are incurred
- xiv) Classification of Expenditure:**
  - a) Stores & Spares Consumed:  
The cost of Stores & Spares used on Repairs & Maintenance is shown as Consumption of Stores and Spares under the head 'Repairs and Maintenance'.
  - b) Salaries & Wages :  
The expenditure on salaries and wages incurred for Repairs and Maintenance of Plant and Machinery, Building etc.

## HINDUSTAN PAPER CORPORATION LIMITED

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### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS *(Contd.)*

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- is charged directly to "Salaries and Wages Account" and a note indicating the amount thereof is given separately
- xv) Deferred Revenue Expenditure (DRE):**
- The expenditure incurred in respect of Projects not sanctioned by the Competent Authority within a period of 5 years from the commencement of studies is allocated to the units including subsidiary companies in commercial operation on the basis of their turnover
  - Major renovation / replacement to Plant & Machinery
  - In keeping with common practices of financial prudence, expenditure on major renovation / replacement to plant and machinery is treated as Deferred Revenue Expenditure (DRE) which is written off in 5 years since the benefit accruing from such expenditure is derived over a long period
  - Start-up and Commissioning expenses and expenses on new Project are charged off to revenue in 5 equal instalments and preliminary expenses in 10 equal instalments after the unit goes into commercial production
- xvi) Prior Period and Pre-paid Transactions:**  
Accounting for Prior Period Adjustment Account / Prepaid Expenses Account is made for such items which are above ₹5000/- in each case only.
- xvii) Capital Subsidy / Grant:**
- Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.
  - When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.
  - When the grant or subsidy relates to an asset it is deducted from the gross value of the asset concerned in arriving at the carrying amount of related asset.
- xviii) Current and Deferred Tax:**
- Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws as per the provisions of the Income Tax Act, 1961.
  - Deferred tax is recognised subject to consideration of prudence in respect of deferred tax asset on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period and is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realization.
- xix) Provisions, Contingent Liabilities and Contingent Assets:**  
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements
- xx) Earnings Per Share (Basic & Diluted):**  
Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.  
For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average no. of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.
- xxi) Cash Flow Statement:**  
Cash Flow is reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of none cash nature, any deferrals or accruals of past or future cash receipts or payments. Cash and cash equivalents in the balance sheet comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

HINDUSTAN PAPER CORPORATION LIMITED

Notes forming part of Financial Statements

Note-3 : Share capital

Particulars	As at	As at
	31st March, 2012 (₹ in Lakhs)	31st March, 2011 (₹ in Lakhs)
<b>A. Authorised :</b>		
10000000 (March 31,2011:10000000)equity shares of ₹ 1000/- each	100,000.00	100,000.00
13,66,778 (March 31,2011:13,66,778) 7% Non-cumulative Redeemable Preference of ₹ 1000/- each	13,667.78	13,667.78
<b>Total</b>	<b>113,667.78</b>	<b>113,667.78</b>
<b>Issued</b>		
56,37,043 (March 31,2011:56,37,043) Equity shares of ₹ 1000/- each	56,370.43	56,370.43
9,90,000 (March 31,2011:9,90,000) 7% Non-cumulative Redeemable Preference of ₹ 1000/- each	9,900.00	9,900.00
<b>Total</b>	<b>66,270.43</b>	<b>66,270.43</b>
Subscribed and paid up :		
56,37,043 (March 31,2011:56,37,043) Equity shares of ₹ 1000/- each	56,370.43	56,370.43
9,90,000 (March 31,2011:9,90,000) 7% Non-cumulative Redeemable Preference of ₹ 1000/- each	9,900.00	9,900.00
<b>Total</b>	<b>66,270.43</b>	<b>66,270.43</b>

In the 38th Annual General Meeting of the Members of Hindustan Paper Corporation Limited held on July 18, 2008, it was resolved to enhance the Authorised Equity Share Capital from ₹ 600 crore to ₹ 1000 crore. The same has been approved by ROC, Delhi on 28th January, 2010 and accordingly the Authorised Equity Share Capital has been enhanced from ₹ 600 crore to ₹1000 crore.

Particulars	As at	As at
	31st March, 2012 (No. in Lakhs)	31st March, 2011 (No. in Lakhs)
<b>B. Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company (nos. In lakhs)</b>		
(i) President of India	56.37 [100%]	56.37 [100%]

**C. RECONCILIATION STATEMENT :**

Equity Shares	As at	As at
	31st March, 2012 No. of shares Amount (in lacs)	31st March, 2011 No. of shares Amount (in lacs)
At the beginning of the year	56,37,043 ₹56,370.43	56,37,043 ₹56,370.43
Adjustments during the year	—	—
Nos. of shares at the closing	56,37,043 ₹56,370.43	56,37,043 ₹56,370.43

**HINDUSTAN PAPER CORPORATION LIMITED**

<b>Preference Shares</b>	<b>As at 31st March, 2012 No. of shares Amount (in lacs)</b>	<b>As at 31st March, 2011 No. of shares Amount (in lacs)</b>
At the beginning of the year	1366778 ₹ 13667.78	1366778 ₹ 13667.78
Adjustments during the year		
Nos. of shares at the closing	1366778 ₹13667.78	1366778 ₹13667.78

**D. RIGHTS, PREFERENCES & RESTRICTIONS ATTACHED TO SHARES :**

**Equity Shares :**

The company has one class of equity shares having a par value of ₹1000/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

**Non Cumulative Redeemable Preference Shares :**

The company has one class of Non-cumulative Redeemable Preference shares having a par value of ₹1000/- per share and carry non-cumulative dividend @ 7 % p.a. Each holder of Preference Shares is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting. In the event of liquidation of the company before redemption of equity shares, the holder of preference share will have priority over equity shares in the payment of dividend and repayment of capital. The shares are to be redeemed within 15.08.2018.

**Note-4 : Reserves & Surplus :**

<b>Particulars</b>	<b>As at 31st March, 2012 (₹ in Lakhs)</b>	<b>As at 31st March, 2011 (₹ in Lakhs)</b>
<b>a) Capital Redemption Reserve</b>		
Opening Balance	3,767.78	3,767.78
Transfer during the year		
Closing Balance	<u>3,767.78</u>	<u>3,767.78</u>
<b>b) Capital Reserve</b>		
Opening Balance	743.25	743.25
Transfer during the year		
Closing Balance	<u>743.25</u>	<u>743.25</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**c) Surplus in the statement of Profit and Loss**

Opening Balance	1,499.44	7,833.63
Profit during the year	(9,519.71)	(6,334.19)
Income Tax of Earlier Years		
General Reserve		
Proposed Dividend at 100%		
Provision For CDT at 16.22%		
Closing Balance	<u>(8,020.27)</u>	<u>1,499.44</u>
Total balance of reserves and surplus at the end of the year	<u>(3,509.24)</u>	<u>6,010.47</u>

**Note 5 : SHARE APPLICATION MONEY PENDING ALLOTMENT**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Received from the Govt. of India for issue of Equity Shares - Pending allotment	5,460.00	5,460.00
	<u>5,460.00</u>	<u>5,460.00</u>

The Plan Funds of ₹ 5460 lakhs was released by GOI in September, 2007 for investment in Nagaland Pulp & Paper Co. Ltd. (NPPC) in connection with Revival & Upgradation of the Company with the directives by GOI that HPC would issue Equity Shares equivalent to the said amount in favour of The President of India. The necessary action is under process.

**Note 6 : Long Term Borrowings**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Secured Borrowings :</b>		
Loan from TIFAC*	-	7.50
<b>Unsecured Borrowings:</b>		
From GOI(Nagaland Pulp & Paper Co. Ltd)**	1,138.00	127.20
From GOI(Mandya National Paper Mills Ltd)***	15,741.01	15,741.01
	<u>16,879.01</u>	<u>15,875.71</u>

\* Secured borrowings from TIFAC are secured against hypothecation of Tissue Culture Laboratory at NPM and Bamboo Dust Gasification Plant at NPM & CPM.

\*\* Department of Heavy Industry, Government of India (GoI) had sanctioned non-plan loans totalling ₹1242.00 Lakh to the company to meet the statutory dues and expenditure for salary, wages of the employees of Nagaland Pulp & Paper Company Limited (NPPC), a subsidiary of HPCL for the period from 01.05.2010 to 30.09.2011.

