

## REPORT OF THE DIRECTORS

Your Directors present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2001.

## Financial and Operational Performance

The year ended 31st March, 2001 was a year of turnaround for your Company, after its Rs. 675 crores expansion project commenced commercial production in April, 1998. The production facilities operated at a capacity utilisation of over 100% during the year. Despite the industry facing a global slowdown in demand, coupled with continuing over supply, total sales, during the year, increased to 2,04,649 tonnes (Rs. 611 crores) from 1,79,715 tonnes (Rs. 444 crores) in the previous year, with exports improving to 39,228 tonnes (Rs. 94.41 crores) from 19,896 tonnes (Rs. 42.82 crores). The growth in sales, over the previous year, was 38% in terms of value and 14% in terms of volume.

Your Company's products, bench-marked against global best-in-class, have substantially substituted imported paperboards for premium packaging and value added graphic applications in the domestic market. The value added portion of sales grew to 15% from 8% in the previous year. This all-round improvement in performance enabled your Company to register a profit after tax of Rs.34.89 crores, from a loss of Rs.32.12 crores in the previous year.

The financial results, summarised, are as under:

	Year ended 31.03.2001 (Rs.Lakhs)	Year ended 31.03.2000 (Rs.Lakhs)
Gross operating profit	11776.52	7757.38
Less: Interest and finance charges	4184.65	6716.85
Less: Provision for contingencies	—	200.00
Profit/(Loss) before depreciation, amortisation and taxation	7591.87	840.53
Less: Depreciation and amortisation	4102.59	4052.83
Profit/(Loss) before taxation	3489.28	(3212.30)
Less: Provision for taxation	—	—
Profit/(Loss) after taxation	3489.28	(3212.30)
Surplus/(Deficit) brought forward from previous year	(15645.43)	(12433.13)
Surplus/(Deficit) carried to Balance Sheet	(12156.15)	(15645.43)

In view of the unabsorbed loss of early years, your Board regrets that the Company is not in a dividend paying position.

## Exports

As mentioned last year, quality paperboards from the new machine enabled a significant foray for your Company into international markets. Exports of your Company have doubled and now its products have a significant presence in Sri Lanka, Bangladesh, Malaysia, Iran and the United Arab Emirates (UAE). Towards the end of the year, your Company also executed orders for high value products to discerning customers in China and South Africa. It is anticipated that your Company's international business, particularly for demanding applications, will grow steadily across all focussed markets.

## Foreign Exchange Earnings/Outflow

Foreign exchange inflow during the year, through exports, was US\$ 20.93 million compared to US\$ 9.97 million in 1999-2000.

The foreign exchange outflow on raw materials, spares and consumables was US\$ 20.85 million compared to US\$ 19.17 million in the previous year. The outflow on capital goods, technology know-how / consultancy, repayment of foreign currency loans etc., was US\$ 9.64 million against US\$ 12.49 million in the previous year.

## Product Development

Your Company, during the year, developed superior products for critical applications like liquid packaging and premium quality graphic printing. The Company's strategy for creating and enhancing product differentiation through constant optimisation of functional and graphic quality of boards helped build goodwill and loyalty for its products both in the domestic and export markets.

## Projects

In order to exploit the increasing demand for coated boards and improve efficiencies, your Company upgraded its first paper machine by installing a coater and carrying out certain modifications/additions at an outlay of Rs. 30 crores. The products from this machine, after its upgradation and trials, have been well received by customers.

With the objective of further enhancing the mill's international competitiveness in terms of quality, cost and environmental management, your Company, during the year, also embarked on a project for modernisation and upgradation of the pulp mill, at an outlay of about Rs. 227 crores.

## Corporate and Financial Developments

The programme for substitution of high cost long-term debt with low cost borrowing, initiated in the previous year, with assistance from the Holding Company, I.T.C. Limited, was successfully completed. This has resulted in substantial savings in interest cost.

## Plantations

The Farm Forestry Programme, under clonal plantation, continued to progress with nearly 25.90 lakh clonal eucalyptus saplings, adequate for planting 1480 hectares of land, supplied during the year to growers. The high rate of survival and growth of clonal plantations has led to improved productivity of wood biomass and higher returns to farmers, resulting in a growing demand for the clones. This programme, as mentioned last year, is strategically linked to your Company's competitiveness and is expected to become a major source of competitive advantage in the years to come.

## Fire Incident

There was a fire incident, on 22nd March, 2001 at the Company's mill at Bhadrachalam, in the power generating equipment area. The fire was fully extinguished within an hour by the swift and concerted action of the managers and workmen. No one was injured. Following this incident, production in the mill was affected. The new paper machine representing 60% of the production capacity was brought on stream within a day. The other paper machines were made operational during the period 24th to 31st March, 2001.

The equipment (turbo generator), is expected to be fully functional by end-May, 2001. The restoration cost is estimated at Rs. 5 crores, which is partly recoverable from the Insurer. The loss on account of production stoppage, and other costs, is estimated at Rs. 2.25 crores. (Rs. 1.79 crores, up to 31st March, 2001).

## Subsidiary

During the year, your Company's subsidiary BFIL Finance Limited (BFIL) has not contracted any fresh business and continues to focus on recoveries from its clients. During the year, BFIL collected Rs. 2.93 crores and concluded negotiations for settlement of debt for a value of Rs. 3.76 crores. The proceeds, inter alia, were utilised for liquidation of bank debt to the extent of Rs. 1.24 crores. Focussed efforts on recoveries have enabled BFIL during the last four years to collect Rs. 83.25 crores, including property settlements from its debtors, and the proceeds have largely been utilised towards liquidation of its debt from Banks and Financial Institutions, aggregating Rs. 57.76 crores, and repayment of fixed deposits aggregating Rs. 15.71 crores.

BFIL incurred a loss of Rs. 6 crores during the year ended 31st March, 2001. After taking into account the deficit of Rs. 82.85 crores from the previous year, the deficit at the end of the year was Rs. 88.85 crores. Taking into account BFIL's performance of debt recovery and the provision of a sum of Rs. 50 crores in previous years, no further provision is considered necessary in the accounts for the year ended 31st March, 2001, towards your Company's exposure in BFIL aggregating Rs. 72.24 crores.

## Fixed Deposits

Under the Company's fixed deposit schemes, 351 deposits, aggregating Rs. 42.68 lakhs, were unclaimed at the end of the financial year. Subsequently, 57 deposits, aggregating Rs. 6.87 lakhs, have been repaid/renewed. The remaining depositors have been approached for instructions. Your Company stopped acceptance and renewal of fixed deposits in September, 2000.

## Employees

Your Directors wish to place on record their appreciation of the contribution by employees at all levels. In April, 2001 a settlement, revising the terms and conditions of service of unionised employees, was concluded in a cordial atmosphere. This settlement, for the period up to 30th September, 2003, lays stress on productivity of resources and rationalisation of manpower.

## Outlook

With the new Paper Machine operating at more than its rated capacity, plans are under implementation to expand the value added segment in the domestic and international markets on the one hand and improve cost efficiencies on the other. The project for modernisation and upgradation of the pulp mill is a significant step in the direction of enhancing your Company's international competitiveness in terms of quality, cost and environmental management.

In the immediate term, the current slowdown in the world economy is likely to impact the paperboards industry. Despite the global slow down, the Indian economy is slated to grow at a rate of 6% p.a. The growth rate for paperboards is expected to further accelerate with the growing sophistication of the Indian consumer and the resultant increase in the demand for high quality packaging for branded goods. On the strength of its assiduously developed quality products and superior cost efficiencies, your Company is confident of maintaining its market standing.

Your Company will endeavour to make available world class paperboard options to customers to enable them enhance the value of their offerings in a competitive marketplace. Your Company views the Asian region as an arena of opportunity and, with its experience and product knowledge, will focus on increasing its share in such segments which place the most exacting demands on product performance. The performance during last year has provided your Company a platform to enter such segments. In the coming year, your Company will focus on harnessing profitable business opportunities in these segments with its product and service excellence.

Your Company continues to evaluate the most appropriate approach to derive value from Information Technology applications and web-based business opportunities. The web site www.itcbpl.com, launched during the year, as a vibrant tool for "channel enhancement", is being upgraded to make it more interactive for existing and potential customers. Your Company is now engaged in value chain integration using internet as a means for interaction amongst customers and suppliers. Online ordering and real-time tracking of the order status would be some of the customer friendly features of this solution. Savings are expected to be realised in the areas of inventory management, logistics, transaction processing and administrative costs. Your Company is in discussion with solution providers of international repute to select the most appropriate solution to match its needs.

## Directors' Responsibility Statement in terms of Section 217 (2AA) of the Companies Act, 1956

Your Directors have:

- followed in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departure;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- prepared the annual accounts on a going concern basis.

