

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## DIRECTORS

Shri Badri Vishal Tandon  
Shri J.S. Matharu  
Shri Om Nath Kapoor  
Shri C.M. Krishna  
Shri K. A. Pai  
Shri Sushil Khanna  
Shri Sudhir Tandon, Managing Director  
Shri Girish Tandon, Joint Managing Director

## COMPANY SECRETARY

Smt. Babita Jain

## AUDITORS

M/s P.L. Gupta & Co.  
Chartered Accountants

## BANKERS

Bank of Baroda  
Indian Bank

## REGISTERED & ADMINISTRATIVE OFFICE

33, Dayanand Marg, Allahabad -211 002

## MILLS

Industrial Area No. 1, Sultanpur Road,  
Rae Bareli—229 010

## REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri,  
Lajpat Nagar-II  
New Delhi 110 024

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

<b>CONTENTS</b>	<b>Page Nos.</b>
<b>Notice</b>	<b>3-4</b>
<b>Explanatory Statement</b>	<b>7-8</b>
<b>Directors' Report</b>	<b>9</b>
<b>Corporate Governance Report</b>	<b>14</b>
<b>Management Discussion and Analysis Report</b>	<b>21</b>
<b>Auditors' Report</b>	<b>23</b>
<b>Balance Sheet</b>	<b>26</b>
<b>Profit &amp; Loss Account</b>	<b>27</b>
<b>Cash Flow Statement</b>	<b>28-29</b>
<b>Schedules</b>	<b>30-39</b>
<b>Balance Sheet Abstract &amp; Company's General Business Profile</b>	<b>40-41</b>

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Registered Office of the Company at 33, Dayanand Marg, Allahabad- 211 002, on Friday, the 24<sup>th</sup> June, 2005 at 1.00 P.M. to transact the following Business :-

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2005 and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2005, the Report of the Auditors and the Report of the Directors, thereon.
2. To declare Dividend on Equity Shares for the financial year ended 31<sup>st</sup> March, 2005.
3. To appoint a Director in place of Shri Om Nath Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K.A. Pai, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditor for the year and in this connection, to consider, and if thought fit, to pass, with or without modification(s), the following Resolution as Ordinary Resolution :

“RESOLVED THAT M/s P.L. Gupta & Co., Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company, to hold office until the conclusion of next Annual General Meeting at a remuneration of Rs. 80,000/- (Rupees eighty thousand only) plus service tax, as applicable, and travelling and other out of pocket expenses.”

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution.

“RESOLVED THAT pursuant to provisions of Sections 198,269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactment thereof for the time being in force and pursuant to Article 92 of Articles of Association of the Company, consent of the Company be and is hereby accorded for the re-appointment of Shri Sudhir Tandon as Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> April, 2005 on a remuneration of Rs. 70,000/- (Rupees seventy thousand only) per month with the authority to Board of Directors to increase from time to time upto an amount not exceeding Rs. 1,50,000/- (Rupees one lac fifty thousand only) per month and other benefits, as detailed in the Explanatory Statement attached hereto for performing the functions of Managing Director or any other functions as may be assigned to him from time to time by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and to do all other acts, deeds, things as may be necessary or desirable to give effect to the Resolution”.

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution is Ordinary Resolution.

“RESOLVED THAT pursuant to provisions of Sections 198,269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactment thereof for the time being in force and pursuant to Article 92 of Articles of Association of the Company, consent of the Company be and is hereby accorded for the re-appointment of Shri Girish Tandon as Joint Managing

## SHREE BHAWANI PAPER MILLS LIMITED

---

Director of the Company for a period of five years with effect from 1<sup>st</sup> April, 2005 on a remuneration of Rs. 70,000/- (Rupees seventy thousand only) per month with the authority to Board of Directors to increase from time to time upto an amount not exceeding Rs. 1,50,000/- (Rupees one lac fifty thousand only) per month and other benefits, as detailed in the Explanatory Statement attached hereto for performing the functions of Joint Managing Director or any other functions as may be assigned to him from time to time by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and to do all other acts, deeds, things as may be necessary or desirable to give effect to the Resolution”.

REGISTERED OFFICE :  
33, DAYANAND MARG  
ALLAHABAD - 211 002

DATED : 7<sup>TH</sup> MAY, 2005

BY ORDER OF THE BOARD

BABITA JAIN  
COMPANY SECRETARY

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

### NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.
2. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 16<sup>th</sup> June, 2005 to 24<sup>th</sup> June, 2005 (both days inclusive).
4. Members are requested to intimate change, if any, in their addresses.
5. Pursuant to Section 205-A of the Companies Act, 1956, the following information is furnished:  
**In terms of Section 205-C of the Companies Act, 1956, the unclaimed Dividend for the financial year 1996-97 has been transferred to Investor Education and Protection Fund in the month of November, 2004.**  
**The Unclaimed Dividend for Financial Years 1997-98, 1998-99, 2001-02 are held in separate accounts for each year.**  
**Consequent upon amendment in Section 205-A of the Companies Act, 1956, and introduction of Section 205-C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. It may be noted that no claims shall lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.**  
Those Members who have so far not encashed their dividend warrants for the year 1997-98, 1998-99 and 2001-02 may immediately approach the Company with their dividend warrants for encashment.
6. Under the provisions of the Companies Act, 1956, facility for making nominations is now available to the shareholders and fixed deposit holders in respect of the shares or deposits held by them. Nomination form can be obtained from Registered Office of the Company at Allahabad.
7. Dividend, if any, declared in the Meeting will be payable to those members whose names appears :
  - a) as beneficial owners as at the end of 15<sup>th</sup> June, 2005 as per the list to be furnished by the Depositories in respect of the shares held in electronic form and
  - b) as members in the Register of Members of the Company as on 24<sup>th</sup> June, 2005 after giving effect to all valid share transfers in physical form which are lodged with the Company on or before 15<sup>th</sup> June, 2005.
8. **Shareholders who are still holding physical share certificates are advised to dematerialise their shareholdings to avail the benefits of dematerialisation which includes easy liquidity through electronic transfer, saving in stamp duty and prevention of forgery.**
9. The Company has paid Annual Listing Fee to the Stock Exchange, Mumbai where the Company's equity shares are listed, for the financial year 2005-2006.
10. Details of the Directors seeking re-appointment at this Annual General Meeting :  
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai)
  - i) Shri Om Nath Kapoor, aged about 70 years, is graduate and has more than 45 years experience in textile trading business. He has been a Director of the Company since 1980.  
Details of other Directorship/Committee Membership held by him : NIL
  - ii) Shri K A Pai, aged about 69 years, is graduate in Chemistry, a reputed Technologist in Pulp & Paper Industry and has more than 45 years working experience in Paper Industry. He has been a Director of the Company since 1999 and is also a member of Remuneration Committee of the Company.  
Details of other Directorship/Committee Membership held by him : NIL

## SHREE BHAWANI PAPER MILLS LIMITED

---

iii) Shri Sudhir Tandon, aged about 54 years, is B Tech in Mechanical Engineering from IIT, Kanpur and MBA from Mc Master University, Canada and has more than 29 years working experience with the Industry. He has worked with erstwhile ICICI Ltd. for about 3 years and promoted Shree Bhawani Paper Mills Ltd. He has been a Director of the Company since its inception i.e. 1979 and is also a member of Investor's Grievance Committee of the Company.