## HINDUSTAN PAPER CORPORATION LIMITED

Interest (₹ 100.35 lakhs including due & not due) on such loan was provided in the accounts for the year 31st March, 2012.

\*\*\* Includes interest amount of ₹ 10,305.16 lacs which is accrued and frozen.

\*\*\*\* The company has entered into a Common Hypothecation Agreement on 1st March, 2011 with Canara Bank (Bangalore and Kolkata) for sanction of the credit facilities viz. Cash Credit of ₹ Seventy Five crore, LC Limit of ₹Fifteen crore and Bank Guarantee of ₹Ten crore secured by an exclusive First Charge on inventories, Book Debts and some items of Fixed assets. The facilities have been utilized during the Financial Year.

### Note 6A : Terms of Repayment :

#### Secured Borrowings :

##### Loan from TIFAC

The loan is repayable in 5 equal yearly installments to TIFAC. The first instalment shall become due and payable on and after 22 months from the date of payment of first installment by TIFAC.

#### Unsecured Borrowings:

##### From GOI (Nagaland Pulp & Paper Co. Ltd)

The loan is repayable in 5 equal installments commencing from the first anniversary from date of drawl of loan. The Normal interest rate is 14.5% p.a. and the Penal rate of Interest in the event of default in repayment/ interest payment is 2.75% p.a. over and above Normal rate.

##### From GOI (Mandya National Paper Mills Ltd)

Unsecured Loan amounting to ₹ 5435.85 lakh received from Government of India (GOI) was in turn, advanced to a subsidiary company, MNPM (Mandya National Paper Mills Ltd.) (under Liquidation). Interest accrued on both the loans received and advanced upto 31.03.2001 amounts to ₹ 10305.16 lakh, which were frozen thereafter as confirmed by the Pay & Accounts Office, Department of Heavy Industry vide their letter No. PAO/HI/PE/REC/2002-03/441 dated 12th July, 2011. Status-quo was maintained in case of both the loans in view of the 'in principle' approval for write off of irrecoverable loan by GOI vide letter no. 8(i)/97-PE-VII dated 10-06-2002, and pending completion of winding up proceedings of MNPM. No provision has been made in the books of accounts.

### Note 6B : Continuing Defaults in Repayment of Loan & Interest :

Particulars	Principal Defaulted (₹ in Lakhs)	Interest Defaulted (₹ in Lakhs)	Period Of Default (In Days)
GOI (Nagaland Pulp & Paper Co. Ltd.)	31.80	23.06	44
	40.40	29.29	1
	<u>72.20</u>	<u>52.35</u>	

### Note 7 : Other long Term Liabilities

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Interest Accrued but not due	48.00	-
	<u>48.00</u>	<u>-</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 8 : Long Term Provisions**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Provision for tax	( 169.72)	( 435.05)
Provision For Employee Benefits:		
Gratuity	1,382.70	870.21
Leave Encashment	715.12	496.85
	<u>1,928.10</u>	<u>932.01</u>

**Gratuity :**

Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC) has been introduced for all employees with effect from 01.12.2003. As required a Trust in the name and style "HPC Employees Gratuity Fund" has been formed to manage the fund. On the basis of actuarial valuation conducted by LIC the gratuity liability till 31.03.2012 for all employees of HPC has provided for a liability of ₹ 871.34 lakh including life Cover Premium after adjustment of interest earned and gratuity claims settled during the year (Previous Year : ₹ 726.17 lakh ) in the Statement of Profit and Loss.

**Leave Encashment :**

Employees Group Leave Encashment Scheme of the LIC has been introduced for all employees with effect from 01.12.2005. On the basis of actuarial valuation conducted by LIC the liability of leave encashment till 31.03.2012 of all employees, HPC has provided for a liability of ₹ 850.04 lakh including Life Cover Premium after adjustment of interest earned and claims settled during the year (Previous Year: ₹ 906.76 lakh) in the Statement of Profit and loss.

**Post Retirement Medical Benefit :**

Post Retirement Medical Benefit Scheme for all retired employees was introduced w.e.f. 28.12.2005 whereby HPC and the retired employees are contributing to the Mediclaim Premium. The Premium for 2011-12 has been paid and further liability of ₹ 2.31 lakhs accrued thereon as on 31.03.2012.

**Note 9 : Short Term Borrowings**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Secured Borrowings :</b>		
Loan from Bank*	7,522.98	—
	<u>7,522.98</u>	<u>—</u>

\* Working Capital Loans from bank is secured by exclusive first charge by way of hypothecation of Raw Materials, Stores, Spare Parts, Chemicals, Stock in Process, Finished Goods and entire Book Debts and is repayable on demand.

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 10 : Trade Payables**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Sundry Creditors</b>		
Micro Small & Medium Enterprise*	2,908.18	1,222.03
others	16,385.29	11,743.09
	<u>19,293.47</u>	<u>12,965.12</u>

**\* Disclosure under MSMED Act**

Management identified the amount due to Micro, Small and Medium Enterprises was ₹ 2908.18 lakh (Previous Year - ₹ 1222.03 lakh) included under Sundry Creditors. No interest was payable either in the current year or in the previous year under Section 16 of the MSMED Act, 2006 or under any contractual obligation.

**Rehabilitation and Revival Fund**

The Company, in the absence of suitable notification and rules thereof to be framed by the Central Government specifying the applicable rate of cess under section 441A of the Companies Act, 1956 on turnover payable by the company, has not provided for cess towards formation of Rehabilitation and Revival Fund.

**Note 11 : Other Current Liabilities**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Current maturities of long-term debts	111.50	74.30
Advances from Customer	988.96	1,214.79
Interest Accrued on Loan	115.77	-
Security deposits	3,486.61	3,175.25
GOI-surplus on distribution of imported paper	-	203.16
GOI-on account of MNPM*	1,870.01	1,870.02
	<u>6,572.85</u>	<u>6,537.52</u>

**\*Payable to GOI A/C MNPM**

The OL (Official Liquidator) of MNPM had released a sum of ₹ 95.05 lakh to HPC, out of which the current account balance recoverable from MNPM on account of Advances amounting to ₹ 34.35 lakh as on 31-3-2006 has been set off and the balance amount of ₹ 60.70 lakh has been shown as payable to GOI under Current Liabilities. During 2009-10, OL (Official Liquidator) of MNPM had released a sum of ₹ 1809.31 lakh to HPC towards part of the dues payable by MNPM which has been shown as payable to GOI under Current Liabilities.

**Note 12 : Short Term Provisions**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Provision For Employee Benefits:</b>		
Gratuity	83.52	40.06
Leave Encashment	43.20	22.88
	<u>126.72</u>	<u>62.94</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**NOTE 13 : TANGIBLE ASSETS**

(₹ in Lakh)

Particulars	<b>GROSS BLOCK (AT COST)</b>			
	As at 01.04.2011	Additions	Disposal/ Adjustment	As at 31.03.2012
<b>(A) PLANT &amp; OFFICE</b>				
1. Land	201.54	-	-	201.54
2. Roads, Culverts etc.	540.84	-	-	540.84
3. Temporary enabling works	182.39	-	-	182.39
4. Factory Building	11109.87	-	-	11109.87
5. Plant & Machinery	71202.37	2623.32	-	73825.69
6. Construction Equipment	304.24	-	-	304.24
7. Other Equipment (Fire Fighting)	622.99	3.38	( 17.60 )	608.77
8. Cooling Apparatus	135.28	0.91	-	136.19
9. Water Supply	550.44	-	-	550.44
10. Fans & Electrical Installation	1038.93	0.12	-	1039.05
11. Office Equipment	651.81	2.61	-	654.42
12. EDP*	1230.27	14.17	-	1244.44
13. Vehicles	285.56	-	( 16.86 )	268.70
14. Drainage & Sewerage	548.28	-	-	548.28
15. Railway Sidings	802.39	-	-	802.39
16. Locomotives	126.92	-	-	126.92
17. Furniture & Fixture	320.88	0.34	( 0.36 )	320.86
18. Bamboo Yard	751.31	-	-	751.31
<b>Total (A)</b>	<b>90606.31</b>	<b>2644.85</b>	<b>( 34.82 )</b>	<b>93216.34</b>
Figures for the Previous Year	90413.20	197.12	( 4.01 )	90606.31
<b>(B) TOWNSHIP</b>				
1. Land	154.15	-	-	154.15
2. Roads, Culverts & Bridge	280.62	-	-	280.62
3. Buildings	3146.48	-	-	3146.48
4. Temporary enabling works	16.14	-	-	16.14
5. Other Equipment (Guest House/Canteen)	36.20	-	-	36.20
6. Cooling Apparatus	44.27	0.49	-	44.76
7. Water Supply	219.96	-	-	219.96
8. Fans & Electrical Installation	357.65	0.39	-	358.04
9. Furniture & Fixture	67.62	2.26	-	69.88
10. Drainage & Sewerage	88.63	-	-	88.63
11. Hospital Equipment	47.51	-	-	47.51
12. Helipad	5.61	-	-	5.61
<b>Total (B)</b>	<b>4464.84</b>	<b>3.14</b>	<b>-</b>	<b>4467.98</b>
Figures for the previous year	4458.90	5.94	-	4464.84
<b>Grand Total (A + B)</b>	<b>95071.15</b>	<b>2647.99</b>	<b>( 34.82 )</b>	<b>97684.32</b>
<b>Figures for the previous year</b>	<b>94872.10</b>	<b>203.06</b>	<b>( 4.01 )</b>	<b>95071.15</b>