## Corporate Governance

## a) Report on Corporate Governance

Certificate dated 18th May, 2001 of the auditors of your Company, regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed as Annexure to this Report.

## b) Management Discussion and Analysis Report

Aspects of Management Discussion and Analysis not covered herein, are dealt with in the Annexure to this Report.

## Directors

Sri S. H. Khan was appointed an Additional Director on 8th September, 2000. In accordance with Section 260 of the Companies Act, 1956 and Article 98 of the Company's Articles of Association, he holds office until the date of the forthcoming Annual General Meeting and is eligible for election.

Sri B. Mitter resigned from the Board with effect from 7th March, 2001; and Sri K. Vaidyanath was appointed Director with effect from 8th March, 2001 in the casual vacancy caused by the resignation of Sri Mitter. Unit Trust of India appointed Sri Ajeet Prasad as its nominee, with effect from 28th July, 2000 in place of Sri B. G. Daga. Industrial Development Bank of India withdrew the nomination of Sri S. Suryanarayanan from the Board with effect from 9th June, 2000.

Your Directors would like to record their appreciation of the services rendered by Sri Mitter, Sri Daga and Sri Suryanarayanan during their tenure as Directors of the Company.

## Acknowledgements

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and by members of the participating Financial Institutions and Commercial Banks.

## Other Information

Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as well as information required to be disclosed in accordance with Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 31st March, 2001, are enclosed as Annexures to this Report.

On behalf of the Board

Kolkata, 18th May, 2001

P. Dhobale *Managing Director*  
P. K. Talwar *Director - Finance*

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

	Annualised Savings (Rs. lakhs)
Energy Conservation	
1. Replacement of old Pumps & Centri cleaners/Pulper/Pulper Pumps in Paper Machine I	26.30
2. Installation of mechanised unloading system in place of manual unloading, at the Chipper House thereby increasing throughput and reducing Kwh/tonne of chips produced	8.10
3. Effective utilisation of winder pulper leading to reduction in the running hours of Paper Machine IV Reel Pulper	25.00
4. Replacement of old Vacuum Pumps in Paper Machine III	9.40
5. Change in process requirements and improvements:	10.00
a) Couch Pit Agitator and exhaust fan start and stop through timer in Paper Machine IV	
b) Cleaning of Air Compressors/Air Dryers in Paper Machine IV	
c) Using L.P. Back water instead of H.P. Back water in Pulp Mill W.H.D.T.	
6. Replacement of old Pump in Pulp Mill (Hypo-II L.P. Back Water)	6.50
7. Replacement of old energy inefficient Pumps in the stock preparation area.	7.00
8. Miscellaneous activities	10.70
Total	103.00

FORM A

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

A. POWER AND FUEL CONSUMPTION

	Current Year (12 months ended 31.3.2001)	Previous Year (12 months ended 31.3.2000)
1. Electricity		
a. Purchased		
Units-Lakh Kwh	94.69	115.58
Total amount-Rs. Lakhs	436.83	515.71
Rate/Unit-Rs.	4.61	4.46
b. Own generation		
i) Through Diesel Generators		
Units-Lakh Kwh	43.38	38.95
Units per litre of diesel oil	3.15	3.22
Cost/Unit (variable)-Rs.	5.07	3.47
ii) Through Steam Turbine/Generators		
Units-Lakh Kwh	2138.65	2030.11
Cost/Unit (variable)-Rs.	0.83	0.88
2. Coal-(Grades 'C' ROM and 'E' ROM)		
Quantity (tonnes)	226721	239754
Total Cost-Rs. Lakhs	3121.68	3282.53
Average rate-Rs. per tonne	1376.88	1369.12
3. Furnace Oil		
Quantity (K. Litres)	833.87	841.31
Total amount-Rs. Lakhs	85.17	72.40
Average rate-Rs. per K.Ltr.	10214.28	8605.63
4. Others/Internal Generation		Not applicable
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Current Year (12 months ended 31.3.2001)			Previous Year (12 months ended 31.3.2000)		
	Electricity (Kwh)	Furnace Oil (Litre)	Coal (T)	Electricity (Kwh)	Furnace Oil (Litre)	Coal (T)
(a) Paper	1437	4	1.40	1426	5	1.69
(b) Board	991	1	1.02	1094	2	1.20
Combined average	1079	2	1.10	1165	3	1.31
(c) Cast Coated Paper/Board	674	131	—	787	131	—

Specific unit consumption and coal consumption for the year ended is lower compared to the previous year because of increased production and efficiency improvement.

FORM B

(Form for disclosure of particulars with respect to technology absorption)

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company	<ul style="list-style-type: none"> <li>Use of high refractive index fillers;</li> <li>Use of dual polymer retention system;</li> <li>Introduction of engineered clays in premium products;</li> <li>Usage of speciality coating binders;</li> <li>Development of cigarette board for international customers;</li> <li>Controlling effluent into the effluent treatment plant;</li> <li>Using better hardwood species for better pulp strength;</li> <li>Development of 38 site specific clones through genotype x environment interaction studies;</li> <li>Development of intra and inter specific hybrids through controlled pollination between 'Bhadrachalam' clones of Eucalyptus and other Eucalyptus species;</li> <li>Development of disease resistant clones;</li> <li>Successful control of termite damage to Eucalyptus plantations.</li> </ul>	<ul style="list-style-type: none"> <li>The carbon sequestered from Farm Forestry clonal plantations of the company is 27,000 tonnes, approximately. This activity is invaluable for protection and conservation of environment.</li> </ul>
2. Benefits derived as a result of the above	<ul style="list-style-type: none"> <li>Substitution of fiber, and higher capacity levels;</li> <li>Improved fiber and filler retention leading to increased productivity and reduced effluent load;</li> <li>Superior printability and enhanced sheet/print gloss;</li> <li>Better graphic reproduction, better rotogravure printability;</li> <li>Higher strength pulp;</li> <li>Better survival and growth of clonal plantations leading to increase in productivity of wood biomass and higher returns to farmers/growers. High yielding clones suitable for refractory sites/alkaline soils have been identified. Productivity of 'Bhadrachalam' clones is 3 to 5 times higher in comparison to normal seed source plantations;</li> </ul>	<ul style="list-style-type: none"> <li>Introducing speciality coating additives for improving printability;</li> <li>Setting up new pulp mill for generating Elemental Chlorine Free pulp with higher brightness and strength;</li> <li>Food packaging boards (Ovenable boards);</li> <li>Continued enhancing of environment quality;</li> <li>Development of compatible paper for ink-jet, laser/digital printing;</li> <li>Efforts towards identifying superior and high yielding clones;</li> <li>Efforts towards developing bamboo plantations;</li> <li>Continue research on genetic improvement of Eucalyptus, Casuarina, Subabul, Bamboo and other pulpwood tree species.</li> </ul>
3. Future plan of action		
4. Expenditure on R&D		
(a) Capital		Rs. 8.62 lakhs
(b) Recurring		Rs. 2.75 lakhs
(c) Total		Rs. 11.37 lakhs
(d) Total R&D Expenditure as % of total turnover:		
— gross turnover		0.02%
— net turnover		0.02%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
  - Installation of combi-blade coater on Paper Machine I
  - Installation of new drive system for Paper Machine I
  - Adaptation of Distributed Control System for Paper Machine I
  - Installation of new ESP (electrostatic precipitator)
  - Continuous training of human resources
  - Improved low cost mist chambers (polypropagators) installed
  - Adoption of environment friendly biological method of termite control for Eucalyptus plantations.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.
  - Product Improvement
    - New Distributed Control System enables tight control of quality and improved productivity
    - Capability of producing LWC boards on Paper Machine I
    - Improved aesthetics of the board
    - Improved package of practices for clonal plant production leading to better quality of plants.
  - Cost Reduction
    - Reduced dependence on imported pulp
    - Reduced energy consumption
    - Increased fiber and filler retentions

- Final success percentage of Clonal Plant production through mist chamber routes enhanced from 62 to 71% leading to reduction in cost of production per plant.
- Product Development
- Blister compatible recycled and virgin fiber boards
  - Barrier coated boards
  - Sapphire graphic (SBS) with superior brightness and whiteness levels
  - Coated liquid packaging board
  - Writing and printing paper with 100% recycled fiber
- Import Substitution
- New products introduced by the Company contributes to reduced imports by the customers.
3. Imported Technology
    - (a) Technology imported – nil
    - (b) Year of import – not applicable
    - (c) Has technology been fully absorbed? – not applicable
    - (d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action – not applicable.

On behalf of the Board  
 P. Dhobale *Managing Director*  
 P. K. Talwar *Director - Finance*

Kolkata, 18th May, 2001

Statement of particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report for the financial year ended 31st March, 2001.