Details of other Directorship/Committee membership held by him:

Director in Tandon Investment Pvt. Ltd., Allahabad and Bachhaji Holdings Pvt. Ltd., Allahabad.

iv) Shri Girish Tandon, aged about 54 years, is MBA from Allahabad University and has more than 28 years experience with the Industry. He started his carrier in publication business and promoted Shree Bhawani Paper Mills Ltd.. He has been a Director of the Company since its inception i.e. 1979. He is also a member of Investor's Grievance Committee of the Company.

Details of other Directorship/Committee membership held by him:

Director in Tandon Investment Pvt. Ltd., Allahabad, and Alankar Udyog Pvt. Ltd., Allahabad.

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

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

#### ITEM NO. 6 & 7

1. Shri Sudhir Tandon and Shri Girish Tandon were appointed as Managing Director and Joint Managing Director of the Company respectively for a period of five years with effect from 1<sup>st</sup> April, 2000 at a remuneration of Rs. 40,000/- (Rupees forty thousand only) per month in the scale of Rs. 40,000/- -5,000/- -60,000/- alongwith other benefits as approved by the shareholders at the Annual General Meeting held on 29<sup>th</sup> September, 2000. The present term of their office expired on 31<sup>st</sup> March, 2005.
2. They have been in the office as such the Managing Director and Joint Managing Director since 2<sup>nd</sup> October, 1979 thus completing a period of more than 25 years. During their tenure, the Company has made considerable progress and has since acquired good name and reputation in business. Your Directors confidently feel that the Company should continue to avail the services of Shri Sudhir Tandon and Shri Girish Tandon, as Managing Director and Joint Managing Director. Keeping in view of their long association with the Company and rich and diversified experience in Paper Industry, the Board of Directors of the Company at their Meeting held on 22<sup>nd</sup> January, 2005 approved the re-appointment of Shri Sudhir Tandon as Managing Director and Shri Girish Tandon as Joint Managing Director, for a further period of five years with effect from 1<sup>st</sup> April, 2005 subject to approval of the Members of the Company at General Meeting on increased remuneration and fresh terms and conditions as unanimously recommended by Remuneration Committee of the Company.
3. The Principal terms of re-appointment(s) are, interalia, as applicable to each of them separately as follows :
  1. **Salary:** Rs. 70,000/- (Rupees seventy thousand only) per month with the authority to the Board of Directors to increase it from time to time up to an amount not exceeding Rs. 1,50,000/- per month.
  2. **Commission:** Commission @ 1% be paid in addition to the above salary and other perquisites calculated with reference to the net profits of the Company at the end of each financial year subject to overall ceiling stipulated under Section 198 & 309 of the Companies Act, 1956.
  3. **Perquisites:**
    - i) House Rent Allowance @ 50% of the Basic Salary per month.
    - ii) Medical Benefits for self and family: Reimbursement of the expenses actually incurred for self and family, subject to celling of one month's salary in a year or three months salary in a block of three years.
    - iii) Fees not exceeding for two clubs/all commercial and industrial associates, membership of which is needed for the purpose of the Company, provided that no life membership fee is paid.
    - iv) Personal Mediclaim/Accidental Insurance-Annual Premium for coverage of personal mediclaim and accidental insurance be paid by the Company and premium thereof not to exceed Rs. 25,000/- per annum.
    - v) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rules.
    - vi) Encashment of leave at the end of the tenure as per the Rules of the Company.
    - vii) Provision of car for use of Company's business and Telephone at residence will not be considered as perquisite. Personal long distant calls and use of car for private purpose to be borne by them.
    - viii) No sitting fee shall be paid for attending the Meeting of Board of Directors or Committee thereof.
    - ix) Any other benefits, facilities, allowance and expenses as may be allowed under Company's rules/ schemes.

#### **Minimum Remuneration**

Notwithstanding anything to the contrary herein contained wherein any financial year, the Company has

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

no profits or its profits are inadequate, the Company will pay remuneration by way of salary as minimum remuneration and in addition there to the perquisites not exceeding the limits specified under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

4. The above appointment(s) will be subject to termination by three months notice in writing on either side.
5. As required under Section 302 of the Companies Act, 1956, an abstract of the terms and conditions of the said re-appointment(s) and Memorandum of Interest were already sent to the Shareholders of the Company.
6. **Memorandum of Interest**
  - i) In case of Item No. 6, none of the Directors except Shri Sudhir Tandon may be considered as interested in the Resolution recommended for adoption.
  - ii) In case of Item No. 7, none of the Directors except Shri Girish Tandon and Shri Badri Vishal Tandon, who is elder brother of Shri Girish Tandon, may be considered as interested in the Resolution recommended for adoption.
7. The copy of the Resolution, as approved by the Board of Directors of the Company, is available for inspection during business hours on any working day at the Registered Office of the Company.
8. Your Directors recommend the Resolutions for your approval.

REGISTERED OFFICE:  
33, DAYANAND MARG  
ALLAHABAD - 211 002

DATED : 7<sup>TH</sup> MAY, 2005

BY ORDER OF THE BOARD

BABITA JAIN  
COMPANY SECRETARY



---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## DIRECTORS' REPORT

We have pleasure in presenting our 26<sup>th</sup> Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2005.

