
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

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SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of SHREE BHA WANI PAPER MILLS LIMITED will be held at the Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad- 211 002, on Monday, the 31st July, 2006 at 11.30 A.M. to transact the following Business :-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended 31st March, 2006, the Report of the Auditors and the Report of the Directors, thereon.
2. To declare Dividend on Equity Shares for the financial year ended 31st March, 2006.
3. To appoint a Director in place of Shri Badri Vishal Tandon, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri J.S. Matharu, who retires by rotation and being eligible, but has not offered himself for re-appointment.
5. To appoint Auditors 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.”

MILLS:
INDUSTRIAL AREA 1,
SULTANPUR ROAD,
RAE BARELI - 229010

DATED : 2ND JUNE, 2006

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/herself. 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 Register of Members and the Share Transfer Books of the Company shall remain closed from 25th July, 2006 to 31st July, 2006 (both days inclusive).
3. Members are requested to intimate change, if any, in their addresses.
4. 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 1997-98 has been transferred to Investor Education and Protection Fund in the month of November, 2005.
The Unclaimed Dividend for Financial Years 1998-99, 2001-02 & 2004-05 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 1998-99, 2001-2002 and 2004-05 may immediately approach the Company with their dividend warrants for encashment.
5. 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.
6. Dividend, if any, declared in the Meeting will be payable to the holders of 4106000 fully paid Equity Shares whose names appears :
 - a) as beneficial owners as at the end of 24th July, 2006 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 31st July, 2006 after giving effect to all valid share transfers in physical form which are lodged with the Company on or before 24th July, 2006.
7. **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.**
8. The Company has paid Annual Listing Fee to the Bombay Stock Exchange Ltd., Mumbai where the Company's equity shares are listed, for the financial year 2006-07.
9. Details of the Directors seeking re-appointment at this Annual General Meeting :
(Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai)
 - i) Shri Badri Vishal Tandon, aged about 56 years, is law graduate and has more than 30 years experience as Advocate, High Court, Allahabad. He has special expertise in tax matters. He has been a Director of the Company since inception and is also member of Audit Committee and Investors Grievance Committee of the Company.
Details of other Directorship/Committee Membership held by him :
Director in Tandon Investment Pvt. Ltd., Allahabad, Alankar Udyog Pvt. Ltd., Allahabad and Sahitya Bhawan Pvt. Ltd., Allahabad.
 - ii) Shri J S Matharu, aged about 81 years, retired as Industrial Advisor - Consultant to Government of India, Ministry of Industries in the year 1986. He has been a Director of the Company since 1987 and is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship/Committee Membership held by him : NIL
Shri J S Matharu has not offered himself for re-election as Director of the Company because of his old age, at this Annual General Meeting.

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

We have pleasure in presenting our 27th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2006.

PERFORMANCE

Your Directors are pleased to further report an excellent year of financial performance with the net profit having increased from Rs. 97 lacs to Rs. 267 lacs. This is substantially improved financial performance over previous years. The Company has also taken up a capital expenditure programme to more than double the production capacity by March, 2007.

You will be pleased to know that your Company is the first Paper Mill in the world to receive the Carbon Credits for Co-generation Project based on biomass fuel. The financials of the Company should be much better in the coming years due to increase in production and sale of Carbon Credits.

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

	Year ended 31.03.2006	Year ended 31.03.2005
Production (Tonnes)	19370	19973
Sales	Rs. 5450 Lacs	Rs. 5106 Lacs
Gross Profit	611	477
Less : Interest	176	217
Depreciation for the year	175	175
Profit for the year before tax	260	85
Less : Provision for taxation	- 7	- 12
	267	97
Profit brought forward from last year	81	80
Amount available for appropriation	348	177
Appropriations:		
Proposed Dividend on Equity Shares	41	41
Tax on proposed Dividend	6	5
General Reserve	200	50
Surplus carried to Balance Sheet	101	81
	348	177

There was slight decline in production during the year under review mainly on account of shift in product mix of the MF Paper Machine towards lower grammage.

Profitability improved mainly because of higher price realization. There was decline in interest expenses also.

DIVIDEND

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

SHREE BHAWANI PAPER MILLS LIMITED

CAPITAL EXPENDITURE SCHEME

Financial tie-up for the scheme with an estimated outlay of Rs. 69 crores has been completed. Loans totaling to Rs. 48 Crores have been sanctioned by Bank of Baroda and Indian Bank and partly disbursed. Rights Issue aggregating to over Rs. 15 Crores closed successfully in May, 2006. Major equipments for Paper Machine, Pulp Mill and Power Plant have been ordered. Civil construction is in full swing. The scheme to achieve annual production of 44,000 Tonnes would be completed on schedule by March, 2007.