Name	Age	Qualification	Designation/ Nature of Duties	Date of Commencement of employment	Experi- ence (years)	Remuneration Received/Receivable Rs.	Previous Employment
Employed throughout the financial year							
Dar C	45	B.Tech (Hons), P.G.D.M.	Director-Marketing	06/07/1998	22	13,35,031	V.P. Opportunities Tech Dev (I.T.C. Ltd.) 1981-98
Dhobale P	45	B.Tech (Chem)	Managing Director	01/07/1977	23	15,91,788	—
Talwar P K	53	B.Sc., FCA	Director-Finance	26/06/1989	29	15,34,967	President, Nagarjuna Hire Purchase Ltd. 1987-89

Notes:

1. All appointments are contractual.
2. None of the employees is a relative of any Director of the Company.
3. Remuneration received/receivable includes salary, dearness allowance, Company's contribution to provident fund, gratuity and pension, medical expenses, leave travel assistance, rent allowance paid for providing residential accommodation and, where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of that perquisite has been calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules made thereunder.
4. No employee of the Company came within the purview of the provisions of Section 217 (2A) (a) (iii) during the year.

On behalf of the Board  
 P. Dhobale *Managing Director*  
 P.K. Talwar *Director - Finance*

Kolkata, 18th May, 2001

ANNEXURE TO REPORT OF THE DIRECTORS  
 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

i. Industry structure and developments

The annual demand for paperboards in India is, presently, estimated at 7.5 lakh tonnes. The demand growth in the previous year ended 31st March, 2001 was @ 6%, and this rate of growth is expected to continue in the coming decade. The domestic paperboard industry is fragmented with approximately 100 players constituting the industry's 1 million tonne installed capacity. A major portion of the capacity is obsolete and only a few mills are capable of delivering products of contemporary quality. With modernisation in packaging lines and converting equipment, coupled with radical changes in distribution and retail practices, quality is increasingly becoming a key differentiator.

Over the last three years, your Company has been engaged in repositioning itself to make a successful transition from a regulated and protected regime to a globalised marketplace. Faced with technology that was becoming obsolete and products that were not aligned to customer requirements, your Company had to modernise its mill and upgrade its capabilities in order to be able to compete effectively. This entailed an investment of Rs.675 crores to enable operations of an economic scale with sustainable competitiveness. Today, your Company's integrated mill with an annual production of over 2 lakh tonnes is the largest in India's paperboard segment. Your Company is the most contemporary paperboard manufacturer in India, thereby providing a distinct competitive advantage.

ii. Opportunities and Threats

India offers considerable opportunity for growth in paperboards. India's per capita consumption of paperboard, at 0.75 kg., is amongst the lowest in the world and is less than 1/7th the global average. This presents significant potential for continued demand growth for products with attractive and reliable packaging. The increasing sophistication of the Indian consumer and the recognition of the role of superior packaging in communicating value will rapidly increase the demand for premium coated boards. Your Company, with its strategic investments in technology and human resources, is best positioned to meet rising quality aspirations caused by such a shift to higher quality packaging. Expectations of progressive declines in customs duty rates over the next few years could increase the level of imports of paperboards into India. However, your Company, with its inherent strengths of product quality and versatility to meet customers' individual specifications and requirements and thus provide better value, is well poised to not only meet such an eventuality, but to also become a major force in the Asian region.

In order to strengthen the competitiveness of the Indian paper and paperboard industry, certain infrastructural infirmities would need to be addressed, particularly relating to fibre and energy. A supportive fibre policy, linked to productive utilisation of degraded forestlands by facilitating industrial plantations, would enable the industry to reduce its raw material cost significantly. Your Company has, over the years, pursued an aggressive fibre propagation strategy which comprises making available in-house developed high yielding clones of the desired pulp-wood species, together with extension services, to farmers engaged in plantation of pulp-wood on their marginal lands. The quality of your Company's eucalyptus clone, a product of its biotechnology-based research programme, has been tested for its effectiveness over the last nine years in more than 6000 hectares of plantations. Your Company in collaboration with its holding company, I.T.C. Limited, in partnership with the Government of Andhra Pradesh, and with the involvement of Vana Samrakshana Samithis, has proposed a clonal propagation programme, envisaging planting of high-yielding, disease-resistant clonal saplings on degraded forest lands in the command areas of the mill. Upon successful implementation, this initiative, apart from contributing to your Company's competitiveness, also carries the potential of generating significant employment in the backward regions of Andhra Pradesh and contributing to the greening of the State and the associated restoration of ecological balance.

The paper industry being energy intensive, your Company's energy management expertise is a source of distinct competitive advantage in the Indian market, with nearly 95% of the Mill's energy requirements being met by captive generation. However, its energy cost falls short of international standards. Your Company trusts that the State Government will evolve policies to encourage private initiative to augment energy supply, and not pursue the proposal to levy a cess on captive generated power, as is being mooted in some quarters.

iii. Segment-wise performance or product-wise performance

Your Company, presently, operates in one business segment, viz., paper and paperboards, and two geographic segments - domestic and exports. Your Company is focused on creating value for its customers by leveraging its technical, technologi-

cal and customer relationship management expertise to significantly enhance its position of leadership. Over the last couple of years, your Company has developed several value added products for the packaging and the graphic segments of the market. These have enabled it to not only service the requirements of high value paperboards in India, but also to develop a significant presence in select markets across Asia. Several of your Company's value added products have been branded and have replaced high quality paperboard hitherto imported into India.

iv. Outlook

This has been dealt with in the Report of the Board of Directors.

v. Risks and concerns

Your Company, with its revenue flowing largely from the Indian market, is exposed to fluctuations in the Indian economy. However, its market standing and product quality, coupled with a wide range of products, markets (both domestic and exports) and customers, enable it to compete effectively in the marketplace.

Your Company currently has to import raw materials to maintain the quality of its value added products. These raw materials are subject to cyclical price and exchange rate fluctuations. To offset this, your Company is embarking upon a pulp mill expansion and modernisation programme, which is expected to significantly reduce dependence on imports. Further, the fibre propagation strategy described earlier is also expected to improve access to cost effective fibre. Besides, growing exports will also provide a natural currency hedge.

vi. Internal control systems and their adequacy

Your Company has an adequate system of internal control, which ensures that transactions are authorised, recorded and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and removal.

In order to ensure that the financial and other records are reliable, and for maintaining accountability for assets, the internal control system is supplemented by documented policies, guidelines and procedures and an extensive programme of internal audit review by the management.

The corporate governance guidelines of your Company require operating policies of each function to be approved by the Corporate Executive Committee constituted by the Board of Directors. To facilitate adherence and monitoring, your Company has an independent Internal Audit Department, reporting to the Audit Committee, which is a sub-committee of the Board of Directors. This Committee reviews the functioning and the findings of the Internal Audit Department.

In addition, the control systems are further subject to audit by the internal audit department of the Holding Company. Your Company's statutory auditors have, in their report, confirmed the adequacy of the internal control procedures.

vii. Discussion on financial performance with respect to operational performance

This has been dealt with in the Report of the Directors.

viii. Material developments in Human Resources/Industrial Relations front, including number of people employed

Your Company has always recognised people as its key resource. Its workforce of 2100 employees is highly motivated and is the driving force behind your Company's leadership in the industry.

Customer focus and total quality are the key themes that integrate the human resources practices of your Company. Several initiatives, such as quality improvement projects, ISO 9000 and 14000, inculcation of the balanced score card approach and a participative planning and strategy formulation process have helped to improve involvement and alignment amongst the employees.

Your Company fosters a culture of learning and has for this purpose created "Bhadrant" a corporate intranet site, which has developed into a powerful interactive communication and knowledge dissemination medium.

Your Company enjoys harmonious industrial relations and has just concluded a long-term agreement with its unionised employees, revising the terms and conditions of their service, which lays stress on productivity of resources and rationalisation of manpower.

On behalf of the Board  
 P. Dhobale *Managing Director*  
 P. K. Talwar *Director - Finance*

Kolkata, 18th May, 2001

## REPORT OF THE AUDITORS TO THE MEMBERS

We report that we have audited the Balance sheet of ITC Bhadrachalam Paperboards Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by The Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the Management and no material discrepancies between the book records and the physical inventory were noticed.
2. The fixed assets of the Company have not been revalued during the year.
3. In respect of finished goods, stores, spare parts, and raw materials of the Company excluding stocks in transit and lying with third parties, physical verification has been conducted by the Management at reasonable intervals during the year. Stocks lying with third parties have been verified by the Management with reference to certificates obtained from them and/or other relevant documents in majority of the cases.
4. In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on the physical verification of stocks as compared to book records, which were not material, have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles in India and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to the company.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.