## PERFORMANCE

The working of the Company during the year under review has been highlighted below :

	<b>Year ended 31.03.2005</b>	Year ended 31.03.2004
Production (Tonnes)	<u>19973</u>	<u>19611</u>
Sales	<b>Rs. 5106 Lacs</b>	Rs. 5008 Lacs
Gross Profit	<b>477</b>	460
Less : Interest	<b>217</b>	255
Depreciation for the year	<u>175</u>	<u>173</u>
Profit for the year before tax	<b>85</b>	32
Less : Provision for taxation	<u>- 12</u>	<u>14</u>
	<b>97</b>	18
Profit brought forward from last year	<u>80</u>	<u>62</u>
Amount available for appropriation	<u>177</u>	<u>80</u>
Appropriations:		
Proposed Dividend on Equity Shares	<b>41</b>	-
Tax on proposed Dividend	<b>5</b>	-
General Reserve	<b>50</b>	-
Surplus carried to Balance Sheet	<b>81</b>	80
	<u>177</u>	<u>80</u>

The Company could achieve record production during the year under review with some improvement in efficiency of the MF Paper Machine.

Profit is higher due to increased production and reduction of 4% in peak excise duty to 12% applicable consequent to Budget presented by the new Government. However, paper market remained weak. Better market conditions are indicated, with improvement in paper price realisation in recent months. Higher profits are anticipated during the current year.

## DIVIDEND

Your Directors are pleased to recommend the payment of Dividend on 41,06,000 Equity Shares @ 10% amounting to Rs. 41,06,000/-

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

### **CAPITAL EXPENDITURE SCHEME**

A proposal for doubling the capacity of the plant has been appraised by BOB Capital, and is under active consideration of our Bankers for financing. Total cost of the Scheme is estimated at Rs. 69 crores comprising new MF Paper Machine with several superior features, matching expansion of Pulp Mill, Captive Co-Generation Power Plant and Chemical Recovery Plant to take care of environmental issues. The Scheme is proposed to be financed by Term Loan, Internal Accruals and Rights/Public Issue of Shares. Financial tie-up for the Scheme is expected to be completed soon. Significant improvement in quality of paper and profitability are anticipated on completion of the Scheme, having a gestation period of about two years.

### **DISCLOSURE OF PARTICULARS UNDER SECTION 217 (1) (e)**

Under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the detailed information is enclosed as per Annexure-I.

### **PUBLIC DEPOSIT UNDER SECTION 58 - A**

During the year, the Company has accepted fixed deposits from public and shareholders and as on 31<sup>st</sup> March, 2005, fixed deposits from the public and shareholders aggregated to Rs. 322.01 lacs. There has been no unpaid/unclaimed/overdue deposit as on date.

### **DIRECTORS**

Shri Om Nath Kapoor and Shri K A Pai, Directors of the Company, are retiring by rotation and are eligible for re-election. Your Directors recommend re-appointment of Shri Sudhir Tandon, Managing Director, and Shri Girish Tandon, Joint Managing Director, for a further period of five years with effect from 1<sup>st</sup> April, 2005.

### **AUDITORS**

M/s P.L. Gupta & Co., Chartered Accountants, Auditors of the Company, retire from their office. They are, however, eligible for re-appointment and have furnished certificate to the effect that their appointment, if made, will be in accordance with the limits specified in Sub-section (I-B) of Section 224 of the Companies Act, 1956. Your Directors recommend their reappointment for the accounting year 2005-06.

### **PARTICULARS OF EMPLOYEES**

None of the employee of the Company was in receipt of total remuneration of Rs. 24,00,000/- during the financial year under review or Rs. 2,00,000/- per month. Hence, the information under Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be furnished.

### **CORPORATE GOVERNANCE CODE**

Your Company has complied with all the mandatory requirements of Corporate Governance. A detailed report on Corporate Governance and Management Discussion and Analysis forming part of the Directors' Report is enclosed as Annexure-II.

The Statutory Auditors of the Company have examined the Company's compliance to the Code of Corporate Governance and have certified the same, as required under SEBI guidelines. The certificate is reproduced with Corporate Governance Report to the members.

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2005, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2005 on a 'going concern' basis.

## ACKNOWLEDGEMENT

Your Directors would like to express their thanks to the Financial Institutions and Banks for their co-operation and assistance from time to time. The Directors would also like to record their appreciation of the members of staff and workers, who inspite of constraints have been working hard for the Company and are maintaining cordial relations.

FOR AND ON BEHALF OF THE BOARD

**SUDHIR TANDON**  
MANAGING DIRECTOR

**GIRISH TANDON**  
JOINT MANAGING DIRECTOR

PLACE : ALLAHABAD

DATED: 7<sup>TH</sup> MAY, 2005

# SHREE BHAWANI PAPER MILLS LIMITED

## ANNEXURE I

DISCLOSURE OF PARTICULARS UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

### I. CONSERVATION OF ENERGY

- (a) More efficient boiler furnace cleaning equipment have been installed for efficient heat transfer and reduction in down time of boiler.
- (b) The Coal consumption has been reduced with improved running of husk fired boilers.
- (c) Similarly power consumption was economised with suitable replacement of higher rating motors by lower rating ones.
- (d) The required data as per Form-A of the Annexure to the aforesaid Rules is furnished below :

### A. POWER AND FUEL CONSUMPTION

#### 1. ELECTRICITY

<b>Own Generation</b>	<b>Current year</b>	<b>Previous year</b>
a) Through Diesel Generators		
Units (KWH in lacs)	10.55	5.88
Units per litre of diesel oil	3.44	4.18
Diesel/LDO (Rs./Litre)	20.97	17.63
Rate/Unit (Rs.)	6.38	4.44
b) Through Steam Turbine		
Units (KWH in lacs)	216.63	222.14
Units per Tonne of Fuel	471	529
Rate /Unit (Rs.)	1.87	2.17

#### 2. PADDY HUSK

Quantity (Tonnes)	56977	49384
Total Cost (Rs. in lacs)	405.25	482.48
Average Rate (Rs./Tonne)	711	977

#### 3. COAL

Quantity (Tonnes)	131	1019
Total Cost (Rs. in lacs)	2.95	17.19
Average Rate (Rs./Tonne)	2258	1686

### B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	19973	19611
Electricity* (Units/Tonne)	1137	1163
Paddy Husk** (Tonnes/Tonne)	2.85	2.52
Coal (Tonnes/Tonne)	0.01	0.05

\* Inclusive of consumption for operation of Power House.

\*\* Paddy Husk is used as fuel for producing steam which is used for paper manufacturing and power generation.

## **II. TECHNOLOGY ABSORPTION**

The required particulars in Form-B with respect to technology absorption are as under :

### **Research and Development (R & D)**

1. R&D activities are carried out on continuous basis to improve process parameters, to save cost and/or better productivity as well as to find out suitable alternative raw materials for use in paper manufacturing.
2. As a result of above, alternative raw materials have been introduced and process cost have been cut down, resulting in better profitability.
3. For future, it is planned to carry out R&D in various areas of Mills to further improve the working.