The Net Block of EDP shown in the Notes Depicts a Negative figure whereas as per Fixed Asset Register the Net Block is Positive. This is due to the Gross Block of Individual items being classified with another Group of

HINDUSTAN PAPER CORPORATION LIMITED

(₹ in Lakh)

DEPRECIATION			NET BLOCK		
Upto 31.03.2011	For the year	On Disposal/ Adjustment	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
0.25		-	0.25	201.29	201.29
206.46	8.84		215.30	325.54	334.38
182.39		-	182.39	0.00	0.00
8199.21	363.03	-	8562.24	2547.63	2910.66
54128.67	1377.14	-	55505.81	18319.88	17073.70
243.41	8.70	-	252.11	52.13	60.83
414.75	21.15	(16.73)	419.17	189.60	208.24
62.90	4.78	-	67.68	68.51	72.38
526.12	0.09	-	526.21	24.23	24.32
832.22	16.85	-	849.07	189.98	206.71
242.80	8.44	-	251.24	403.18	409.01
1313.84	77.33	-	1391.17	(146.73)	(83.57)
221.23	15.97	(16.02)	221.18	47.52	64.33
206.27	8.96	-	215.23	333.05	342.01
762.27		-	762.27	40.12	40.12
73.67	4.47	-	78.14	48.78	53.25
237.75	12.12	(0.36)	249.51	71.35	83.13
78.92	12.42	-	91.34	659.97	672.39
67933.13	1940.29	(33.11)	69840.31	23376.03	22673.18
65728.73	2208.18	(3.78)	67933.13	22673.18	24684.47
0.98	0.14	-	1.12	153.03	153.17
112.42	4.60	-	117.02	163.60	168.20
1195.66	51.45	-	1247.11	1899.37	1950.82
16.14	-	-	16.14	0.00	0.00
24.74	0.85	-	25.59	10.61	11.46
25.74	1.11	-	26.85	17.91	18.53
160.09	4.27	-	164.36	55.60	59.87
322.88	3.02	-	325.90	32.14	34.77
63.14	0.69	-	63.83	6.05	4.48
28.22	1.40	-	29.62	59.01	60.41
27.99	1.62	-	29.61	17.90	19.52
2.18	0.09	-	2.27	3.34	3.43
1980.18	69.24	-	2049.42	2418.56	2484.66
1907.66	72.52	-	1980.18	2484.66	2551.24
<b>69913.31</b>	<b>2009.53</b>	<b>(33.11)</b>	<b>71889.73</b>	<b>25794.59</b>	<b>25157.84</b>
<b>67636.39</b>	<b>2280.70</b>	<b>(3.78)</b>	<b>69913.31</b>	<b>25157.84</b>	<b>27235.71</b>

asset, the detail of which is yet to be ascertained. Pending this Depreciation has been taken as per the ERP module of Fixed Assets which is further substantiated by the General Ledger.

## HINDUSTAN PAPER CORPORATION LIMITED

### **Land, Building & Railway Siding - Nagaon Paper Mill (NPM)**

Pursuant to Resolution of the Board dated 22.08.79, 19 Bighas 2 Kathas 10 Lasas of land was taken by ASEB for their Sub-station and Housing Colony. Central Assam Electricity Distribution Company Ltd. reduced their requirement of land from 19 Bigha 2 Kathas 10 Lasas to 4 Bighas 3 Kathas 7 Lasas. Accordingly, ASEB's Circle Office had demarcated the area and also fixed the valuation of land @ ₹ 7.50 lakh per Bigha (₹ 3,502,500/- in total).

ASEB had not agreed for the amount because 4 quarter blocks were to be demolished for which ASEB had to incur further expenditure. After pursuing the matter ASEB Board agreed to the proposal vide resolution no. 14 dated 28.07.2011 and had decided and approved payment of ₹ 27,52,500.00 only to HPC. This was informed to HPC vide letter no. ASEB/LC/45/70/294 dated 28.07.2011. Pending final decision status quo has been maintained.

Pursuant to agreement dated 02.09.1997, land admeasuring 2787 Sq. Mtr (2 Bigha 0 Katha 8 Lasas) has been leased out to Indian Oil Corporation Ltd. (IOCL) -Marketing Division for a period of 25 years at a rental of ₹ 5,398/- per annum. A new agreement has been entered into on 14-02-2007 effective from 01-09-2002 to 31-08-2007 enhancing the rent to ₹ 45,552/- per annum which will be reassessed after 5 years. The lease agreement with IOC expired on 31-08-2007. Under Pradhan Mantri Yojana-East-West Corridor, land measuring 2 Kathas 5 Lasas acquired by National Highway Authority of India from the above lease land and accordingly a demarcation of land has been done by Land Revenue Department, Mayang Revenue Circle, Morigaon on 22.02.2010 and land now available with IOCL is 1 Bigha 3 Katha 3 Lasas and fresh land lease agreement has been made on 26.02.2010 and as per the agreement IOCL has to pay ₹ 9750 per month for the period from 01.09.2007 to 31.12.2008 against 2 Bighas 0 Katha 8 Lasas and ₹ 7641 per month w.e.f. 01.01.2009 to 31.08.2012 against 1 Bigha 3 Kathas 3 Lasas land. Claim for lease rent of ₹ 91692/- has been lodged to IOCL for the period from 01.04.2010 to ₹ 45,846 has also been received on 13.03.12 for the period from April, 2011 to September, 2011. HPC had purchased and taken possession of two flats admeasuring 2500 Sq. Ft. with designated car parking space from Guwahati Metropolitan Development Authority (GMDA) in October, 2007 at a cost of ₹ 37.45 lakh. The registration is yet to be completed.

Under Pradhan Mantri Pari Yojana-East-West Corridor, National Highway Authority of India (NHAI) issued notification for acquisition of land from Nagaon Paper Mill and finally has acquired 92 Bighas 2 Kathas 7 Lasas land from Nagaon Paper Mill against which an amount of ₹ 58,105,000/- has been received. NHAI also paid ₹ 31,923,015/- towards Civil Infrastructure standing on the acquired land and ₹ 56,695/- towards Zirat and Trees standing on the acquired land. Payment towards cost of electrical and telephone lines yet to be received as NHAI has returned our claim for revision which has been submitted after revision. However, adjustment has been made in the books of accounts and respective asset register for the year 2008-09 except electrical and telephone lines.

Railway Siding of ₹ 635.00 lakh at NPM has been capitalized on provisional basis pending receipt of bill / split up value/completion certificate from concerned authority against which an amount of ₹ 158.54 lakh is still lying as payable by HPC.

## HINDUSTAN PAPER CORPORATION LIMITED

### Land and Building- Cachar Paper Mill (CPM)

Land at CPM includes 2943 Bighas 8 Kathas 3 Chataks against which compensation to erstwhile owners of ₹ 184.65 lakh was accounted for upto 31.03.2012. Further compensation, if any, will be adjusted as and when finalized. Out of this, final notification in the Public Gazette and registration are still awaited for land admeasuring 655 Bighas 8 Kathas and 9 Chataks (₹ 60.05 Lakh so far paid). Further, 118 Bighas and 3 Bighas 19 Kathas and 3 Chataks of land have been taken possession from N.F. Railway and State Government respectively.