9. The parties to whom the loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and interest regularly where applicable, other than the loan given to the Subsidiary Company and interest thereon.
10. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. There are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirement of reporting regarding transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of such contracts aggregating during the year to Rs. 50,000/- or more in respect of each party does not arise.
12. The Company has a system of determining unserviceable or damaged stores, raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate provision for the loss has been made in the accounts.
13. In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provision of Section 58A of the Companies Act, 1956 and the Rules framed thereunder, where applicable, have been complied with.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant. There are no by-products resulting from the manufacturing processes of the Company.
15. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
16. The Central Government of India has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company and the Company has maintained the prescribed records. The accounts have been made upto March 31, 2000. However, we are not required to and have not carried out any detailed examination of such accounts and records.
17. The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues (in respect of its Cast Coating Plant at Bollaram) with the appropriate authorities in India. The Company's application for exemption from Employees' State Insurance Scheme (other than Cast Coating Plant at Bollaram) has been rejected and the Company is contesting such rejection with the appropriate authorities.
18. At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the Management other than those payable under contractual obligations or normally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Clause (o) of sub-section (i) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

For Lovelock & Lewes  
Chartered Accountants

S. Gopalakrishnan  
Partner

Hyderabad, May 18, 2001

## CERTIFICATE

To  
The Members of ITC Bhadrachalam Paperboards Limited,  
Secunderabad,

We have examined the compliance of conditions of corporate governance by ITC Bhadrachalam Paperboards Limited, for the year ended 31st March, 2001, as stipulated in Clause 49 of the Listing Agreement of the company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to

us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Share, Debenture and Investors' Grievance Committee.

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

For Lovelock & Lewes,  
Chartered Accountants

S. Gopalakrishnan  
Partner

Kolkata, May 18, 2001

## STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

## ACCOUNTING ASSUMPTIONS

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the year.

## FIXED ASSETS

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes and incidentals related to acquisitions. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalised. Assets under installation or under construction as at the Balance Sheet date are shown as Capital work-in-progress.

Depreciation is provided for in the accounts on straight-line method at the rates computed in accordance with Section 205(2)(b) of the Companies Act, 1956, and in accordance with Schedule XIV of the Companies Act, 1956, except for Plant and Machinery for which specified period has been recomputed as per the revised rates in Schedule XIV and depreciation charge calculated by allocating the unamortised value over the remaining part of the recomputed specified period. Rates in respect of Vehicles, other Equipment and certain Furniture & Fixtures are determined on the basis of useful life of the assets estimated by the Management, which are not less than the rates prescribed in the Companies Act, 1956.

## INVESTMENTS

To state current investments at lower of cost and fair value; and long-term investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of long-term investments. Income from investments is recognised in the accounts in the year in which it is accrued and stated at gross values.

## INVENTORIES

Inventories are valued at cost or below. Cost is computed on the basis of weighted mean cost per unit of measurement after taking into account receipts at actual cost and accounting for consumption and/or other stock diminution at the aforesaid weighted mean cost. In the case of work-in-progress and finished goods, cost comprises material, direct labour and factory overhead expenses.

Goods in transit/with third parties are valued at cost which represents the costs incurred upto the stage at which the goods are in transit.

Inventories of standing plantation intended for captive use included in work-in-progress are valued at cost representing material, labour, interest and other overheads.

## DEFERRED REVENUE EXPENDITURE

All expenditure, the benefit of which is spread over a number of years, are grouped under miscellaneous expenditure and will be amortised over subsequent years, on the basis of benefit derived in each year.

## FOREIGN EXCHANGE CONVERSION

Export sales in foreign currency are accounted at the exchange rate prevailing on the date of sale. Gain/Loss arising out of fluctuations in exchange rates are accounted for on realisation. Current Assets and Current Liabilities are translated at the rate prevailing on Balance Sheet date and the resultant gain/loss is recognised in the Financial Statements.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of the Balance Sheet.

## RESEARCH AND DEVELOPMENT

Expenditure pertaining to Research & Development is charged to revenue in the year in which it is incurred. In respect of research and development cost of specified projects, these are allocated on a systematic basis to future accounting periods by reference to the estimated benefit derived from the product or process.

## PAYMENTS AND BENEFITS

Regular contribution made to various provident funds, pension funds and gratuity funds are charged to revenue each year.

## BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule Reference	2001 (Rs. lakhs)	2000 (Rs. lakhs)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds</b>			
(a) Capital	1	1,13,45.98	1,13,45.97
(b) Reserves and Surplus	2	3,12,10.31	2,77,20.89
<b>2. Loan Funds</b>			
(a) Secured Loans	3	3,45,44.54	1,35,63.01
(b) Unsecured Loans	4	56,66.33	2,92,30.37
		<u>8,27,67.16</u>	<u>8,18,60.24</u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets</b>			
(a) Gross Block	5	8,50,14.98	8,29,23.48
(b) Depreciation		2,15,76.19	1,77,69.13
(c) Net Block		6,34,38.79	6,51,54.35
(d) Capital work-in-progress		33,79.38	20,98.21
<b>2. Investments</b>			
	6		46,32.70
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories	7	88,56.45	97,62.80
(b) Sundry Debtors	8	59,20.09	56,18.36
(c) Cash and Bank Balances	9	53.25	21.94
(d) Loans and Advances	10	78,45.27	68,19.38
		<u>2,26,75.06</u>	<u>2,22,22.48</u>
Less:			
Current Liabilities and Provisions			
(a) Current Liabilities	11	59,57.64	72,69.47
(b) Provisions		52,37.62	52,37.62
		<u>1,11,95.26</u>	<u>1,25,07.09</u>
Net Current Assets		1,14,79.80	97,15.39
<b>4. Miscellaneous Expenditure</b>			
	12	1,72.81	2,59.59
		<u>8,27,67.16</u>	<u>8,18,60.24</u>

## Notes on Balance Sheet

Schedules 1 to 13 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan  
Partner

Kolkata, 18th May, 2001

On behalf of the Board

P. Dhobale Managing Director  
P.K. Talwar Director - Finance  
N. Ramakrishnan Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule Reference	2001 (Rs. lakhs)	2000 (Rs. lakhs)
<b>I. INCOME</b>			
Sales	14	6,10,63.60	4,43,85.02
Other Income	15	12,76.30	13,24.99
		<u>6,23,39.90</u>	<u>4,57,10.01</u>
<b>II. EXPENDITURE</b>			
Payments and benefits to employees	16	30,52.06	24,75.84
Manufacturing expenses	17	3,71,93.40	2,83,37.84
Excise duty		76,28.01	51,56.46
Administration, selling and other expenses	18	26,89.91	19,82.49
		<u>5,05,63.38</u>	<u>3,79,52.63</u>
<b>III. GROSS OPERATING PROFIT</b>			
Interest and finance charges	19	1,17,76.52	77,57.38
Provision for Contingencies		41,84.65	67,16.85
		—	2,00.00
<b>IV. PROFIT BEFORE DEPRECIATION, AMORTISATION, TAXATION ETC.</b>			
Provision for depreciation		75,91.87	8,40.53
Amortisation of miscellaneous expenditure		40,56.84	39,95.91
		45.75	56.92
<b>V. PROFIT/(LOSS) BEFORE TAXATION</b>			
Provision for taxation		34,89.28	(32,12.30)
		—	—
<b>VI. PROFIT/(LOSS) AFTER TAXATION</b>			
Surplus/(Deficit) brought forward from previous year		34,89.28	(32,12.30)
Available Surplus/(Deficit) carried to Balance Sheet		<u>(1,56,45.43)</u>	<u>(1,24,33.13)</u>
		<u>(1,21,56.15)</u>	<u>(1,56,45.43)</u>

## Notes on Profit and Loss Account

Schedules 14 to 20 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our Report of even date.

For Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan  
Partner

Kolkata, 18th May, 2001

On behalf of the Board

P. Dhobale Managing Director  
P.K. Talwar Director - Finance  
N. Ramakrishnan Company Secretary

## SCHEDULES TO THE BALANCE SHEET

1. CAPITAL	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
<b>AUTHORISED</b>				
10,00,00,000 Equity Shares of Rs. 10/- each (2000-10,00,00,000)	1,00,00.00		1,00,00.00	
50,00,000-11% Cumulative Redeemable Preference Shares of Rs. 100/- each (2000-50,00,000)	50,00.00	1,50,00.00	50,00.00	1,50,00.00
<b>ISSUED AND SUBSCRIBED</b>				
8,78,31,578 Equity Shares of Rs. 10/- each fully paid-up (2000-8,78,31,578)		87,83.16		87,83.16
Of the above, 2,64,27,923 shares were allotted as fully paid-up shares by capitalising Capital Reserve, Capital Redemption Reserve and Share Premium.				
Of the above, 68,55,885 Equity Shares of Rs. 10/- each fully paid-up issued to Financial Institutions/Debenture holders on part/full conversion of Loans/Debentures.				
<b>CALLS IN ARREARS</b>				
25,72,000-11% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid-up (2000 - 25,72,000) which are redeemable on 23rd December, 2005.		(9.18) 25,72.00		(9.19) 25,72.00
		<u>1,13,45.98</u>		<u>1,13,45.97</u>
5,26,66,615 (2000-4,86,66,617) Equity Shares of Rs. 10/- each fully paid-up are held by the Holding Company - I.T.C. Limited and its wholly owned subsidiary.				
25,72,000 11% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid-up are held by the Holding Company - I.T.C. Limited.				
<b>2. RESERVES AND SURPLUS</b>				
Capital Reserve		15.00		15.00
Share Premium Account:				
As at the commencement of the year	3,26,63.11		3,26,62.68	
Add : Received during the year	0.14	3,26,63.25	0.43	3,26,63.11
Debenture Redemption Reserve		6,72.50		6,72.50
Contingency Reserve		3,05.15		3,05.15
General Reserve		97,10.56		97,10.56
Balance in Profit and Loss Account		(1,21,56.15)		(1,56,45.43)
		<u>3,12,10.31</u>		<u>2,77,20.89</u>
<b>3. SECURED LOANS</b>				
<b>Debentures :</b>				
<b>Non-Convertible Debentures</b>				
18% 4,00,000 (2000-4,00,000) Secured Redeemable Non-Convertible Debentures of Rs. 100/- each which are redeemable at a premium of 5% in 5 equal annual instalments commencing 15th February, 1997.	4,00.00		4,00.00	
Out of the above, amount redeemed	4,00.00	—	3,20.00	80.00
15% 1,200 (2000-1,200) Secured Redeemable Non-Convertible Debentures of Rs. 5,00,000/- each which are redeemable in 3 annual instalments of 33%, 33% and 34% respectively commencing 7th November, 2000. (Privately placed with Financial Institutions, Mutual Funds, Banks etc.)				
Out of the above, amount redeemed (586 Debentures) ahead of schedule in the year 1999-2000.	29,30.00		29,30.00	
Out of the above, amount redeemed	10,13.10	20,56.90	—	30,70.00
11.90% 1,200 (2000-1,200) Secured Redeemable Non-Convertible Debentures of Rs. 5,00,000/- each which are redeemable at par in 5 equal annual instalments commencing 8th December, 2000 with a call option on 8th December, 2002 and 8th December, 2003. (Privately placed with Mutual Funds and Banks)	60,00.00		60,00.00	
Out of the above, amount redeemed	12,00.00	48,00.00	—	60,00.00
Secured by joint mortgage by deposit of title deeds relating to the Company's immovable properties, and further by deeds of hypothecation in respect of the Company's plant & machinery including movable machinery, machinery spares, tools and accessories. Security in respect of the above debentures will rank pari passu with charges created in favour of other lenders. 11.90% Debentures are further secured by a guarantee from the Holding Company.				
<b>Term Loans :</b>				
<b>From Banks</b>				
Secured by joint mortgage by deposit of title deeds relating to the Company's immovable properties, and further by deeds of hypothecation in respect of movable properties, present and future, excluding those hypothecated in favour of banks for securing cash credit and bill discounting facilities and machinery obtained on finance loans on which there is a second charge.		—		26,29.20
<b>From Holding Company</b>				
To be secured by mortgage and first charge on the Company's immovable properties, and further secured by deeds of hypothecation in respect of plant and machinery, including movable machinery, movable spares, tools and accessories, ranking pari passu with the mortgage and charges created in favour of other lenders.		2,26,00.00		—

## SCHEDULES TO THE BALANCE SHEET (Contd.)

3. SECURED LOANS (CONTD.)	2001		2000					
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)				
Secured by hypothecation of specific items of plant and machinery		26,00.00		—				
Export Packing Credit from Banks	15,13.04		8,29.80					
Cash Credit from Banks	9,62.41		9,51.35					
Interest accrued and due	12.19	24,87.64	2.66	17,83.81				
Secured by hypothecation of all stocks of raw materials, stores, stock in process, stock in trade, book debts and bills receivable								
		<u>3,45,44.54</u>		<u>1,35,63.01</u>				
4. UNSECURED LOANS		2001		2000				
		(Rs. lakhs)		(Rs. lakhs)				
Fixed Deposits (including Rs. 42.68 lakhs unclaimed – 2000 - Rs. 70.75 lakhs)		13,43.47		32,16.63				
Short Term :								
From Banks								
10.50% 50,00,000 Unsecured Redeemable Non-Convertible Debentures of Rs. 100/- each which are redeemable on 7th June, 2000 secured by a guarantee from the Holding Company – I.T.C. Limited		—		50,00.00				
11.25% 15 Unsecured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000/- each which are redeemable on 10th March, 2001 secured by a guarantee from the Holding Company – I.T.C. Limited		—		15,00.00				
Rupee Term Loan								
Secured by a guarantee from the Holding Company – I.T.C. Limited		—		85,00.00				
Other than Banks								
Short Term Inter Corporate Loan		—		88,50.00				
Other than short term :								
Interest free sales tax loan from State Government		22,59.94		10,47.35				
Security Deposits		19,39.70		9,97.14				
Interest accrued and due		1,23.22		1,19.25				
		<u>56,66.33</u>		<u>2,92,30.37</u>				
5. FIXED ASSETS								
	Freehold Land	Buildings	Plant & Machinery	Other Equipment	Furniture & Fixtures	Vehicles	Total 2001	Total 2000
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
COST								
As at 31st March, 2000	1,69.17	95,99.69	7,11,62.17	4,99.47	13,87.85	1,05.13	8,29,23.48	8,16,57.48
Additions/Adjustments	—	47.57	23,17.37	—	1,03.38	34.07	25,02.39	16,55.21
	1,69.17	96,47.26	7,34,79.54	4,99.47	14,91.23	1,39.20	8,54,25.87	8,33,12.69
Withdrawals/Adjustments	—	9.16	3,75.32	—	19.30	7.11	4,10.89	3,89.21
GROSS BLOCK								
As at 31st March, 2001	1,69.17	96,38.10	7,31,04.22	4,99.47	14,71.93	1,32.09	8,50,14.98	8,29,23.48
PROVISION FOR DEPRECIATION								
As at 31st March, 2000	—	12,64.82	1,52,32.84	4,94.47	7,20.00	57.00	1,77,69.13	1,39,00.48
For the year	—	2,80.53	36,36.37	—	1,22.26	17.68	40,56.84	39,95.91
	—	15,45.35	1,88,69.21	4,94.47	8,42.26	74.68	2,18,25.97	1,78,96.39
Withdrawals	—	2.75	2,31.89	—	8.48	6.66	2,49.78	1,27.26
	—	15,42.60	1,86,37.32	4,94.47	8,33.78	68.02	2,15,76.19	1,77,69.13
As at 31st March, 2001	—	15,42.60	1,86,37.32	4,94.47	8,33.78	68.02	2,15,76.19	1,77,69.13
NET BLOCK								
As per Balance Sheet as at 31st March, 2000	1,69.17	80,95.50	5,44,66.90	5.00	6,38.15	64.07	6,34,38.79	6,51,54.35
	1,69.17	83,34.87	5,59,29.33	5.00	6,67.85	48.13	6,51,54.35	—
Capital Work in Progress at cost (Refer Note 7 of Schedule 13)							*33,79.38	20,98.21

Plant & Machinery includes fluctuations in the rates of foreign exchange Rs. 15,58.30 lakhs upto 31st March, 2001 (2000 - Rs. 14,60.97 lakhs)

\*Capital Work in Progress includes fluctuation on foreign exchange up to 31st March, 2001 – Rs. 9.25 lakhs (2000 - Rs. 5.75 lakhs)