### **Expenditure on R&D**

- |   |   |   |
|---|---|---|
| (a) Capital   | : | Nil   |
| (b) Recurring   | : | Expenses incurred are charged to the respective heads and not allocated separately. |
| (c) Total   | : | —   |
| (d) Total R&D Expenditure as a percentage of total turnover | : | Not applicable in view of (b) above.  |

## **TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

### **1. Efforts**

Suitable steps are being taken to upgrade the Pulp Mill to reduce chemicals and energy consumption, and improve quality of finished products.

### **2. Benefits**

There has been significant reduction in the power consumption as well as in the consumption of chlorine, used for bleached pulp.

### **3. Imported technology (Imported during the last 5 years) : Nil**

## **III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. We are exporting paper to Nepal, Middle East countries and exploring the possibility of exporting to other countries also.
2. Foreign Exchange earnings and outgo :  
Foreign exchange earnings on account of exports was NIL and total foreign exchange outgo during the year amounted to about Rs. 7.52 lacs on account of import of stores and spares.

## ANNEXURE II

### CORPORATE GOVERNANCE REPORT

#### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company continues to believe that good corporate governance is a pre-requisite for enhancing the shareholder's long term value. It has been the endeavour of the Company to achieve the highest levels of transparency, accountability, independent monitoring and full disclosures within the framework of legal provisions. It is committed to enhance the shareholder's value over a sustained period of time and accountable to its shareholders, employees, financial institutions, bankers, lenders and government at large. It is the Company's policy that in addition to the matters statutorily requiring Board approval, all major decision on capital expenditure, investments etc. are regularly considered by the Board. Your Company is committed to follow good corporate governance practices and improve upon them from year after year.

#### BOARD OF DIRECTORS

The composition of the Board, attendance of the Board Meetings held during the year and at the last Annual General Meeting, number of Directorships in other Companies and Committees are given below :

Name of the Director	Category	Nos. of outside Directorship held	Nos. of Committee Membership held	No. of Board Meetings		Attended Last A.G.M.
				held	Attended	
Shri Sudhir Tandon Managing Director	Promoter Executive	2	1	5	5	Yes
Shri Girish Tandon Jt. Managing Director	Promoter Executive	2	1	5	5	Yes
Shri Badri Vishal Tandon	Promoter Non Executive	3	2	5	5	Yes
Shri J S Matharu	Independent Non Executive	-	2	5	4	Yes
Shri C M Krishna	Independent Non Executive	-	-	5	2	No
Shri Om Nath Kapoor	Independent Non Executive	-	-	5	4	No
Shri K A Pai	Independent Non Executive	-	1	5	3	No
Shri Sushil Khanna	Independent Non Executive	1	2	5	4	No

It is clear from the above, that Board of Directors of the Company have an optimum combination of Executive and non Executive Directors. The Non Executive Directors constitute more than half of the total numbers of Directors and the number of independent Directors are also more than half of the total strength.

The day to day operations of the Company are entrusted with Managing & Joint Managing Directors of the Company subject to superintendence, control and direction of the Board of Directors. Five Board Meetings were held during the year on 20.05.2004, 26.06.2004, 31.07.2004, 30.10.2004 and 22.01.2005.

Shri Om Nath Kapoor and Shri K A Pai are liable to retire by rotation and being eligible and offer themselves for re-appointment. Your Directors recommend their re-appointment at the forth-coming Annual General Meeting.

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

Further, the present tenure of Shri Sudhir Tandon, Managing Director, and Shri Girish Tandon, Joint Managing Director has expired on 31<sup>st</sup> March, 2005. Your Directors recommend reappointment of Shri Sudhir Tandon as Managing Director and Shri Girish Tandon as Joint Managing Director for a further period of five years with effect from 1<sup>st</sup> April, 2005. Informations as required under Clause 49 (VI) (A) of the Listing Agreement is annexed to the Notice of the Annual General Meeting.

### AUDIT COMMITTEE

The Audit Committee of the Company is presently comprising of four Non-Executive Directors out of which three are independent. The composition of Audit Committee and record of attendance during the year under review is given below :

Name of Director	No. of Meetings held	No. of Meetings attended
Shri J S Matharu, Chairman	4	4
Shri Sushil Khanna	4	4
Shri Badri Vishal Tandon	4	4
Shri C M Krishna*	-	-

\* Shri C.M. Krishna Co-opted as Member of the Audit Committee on 22<sup>nd</sup> January, 2005.

The Audit Committee has been mandated with the same terms of reference as specified in Clause 49 of the Listing Agreement with the Stock Exchanges. The Committee reviews various areas of Audit and Accounts, All important financial statements such as periodical unaudited/audited results, operating statements are reviewed/approved by the committee before submission to the Board. It lays down internal audit schedules, reviews internal audit reports and follow up actions thereon.

Brief terms of reference of the Audit Committee are as follows :

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements is correct, sufficient and credible.
2. Appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

## SHREE BHAWANI PAPER MILLS LIMITED

---

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as referred by the Board from time to time.
14. The Chairman of the Audit Committee shall attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.
15. The Audit Committee shall mandatorily review the following information :
  - a. Management discussion and analysis of financial condition and results of operations;
  - b. Statement of significant related party transactions submitted by management;
  - c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
  - d. Internal audit reports relating to internal control weaknesses; and
  - e. The appointment, removal and terms of remuneration of the Internal Auditor shall be subject to review by the Audit Committee.

### MANAGERIAL REMUNERATION

#### REMUNERATION COMMITTEE

The Remuneration Committee of the Company is presently comprising of three independent non-Executive Directors. The composition of Remuneration Committee and record of attendance during the year under review is given below:

Name of Director	No. of Meetings held	No. of Meetings attended
Shri J S Matharu, Chairman	2	2
Shri K A Pai	2	1
Shri Sushil Khanna	2	2

The broad terms of reference to the Committee are to determine and recommend to the Board, compensation payable to Managing and Joint Managing Directors including pension rights, appraisal of performance of Managing and Joint Managing Directors and advise for the payment of annual commission/compensation payable to them.

At present, no remuneration is paid to non-Executive Directors except sitting fees for attending the Meetings of the Board or Committee thereof. The remuneration paid to Executive Directors is decided by the Board of Directors within the limits laid down under the provisions of the Companies Act, 1956 subject to approval of Members, in General Meeting.

#### DETAILS OF REMUNERATION PAID TO EXECUTIVE DIRECTORS

The aggregate value of salary and perquisites paid during the financial year 2004-2005 to Shri Sudhir Tandon, Managing Director, Rs. 1392701/- and Shri Girish Tandon, Joint Managing Director, Rs. 1430300/-.