Pending receipt of confirmation for compensation of ₹ 8.57 lakh to be paid to N. F. Railway, no liability has been created. Further, 52 Bighas 7 Kathas 30 Chataks were allotted to evicted families free of rent. A sum of ₹ 3.45 lakh was paid during the year 1977-78 by way of compensation to the Border Security Force under tripartite agreement for vacating their buildings and structures erected on a portion of the land acquired for CPM. The amount of compensation was capitalized as buildings. However the registration in favour of HPC is yet to be made.

During the year 1986-87, HPC paid ₹ 0.95 lakh by way of compensation to a party to acquire a piece of land on leasehold basis at Halflong District admeasuring 10 Kathas along with building for a period upto 30.03.2011. The said lease has been renewed for a period of 30(thirty) years w.e.f 1st April, 2011. The cost of land and building were technically assessed at ₹ 0.25 lakh and ₹ 0.70 lakh respectively and added to the value of land and building accordingly.

The land admeasuring 50 Bighas and 1.5 Bighas were handed over to ASEB and P& T Department respectively, total valued at ₹ 0.21 lakh for their use for which conveyance / registration is yet to be done and accounting effect thereof will be given on receipt of conveyance / registration. Further 27 Bighas have been allotted to ONGC on lease basis for their drilling operation in 5 (five) centers.

Pursuant to resolution of the Board dated 07.03.2009, 23 Bighas and 16 Kathas land transfer to PWD (Rural Roads) Hailakandi, Assam through State Government for the construction of road under Prime Minister Gram Sadak Yojana (PMGSY). No fund has been provided for the above land acquisition till date.

### Building - Delhi Liaison Office

Conveyance Deed for HPC's office premises (purchased 547.64 Sq. Mtr. @ ₹ 29,500/- per Sq. Mtr. and possession taken in November, 2001) at Scope Minar Complex, Delhi has not yet been made by the SCOPE.

### Note 14 : Capital Work in Progress

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Civil Construction</b>		
Plant	16.78	-
Township	-	-
<b>Fixed Assets under Erection</b>		
Plant & Machinery	1,032.67	3,493.17
Material Issued to Contractors for capital works	0.98	0.98
	<b>1,050.43</b>	<b>3,494.15</b>

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**Note 15 : NON CURRENT INVESTMENT**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Non Trade Investment</b>		
<b>Unquoted Equity Shares</b>		
<b>Investment In Subsidiaries (shown at cost)</b>		
(i) Nagaland Pulp & Paper Company Limited* [11,39,231 Equity Shares (2011:11,39,231) of ₹ 1000/- each]	11,392.31	11,392.31
(ii) Hindustan Newsprint limited [9,99,99,900 Equity Shares (2011:9,99,99,900) of ₹ 10/- each]	9,999.99	9,999.99
(iii) Jagadishpur Paper Mills Limited * [50,007 Equity Shares (50,007 of ₹ 10/- each)]	5.00	5.00
	<u>21,397.30</u>	<u>21,397.30</u>

\* Face value of equity shares of Nagaland Pulp & Paper Company Limited (NPPC), a subsidiary of Hindustan Paper Corporation Limited was reduced from ₹1000/- each to ₹100/- each under the revival scheme of Nagaland Pulp & Paper Company Limited (NPPC) approved by Government of India on 5th December, 2006. In effect, face value of the company's investment in equity shares of Nagaland Pulp & Paper Company Limited (NPPC) was reduced from ₹113.92 crore to ₹ 11.39 crore. No provision has been made in the accounts towards diminution in the value of the said investment in view of the Board of Directors' resolution dated 24th March, 2008 for forwarding a proposal to Government of India for a matching reduction in the paid up equity share capital of the company. Clearance of capital reduction scheme by the appropriate authority is pending.

\*\* Investments In the Equity Shares of Jagdishpur Paper Mills limited (JPML) amounting to ₹ 5.00 lakh - net worth of JPML as on 31st March, 2012 was negative at ₹148.62 lakh (Negative ₹139.22 lakh as on 31.3.2011). However, no provision has been made In the accounts towards diminution in the value of the said investment in view of GOI's approval to grant a loan of ₹ 255.00 Crore to HPCL @ 8% p.a. enabling HPCL to subscribe by way of promoters' 51% contribution in the equity of JPML.

**Note 16 : Deferred Tax Assets/Liabilities (net)**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Deferred Tax Assets:</b>		
Provisions**	1,505.70	1,483.44
Other timing differences	11,111.94	6,198.86
	<u>12,617.64</u>	<u>7,682.30</u>
<b>Deferred Tax Liability:</b>		
Depreciation	5,287.42	4,722.57
	<u>7,330.22</u>	<u>2,959.73</u>

\* Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws.

\*\* Deferred Tax Asset has been created on Provision for Doubtful Debts on an amount of ₹ 2275.34 lacs.

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 17 : Long Term and Advances**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Capital advances</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	2,094.30	2,139.28
c. Doubtful	-	-
	<u>2,094.30</u>	<u>2,139.28</u>
<b>Security Deposits:</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	302.64	224.50
c. Doubtful	7.19	7.19
	<u>309.83</u>	<u>231.69</u>
Less : Provision for Doubtful Advances	(7.19)	(7.19)
	<u>302.64</u>	<u>224.50</u>
<b>Loans :</b>		
<b>Subsidiary Companies-</b>		
<b>Mandya National Paper Mills Ltd. (Liquidation)</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	15,741.01	15,741.01
c. Doubtful	-	-
<b>Nagaland Pulp &amp; Paper Company Limited</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	6,598.00	-
c. Doubtful	-	-
	<u>22,339.01</u>	<u>15,741.01</u>
Less : Provision for Doubtful Advances	-	-
	<u>22,339.01</u>	<u>15,741.01</u>
<b>Other loans &amp; Advances:</b>		
<b>To EMPLOYEE</b>		
a. Secured, Considered Good	23.42	26.02
b. Unsecured, Considered Good	-	-
c. Doubtful :	-	-
	<u>23.42</u>	<u>26.02</u>
<b>To Others:</b>		
Employee Co-operative Credit Society Ltd.		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	-	0.47
c. Doubtful	-	-
	<u>-</u>	<u>0.47</u>
<b>Advances recoverable in cash or kind</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	1,038.23	8,638.33
c. Doubtful	-	-
	<u>1,038.23</u>	<u>8,638.33</u>
	<u>25,797.60</u>	<u>26,769.61</u>

## HINDUSTAN PAPER CORPORATION LIMITED

Loan to Subsidiary - Mandya National Paper Mills Ltd. (MNPM)

No provision has been made in the accounts against loan of ₹ 5435.85 lakh given to MNPM and interest accrued thereon ₹ 10305.16 lakhs (frozen till 31.03.2001) pending completion of winding up proceedings of MNPM and issue of final order from Official Liquidator to this effect. Out of ₹ 5435.85 lakh, agreement was executed only for ₹ 2996.22 lakh leaving a balance of ₹2439.63 lakh for which agreement could not be executed since the company went into liquidation.

### **Advance to Subsidiary - Hindustan Newsprint Ltd. (HNL)**

Hindustan Newsprint Limited, a Subsidiary of HPCL owes ₹ 92.93 lakh (Previous Year: ₹ 1891.65 lakh) to HPCL in the Current Account. As per books of accounts of Hindustan Newsprint Limited as on 31.03.2012, the credit balance in Current Account with HPCL is ₹513.31 lakh. The reconciliation is under process.

### **Advance to Subsidiary - Nagaland Pulp & Paper Co. Ltd. (NPPC)**

The company is regularly making advance to NPPC as temporary accommodation along with the fund which was financed out of plan funds of ₹ 5460.00 lakh released by the GOI in Sep'2007 for investment in Nagaland Pulp and Paper Co. Ltd. (NPPC) in connection with the revival and upgradation of the Company with directives by GOI that HPC would issue Equity shares equivalent to said amount in favor of the President Of India. The necessary action is under process. The company received fund from GOI amounting to ₹ 1242.00 lakhs for NPPC to meet statutory dues and expenditure for salary & wages of the employees of NPPC for the period from 01.05.2010 to 30.09.2011. While ₹ 5460.00 lakhs has been transferred to loan account, ₹ 736.23 lakhs (Previous Year ₹ 6357.01 lakhs) as current account maintained with NPPC.