Buildings include cost of Building on leasehold land - Rs. 26.02 lakhs

## SCHEDULES TO THE BALANCE SHEET (Contd.)

	2001 (Rs. lakhs)	2000 (Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
<b>6. INVESTMENTS</b>				
UNQUOTED (AT COST)				
LONG TERM :				
Trade Investments				
Andhra Pradesh Gas Power Corporation Limited 8,04,000 Equity Shares of Rs. 10/- each fully paid-up (5,36,000 Equity Shares sold during the year)	2,31.75	3,86.26		
Cuffe Parade Sealord Co-operative Housing Society Limited 10 Shares of Rs. 50/- each fully paid-up (2001-Rs. 500/-, 2000-Rs. 500/-)	...	...		
Tulsiani Chambers Premises Co-operative Society Limited 5 Shares of Rs. 50/- each fully paid-up (2001-Rs. 250/-, 2000- Rs. 250/-)	...	...		
Bhadrachalam Biotech Limited 1 Equity Share of Rs. 10/- each fully paid-up (2001-Rs. 10/-, 2000-Rs. 10/-)	...	...		
Other than trade investments				
Government/Trust Securities :				
Unit Trust of India – 36,14,213 units of US'64 of Rs. 10/- each fully paid-up	5,02.40	5,02.40		
Unit Trust of India – 50,000 units of US'95 of Rs. 100/- each fully paid-up	51.83	51.83		
Indian Railway Finance Corporation Limited Nil – 9% (tax-free) secured redeemable Non-Convertible Bonds of face value of Rs. 1,000/- each fully paid-up (20,000 bonds redeemed during the year)	—	1,80.23		
Unit Trust of India – Venture Capital 1990 1,120 Units of Rs. 100/- each fully paid-up (1,120 units redeemed during the year)	1.12	2.24		
VII Year National Savings Certificates (Deposited with Government authorities)	0.02	0.02		
Others :				
APIDC – Venture Capital Fund, 1990 926 Units of Rs. 1,000/- each fully paid-up	9.26	9.26		
Subsidiary Company :				
BFIL Finance Limited – 1,99,99,994 Equity Shares of Rs. 10/- each fully paid-up	20,00.00	20,00.00		
15,00,000 – 18.5% Non-Convertible Debentures of Rs. 100/- each renewed at 0%	15,00.00	15,00.00		
<b>CURRENT :</b>				
Other than trade investments				
Government/Trust Securities :				
Unit Trust of India-Money Market Fund (2,26,25,686 Units of Rs. 10/- each acquired during the year and 2,26,27,844 Units sold during the year)	—	0.28		
Others :				
Prudential ICICI - Liquid Plan (1,69,43,622 Units of Rs. 10/- each acquired during the year and 1,69,45,166 Units sold during the year)	—	0.18		
	<u>42,96.38</u>	<u>46,32.70</u>		
<b>7. INVENTORIES</b>				
(Stock in trade at the lower of cost or net realisable value and others at average cost or below)				
Raw Materials	30,24.38	40,02.45		
Stores and spare parts	22,88.89	23,95.68		
Stock in trade @	29,81.73	27,28.17		
Stock in process	5,32.72	6,07.55		
Plantations in Progress	28.73	28.95		
	<u>88,56.45</u>	<u>97,62.80</u>		
@ Includes stocks relating to trial production				
<b>8. SUNDRY DEBTORS</b>				
	2001 (Rs. lakhs)	2000 (Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
Trade Debtors :				
Secured :				
Not over six months old - considered good	4,32.16	3,54.81		
Over six months old - considered good	<u>3,80.06</u>	<u>3,69.07</u>	7,23.88	
Unsecured :				
Not over six months old - considered good	48,37.67	44,18.63		
Over six months old - considered good	1,91.28	4,75.70		
- considered doubtful	<u>2,48.43</u>	<u>52,77.38</u>	50,29.48	
		<u>60,89.60</u>	57,53.36	
Less : Provision for doubtful debts	<u>2,48.43</u>	1,35.15		
	<u>58,41.17</u>	<u>56,18.21</u>		
Other Debtors (Unsecured) :				
Not over six months old - considered good	78.92	0.15		
Over six months old - considered good	—	—	0.15	
	<u>78.92</u>	<u>0.15</u>		
	<u>59,20.09</u>	<u>56,18.36</u>		
<b>9. CASH AND BANK BALANCES</b>				
Cash on hand	4.14	5.72		
Balances with Scheduled Banks	38.98	5.01		
Unpaid dividend accounts	9.30	10.50		
Preference share redemption account	0.07	0.07		
Remittances in transit	0.76	0.64		
	<u>53.25</u>	<u>21.94</u>		
<b>10. LOANS AND ADVANCES - UNSECURED</b>				
Advances with Government and Public Bodies, etc., - considered good	6,06.75	7,22.71		
Advances recoverable in cash or in kind or for value to be received * - considered good	22,13.03	16,69.13		
Loans to subsidiary - considered good	37,24.11	37,24.11		
Taxation - Advance payments less provisions	12,41.89	6,74.00		
Interest accrued on Investments/Deposits, etc., - considered good	59.49	29.43		
	<u>78,45.27</u>	<u>68,19.38</u>		
* Advance to Directors/Officers – Rs. 16.44 lakhs (2000 - Rs. 17.61 lakhs) Maximum indebtedness during the year was Rs. 17.61 lakhs (2000 - Rs. 18.53 lakhs)				
<b>11. CURRENT LIABILITIES AND PROVISIONS</b>				
A. Current Liabilities :				
Acceptances	1,19.09	2,49.70		
Sundry Creditors - Small scale industrial undertakings - Others	86.29	1,24.60		
	<u>50,17.93</u>	<u>57,96.64</u>		
Unclaimed dividends	9.89	11.09		
Preference share redemption account	0.07	0.07		
Other liabilities	3,42.04	2,00.30		
Interest accrued but not due on loans	3,82.33	7,53.65		
Interest equalisation	—	1,33.42		
	<u>59,57.64</u>	<u>72,69.47</u>		
B. Provisions :				
Contingencies	2,37.62	2,37.62		
Provision - Subsidiary	50,00.00	50,00.00		
	<u>52,37.62</u>	<u>52,37.62</u>		
<b>12. MISCELLANEOUS EXPENDITURE</b>				
DEFERRED EXPENSES (To the extent not written off or adjusted)				
Farm Forestry	—	40.95		
Funds mobilisation expenses	—	4.80		
Renewals/Replacements	1,72.81	2,13.84		
	<u>1,72.81</u>	<u>2,59.59</u>		
<b>13. NOTES ON BALANCE SHEET</b>				
1. Claims against the Company not acknowledged as debts Rs. 2,11.38 lakhs (2000 - Rs. 2,35.34 lakhs).				
2. Contingent liabilities :				
(a) Customers' bills discounted : Rs. 9,80.66 lakhs (2000 - Rs. 8,34.06 lakhs)				
(b) Guarantees outstanding : Rs. 3,82.09 lakhs (2000 - Rs. 5,87.68 lakhs)				
(c) Sales-tax/Excise/Income-tax matters under dispute : Rs. 45,41.57 lakhs (2000 - Rs. 41,65.84 lakhs)				
(d) Royalty under dispute : Rs. 2,15.98 lakhs (2000 - Rs. 2,15.98 lakhs)				
(e) Employees State Insurance matter under dispute : Rs. 1,99.00 lakhs (2000 - Rs. 1,99.00 lakhs)				
3. Dividend in arrears on 11% Cumulative Redeemable Preference Shares : Rs. 6,42.58 lakhs (2000 - Rs. 3,59.66 lakhs)				
4. Estimated amount of contracts remaining to be executed on capital accounts not provided for Rs. 32,50.05 lakhs (2000 - Rs. 4,13.23 lakhs)				
5. Exchange difference in respect of forward exchange contracts to be charged or capitalised in subsequent accounting period amounts to Rs. 0.35 lakhs (2000 - Rs. 2.45 lakhs)				
6. Sundry Creditors - Small scale industrial undertakings include the following amounts exceeding Rs. 1 lakh and outstanding for more than 30 days:				
	2001 (Rs. lakhs)	2000 (Rs. lakhs)		
Name of the party				
Sri Lakshmi Industries	—	1.61		
Sabhitri Precision Engg. Works	—	1.41		
Total	<u>—</u>	<u>3.02</u>		



13. NOTES ON BALANCE SHEET (Contd.)

	2001		2000	
	(Qty.)	(Rs. lakhs)	(Qty.)	(Rs. lakhs)
7. Capital Work in Progress includes PRE-OPERATIVE EXPENSES & TRIAL RUN EXPENSES				
Raw materials consumed				
-Bamboo	175	6.16	—	—
-Wood	630	13.21	—	—
-Others		79.57	—	—
Power and fuel		19.20	0.20	—
Consumption of stores and spares		9.55	—	—
Salaries, wages & bonus		54.03	1.10	—
Insurance		20.02	16.33	—
Travelling and conveyance		52.55	2.89	—
Freight		0.52	0.51	—
Repairs and maintenance		10.25	—	—
Interest & other finance charges		1,43.84	55.16	—
Consultancy fees		1,34.79	9.10	—
Excise duty etc.		13.04	0.98	—
Miscellaneous expenses		9.17	4.83	—
Total		5,65.90	91.10	—
Less : Sales (Net)	669	1,31.78	—	—
Stock in Trade	286	52.11	—	—
		3,82.01	91.10	—
Less : Transferred to Fixed Assets		33.74	53.37	—
		3,48.27	37.73	—

8. Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
14. SALES				
Paper, Paperboard and Others		6,44,27.68		4,69,07.99
Less:				
(a) Discounts and Rebates (net) (other than usual trade discount) – (2000 - Rs. 23,95.11 lakhs) including in respect of previous year/ provision no longer required written back – Rs. Nil (2000 - Rs. 15.49 lakhs)	30,88.89			
(b) Commission paid to export selling agents - (2000 - Rs. 1,27.86 lakhs)	2,75.19	33,64.08	25,22.97	
		6,10,63.60	4,43,85.02	
15. OTHER INCOME				
Income from long-term investments (other than trade) - Gross (Income-tax deducted at source Rs. Nil – 2000 - Rs. Nil)		60.32		63.04
Profit/(Loss) on sale of :				
- long-term investments		4,28.32		4,97.06
- current investments		11.76		1,54.84
Gain on exchange fluctuations (net)		76.19		26.71
Sundry claims/Provision no longer required - written back		5,64.87		4,24.84
Miscellaneous Income		1,34.84		1,58.50
		12,76.30		13,24.99
16. PAYMENTS AND BENEFITS TO EMPLOYEES				
Salaries, wages and bonus		25,47.91		19,57.21
Contribution to provident and other funds		2,79.17		2,60.28
Workmen and staff welfare expenses		2,24.98		2,58.35
		30,52.06		24,75.84
17. MANUFACTURING EXPENSES				
Raw materials consumed- Including Rs. 58.66 lakhs on account of favourable foreign exchange fluctuation (2000 - Rs. 15.82 lakhs)		2,87,74.47		2,18,57.40
Consumption of stores and spare parts- Including stores discarded (net) - Rs. 32.46 lakhs (2000 - Rs. 30.53 lakhs)		34,17.51		29,72.93
(Increase)/Decrease in stocks:				
Opening stock:				
Stock in process		6,07.55		6,23.17
Stock in trade		27,28.17		11,99.79
Plantation in Progress		28.95		23.63
		33,64.67		18,46.59
Less: Closing stock				
Stock in process		5,32.72		6,07.55
Stock in trade		29,29.62		27,28.17
Plantation in Progress		28.73		28.95
		34,91.07		33,64.67 (15,18.08)
Handling charges		6,15.14		4,02.97
Power and fuel - Including stores consumed Rs. 34,32.35 lakhs (2000 - Rs. 35,07.87)		39,63.68		40,96.09
Plantation cultivation expenses		20.69		24.21
Repairs and maintenance:				
Buildings - Including stores consumed Rs. 19.06 lakhs (2000 - Rs. 15.78 lakhs)		1,90.72		1,95.71
Plant and machinery - Including amortisation of renewals/replacements Rs. 85.58 lakhs (2000 - Rs. 1,21.51 lakhs)		3,37.59		3,06.61
		5,28.31		5,02.32
		3,71,93.40		2,83,37.84

	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
18. ADMINISTRATION, SELLING AND OTHER EXPENSES				
Rent (net of recovery Rs. 7.72 lakhs – 2000 Rs. 6.57 lakhs)		1,28.81		1,13.44
Rates and taxes		86.22		57.28
Insurance		1,29.00		1,18.47
Travelling and conveyance		4,43.77		3,91.80
Postage, telephone, telex etc.		1,94.86		2,17.63
Printing and stationery		75.33		69.86
Advertisement and marketing		79.69		65.82
Repairs - others		94.28		85.82
Arboriculture and house keeping		19.24		15.61
Warehousing and shipping (net)		9,73.24		6,20.86
Security		54.82		46.81
Legal and professional charges		30.62		21.70
Doubtful and Bad debts/Advances		1,31.49		4.64
Fixed assets sold and discarded (net)		(10.25)		17.79
Directors' fees		1.60		1.52
Auditors' remuneration		5.71		5.62
Donations and contributions		0.57		0.43
Consultancy fee and expenses		98.65		49.83
Subscriptions		10.31		11.67
Training		29.95		18.95
Miscellaneous		1,12.00		46.94
		26,89.91		19,82.49
19. INTEREST AND FINANCE CHARGES				
Interest on fixed loans		25,72.09		39,32.59
Interest on debentures		11,26.98		12,66.46
Interest on deposits		4,66.15		6,94.18
Other interest		3,07.70		2,09.31
Prepayment premium on debts		—		13,20.73
Bank/other finance charges		1,25.23		1,53.69
		45,98.15		75,76.96
Less:				
Interest realised on loans, deposits, advances, trading debts through banks and others (Income-tax deducted at source Rs. 15.20 lakhs 2000 - Rs. 93.69 lakhs)		4,31.04		7,50.72
Income from investments - other than trade ( Gross)		7.32		17.91
		41,59.79		68,08.33
Equipment leasing rent - net of lease rentals received Rs. Nil (2000 - Rs. 1,13.27 lakhs)		24.86		(91.48)
		41,84.65		67,16.85
20. NOTES ON PROFIT AND LOSS ACCOUNT				
1. Taking into account BFIL Finance Limited's performance of debt recovery, property settlements from its debtors, and discussions with its bankers for settlement of dues, no further provision is considered necessary for the year ended 31st March, 2001 towards the exposure therein aggregating Rs. 72,24.11 lakhs.				
2. Directors' remuneration in Schedules 16 and 18 includes :				
		2001		2000
		(Rs. lakhs)		(Rs. lakhs)
Salaries		34.80		18.25
Other benefits		21.17		11.45
Directors' fee		1.60		1.52
		57.57		31.22
3. Auditors' remuneration in Schedule 18 includes :				
Auditors:				
Audit fees and expenses		3.30		3.30
Fees for certification		2.16		2.07
		5.46		5.37
Cost Audit fees and expenses		0.25		0.25
		0.25		0.25
4. Raw materials consumed include:				
Salaries, wages and bonus		0.85		1.11
Rent		0.10		0.57
Insurance		2.25		4.78
Vehicles running and maintenance		3.16		4.05
5. Research and Development expenditure incurred during the year is as under:				
Revenue expenditure		2.75		5.60
Capital expenditure		8.62		32.93
		11.37		38.53