#### SITTING FEE PAID TO NON EXECUTIVE DIRECTORS

Remuneration by way of sitting fee for attending the Meeting of the Board/Committee's thereof during the financial year 2004-05 is given below :

SI. No.	Name of Directors	Amount (Rs.)
1.	Shri Badri Vishal Tandon	49,000/-
2.	Shri J. S. Matharu	35,000/-
3.	Shri C. M. Krishna	7,000/-
4.	Shri Om Nath Kapoor	14,000/-
5.	Shri K A Pai	14,000/-
6.	Shri Sushil Khanna	35,000/-



---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

The Investor's Grievance Committee of the Company is comprising of following three Directors :

Shri Badri Vishal Tandon, Chairman

Shri Sudhir Tandon

Shri Girish Tandon

The Committee keep a watch on the performance of the share transfer work and recommends measures to improve the investors services. The Committee look into the redressal of investor's complaint like share transfer, non receipt of Annual Report and dividend payment, issue of duplicate shares, transmission of shares and all other allied transactions. The Committee had delegated the power of share transfer to Smt. Babita Jain, Company Secretary, who is also designated as the Compliance Officer, and M/s. Skyline Financial Services Pvt. Ltd., Registrar and Share Transfer Agent of the Company, with a view to expedite the process of share transfer and transmission, etc. They meet quiet often to expedite all the matters relating to transfer of shares etc.

Outstanding complaints as on 31<sup>st</sup> March, 2005 - NIL

The number of share transfer pending as on 31<sup>st</sup> March, 2005 - NIL

During the year, the Investor's Grievance Committee had five meetings. All the Directors were present in the Meetings.

## GENERAL BODY MEETINGS

Location and time for the last four Annual General Meetings were :

Year	Location	Date	Time
2001-2002	Regd. Office of the Company at 33, Dayanand Marg, Allahabad	21.08.2002	1.00 PM
2002-2003	- do -	18.09.2003	1.00 PM
2003-2004	- do -	27.09.2004	1.00 PM
2004-2005*	- do -	24.06.2005	1.00 PM

\*Forth coming Annual General Meeting.

No Special Resolution was put through Postal Ballot in last years, nor any has been proposed for this year.

## BOOK CLOSURE

16<sup>th</sup> June, 2005 to 24<sup>th</sup> June, 2005 (Both days inclusive)

## DIVIDEND PAYMENT DATE

In June, 2005

## DISCLOSURES

1. The details of the related party transactions during the year in terms of Accounting Standard AS-18 have been set out under Note 10 of Schedule 18 annexed to Balance Sheet and Profit & Loss Account. However, these are not having potential conflict with the interest of the Company at large.
2. The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India and other Statutory Authority relating to capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

## MEANS OF COMMUNICATION

The quarterly results of the Company were published in Economic Times, Nav Bharat Times, New Delhi and Amar Ujala, Allahabad (Vernacular Daily). The Annual Results are posted to all the share holders of the Company.

## GENERAL SHAREHOLDERS INFORMATION

### Annual General Meeting

Date & Time : June 24, 2005 at 1.00 PM

Venue : Regd. Office of the Company at Allahabad

# SHREE BHAWANI PAPER MILLS LIMITED

## LISTING

The Stock Exchange, Mumbai  
Phiroze JeeJee Bhoy Tower,  
Dalal Street,  
Mumbai

The Listing Fee for the financial year 2005-2006 has been paid to the Stock Exchange, Mumbai.

## ISIN NUMBER FOR NSDL & CDSL

ISIN INE 688 C 01010

## REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.  
123, Vinoba puri, Lajpat Nagar II,  
New Delhi  
Phone: 011 - 29833777/29847136  
Fax : 011 - 29848352

## SHARE TRANSFER SYSTEM

Share transfer in physical form can be lodged with Skyline Financial Services Pvt. Ltd. at their above mentioned address. The transfers are normally processed within 15 days from the date of receipt if the documents are complete in all respects. The Company Secretary and Registrars are empowered to approve the transfer of shares. Grievances received from members and other miscellaneous correspondence on change of address, mandates etc are processed by Registrar within 10 to 15 days.

## DISTRIBUTION OF SHAREHOLDING AS ON 31.3.2005

No. of Shares	No. of Shareholders	%age	No. of shares	%age
Up to 500	2113	81.84	394055	9.60
501-1000	263	10.19	234454	5.71
1001-5000	130	5.03	296918	7.23
5001-10000	24	0.93	198261	4.83
10001 & above	52	2.01	2982312	72.63
	<b>2582</b>	<b>100.00</b>	<b>4106000</b>	<b>100.00</b>

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	2240485	54.57
Institutional Investors	334650	8.15
Private Corporate Bodies	507886	12.37
NRIs	500	0.01
Indian Public	1022479	24.90
	<b>4106000</b>	<b>100.00</b>

## DEMATERIALISATION OF SHARES

As on 31.3.2005, 86.76% ie., 3562514 Equity Shares of Company's share capital are dematerialised and balance of 543486 shares are held in physical form. In order to facilitate the investors to have an easy access to demat system, the Company has joined with both Depositories viz National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL) through the Company's Registrar & Share Transfer Agent, Skyline Financial Services Pvt. Ltd., New Delhi.

# SHREE BHAWANI PAPER MILLS LIMITED

---

## OUTSTANDING ADRS, GDRS, WARRANT OR ANY CONVERTIBLE INSTRUMENTS ETC.

NIL

## PLANT LOCATION

The paper plant of the Company is situated at  
Industrial Area I  
Sultanpur Road  
Rae Bareli 229010

## REGISTERED OFFICE

33, Dayanand Marg  
Allahabad 211002

## ADDRESS FOR CORRESPONDENCE

To contact R&TA for all matters  
relating to Shares, Dividends, Annual Report

: Skyline Financial Services Pvt. Ltd.  
123, Vinobapuri  
Lajpat Nagar II  
New Delhi

Tel : 011 - 29833777/29847136  
Fax : 011 - 29848352

For fixed deposits and any other  
general matters or in case of any  
difficulties/grievances

: Company Secretary  
Shree Bhawani Paper Mills Ltd.  
33, Dayanand Marg,  
Allahabad

Tel : 0532 - 2607958/2607959  
Fax : 0532 - 2607957

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

**TO THE MEMBERS OF SHREE BHAWANI PAPER MILLS LIMITED.**

We have examined the compliance of conditions of Corporate Governance by **Shree Bhawani Paper Mills Limited**, for the year ended on 31<sup>st</sup> March, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of 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, and the representations made by the Directors and the management, 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 grievance is pending for a period exceeding one month as at 31<sup>st</sup> March, 2005 against the Company as per the records maintained by the Company.