RIGHTS ISSUE

Your Company has offered 1,23,18,000 Equity Shares for cash at a premium of Rs. 2.50/- each (Issue Price Rs. 12.50 per share) on Rights basis to the existing Shareholders of the Company. An amount of Rs. 6.25 per share consisting of Rs. 5/- towards face value and Rs. 1.25 towards premium was paid on application and allotment. The balance of Rs. 6.25 payable in one call to be made within 6 months of allotment.

The Rights Issue was opened on 12th April, 2006 and closed on 11th May, 2006 and the Issue was subscribed by about 1.37 times. Basis of Allotment was finalized in consultation with Bombay Stock Exchange Ltd.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

The project titled **Rice Husk based Cogeneration Project at Shree Bhawani Paper Mills Limited (SBPML), Rae Bareli, Uttar Pradesh, India** has been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC) on 3rd February, 2006. This Project pertains to the existing 3 MW power plant which has been in operation since 2001. The Project has already been issued 58,642 prompt start Certified Emissions Reduction (CERs) for activity from 1st December, 2001 to 31st December, 2005. Further, annual credits of about 14,700 CERs will accrue from December, 2006 to December, 2011.

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 31st March, 2006, fixed deposits from the public and shareholders aggregated to Rs. 264.63 lacs. The renewal/repayment of two deposit amounting to Rs. 25,000/- could not be made for want of instruction thereof from the depositor upto 31st March, 2006 which has since been renewed/paid till the date of this report.

DIRECTORS

Shri Badri Vishal Tandon and Shri J. S. Matharu, Directors of the Company, are retiring by rotation. Shri Badri Vishal Tandon being eligible for re-election has given his consent for the same.

Shri J.S. Matharu has expressed his inability, due to old age to continue as Director, after the forth coming Annual General Meeting. Your Board of Directors express their deep appreciation for his valuable association and contribution of more than two decades in the Company.

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 2006-07.

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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.

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 31st March, 2006, 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 31st March, 2006 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 to 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 : RAE BARELI

DATED: 2ND JUNE, 2006

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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) Paddy Husk fuel consumption has been economized.
- (c) The required data as per Form-A of the Annexure to the aforesaid Rules is furnished below :

A. POWER AND FUEL CONSUMPTION

1. ELECTRICITY

	<u>Current year</u>	<u>Previous year</u>
Own Generation		
a) Through Diesel Generators		
Units (KWH in lacs)	6.54	10.55
Units per litre of diesel oil	3.10	3.44
Diesel (Rs./Litre)	25.24	20.97
Rate/Unit (Rs.)	8.33	6.38
b) Through Steam Turbine		
Units (KWH in lacs)	219.78	216.63
Units per Tonne of Fuel	494	471
Rate /Unit (Rs.)	2.03	1.87
2. PADDY HUSK		
Quantity (Tonnes)	53810	56977
Total Cost (Rs. in lacs)	434.07	405.25
Average Rate (Rs./Tonne)	807	711

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	19370	19973
Electricity* (Units/Tonne)	1168	1137
Paddy Husk** (Tonnes/Tonne)	2.78	2.85

* 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.

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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	:	Rs. NIL (Previous Year Rs. NIL)
(b) Recurring	:	Rs. 35671/- (Previous Year 76892/-)
(c) Total	:	Rs. 35671/- (Previous Year 76892/-)
(d) Total R&D Expenditure as a percentage of total turnover	:	0.01% (Previous Year 0.02%)

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 productions.

2. Benefits

There has been significant reduction in the power consumption as well as in the consumption of chlorine, used for bleaching 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. 14.07 lacs on account of import of stores, spares and travelling.

ANNEXURE II

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company is committed to follow good Corporate Governance practices and improve upon them from year after year. Our Corporate Governance Philosophy stems from our belief that the business strategy and plans should be consistent with the welfare of all stakeholders and should be in line with National Economic policies of the Government of India. The Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success. 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.