### **Advance to Subsidiary - Jagdishpur Paper Mills Limited (JPML)**

The Company is regularly making advances to JPML for meeting their expenditures and for making Earnest Money Deposit for acquiring land of 62.59 acres which totals to ₹148.39 lakhs as on 31st March, 2012 (₹329.00 lakhs as on 31.03.2011). ₹ 195.00 lakhs submitted towards EMD got refunded on 19.09.2011 and duly accounted for. GOI had accorded approval to grant a loan of ₹ 255 Crore to HPCL @ 8% p.a. enabling HPCL to subscribe by way of promoters' 51% contribution in the equity of JPML. However, no loan was received from GOI as on date.

### **Advances, Claims etc. Provision for Doubtful Amount**

On review of Advances, claims etc. a sum of ₹ 326.80 lakh (Previous Year ₹ 993.46 lakh) has been identified as doubtful of recovery. Out of the last year's provision of ₹ 993.46 lakh, ₹ 666.66 lakh has been withdrawn to the extent settled.

### **Note 18 : Other Non-Current Assets**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Inerest accrued and due on loan	48.00	-
	<u>48.00</u>	<u>-</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 19 : Inventories**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Raw Materials	10,538.82	1,852.05
Work-in-progress	178.10	67.91
Finished Goods	2,608.99	1,777.50
Stores & Spares	8,236.82	7,832.95
Packing Materials	183.80	199.00
Scrap	123.76	144.23
	<u>21,870.29</u>	<u>11,873.64</u>
Less: Provision for diminution in value of Stores* & Raw materials	46.15	102.01
	<u><b>21,824.14</b></u>	<u><b>11,771.63</b></u>

\* Physical verification of raw materials, chemicals, packing materials and finished stocks was conducted at regular Intervals and Shortage/excess found has been adjusted. Stores, Spares and Chemicals were valued at cost or net realizable value whichever is lower. Diminution in value of Stores, Spares and Chemicals as on 31.03.2012 arrived at ₹46.15 lakh as against ₹ 102.01 lakh as on 31.03.2011 as provided in the accounts of last year. Excess provision of ₹55.86 lakh has been written back during the year 2011-12 as some of items have been put back in use and consumed. Some of the Stores and Spare items have been identified as Obsolete and the cost of obsolescence of ₹230.72 lakh has been written off.

**Details of Inventories**

**Details of Goods Manufactured**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Paper	2,608.99	1,777.50
	<u><b>2,608.99</b></u>	<u><b>1,777.50</b></u>

**Details of Work in Progress**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Bleached	56.92	44.80
Unbleached	47.42	14.16
Chipper	73.76	8.95
	<u><b>178.10</b></u>	<u><b>67.91</b></u>

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**Note 20 : Trade Receivables**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Due for more than six months</b>		
Secured, Considered Good	30.04	19.21
Unsecured, Considered Good	8,361.38	3,483.85
Doubtful	1,701.86	2,275.34
	<b>10,093.28</b>	<b>5,778.40</b>
Provision for doubtful trade receivables*	1,701.86	2,275.34
<b>A</b>	<b>8,391.42</b>	<b>3,503.06</b>
<b>Other debts:</b>		
Secured, Considered Good	65.67	109.99
Unsecured, Considered Good	41.90	9,399.62
<b>B</b>	<b>107.57</b>	<b>9,509.61</b>
<b>(A+B)</b>	<b>8,498.99</b>	<b>13,012.67</b>

\* As per practice of the Corporation, dues from private parties over 3 years and from Government parties over 5 years are provided in the accounts as doubtful debt, for which provisions are created. On review of Sundry Debtors a sum of ₹ 1701.86 lakh (Previous Year ₹ 2275.34 lakh) has been Identified as doubtful.

Out of the last year's provision of ₹2275.34 lakh, ₹ 573.48 lakh has been withdrawn to the extent considered good. Differences detected on balance confirmations received from debtors and creditors are in the process of reconciliation.

**Note 21 : Cash & Bank Balances**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Cash in hand	4.64	11.88
Cheques, drafts, stamps on hand	0.20	1,500.00
Balances with Bank :		
On Current Accounts	2,303.16	2,194.57
On Deposit Accounts	1,972.76	3,032.70
	<b>4,280.76</b>	<b>6,739.15</b>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 22 : Short Term and Advances**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
<b>Loans:</b>		
<b>Subsidiary Companies -</b>		
Nagaland Pulp & Paper Company Limited		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	104.00	-
c. Doubtful	-	-
	<u>104.00</u>	<u>-</u>
<b>Balance with Customs &amp; Port trust</b>		
a. Secured, Considered Good	87.31	135.70
b. Unsecured, Considered Good	-	-
c. Doubtful	-	-
	<u>87.31</u>	<u>135.70</u>
<b>Balance with Excise</b>		
a. Secured, Considered Good	56.85	71.61
b. Unsecured, Considered Good	-	-
c. Doubtful	-	-
	<u>56.85</u>	<u>71.61</u>
<b>Recoverable In cash or kind or value to be received</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	1,763.65	1,441.72
c. Doubtful	260.02	260.08
	<u>2,023.67</u>	<u>1,701.80</u>
Less: Provision for Doubtful Advances	( 260.02)	( 260.08)
	<u>1,763.65</u>	<u>1,441.72</u>
<b>Advances to employees</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	344.16	169.11
c. Doubtful	-	-
	<u>344.16</u>	<u>169.11</u>
<b>Claims recoverable</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	1,736.74	573.03
c. Doubtful	59.58	726.19
	<u>1,796.32</u>	<u>1,299.22</u>
Less: Provision for Doubtful Advances	( 59.58)	( 726.19)
	<u>1,736.74</u>	<u>573.03</u>
<b>Security Deposit</b>		
a. Secured, Considered Good	-	-
b. Unsecured, Considered Good	246.75	328.05
c. Doubtful	-	-
	<u>246.75</u>	<u>328.05</u>
<b>Total</b>	<u>4,339.46</u>	<u>2,719.22</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 23 : Other Current Statements**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
Accrued Interest on Deposit	178.48	92.90
Accrued Interest on Loan to Nagaland Pulp & Paper Co. Ltd.	52.35	–
	<u>230.83</u>	<u>92.90</u>

**Note 24 : Contingent Liabilities**

Particulars	As at 31st March, 2012 (₹ in Lakhs)	As at 31st March, 2011 (₹ in Lakhs)
a) Claims not acknowledged as debt		
i) Surcharge/interest claimed by ASEB	143.94	143.94
ii) Excise duty disputed	433.04	394.87
iii) Service Tax disputed	1,741.00	1,819.50
b) Suits pending before courts of Law (excluding matters relating to employees and ex-employees)	808.74	1,681.20
c) Agricultural Cess	201.14	116.18
d) Arbitration cases pending (HPC's counter claim ₹ 127.12)	374.54	374.54
e) Disputed liability towards sales tax on freight handling & insurance in respect of supplies to education sector	571.00	571.00
f) Guarantees and letter of credits issued by the banker	1,067.48	1,550.83
g) A section of the contract labourers at CPM have claimed pay at par with the regular workmen. HPC's appeal before the Hon'ble Supreme Court against the order of Hon'ble Guwahati High Court is pending. Similarly at NPM, a part of the contract labourers have claimed regularization as permanent employees. The matter before the Hon'ble Guwahati High Court is pending. There are various matters of employees and ex-employees pending before different authorities claiming reinstatement, regularization, promotion etc. The liability, if any, in the above matters is unascertainable and hence the same has not been considered.		
h) In the matter of some of the customers in the Northern Region, Delhi, liability for the sales tax payable due to non-submission of sales tax form by the customers had been made. The matter is still under dispute and the amount of liability is not ascertainable.		