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

**FOR P.L. GUPTA & CO.  
CHARTERED ACCOUNTANTS**

**(P.L. GUPTA)  
PROPRIETOR  
Membership No. 9444**

**PLACE : ALLAHABAD**

**DATED : 7<sup>TH</sup> MAY, 2005**

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **INDUSTRY STRUCTURE & DEVELOPMENT**

The Paper Industry is one of the core sectors of the Indian Economy and globally is directly co-related to the literacy rate in the Country, the GDP growth rate and increasing computerisation. Since Independence, the Country has witnessed phenomenal development in the field of education both in quantitative and qualitative terms. However, the national goals of universal elementary education and total eradication of illiteracy remains elusive. The Government is Committed to achieve these national goals and has been steadily increasing budgetary allocation for education. The Indian Paper Industry is highly fragmented with nearly 1200 mills producing about 5.5 million tonnes per annum. India's per capita paper consumption is around 5 kgs as against the global average of 54 kgs. The demand in paper industry is expected to continue to grow at around 5.5-6.0% in immediate future. The domestic paper industry is divided into two segments in accordance with the raw materials consumed i.e. wood based and non wood based. While wood based produce around 38% of the total paper production, balance contributed by non wood based paper mills. Our Mill is based on unconventional raw-material like rice straw, wheat straw, bagasse, jute waste, waste paper etc. The agro based Paper Mills help the Country to reduce the dependence on scarce forest resources and also converting "Waste into Wealth". The agro based Paper Mills provide additional income to farmers for the agri residues which used to be wasted by them earlier.

### **OPPORTUNITIES AND THREATS**

- Due to demand and supply gap in our Country, the Company is assured of a stable market for its products. The Company has continued its focus in reducing cost of production and maintaining the competitiveness through productivity improvement, better energy management and increased usage of agri residues.
- At the current levels, the industry is capable of avoiding imports of other paper grades.
- Any further reduction in the customs duty is expected to increase paper imports significantly, which will affect the domestic industry.
- The main strength of the Company lies in its ability to sustain in the leaner period. Through Innovation and continuous upgradation in efficiency & improvement in the health of the plant, the Company has been able to increase its production capacity substantially over the years.
- The Company has flexibility to use wheat straw and paddy straw as alternate raw material. Hence, either if there is any shortage of bagasse, the Company would not face the problem of raw material.
- There has been steep increase in the allocation of funds to the education sector in the budget with the change in Government which will increase the consumption of paper.

### **PRODUCT WISE PERFORMANCE**

During the year, the Company achieved a capacity utilization of 95%. The production of MG & MF varieties of paper during the year under review is 19973 MT as compared to 19611 MT during the previous year. Over the years, the Company has taken several measures to improve its operational efficiency, reduce its cost of production and improve the quality and marketability of the product.

### **OUT LOOK**

Having regard to the on going process of modification and modernisation of manufacturing facilities, better energy management, the management is optimistic about the future outlook of the Company in long term. The Company has wide range of product mix and its quality is well established.

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

Domestic demand for paper is expected to continue and we are slated to witness some renewed demand in April-March, 2005-06. This might see some increase in paper price in the near term.

The Company is considering a Capital Expenditure Scheme to install a new printing & writing paper machine with integrated pulp mill, chemical recovery unit and additional 3MW Captive Power Plant. Thereafter, the installed capacity of the plant will increase by 23000 MT per annum i.e. increase in production capacity from 21000 MT to 44000 MT, and the Company will achieve higher sales realisation by producing higher value added product.

### RISK AND CONCERNS

- The Company faces competition from cheap imports from Russia, Indonesia & South East European Countries.
- The availability of chief raw materials namely, bagasse, wheat straw, paddy straw and paddy husk fuel are mainly seasonal and dependent upon the crop.
- Stringent pollution control norms may act as deterrent as it would require significant investment to upgrade the existing facilities to meet these norms, though there is no law in force currently. The Company has been getting consent from Uttar Pradesh Pollution Control Board regularly.

### FINANCIAL PERFORMANCE

The Company's gross turnover for the year ended 31<sup>st</sup> March, 2005 has gone up from Rs. 50.08 crores to 51.06 crores resulting growth of about 2% and the Company has been able to achieve pre tax cash profit of Rs. 260 lacs as against Rs. 205 lacs during the previous year.

The overall performance of the Company during the year ended 31<sup>st</sup> March, 2005 has been satisfactory. The capacity utilisation of the plant is well maintained. The Company procured large orders from the Government Departments. During the year under review, the Government has reduced the excise duty on paper manufactured from unconventional raw material from 16% to 12%. The paper market remained highly competitive through out the year but the Company did not face any problem because of substantial supplies to Government Departments.

### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an adequate system of Internal Control implemented by the management to ensure proper safeguarding of the assets and protection against loss from unauthorised use or disposition. The Internal Control System is devised to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining the accountability of assets.

In addition, the Internal Audit work is conducted by independent professional firm of Chartered Accountants. The Internal Auditors have consistently expressed their satisfaction about adequacy of Internal Control Systems and procedures followed by the Company for conducting its business efficiently. All issues raised by internal Auditors are being suitably dealt with and rectified under the close monitoring of the Audit Committee.

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF SHREE BHAWANI PAPER MILLS LIMITED**

1. We have audited the attached Balance Sheet of **SHREE BHAWANI PAPER MILLS LIMITED** as at 31<sup>st</sup> March, 2005, the Profit & Loss Account and also 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 auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :-
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2005 from 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 and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005;
    - b. in the case of the Profit & Loss Account, of the profit for the year ended on that date; and
    - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

**FOR P.L. GUPTA & CO.,  
CHARTERED ACCOUNTANTS**

**PLACE : ALLAHABAD  
DATE : 7<sup>th</sup> MAY, 2005**

**(P.L. GUPTA)  
PROPRIETOR  
Membership No. 9444**

## **ANNEXURE TO THE AUDITORS' REPORT**

### **RE: SHREE BHAWANI PAPER MILLS LIMITED**

Referred to in paragraph 3 of our report of even date;

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The Company has physically verified certain assets during the year in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
(c) During the year, the Company has not disposed off a substantial part of its Fixed Assets.
- II. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. We are informed that the discrepancies identified on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- III. (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
(b) The Company has not taken any secured loans from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Unsecured fixed deposits of Rs. 89.68 lacs were outstanding in case of 15 parties covered in the register maintained U/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 89.68 lacs.  
(c) The rate of interest and other terms and conditions of the fixed deposits were prima-facie not prejudicial to the interest of the Company.  
(d) The payment of principal amount and interest on the aforesaid Fixed Deposits were regular.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- V. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been entered.  
(b) According to the information and explanations given to us, there is no transaction (excluding the loans reported in para (iii) (b) above) in respect of any party and hence the question of reasonable prices in respect of such transactions with regard to the prevailing market price does not arise.
- VI. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.