BOARD OF DIRECTORS

The composition of the Board, attendance of the Board Meeting 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.	No. of Shares held in the Company
				held	Attended		
Shri Sudhir Tandon Managing Director	Promoter Executive	2	1	7	7	Yes	225150
Shri Girish Tandon Jt. Managing Director	Promoter Executive	2	1	7	7	Yes	171050
Shri Badri Vishal Tandon	Non-Independent Non Executive	3	2	7	6	Yes	224500
Shri J S Matharu	Independent Non Executive	-	2	7	6	Yes	NIL
Shri C M Krishna	Independent Non Executive	-	1	7	5	No	NIL
Shri Om Nath Kapoor	Independent Non Executive	-	-	7	6	No	200
Shri K A Pai	Independent Non Executive	-	1	7	5	No	NIL
Shri Sushil Khanna	Independent Non Executive	1	2	7	4	No	NIL

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. Seven Board Meetings were held during the year on 07.05.2005, 03.07.2005, 11.09.2005, 18.09.2005, 29.10.2005, 28.01.2006 and 18.03.2006.

Shri Badri Vishal Tandon and Shri J S Matharu are liable to retire by rotation. Shri Badri Vishal Tandon being eligible for re-election and has given his consent for the same.

Sri J.S. Matharu has expressed his inability to continue as Director, after the forth coming Annual General Meeting due to his old age. Information as required under Clause 49 (VI) (A) of the Listing Agreement is annexed to the Notice of the Annual General Meeting.

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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	3
Shri Badri Vishal Tandon	4	3
Shri C M Krishna	4	4

The Audit Committee has been mandated with the same terms of reference as specified in amended Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd. 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 fee.
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 the 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.
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.

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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 the management;
 - c. Management letter/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	1	1
Shri K A Pai	1	1
Shri Sushil Khanna	1	—

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 fee 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 2005-2006 to Shri Sudhir Tandon, Managing Director, Rs. 12,78,356/- and Shri Girish Tandon, Joint Managing Director, Rs. 13,19,891/-. Besides, based on Financial Year 2005-06 performance, commission payable to each of the Managing and Joint Managing Director is Rs. 1,55,683/-.

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 2005-06 is given below :

Sl. No.	Name of Directors	Amount (Rs.)
1.	Shri Badri Vishal Tandon	56,000/-
2.	Shri J. S. Matharu	38,500/-
3.	Shri C. M. Krishna	31,500/-
4.	Shri Om Nath Kapoor	21,000/-
5.	Shri K A Pai	21,000/-
6.	Shri Sushil Khanna	24,500/-

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

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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, 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 quite often to expedite all the matters relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2006 - NIL

The number of share transfer pending as on 31st March, 2006 - NIL

During the year, the Investor's Grievance Committee had seven 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
2002-2003	Regd. Office of the Company at 33, Dayanand Marg, Allahabad	18.09.2003	1.00 PM
2003-2004	- do -	07.09.2004	1.00 PM
2004-2005	- do -	24.06.2005	1.00 PM
2005-2006*	Hotel Elchico Rest. Conference Hall. M.G. Marg, Civil Lines, Allahabad	31.07.2006	11.30 AM

*Forthcoming Annual General Meeting.

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

BOOK CLOSURE

25th July, 2006 to 31th July, 2006 (Both days inclusive)

DIVIDEND PAYMENT DATE

In August, 2006

CODE OF CONDUCT

The code of conduct for the Directors and the Senior Management of the Company has been laid down by the Board and the same is posted on the website of the Company, i.e. www.shbhawani.com

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 the Bombay Stock Exchange Ltd., 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 : July 31, 2006 at 11.30 AM

Venue : Hotel Elchico Restaurant Conference Hall, M.G. Marg, Civil Lines, Allahabad.

LISTING

The Bombay Stock Exchange Ltd.
Phiroze JeeJee Bhoy Tower,
Dalal Street,
Mumbai

The Listing Fee for the financial year 2006-2007 have been paid to the Bombay Stock Exchange Ltd., Mumbai.

SHREE BHAWANI PAPER MILLS LIMITED

SCRIP CODE WITH BSE

502563

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 - 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 31.3.2006

No. of Shares	No. of Shareholders	%age	No. of shares	%age
Up to 500	2699	82.19	498838	12.15
501-1000	307	9.35	274338	6.68
1001-5000	187	5.69	444377	10.83
5001-10000	26	0.79	206324	5.02
10001 & above	65	1.98	2682123	65.32
	3284	100.00	4106000	100.00

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	2240685	54.57
Institutional Investors	1400	0.03
Private Corporate Bodies	245902	5.99
NRIs	2514	0.06
Indian Public	1615499	39.35
	4106000	100.00

DEMATERIALIZATION OF SHARES

As on 31.3.2006, 91.90% ie., 3773489 Equity Shares of Company's share capital are dematerialised and balance of 332511 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.