20. NOTES ON PROFIT AND LOSS ACCOUNT (Contd.)

		2001		2000			2001	2000
	Unit	Quantity	Value (Rs. lakhs)	Quantity	Value (Rs. lakhs)		(Rs. lakhs)	(Rs. lakhs)
6. Additional information pursuant to the provisions of paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.								
A. Class of goods, Capacity and Production								
(i) Class of goods manufactured								
- Paper/Paperboard								
Capacity								
-Licensed (Paper Industry exempt from industrial licensing)								
-Installed (as certified by the Management)								
Paper and Paperboard								
	TPA	1,82,500		1,82,500				
(ii) Actual production*								
-Paper and Paperboard								
	Tonne	2,05,817		1,83,908				
Pulp section is an integral part of the plant and therefore capacities and actual production thereof are not shown separately								
*Includes production for internal use								
B. Purchases/Sales and Stock								
(i) Purchases								
-Paper and Paperboard								
	Tonne	—	—	—	—			
(ii) Sales								
-Paper and Paperboard								
	Tonne	2,04,649	6,42,45.42	1,79,715	4,67,50.62			
-Others								
			1,82.26		1,57.37			
(iii) Stock in trade								
-Paper and Paperboard								
Opening								
	Tonne	8,846	27,28.17	5,952	11,99.79			
Closing								
	Tonne	9,035	29,29.62	8,846	27,28.17			
C. Raw materials consumed during the year								
- Bamboo								
	BDT*	39,503	13,15.05	39,980	13,16.81			
- Hardwood								
	BDT*	1,17,747	26,84.25	1,20,322	26,46.87			
- Waste paper & pulp								
	Tonne	1,34,154	1,67,48.27	1,15,915	1,06,46.89			
- Caustic lye								
	Tonne	5,368	3,20.35	5,772	3,03.74			
- Salt cake								
	Tonne	3,380	1,94.86	3,450	1,91.13			
- Burnt lime								
	Tonne	23,711	6,43.77	27,395	7,39.96			
- Rosin								
	Tonne	2,186	4,39.63	827	1,74.44			
- Others								
			65,27.23		58,37.56			
			2,88,73.41		2,18,57.40			
Less : Transfer to trial run expenses								
			98.94		—			
			2,87,74.47		2,18,57.40			
* Bone Dry Tonne								
D. Consumption of raw materials, stores and spare parts during the year								
Raw materials								
— Imported								
		1,14,85.49	39.78	85,87.75	39.29			
— Indigenous								
		1,73,87.92	60.22	1,32,69.65	60.71			
		2,88,73.41	100.00	2,18,57.40	100.00			
Less : Transfer to trial run expenses								
		98.94	—	—	—			
		2,87,74.47	—	2,18,57.40	—			
Stores and spare parts								
— Imported								
		7,65.87	11.11	6,33.53	9.75			
— Indigenous								
		61,29.14	88.89	58,63.05	90.25			
		68,95.01	100.00	64,96.58	100.00			
Less : Transfer to trial run expenses								
		26.09	—	—	—			
		68,68.92	—	64,96.58	—			
E. Earnings in foreign exchange during the year								
— Export of Goods (f.o.b)								
		89,36.99		40,66.41				
— Freight on exports								
		5,04.10		2,15.84				
— Insurance								
		0.03		—				
		94,41.12		42,82.25				
F. C.I.F. value of imports								
— Raw materials								
		91,52.30		72,55.86				
— Stores and spare parts								
		4,12.66		5,39.64				
— Capital goods								
		8,36.40		16,05.06				
		1,04,01.36		94,00.56				
G. Expenditure in foreign currency								
- Books, periodicals and subscriptions								
		4.20		3.17				
- Travelling expenses								
		40.05		16.66				
- Interest								
		1,25.39		3,05.78				
- Consultancy								
		1,49.61		59.92				
- Others								
		2,74.08		63.05				
		5,93.33		4,48.58				
7. Comparative figures of the previous year, where necessary, have been regrouped to conform with those of the current year.								
Pursuant to Section 212(1) and (3) of the Companies Act, 1956								
BFIL FINANCE LIMITED								
(Rs. lakhs)								
(a) Holding Company's interest:								
1,99,99,994 Equity Shares of Rs. 10/- each, fully paid-up								
(b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :								
(i) for the Subsidiary's financial year ended 31st March, 2001								
							(6,00.20)	
(ii) for the previous financial years								
							(82,85.12)	
							<u>(88,85.32)</u>	
(c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts :								
(i) for the Subsidiary's financial year ended 31st March, 2001								
							Nil	
(ii) for the previous financial years								
							Nil	
On behalf of the Board								
						P. Dhobale	Managing Director	
						P.K. Talwar	Director - Finance	
						N. Ramakrishnan	Company Secretary	
								Kolkata, 18th May, 2001
Pursuant to Section 212(1) and (3) of the Companies Act, 1956								
BFIL SECURITIES LIMITED								
(Subsidiary of BFIL Finance Limited)								
Voluntary winding up proceedings have been initiated for the Company.								
On behalf of the Board								
						P. Dhobale	Managing Director	
						P.K. Talwar	Director - Finance	
						N. Ramakrishnan	Company Secretary	
								Kolkata, 18th May, 2001
Pursuant to Section 212(1) and (3) of the Companies Act, 1956								
MRR TRADING & INVESTMENT COMPANY LIMITED								
(Subsidiary of BFIL Finance Limited)								
(a) Holding Company's interest:								
9,998 Equity Shares of Rs. 10/- each, fully paid-up								
(b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :								
(i) for the Subsidiary's financial year ended 31st March, 2001								
							(0.01)	
(ii) for the previous financial years								
							(0.96)	
(c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts:								
(i) for the Subsidiary's financial year ended 31st March, 2001								
							Nil	
(ii) for the previous financial years								
							Nil	
On behalf of the Board								
						P. Dhobale	Managing Director	
						P.K. Talwar	Director - Finance	
						N. Ramakrishnan	Company Secretary	
								Kolkata, 18th May, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01 - 01 9 0 7 State Code 01  
Balance Sheet Date 31 03 01  
Date Month Year

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

Public Issue Rights Issue  
- -  
Bonus Issue Private Placement  
- -

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

Total Liabilities Total Assets  
8 2 7 6 7 1 6 8 2 7 6 7 1 6  
Sources of Funds  
Paid up Capital Reserves & Surplus\*\*  
1 1 3 4 5 9 8 3 1 2 1 0 3 1  
Secured Loans Unsecured Loans  
3 4 5 4 4 5 4 5 6 6 6 3 3  
Application of Funds  
Net Fixed Assets Investments  
6 6 8 1 8 1 7 4 2 9 6 3 8  
Net Current Assets Misc. Expenditure  
1 1 4 7 9 8 0 1 7 2 8 1  
Accumulated Losses  
1 2 1 5 6 1 5

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

Turnover Total Expenditure  
6 2 3 3 9 9 0 5 8 8 5 0 6 2  
Profit/Loss before Tax Profit/Loss after Tax  
+ - 3 4 8 9 2 8 + - 3 4 8 9 2 8  
(Please tick the appropriate box + for Profit, - for Loss)

Earnings Per Share in Rs. Dividend Rate %\*  
Rs. 3.65 - -  
(Recommended)\*

\*\* Net of Accumulated Losses of Rs. 1,21,56,15 thousands.

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

Item Code No. 4802  
(ITC CODE)  
UNCOATED PAPER AND  
PAPERBOARD USED  
FOR WRITING AND  
PRINTING PURPOSES  
IN ROLLS OR SHEETS

Item Code No. 4804  
(ITC CODE)  
Product Description  
UNCOATED KRAFT -  
PAPER & PAPERBOARD  
IN ROLLS OR SHEETS

Item Code No. 4810  
(ITC CODE)  
Product Description  
PAPER & PAPERBOARD  
COATED ONE OR BOTH  
SIDES WITH KAOLIN

Item Code No. 47020000  
(ITC CODE)  
Product Description  
PULP OF WOOD PULP  
SECTION IS AN  
INTEGRAL PART OF  
THE PLANT

On Behalf of the Board  
P. Dhobale Managing Director  
P.K. Talwar Director - Finance  
N. Ramakrishnan Company Secretary  
Kolkata, 18th May, 2001

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

A. CASH FLOW FROM OPERATING ACTIVITIES	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Net Profit before Tax and Extraordinary Items		34,89		(32,12)
Adjustments for :				
-Depreciation	40,57		39,96	
-Amortisation of Deferred Revenue Expenditure	1,31		1,78	
-Interest (net)	41,85		67,17	
-Gain on sale of Investments	(4,28)		(4,97)	
-Investment Income	(72)		(2,18)	
-Loss on sale/write off of assets	(10)		18	
-Reinstatement of Foreign Currency Loan	-		12	
-Provision for Contingencies	-		2,00	
-Writeback of Provisions	(4,95)		(3,90)	
-Excise duty paid out of Modvat on capital goods	2,24		9,86	
Operating profit before working capital changes		75,92		1,10,02
Adjustments for:		1,10,81		77,90
-Sundry Debtors	(3,02)		(15,66)	
-Inventories	9,06		(28,09)	
-Loans and advances	(2,63)		6,69	
-Current liabilities	(41)		6,61	
-Miscellaneous Expenditure	(45)		(64)	
Cash generated from operations		1,13,36		46,81
Interest Paid		(2,68)		(2,88)
Interest Received		3,62		5,57
Direct taxes paid (net of refund received)		(5,68)		(2,98)
Net cash from operating activities		1,08,62		46,52
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(41,50)		(39,79)
Sale of fixed assets		76		13
Investment Income		72		2,18
Interest received		47		2,20
Sale of investments		7,65		8,92
Net cash used in investing activities		(31,90)		(26,36)

C. CASH FLOW FROM FINANCING ACTIVITIES	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Proceeds from issue of share capital		-		-
Interest				
-Paid	(48,00)		(58,37)	
-Prepayment Premium	-		(13,21)	
-Equalisation Reserve - Paid	(1,33)		(12,24)	
Equipment leasing Rent - (Paid)/Received		(49,33)		(83,82)
Proceeds from borrowings		(25)		91
-Long term - Inflow	2,86,40		67,96	
- Outflow	(81,67)		(3,09,37)	
-Short term - Inflow	-		2,38,50	
- Outflow	(2,38,50)		-	
-Bank borrowings for working capital (net)		(33,77)		(2,91)
Net cash used in financing activities		6,94		5,95
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(76,41)		(79,87)
Cash and cash equivalents - opening balance		31		(59,71)
Cash and cash equivalents - closing balance		*22		*59,93
* Includes investments in Money Market Mutual Funds, which are freely encashable.		53		*22

Notes :  
a) Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.  
b) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.  
On behalf of the Board  
P. Dhobale Managing Director  
P.K. Talwar Director - Finance  
N. Ramakrishnan Company Secretary  
Kolkata, 18th May, 2001

AUDITOR'S CERTIFICATE  
The above Cash Flow Statement has been compiled from and is based on the audited accounts of ITC Bhadrachalam Paperboards Limited for the year ended 31 March, 2001 reported upon by us on May 18th, 2001. According to the information and explanation given together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with Stock Exchanges and the reallocations required for the purpose are as made by the Company.  
for Lovelock & Lewes  
Chartered Accountants  
S. Gopalakrishnan  
Partner  
Kolkata, 18th May, 2001