## **SHREE BHAWANI PAPER MILLS LIMITED**

---

- VIII. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.
- IX. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March, 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there is no dues of income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- X. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- XI. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- XII. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XVI. The Company has not obtained term loans during the year.
- XVII. According to the information and explanations received, the Company has not applied short term borrowings for long term use other than temporary deployment pending application.
- XVIII. The Company has not made any preferential allotment of shares during the year.
- XIX. The Company has not issued any debentures during the year.
- XX. The Company has not raised any money by public issues during the year.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**FOR P. L. GUPTA & CO,  
CHARTERED ACCOUNTANTS**

**PLACE : ALLAHABAD  
DATE : 7<sup>th</sup> MAY, 2005**

**(P. L. GUPTA)  
PROPRIETOR  
Membership No. 9444**

# SHREE BHAWANI PAPER MILLS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2005

			As at 31-03-2005 Rupees	As at 31-03-2004 Rupees
<b>I. SOURCES OF FUNDS :</b>				
1. SHAREHOLDERS' FUNDS				
(a) Share Capital	1	41060000	41060000	
(b) Reserves & Surplus	2	64451533	59400195	100460195
2. LOAN FUNDS				
(a) Secured Loans	3	105505986	124508902	
(b) Unsecured Loans	4	52956248	54385887	178894789
3. DEFERRED TAX LIABILITY (Refer Note 8, Schedule 18)			34733335	36614377
<b>TOTAL</b>			<b>298707102</b>	<b>315969361</b>
<b>II. APPLICATION OF FUNDS :</b>				
1. FIXED ASSETS	5			
(a) Gross Block		388334286	385959592	
(b) Less : Depreciation		185693415	170254839	
(c) Net Block		202640871	215704753	
(d) Capital Work-in-Progress		1430053	130058	215834811
2. CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	6	91018940	98683123	
(b) Sundry Debtors	7	41202071	37132637	
(c) Cash & Bank Balances	8	4696793	6498657	
(d) Loans & Advances	9	5500438	5121779	
		<b>142418242</b>	<b>147436196</b>	
Less : CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities	10	39495997	44451081	
(b) Provisions	11	8286067	2850565	
		<b>47782064</b>	<b>47301646</b>	
<b>NET CURRENT ASSETS</b>			<b>94636178</b>	<b>100134550</b>
<b>TOTAL</b>			<b>298707102</b>	<b>315969361</b>

NOTES FORMING PART OF THE ACCOUNTS 18  
As per our report of even date.

**FOR P. L. Gupta & CO.,**  
**CHARTERED ACCOUNTANTS**  
(P. L. GUPTA)  
PROPRIETOR

SUDHIR TANDON  
MANAGING DIRECTOR

GIRISH TANDON  
JOINT MANAGING DIRECTOR

PLACE : ALLAHABAD  
DATED : 7<sup>TH</sup> MAY, 2005

BABITA JAIN  
COMPANY SECRETARY

J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR } DIRECTORS

# SHREE BHAWANI PAPER MILLS LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	2004-2005 Rupees		2003-2004 Rupees
<b>INCOME</b>				
Sales	12	510600068		500821049
Less : Excise Duty		<u>58094113</u>		<u>64745555</u>
		452505955		436075494
Other Income	13	<u>682592</u>		<u>631250</u>
		<u>453188547</u>		<u>436706744</u>
<b>EXPENDITURE</b>				
Materials	14	272341220		252035078
Payments & Benefits to Employees	15	60438729		56762414
Power & Fuel		47704630		52843072
Cost of Borrowings	16	21721978		25514653
Other Expenses	17	<u>24950772</u>		<u>29031327</u>
		<u>427157329</u>		<u>416186544</u>
Profit before depreciation & taxation		26031218		20520200
Depreciation		<u>17518319</u>		<u>17357446</u>
Profit before taxation		8512899		3162754
Provision for taxation				
Current tax		700000	250000	
Deferred tax		<u>- 1881042</u>	<u>1134638</u>	<u>1384638</u>
Profit after taxation		9693941		1778116
Balance brought forward from last year		8017978		6239862
Amount available for appropriations		<u>17711919</u>		<u>8017978</u>
<b>APPROPRIATIONS :</b>				
General Reserve		5000000		-
Proposed Dividend		4106000		-
Tax on Proposed Dividend		536603		-
Surplus Carried to Balance Sheet		<u>8069316</u>		<u>8017978</u>
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 18)		2.36		0.43

NOTES FORMING PART OF THE ACCOUNTS 18

As per our report of even date.

**FOR P. L. GUPTA & CO.,  
CHARTERED ACCOUNTANTS**

**(P. L. GUPTA)  
PROPRIETOR**

**SUDHIR TANDON  
MANAGING DIRECTOR**

**GIRISH TANDON  
JOINT MANAGING DIRECTOR**

**PLACE : ALLAHABAD  
DATED : 7<sup>TH</sup> MAY, 2005**

**BABITA JAIN  
COMPANY SECRETARY**

**J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR** } **DIRECTORS**

# SHREE BHAWANI PAPER MILLS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	<b>Year Ended 31.03.2005</b>	<b>(RUPEES IN LACS) Year Ended 31.03.2004</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	85.13	31.63
Adjustment for:		
Depreciation	175.18	173.57
Interest Expenses	217.22	255.15
Interest Income	- 2.09	- 2.23
(Profit)/Loss on Sale of Fixed Assets	- 2.46	0.02
OPERATING PROFIT BEFORE WORKING	472.98	458.14
<b>CAPITAL CHANGES</b>		
Adjustment for:		
Trade & Other receivables	-45.25	83.42
Inventories	76.64	- 143.39
Trade payable and other liabilities	- 52.41	68.59
CASH GENERATED FROM OPERATIONS	451.96	466.76
Direct taxes paid	-1.32	- 0.21
CASH FLOW BEFORE EXTRAORDINARY ITEMS	450.64	466.55
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES ...A	450.64	466.55
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	- 67.82	- 92.87
Sale of Fixed Assets	12.73	0.05
Interest received	2.87	0.48
NET CASH USED IN INVESTING ACTIVITIES ...B	-52.22	-92.34
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	-	100.00
Repayment of Long Term Borrowings	- 205.00	-257.49
Net Increase/decrease in Cash Credit Utilisation	11.08	- 45.27
Deposits	- 14.30	112.99
Hire Purchase	3.89	- 3.33
Interest paid	- 211.59	- 254.51
Dividend paid	- 0.53	- 0.53
NET CASH USED IN FINANCING ACTIVITIES ...C	-416.45	-348.14