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

NIL

SHREE BHAWANI PAPER MILLS LIMITED

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 - 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 - 211 002
Tel : 0532 - 2607958/2607959
Fax : 0532 - 2607957

WEBSITE OF THE COMPANY :

www.shbhawani.com

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 31st March, 2006, 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 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 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 : RAE BARELI

DATED : 2ND JUNE, 2006

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

The development of paper industry and paper consumption levels are related to the GDP growth and literacy levels. The industry is highly diverse, technical and capital intensive. Further, norms relating to environmental pollution such as in chlorine free operations and tighter effluent treatment/discharge parameters etc. have restricted rapid expansion of paper industry's capacity.

The paper industry's performance depends on macro-economic factors and the demand supply situation. The production of paper is a key economic activity accounting in value terms for about 2.5% of the world's industrial production and 2% of world trade. Paper products are important for education, communications, packing and health care. Worldwide, pulp and paper is the fifth largest industrial consumer of energy, accounting for four percent of the world's energy use.

The Indian Paper Industry is highly fragmented with nearly 1200 mills producing about 5.5mtpa. Only about 15 mills have 60,000 tonnes or larger annual capacities. India's per capita paper consumption is about 5 kgs which compares very poorly even to Countries such as Philippines (11), Indonesia (22) and is nowhere near the ASEAN average of 29kgs and global average of 54kgs.

Indian Paper Industry needs the following to be globally more competitive :

- Sustained availability of good quality of raw materials (forest based) and bulk import of waste paper to supplement the raw materials supplies.
- Adequate modernization of the manufacturing facilities.
- Improvement of infrastructure.
- Quality improvements and reduction in cost of production.
- Import policy conducive for import of material, equipment, instruments, raw materials & technologies.

In India paper demand has been growing at around 5% CAGR in the past five years. Paper demand is inextricably linked to economic growth, industrial production, advertisement expenditure on education etc. while industrial paper demand is driven by industrial output, packaging industry growth etc. printing and writing paper demand is driven by public spending on education, publicity and literacy.

In India, paper demand has grown 9% during 2004-05 as compared to 2003-04 and the current year 2005-06 saw investments for additional capacities being made to cater to the increasing demand. The Government is giving a major push to elementary education under the National Policy Education, 1992 and has more than doubled the budgetary outlay in 2005-06 as compared to 2004-05. The government has earmarked more than Rs. 25,000 crores for education and related activities in the budget proposals for 2006-07. India has witnessed phenomenal development in the field of education both in quantitative and qualitative terms, since independence. However, the national goals of universal elementary education and total eradication of illiteracy remain elusive. India has spent 3.49% of its GDP on education during 2004-05 but a large percentage of the adult population is still illiterate.

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.

SHREE BHAWANI PAPER MILLS LIMITED

- The Company is an early entrant in expanding capacities, so it is likely to gain market share.
- At the current levels, the industry is capable of avoiding imports of other paper grades.
- Recently, the Company has received ISI certification, which will further provide edge in Government supplies.
- 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.
- Apart from this, the Company is in the process of installing Waste Paper Deinking Line Pulp Street of above 50000 TPA which will mitigate the risks of agri-residue raw materials as well as take care of the environment protection issue on a long term basis.
- 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.

PRODUCTWISE PERFORMANCE

During the year, the Company achieved a capacity utilization of 92%. The production of MG & MF varieties of Paper during the year under review is 19370 MT as compared 19973 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.

OUTLOOK

Having regard to the on going process of modification and modernization 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.

Domestic demand for paper is expected to continue and there is continuous increase in paper price in the near term.

The Company's Capital Expenditure Scheme for capacity expansion of the Pulp & Paper Mill and Captive Power Plant is in advanced stage of implementation. The Company has incurred Rs. 673.16 lacs till 31st March, 2006 in placement of orders for Plant & Machinery and other expenses which has been financed by internal accruals, partial disbursement of Term Loans and Promoters' contribution towards Equity. Thereafter, the installed capacity of the plant will increase by 23000 MT per annum ie increase in production capacity from 21000 MT to 44000 MT, and the Company will achieve higher sales realization 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 dependant upon the crop.
- Stringent pollution control norms may act as deterrent as it would require significant investments 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.
- The Company has diversified product-mix. It produces high value added 25 gsm MG Poster & Tissue paper. Its MF Colour Printing & Duplicating paper are well accepted in the market.
- The unit is self sufficient in power due to its biomass based Cogeneration Plant which has given it a competitive edge over other units in terms of power.