**Note 25 : REVENUE FROM OPERATIONS :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Sale of Finished Goods	72,481.94	65,705.10
Sale of By Products	152.24	473.58
Less : Excise duty	2,605.32	1,496.44
	<u>70,028.86</u>	<u>64,682.24</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Details of Sales**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Sale of Finished Goods : Paper	72,481.94	65,705.10
Sale of By Products : Caustic & Chlorine	152.24	473.58
	<u>72,634.18</u>	<u>66,178.68</u>

**Note 26 : OTHER INCOME :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Interest income from:		
Employees loan	0.60	2.40
Deposit	320.69	387.73
Others	86.66	47.51
Profit on sale of fixed assets	28.53	2.39
Profit on sale of building materials, stores & scraps	7.08	7.67
Insurance Claims	47.91	26.61
Other Miscellaneous Income	149.19	261.66
Captive Consumption of paper	10.44	16.51
Provisions/liabilities written back	2,497.12	1,465.76
Dividend from Subsidiary	400.00	-
	<u>3,548.22</u>	<u>2,218.24</u>

**Note 27 : Cost of materials consumed :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
<b>Chemicals :</b>		
Opening Stock	1,106.54	1,168.32
Purchase	9,205.86	5,944.18
Chemical handling & feeding charges	37.92	45.48
Machine Clothing	423.01	268.37
Closing Stock	1,353.55	1,106.54
Consumed	<u>9,419.78</u>	<u>6,319.81</u>
<b>Raw Material :</b>		
Opening Stock	1,852.05	2,883.59
Purchase	33,236.50	14,671.94
handling & feeding charges	464.18	514.85
Closing Stock	10,538.82	1,852.05
Consumed	<u>25,013.91</u>	<u>16,218.33</u>
<b>Packing Materials:</b>		
Opening Stock	199.00	298.69
Purchase	1,411.52	1,222.83
Closing Stock	183.80	199.00
Consumed	<u>1,426.72</u>	<u>1,322.52</u>
<b>Total</b>	<u>35,860.41</u>	<u>23,860.66</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 28 : Changes in Inventories of Finished Goods, WIP & Stock :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Opening Stock :		
Finished Goods	1,777.50	6,418.07
Work-in-progress	67.91	114.76
	1,845.41	6,532.83
Closing Stock:		
Finished Goods	2,608.99	1,777.50
Work-in-progress	178.10	67.91
	2,787.09	1,845.41
(Increase)/Decrease In stock	<b>( 941.68)</b>	<b>4,687.42</b>

**Note 29 : Employee Benefit Expense :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Salaries, Wages & Allowances	12,457.71	11,891.95
Contribution to PF & other funds	1,354.61	1,262.27
Other Employee benefits including welfare expenses (Net)	1,232.71	1,161.49
Expense on ESOP & ESPP	-	-
Contribution to Gratuity Fund	871.34	726.17
Leave encashment	850.04	906.76
Staff welfare expenses	-	-
	<b>16,766.41</b>	<b>15,948.64</b>

Salaries, wages and allowances include ₹ 3248.00 lakh (previous year ₹ 2731.00 lakh) incurred for repairs and maintenance of plant and machinery of ₹ 3933.00 lakh (previous year ₹ 2375.00 lakh), of buildings ₹ 134.00 lakh (previous year ₹ 146.00 lakh), of vehicle - ₹ 45.00 lakh (previous year ₹ 38.00 lakh) and of other fixed assets ₹ 136.00 lakh (previous year ₹ 172.00 lakh).

**Defined Contribution Plan**

Name of the Fund	2011-12	2010-11
Employer's Contribution to Provident & FP Fund	1,354.61	1,262.27

**Defined Benefit Plan**

**Employees Gratuity Fund Scheme**

The Employees Gratuity Fund Scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation conducted by LIC. Accordingly as per advice received from LIC, HPC has been contributing funds to LIC.

**HINDUSTAN PAPER CORPORATION LIMITED**

**Reconciliation of Opening and closing balances of Defined Benefit Obligation**

Particulars	Gratuity (Funded)	
	2011-12	2010-11
	₹ lakh	₹ lakh
At the beginning of the year	9,664.43	8,890.42
Current Service Cost	323.65	318.91
Interest Cost	773.15	711.23
Actuarial (gain)/Loss	542.29	393.72
Benefits paid	( 966.77)	( 649.86)
Defined benefit obligation at the year end	10,336.75	9,664.42

Gratuity Funds are maintained by the Life Insurance Corporation of India. The Actuarial Valuation of Employee Gratuity Liability is carried out by the LIC.

**Reconciliation of Opening and closing balances of Fair value of Plan Assets**

Particulars	Gratuity (Funded)	
	2011-12	2010-11
	₹ lakh	₹ lakh
Fair value of plan assets at the beginning of the year	8,774.50	7,626.48
Expected Return on plan assets	793.73	718.48
Actuarial Gain / (loss) on plan assets	-	-
Employer Contribution	279.07	1,079.40
Benefits paid	( 966.77)	( 649.86)
Fair value of plan assets at the year end	8,880.53	8,774.50
Actual Return on Plan Assets	793.73	718.48

**Reconciliation of fair value of assets and obligations**

Particulars	2011-12		2010-11	
	₹ lakh		₹ lakh	
	Fair value of plan assets	8,880.53	8,774.50	
Present value of obligation	10,336.75	9,664.42		
Amount recognized in Balance Sheet	-		889.92	

**HINDUSTAN PAPER CORPORATION LIMITED**

<b>Expenses recognized during the year</b>		
<b>Particulars</b>	<b>Gratuity (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
Current Service Cost	323.65	318.91
Interest Cost	773.15	711.23
Expected Return on Plan Assets	( 793.73)	( 718.48)
Actuarial (gain)/Loss	542.30	393.72
Net Cost	-	705.38

<b>Investment Details</b>		
<b>Particulars</b>	<b>% Invested Gratuity (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
Investment in Group Gratuity Scheme of LIC of India	100%	100%

<b>Actuarial Assumption</b>		
<b>Mortality Rate</b>	<b>Gratuity (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>LIC 1994-96</b>	
	<b>Mortality Rates</b>	
Discount Rate (per annum)	8.00%	8.00%
Expected Rate of Return on Plan Assets (per annum)	9.50%	9.45%
Actuarial (Gain) / Loss (₹ Lakh)	542.30	393.72
Net Cost (₹ Lakh)	845.37	705.38

**Group Leave Encashment Scheme**

**a) Reconciliation of Opening and closing balance of Defined Benefit Obligation**

<b>Particulars</b>	<b>Group Leave Encashment Scheme (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
At the beginning of the year	3,089.63	2,944.46
Current Service Cost	272.97	326.96
Interest Cost	247.17	235.55
Actuarial (gain)/loss	59.83	( 124.37)
Benefits paid	( 360.87)	( 292.97)
Defined benefit obligation at the year end	3,308.73	3,089.63

Group Leave Encashment Funds are maintained by the Life Insurance Corporation of India. The Actuarial Valuation of Group Leave Encashment Liability is carried out by the LIC.

**HINDUSTAN PAPER CORPORATION LIMITED**

**b) Reconciliation of Opening and closing balances of Fair value of Plan Assets**

<b>Particulars</b>	<b>Group Leave Encashment Scheme (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
Fair value of plan assets at the beginning of the year	2,569.91	2,248.90
Expected Return on plan assets	231.57	204.16
Actuarial Gain / (loss) on plan assets		
Employer Contribution	109.81	409.81
Benefits paid	( 360.88)	( 292.97)
Fair value of plan assets at the year end	2,550.41	2,569.90
Actual Return on Plan Assets	231.57	204.16

**c) Reconciliation of fair value of assets and obligations**

<b>Particulars</b>	<b>Group Leave Encashment Scheme (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
Fair value of plan assets	2,550.41	2,569.90
Present value of obligation	3,308.73	3,089.63
Amount recognized in Balance Sheet	<u>758.32</u>	<u>519.73</u>

**d) Expenses recognized during the year**

<b>Particulars</b>	<b>Group Leave Encashment Scheme (Funded)</b>	
	<b>2011-12</b>	<b>2010-11</b>
	<b>₹ lakh</b>	<b>₹ lakh</b>
Current Service Cost	272.97	326.96
Interest Cost	247.17	235.55
Expected Return on Plan Assets	231.57	( 204.16)
Actuarial (gain)/Loss	59.83	(124.37)
Net Cost	348.40	233.98

**HINDUSTAN PAPER CORPORATION LIMITED**

**e) Investment Details**

Particulars	% Invested GLES (Funded)	
	2011-12	2010-11
Investment in Group Leave Encashment Scheme of LIC of India	100%	100%

**f) Actuarial Assumption**

Mortality Rate	Group Leave Encashment Scheme (Funded)	
	2011-12	2010-11
	LIC 1994-96 Mortality Rates	
Discount Rate (per annum)	8.00%	8.00%
Expected Rate of Return on Plan Assets (per annum)	9.50%	9.45%
Actuarial (Gain) / Loss (₹ Lakh)	59.83	(124.37)
Net Cost (₹ Lakh)	348.40	233.98