# SHREE BHAWANI PAPER MILLS LIMITED

---

	Year Ended 31.03.2005	(RUPEES IN LACS) Year Ended 31.03.2004
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	- 18.03	26.07
CASH AND CASH EQUIVALENTS (Opening Balance)	64.99	38.92
CASH AND CASH EQUIVALENTS (Closing Balance)	46.96	64.99

Note: (i) Figures in brackets represent outflows.  
(ii) Previous Year's figures have been regrouped, wherever necessary.

**FOR P. L. GUPTA & CO.,  
CHARTERED ACCOUNTANTS**

**(P. L. GUPTA)  
PROPRIETOR**

**PLACE : ALLAHABAD  
DATED : 7<sup>TH</sup> MAY, 2005**

**SUDHIR TANDON  
MANAGING DIRECTOR**

**BABITA JAIN  
COMPANY SECRETARY**

**GIRISH TANDON  
JOINT MANAGING DIRECTOR**

**J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR**

} **DIRECTORS**

## AUDITORS' CERTIFICATE

To,

The Board of Directors  
Shree Bhawani Paper Mills Limited

We have examined the above cash flow statement of Shree Bhawani Paper Mills Limited for the year ended 31st March, 2005. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of 7th May, 2005, to the Members of the Company.

**FOR P. L. GUPTA & CO.,  
CHARTERED ACCOUNTANTS**

**(P. L. GUPTA)  
PROPRIETOR**

**PLACE : ALLAHABAD  
DATED : 7<sup>TH</sup> MAY, 2005**

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

**INFORMATION REQUIRED AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE  
(AMOUNT IN RS. THOUSANDS)**

**(I) REGISTRATION DETAILS:**

Registration No :  State Code :   
Balance Sheet Date :

**(II) CAPITAL RAISED DURING THE YEAR**

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

**(III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

Total Liabilities	<input type="text" value="346489"/>	Total Assets	<input type="text" value="346489"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="41060"/>	Reserves & Surplus	<input type="text" value="64452"/>
Secured Loans	<input type="text" value="105506"/>	Unsecured Loans	<input type="text" value="52956"/>
Deferred Tax Liability	<input type="text" value="34733"/>		
Application of Funds			
Net Fixed Assets	<input type="text" value="204071"/>	Investments	<input type="text" value="NIL"/>
Net Current Assets	<input type="text" value="94636"/>	Accumulated Losses	<input type="text" value="NIL"/>

**(IV) PERFORMANCE OF COMPANY**

Turnover	<input type="text" value="453189"/>	Total Expenditure	<input type="text" value="444676"/>
Profit Before Tax	<input type="text" value="8513"/>	Profit After Tax	<input type="text" value="9694"/>
Earning Per Share in Rs.	<input type="text" value="2.36"/>	Dividend Rate	<input type="text" value="10%"/>

---

**SHREE BHAWANI PAPER MILLS LIMITED**

---

**(V) GENERIC NAMES OF PRINCIPAL PRODUCTS OF COMPANY (AS PER MONETARY TERMS)**

Item Code No. (ITC Code) :

48026009

Product Description :

Uncoated Paper and Paper Board used for Writing and Printing purposes in Rolls or Sheets

Signatures to Schedules 1 to 18  
As per our Report of even date.

**FOR P. L. GUPTA & CO.,  
CHARTERED ACCOUNTANTS**

**(P. L. GUPTA)  
PROPRIETOR**

**SUDHIR TANDON  
MANAGING DIRECTOR**

**GIRISH TANDON  
JOINT MANAGING DIRECTOR**

**PLACE : ALLAHABAD  
DATED : 7<sup>TH</sup> MAY, 2005**

**BABITA JAIN  
COMPANY SECRETARY**

**J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR** } **DIRECTORS**

CUT HERE

SHREE BHAWANI PAPER MILLS LIMITED
33, DAYANAND MARG, ALLAHABAD—211 002

PROXY FORM

I/We .....
of .....
being a member/members of SHREE BHAWANI PAPER MILLS LIMITED hereby appoint .....
of .....
or failing him .....
of .....
or failing him .....
of .....
as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on 24th June, 2005 and at any adjournment thereof.
hand/hands this ..... day
of ..... 2005
Signed by the said .....
Folio No.: ..... DP ID No.\* ..... Client ID No.\* .....

\* Applicable for members holding shares in electronic form.



NOTES :

- 1. The Proxy need not be a member.
2. The Proxy must be deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad—211 002 not less than 48 hours before the time fixed for holding the Meeting.

SHREE BHAWANI PAPER MILLS LIMITED
33, DAYANAND MARG, ALLAHABAD—211 002

ATTENDANCE SLIP

I/We hereby record my/our presence at the 26th Annual General Meeting held at Registered Office of the Company at 33, Dayanand Marg, Allahabad—211 002 on Friday, the 24th June, 2005 at 1.00 p.m.

Full Name of the member (in block letters) Signature

Folio No.: ..... DP ID No.\* ..... Client ID No.\* .....

\* Applicable for members holding shares in electronic form.

Full Name of the proxy (in block letters) Signature

NOTES :

- 1. You are requested to sign and hand this over at the entrance.
2. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy form must be deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad—211 002 not less than 48 hours before the time for holding the Meeting.
3. If you are attending the Meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you/your proxy for reference at the Meeting.



**PRINTED ON : PAPER MANUFACTURED BY SHREE BHAWANI PAPER MILLS LIMITED  
DESIGNED & PRINTED BY : BRAIN BRIDGE ADVERTISING & MARKETING PVT. LTD. ALLAHABAD.**

# 26th

**DIRECTORS' REPORT  
AND ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31ST MARCH, 2005**

**SHREE BHAWANI**  
**PAPER MILLS LIMITED**



BOOK POST  
UNDER CERTIFICATE OF POSTING

If undelivered, please return to :  
**Shree Bhawani Paper Mills Ltd.,**  
**33, Dayanand Marg,**  
**Allahabad—211 002**