FINANCIAL PERFORMANCE

The Company's gross turnover for the year ended 31st March, 2006 has gone up from Rs. 51.06 crores to Rs. 54.50 crores resulting growth of about 7% and the Company has been able to achieve pre tax cash profit of Rs. 435 lacs as against Rs. 260 Lacs during the previous year.

The overall performance of the Company during the year ended 31st March, 2006 has been satisfactory. The capacity utilization of the plant is well maintained. The Company procured orders from the Government Departments also. During the year, the Company was able to increase its average sales realization by about 13% due to higher value added products as well as favourable market conditions.

The Clean Development Mechanism (CDM) Project of the Company has been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC) on 3^d February, 2006 and Company has received 58642 Certified Emission Reduction (CERs) credits.

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 unauthorized 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 31st March, 2006, 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's 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 31st March, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 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 31st March, 2006;
 - 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 : RAE BARELI
DATE : 2nd JUNE, 2006**

**(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 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. 15.47 lacs were outstanding in case of 10 parties covered in the register maintained U/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 108.07 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) (a) 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, 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, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 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, 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. According to the information and explanations given to us, we have to state that the Company has applied the Term Loans for the purposes for which they were obtained.
- XVII. According to the information and explanations received, the Company has not applied short term borrowings for long term use and vice-versa, 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 : RAE BARELI
DATE : 2nd JUNE, 2006**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2006

			As at 31-03-2006 Rupees		As at 31-03-2005 Rupees
I. SOURCES OF FUNDS :					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital	1	41060000		41060000	
(b) Promoters Contribution towards Rights Issue		30000000		-	
(c) Reserves & Surplus	2	<u>86455880</u>	<u>157515880</u>	<u>64451533</u>	105511533
2. LOAN FUNDS					
(a) Secured Loans	3	119653663		105505986	
(b) Unsecured Loans	4	<u>49441280</u>	<u>169094943</u>	<u>52956248</u>	158462234
3. DEFERRED TAX LIABILITY (Refer Note 8, Schedule 18)			<u>31217441</u>		34733335
TOTAL			<u>357828264</u>		<u>298707102</u>
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS	5				
(a) Gross Block		387417436		388334286	
(b) Less : Depreciation		<u>199298870</u>		<u>185693415</u>	
(c) Net Block		188118566		202640871	
(d) Capital Work-in-Progress		<u>66702712</u>	<u>254821278</u>	<u>1430053</u>	204070924
2. CURRENT ASSETS, LOANS & ADVANCES					
(a) Inventories	6	88174841		91018940	
(b) Sundry Debtors	7	37427709		41202071	
(c) Cash & Bank Balances	8	20689005		4696793	
(d) Loans & Advances	9	<u>5017037</u>		<u>5500438</u>	
		<u>151308592</u>		<u>142418242</u>	
Less : CURRENT LIABILITIES AND PROVISIONS					
(a) Current Liabilities	10	39622952		39495997	
(b) Provisions	11	<u>8678654</u>		<u>8286067</u>	
		<u>48301606</u>		<u>47782064</u>	
NET CURRENT ASSETS			<u>103006986</u>		94636178
TOTAL			<u>357828264</u>		<u>298707102</u>

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

PLACE : RAE BARELI
DATED : 2ND JUNE, 2006

SUDHIR TANDON
MANAGING DIRECTOR

BABITA JAIN
COMPANY SECRETARY

GIRISH TANDON
JOINT MANAGING DIRECTOR

BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR
K.A. PAI } DIRECTORS

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	2005-2006 Rupees		2004-2005 Rupees
INCOME				
Sales	12	544998226		510600068
Less : Excise Duty		<u>58403024</u>		<u>58094113</u>
		486595202		452505955
Other Income	13	<u>422649</u>		<u>682592</u>
		<u>487017851</u>		<u>453188547</u>
EXPENDITURE				
Materials	14	290402260		272264328
Payments & Benefits to Employees	15	63185680		60438729
Power & Fuel		49483390		47704630
Cost of Borrowings	16	17550026		21721978
Other Expenses	17	<u>22890241</u>		<u>25027664</u>
		<u>443511597</u>		<u>427157329</u>
Profit before depreciation & taxation		43506254		26031218
Depreciation		<u>17475930</u>		<u>17518319</u>
Profit before taxation		26030324		8512899
Provision for taxation				
Current tax		2200000	700000	
Deferred tax		- 3515894	-1881042	
Fringe Benefit Tax		<u>660004</u>	<u>—</u>	-1181042
Profit after taxation		<u>26686214</u>		<u>9693941</u>
Balance brought forward from last year		<u>8069316</u>		<u>8017978</u>
Amount available for appropriations		34755530		17711919
APPROPRIATIONS :				
General Reserve		20000000		5000000
Proposed Dividend		4106000		4106000
Tax on Proposed Dividend		<u>575867</u>		<u>536603</u>
Surplus Carried to Balance Sheet		<u>10073663</u>		<u>8069316</u>
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 18)		6.50		2.36