**Note 30 : Finance Cost :**

Particulars	For the year ended	For the year ended
	31st March, 2012	31st March, 2011
	(₹ in Lakhs)	(₹ in Lakhs)
Interest expense	609.58	96.76
Other borrowing costs	-	-
	<u>609.58</u>	<u>96.76</u>

**Note 31 : Depreciation & amortization expenses :**

Particulars	For the year ended	For the year ended
	31st March, 2012	31st March, 2011
	(₹ in Lakhs)	(₹ in Lakhs)
Depreciation	2,009.53	2,183.09
Amortisation	-	-
	<u>2,009.53</u>	<u>2,183.09</u>

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 32 : Other Expenses :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Other consumable stores	908.81	507.34
Applicable net gain/loss on foreign currency transactions & translations	31.90	0.22
Excise duty on stock of Paper	34.99	( 158.64)
Repairs & Maintenance:		
Plant & Machinery	1,497.24	2,406.68
Buildings	509.40	627.63
Vehicles	83.98	95.43
Other Assets	91.10	91.79
Loose tools written off	20.41	17.81
Security & Service Charge	1,484.31	1,484.62
Advertisement	50.34	47.11
Rent, Rates & Taxes	257.82	362.92
Travelling Expenses		
a) Directors	31.91	31.50
b) Others (Including Foreign Travel Expenses)	316.84	397.53
Books, Journals & Periodicals	3.63	3.87
Communication	68.84	67.31
Entertainment Expenses	6.20	5.37
Recruitment of Personnel	1.70	0.85
Upkeep & Maintenance (Office)	44.02	24.80
Printing & Stationery	66.78	72.82
Hire Charges of Equipment	2.43	0.64
Hire Charges of Vehicles	75.91	121.05
Upkeep of Guest House & Running Expenses	58.57	44.68
Directors Sitting Fees	-	0.60
Training of Personnel	2.78	9.62
Provision for Doubtful Advances, Claims and Deposits	-	96.22
Provision for Doubtful Debts	-	6.00
Write off of Raw Materials, Stores and Spares	230.72	9.22
Corporate Sustainability & Social Responsibility	130.19	186.57
Payment to Auditors		
Statutory Audit Fees	2.48	2.42
Tax Audit Fees	0.79	0.77
Cost Audit Fees	0.73	0.66
CPF Trust Audit Fees	0.26	0.59
Reimbursement of expenses	0.26	2.39
Legal Expenses	57.90	84.35
ISO & OHSAS Expenses	6.77	5.22
Other Service Charges	21.21	39.14
Testing & Conversion Charges	31.76	26.05
Insurance	198.01	127.36
Sales & Distribution Expenses	6,094.91	5,552.40
PF Inspection Charges	20.92	19.52
Packing, Handling & Other Charges	475.61	367.69
Bank Charges	57.96	31.55
Filing fees	3.29	0.06
Demurrage Charges	-	45.16
Sundries	64.63	88.01
Allocation to subsidiaries*	-	( 602.01)
<b>Total</b>	<b>13,048.32</b>	<b>12,352.89</b>

\* This year there is no allocation to Hindustan Newsprint Limited, a Subsidiary of HPC (Previous Year ₹ 602.01 lakhs was allocated).

**HINDUSTAN PAPER CORPORATION LIMITED**

**Note 33 : PRIOR PERIOD ITEMS :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Raw Materials Consumed	-	157.72
Leave Encashment Employees	-	33.07
Interest Charges	3.26	-
Depreciation	-	97.61
Gratuity	1.54	-
Excise Duty	-	74.91
Power & Fuel	-	57.47
Cenvat Credit	-	4.75
Rebate & Other Discount	( 7.45)	-
	<u>( 2.64)</u>	<u>425.53</u>

**Note 34 : POWER & FUEL :**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Coal Consumed	16,977.15	13,223.94
Fuel Oil Consumed	454.63	1,937.94
Electricity Charges including duty	2,685.56	1,352.75
	<u>20,117.34</u>	<u>16,514.63</u>

**Note 35 : Details of Consumption & Purchase :**

**Value of Imported & Indigineous Materials Consumed**

Items	2011-12		2010-11	
	₹ in lakhs	%	₹ in lakhs	%
<b>A. Value of Raw Materials consumed</b>				
(i) Imported	2034.42	8%		
(ii) Indigineous	22979.49	92%	16218.33	100%
<b>B. Value of Chemicals, Stores, Components and Spare Parts consumed</b>				
(i) Imported	-	-	355.61	4%
(ii) Indigineous	10846.50	100%	9273.36	96%

**HINDUSTAN PAPER CORPORATION LIMITED**

**Details of Raw Materials & Packing Materials Consumed**

Items	2011-12 (₹ in Lakhs)	2010-11 (₹ in Lakhs)
Bamboo	14,706.48	11,395.50
Wood	3,476.69	615.49
Bleach Hard	2,034.42	231.71
Soap Stone	2,926.04	2,341.25
Salt	1,406.10	1,006.75
Paper Cuttings	-	112.78
Handling & Feeding Charges	464.18	514.85
Packing Materials	1,426.72	1,322.52
Chemicals	9,419.78	6,319.81
	<b><u>35,860.41</u></b>	<b><u>23,860.66</u></b>

**Note 36 : Contingencies and Events occurring after Balance Sheet date**

Due to fire occurring at the Jessop Paper Machine of Nagaon Paper Mill on 21.06.2011 , the company has suffered a loss of ₹500.00 lakh as estimated by the company, for which Insurance claim has been lodged but not settled till end of the year.

**Note 37 : Commitments**

Estimated amount of contracts remaining to be executed on capital account (net of advances) amounts to ₹ Nil (Previous Year - ₹ 497.97 Lakhs).

**Note 38 : Related Party Disclosure**

**a) Related Parties**

**Whole-Time Directors**

Shri M.V. Narasimha Rao, Chairman-cum-Managing Director

-held Additional Charge from 21.02.2011 to 08.02.2012

-took over as full-time CMD from 09.02.2012

Shri S.N.Bhattacharyya, Director (Operations)

Shri Amitabha Banerjee, Director (Finance)

Shri Shashi Kanth Jain, Director (Marketing)

**Part-Time Directors**

Shri Harbhajan Singh, IAS

Shri R Asokan (Upto 09.11.2011)

Shri T. R. Malakar (upto 16.10.2011)

\*No disclosure is required in the financial statements of the state controlled enterprises as regards related party relationships with other state controlled enterprises and transactions with such enterprises following Accounting Standard 18 (Related Party Disclosures)

**HINDUSTAN PAPER CORPORATION LIMITED**

**b) Details of Transactions with Related Parties**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
Directors' Remuneration	51.35	39.47
	<b>51.35</b>	<b>39.47</b>

**Note 39 : Earning per Shares (EPS)**

Particulars	For the year ended 31st March, 2012 (₹ in Lakhs)	For the year ended 31st March, 2011 (₹ in Lakhs)
a) Profit after Tax	( 9,519.71 )	( 6,334.18 )
b) i) Equity Shares of ₹1000 each (Opening)	56.37	56.37
ii) Equity Shares of ₹1000 each (Closing)	56.37	56.37
iii) Equity Shares of ₹1000 each (Weighted Average)	56.37	56.37
<b>c) EPS (a/b)</b>	<b>( 168.88 )</b>	<b>( 112.37 )</b>

**Note 40 : Segment Reporting**

Since the company is operating in a single line of business, no Segment Reporting is reported as defined by Accounting Standard (AS-17) - "Segment Reporting".

**Hindustan Paper Corporation Limited**

**Notes forming Part of Financial Statements**

**Note 41 : Previous year's figures**

Previous year's figures have been re-grouped /re-arranged wherever necessary.

**Note 42 : Rounded Off**

Figures have been rounded off to the nearest lakh.