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 : RAE BARELI
DATED : 2ND JUNE, 2006

BABITA JAIN
COMPANY SECRETARY

BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR
K.A. PAI

} DIRECTORS

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year Ended 31.03.2006	(RUPEES IN LACS) Year Ended 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	260.30	85.13
Adjustment for:		
Depreciation	174.76	175.18
Interest Expenses	175.50	217.22
Interest Income	- 2.39	- 2.09
(Profit)/Loss on Sale of Fixed Assets	- 0.36	- 2.46
OPERATING PROFIT BEFORE WORKING	607.81	472.98
CAPITAL CHANGES		
Adjustment for:		
Trade & Other receivables	41.81	- 45.25
Inventories	28.44	76.64
Trade payable and other liabilities	6.32	- 52.41
CASH GENERATED FROM OPERATIONS	684.38	451.96
Direct taxes paid	-29.80	- 1.32
CASH FLOW BEFORE EXTRAORDINARY ITEMS	654.58	450.64
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES ...A	654.58	450.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	- 686.36	- 67.82
Sale of Fixed Assets	4.46	12.73
Interest received	3.15	2.87
NET CASH USED IN INVESTING ACTIVITIES ...B	- 678.75	-52.22
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Promoters contribution towards Share Capital	300.00	-
Proceeds from Long Term Borrowings	415.21	-
Repayment of Long Term Borrowings	- 205.00	- 205.00
Net Increase/decrease in Cash Credit Utilisation	- 64.69	11.08
Deposits	- 35.15	- 14.30
Hire Purchase	- 4.04	3.89
Interest paid	- 182.11	- 211.59
Dividend paid	- 40.12	- 0.53
NET CASH USED IN FINANCING ACTIVITIES ...C	184.10	- 416.45

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2006	(RUPEES IN LACS) Year Ended 31.03.2005
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>159.93</u>	<u>- 18.03</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	46.96	64.99
CASH AND CASH EQUIVALENTS (Closing Balance)	206.89	46.96

Note: Previous Year's figures have been regrouped, wherever necessary.

As per our report of even date.

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

**PLACE : RAE BARELI
DATED : 2ND JUNE, 2006**

**SUDHIR TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR
K.A. PAI** } **DIRECTORS**

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	Total Assets
	<input type="text" value="406130"/>	<input type="text" value="406130"/>
Sources of Funds		
	Paid-up Capital	Reserves & Surplus
	<input type="text" value="41060"/>	<input type="text" value="86456"/>
	Promoters Contribution towards Right Issue	Secured Loans
	<input type="text" value="30000"/>	<input type="text" value="119654"/>
	Deferred Tax Liability	Unsecured Loans
	<input type="text" value="31217"/>	<input type="text" value="49441"/>
Application of Funds		
	Net Fixed Assets	Investments
	<input type="text" value="254821"/>	<input type="text" value="NIL"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="103007"/>	<input type="text" value="NIL"/>

(IV) PERFORMANCE OF COMPANY

Turnover	<input type="text" value="487018"/>	Total Expenditure	<input type="text" value="460988"/>
Profit Before Tax	<input type="text" value="26030"/>	Profit After Tax	<input type="text" value="26686"/>
Earning Per Share in Rs.	<input type="text" value="6.50"/>	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**

**PLACE : RAE BARELI
DATED : 2ND JUNE, 2006**

**SUDHIR TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR
K.A. PAI**

} **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 Seventh Annual General Meeting of the Company to be held on 31st July, 2006 and at any adjournment thereof.
hand/hands this day
of 2006
Signed by the said
Folio No.: DP ID No.* Client ID No.*

* Applicable for Members holding shares in electronic form.

30 Paise Revenue Stamp

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 27th Annual General Meeting held at Conference Hall, Hotel Elchico at 24, M. G. Marg, Allahabad—211 002 on Monday, the 31st July, 2006 at 11.30 a.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.**

27th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2006**

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