For D. K. Chhajer & CO  
Chartered Accountants  
FRN. 304138E  
Niraj K. Jhunjhunwala  
Partner  
Membership No. : F057170

L. R. EKANATH  
I/C Company Secretary

On behalf of the Board of Directors  
M. V. NARASIMHA RAO  
Chairman-cum-Managing Director  
AMITABHA BANERJEE  
Director (Finance)

Place : Kolkata  
Date : 21.09.2012

HINDUSTAN PAPER CORPORATION LIMITED

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AUDITORS' REPORT TO THE MEMBERS OF  
HINDUSTAN PAPER CORPORATION LIMITED

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1. We have audited the attached Balance Sheet of Hindustan Paper Corporation Limited as at 31st March, 2012, the Statement of Profit and Loss and also the Cash Flow Statement 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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 (Auditors' Report) Order, 2003 as amended by the companies (Auditors' Report) (Amendment) Order, 2004 (together 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. The value of investment in the equity shares of Nagaland Pulp & Paper Company Limited has been shown at original cost of acquisition and no provision has been made towards diminution in the value of the said investment as required under AS-13 (Accounting for Investments), pending clearance of capital reduction scheme.
5. Further to our comments in the Annexure referred to 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 purpose 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub section 3(C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from

HINDUSTAN PAPER CORPORATION LIMITED

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AUDITORS' REPORT TO THE MEMBERS OF  
HINDUSTAN PAPER CORPORATION LIMITED *(Contd.)*

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being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information except for our comments in Para 4 above and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2012;
- (b) in the case of Statement of Profit and Loss, of the loss for the year ended on that date.
- (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For D. K. CHHAJER & CO.

*Chartered Accountants*

FRN-304138E

Place : Kolkata

Date : 21.09.2012

(Niraj K Jhunjunwala)

Partner

Membership No. F057170

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## ANNEXURE TO THE AUDITORS' REPORT

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**Referred to in Paragraph 3 of our report of even date ;**

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situations of its fixed assets.  
(b) The fixed assets are physically verified by the management at the end of the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. As informed no discrepancies were noticed on such verification.  
(c) The Company has not disposed off any part of fixed assets during the year, which could effect the going concern status of the company.
2. (a) The inventory has been physically verified by the management during the year at periodical intervals. In our opinion, the frequency of physical verification is reasonable.  
(b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and nature of its business  
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed during the physical verification.
3. The Company has neither granted any loan to nor taken any loan from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 3(b), 3(c), 3(d), 3(e), 3(f) & 3(g) are not applicable.
4. In our opinion, and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed asset and for the sale of goods. Further, during the course of our audit, we have neither come across nor has been informed of any instance of major weakness in the aforesaid internal control procedures which would require corrective actions.
5. According to the information and explanations given to us, there is no transaction in respect of any party that needs to entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clause (v) of para (4) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the current year.
6. The Company has not accepted any deposit during the year from the public within the meaning of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. In our opinion, the internal audit system of the Company needs to be strengthen to make it effective taking into consideration the size and nature of its business
8. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules made by the Central Government for the maintainance of Cost records under section 209(l)(d) of the Companies Act,1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
9. (a) According to the information and explanations given to us, the company is regular in depositing

**HINDUSTAN PAPER CORPORATION LIMITED**

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**ANNEXURE TO THE AUDITORS' REPORT (Contd.)**

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undisputed statutory dues, including income tax, wealth tax, provident fund, cess & any other Statutory dues applicable to it with the appropriate authorities during the year.

- (b) According to the information and explanation given to us the undisputed service tax payable amount is ₹ 1,60,106/-, which is outstanding for a period of more than six months from the date it became payable.
- (c) According to the information and explanations given to us, details of Statutory dues which have not been deposited on account of any dispute are given below:

Particulars	Period to which the matter pertains	Forum to where dispute is pending	Amount (₹ in Lakh)
Disallowance of NIL rate of Excise duty	2003-04	Guwahati High Court	NPM - 91.12/- CPM - 303.75/-
Service Tax	2006-07 and 2009-10	Addl. Com., Shillong CE Authority	CPM - 1819.50/-
Agricultural Cess	Various Years	Govt. of Assam	NPM - 96.20/- CPM - 19.98/-

10. The Company has accumulated losses at the end of the financial year and it has incurred cash loss in the current financial year and also in the immediately preceding Financial Year.
11. The Company has borrowed money from banks and financial institutions and has not defaulted in repayment of dues. There are no debenture holders at any time during the year. Accordingly provisions of Para (xi) of the Companies (Auditors' Report) Order 2003 are not applicable to the Company.
12. In our opinion and 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.
13. In our opinion, the company is not a Chit fund or a Nidhi / Mutual benefit fund / Society. Therefore, the provisions of clauses (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly the provisions of clause 4(xv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
16. According to the information and explanation given to us, the company has not availed any term loans during the year.

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ANNEXURE TO THE AUDITORS' REPORT *(Contd.)*

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17. On the basis of information received from the management and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company,
18. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The company had not issued any debentures during the period covered by our audit report. Accordingly the provisions of clause 4(xix) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
20. The Company has not raised any money by public issues during the year. Accordingly the provisions of clause 4(xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
21. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India for the purpose of reporting the true and fair view of financial statements, we have neither come across any incidence of fraud on or by the company nor have we been informed of any such case by the management.

For D. K. CHHAJER & CO.  
*Chartered Accountants*  
FRN-304138E

Place : Kolkata  
Date : 21.09.2012

(Niraj K Jhunjhunwala)  
Partner  
Membership No. F057170

HINDUSTAN PAPER CORPORATION LIMITED

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COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HINDUSTAN PAPER CORPORATION LIMITED, KOLKATA FOR THE YEAR ENDED 31ST MARCH 2012

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The preparation of financial statements of Hindustan Paper Corporation Limited, Kolkata for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21 September 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Hindustan Paper Corporation Limited, Kolkata for the year ended 31 March 2012. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the  
Comptroller & Auditor General of India  
(Nandana Munshi)  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board - I  
KOLKATA

Place : Kolkata

Date : The 28 September 2012.

**HINDUSTAN PAPER CORPORATION LIMITED**

**Statement regarding Subsidiary Companies pursuant to Section 212(1)(e) of the Companies Act, 1956**

A. Name of the Subsidiary Company	Nagaland Pulp & Paper Company Limited	Hindustan Newsprint Limited	Jagdishpur Paper Mills Limited
B. Financial Year	2011-12	2011-12	2011-12
C. Holding Company's Interest	Holder of 11,39,231 Equity Shares of ₹ 1000/- each fully paid out of 12,02,007 Subscribed Equity Shares of ₹ 1000/- each fully paid up.	Holder of 9,99,99,900 Equity Shares of ₹ 10/- each fully paid up.	Holder of 50,007 shares of ₹ 10/- each.
D. Accounts of the Subsidiary	The Accounts for the year ended March 31, 2012 indicated a net loss of ₹ 1190.05 lakhs, after providing for depreciation of ₹ 20.10 lakhs for the year. The Reserves & Surplus shows a debit balance of ₹ 8378.36 lakhs as on 31.03.2012.	The Accounts for the year ended March 31, 2012 indicated a profit before tax of ₹ 404.37 lakhs after providing for depreciation of ₹ 1154.29 lakhs for the year and prior period adjustment (credit) of ₹ 43.36 lakhs. The profit after tax credit (net) of ₹ 284.71 lakhs, worked out to ₹ 689.08 lakhs. The Reserves & Surplus shows a credit balance of ₹ 9902.92 lakhs as on 31.03.2012.	The Accounts for the year ended March 31, 2012 indicated a net loss of ₹ 153.61 lakhs. The Reserves & Surplus shows a debit balance of ₹ 153.61 lakhs as on 31.03.2012.
E. Net aggregate amount of Subsidiary Company's Profit & Loss dealt within Company's Account			
i) For the Subsidiary Company's Financial Year ended March 31, 2012	NIL	NIL	NIL
ii) For the Previous Year	NIL	NIL	NIL

F. As the financial year of the above three Subsidiary Companies coincides with the Financial Year of the Holding Company, Section 212(1)(5) of the said Act is not applicable.

# No provision has been made in the accounts of HPC towards diminution in the face value of the said investment from ₹ 1000/- to ₹ 100/- per share in view of the Board of Directors' resolution dated 24th March, 2008 for forwarding a proposal to Govt. of India for a matching reduction in the paid-up equity share capital of the Company. Clearance of the capital reduction scheme by the appropriate authority is pending.

**L. R. EKANATH**  
I/C Company Secretary

**AMITABHA BANERJEE**  
Director (Finance)

**M. V. NARASIMHA RAO**  
Chairman-cum-Managing Director