

29th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2008**

SHREE BHAWANI 
PAPER MILLS LIMITED

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS

Shri Badri Vishal Tandon
Shri C.M. Krishna
Shri Murari Lal Jalan
Brig. (Retd.) R.L. Singh, SC
Shri K. A. Pai
Prof. Sushil Khanna
Shri Girish Tandon, Managing Director
Shri Alankar Tandon, Executive 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.
246, Sant Nagar
East of Kailash
ISKON Temple Road,
New Delhi 110 065

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SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Conference Hall, Hotel Elchico, 24, M.G.Road, Civil Lines, Allahabad-211002, on Tuesday, the 30th September, 2008 at 11.30 A.M. to transact the following Business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2008 and Profit & Loss Account for the year ended 31st March, 2008, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Shri Badri Vishal Tandon, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri K.A Pai, who retires by rotation, and being eligible, offers himself for re-appointment.
4. 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.”

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Murari Lal Jalan, who was appointed by the Board of Directors of the Company as an Additional Director and who holds the Office up to the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Shri Murari Lal Jalan for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.
6. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Brig. (Retd.) Shri Rajeev Lochan Singh, SC, who was appointed by the Board of Directors of the Company as an Additional Director and who holds the Office up to the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Brig.(Retd.) Shri Rajeev Lochan Singh, SC, for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.
7. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Alankar Tandon, who was appointed by the Board of Directors of the Company as an Additional Director and who holds the Office up to the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member

SHREE BHAWANI PAPER MILLS LIMITED

proposing the candidature of Shri Alankar Tandon for the Office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269,309 and other applicable provisions, if any, of the Companies Act, 1956 ('Act') as amended or re-enacted from time to time, read with Schedule XIII to the Act, the Consent of the Company hereby accorded to the appointment and terms of remuneration of Shri Alankar Tandon as Whole Time Director designated as Executive Director of the Company, shall not be liable to retire by rotation, for a period of five years with effect from 28th April, 2008 on terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Shri Alankar Tandon.”

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 25TH AUGUST, 2008

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NOTES :

1. A Member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself. 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 24th September, 2008 to 30th September, 2008. (both days inclusive).
3. Members are requested to intimate change, if any, in their addresses.
4. The Unclaimed Dividend for Financial Years 2001-02, 2004-05, 2005-06 and 2006-07 are held in separate accounts for each year.

Pursuant to provisions of Section 205C of the Companies Act 1956, 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 claim 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 2001-02, 2004-05, 2005-06 and 2006-07 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. 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.
7. 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 2008-09.
8. Details of the Directors seeking re-appointment / 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 58 years, is a Law Graduate and has more than 32 years of experience as Advocate, High Court, Allahabad. He has been a Director of the Company since inception and is also a member of Audit Committee and Investors Grievance Committee of the Company.
Details of other Directorship/Committee Membership held by him: Sahitya Bhawan Pvt.Ltd.
 - (ii) Shri K A Pai, aged about 72 years, is a graduate in Chemistry, a reputed Technologist in Pulp and Paper Industry and has more than 48 years of experience in Paper Industry. He has been a Director of the Company since 1999 and is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship/Committee Membership held by him: NIL
 - (iii) Shri Murari Lal Jalan, aged about 44 years, is Graduate & non resident Indian, has spread business all over Russia, Brazil, UAE and India. He is also a member of Audit Committee of the Company.
Details of other Directorship/Committee Membership held by him:
 1. Orion Paper & Industries Ltd. - Chairman
 2. Foto Exim FZE, Dubai - Managing Director
 3. Arrow Syntex Pvt.Ltd.

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4. Orion I.T.Parks Pvt.Ltd.
 5. Orion Complex Pvt.Ltd.
 6. Orion Enclave Pvt.Ltd.
 7. Orion Nirman Pvt.Ltd.
 8. Orion Promoters Pvt.Ltd.
 9. Orion Abasan Pvt.Ltd.
- (iv) Brig. (Retd.) Shri Rajeev Lochan Singh, SC, aged about 58 years and have Master's Degree in Management from Osmania University, Hyderabad. He has joined the Army in June 1970. He was awarded 'Shaurya Chakra' by the President of India for outstanding gallantry in counter insurgency operations. He has vast experience of Management of Medium and Large body of personnel in the Army. After retirement he is working as Vice President (P&A) with Jaiprakash Associates Ltd. since 2007. He is also a member of Remuneration Committee of the Company.

Details of other Directorship/Committee Membership held by him : NIL

- (v) Shri Alankar Tandon, aged about 37 years, is commerce graduate and having more than 14 years of experience in capital markets & financial business. He is a member of Investors Grievance Committee of the Company.

Details of other Directorship/Committee Membership held by him:

1. Padmavati Financial Services Ltd.
2. Sahitya Bhawan Pvt. Ltd.
3. Tandon Investments (P) Ltd.
4. Alankar Udyog (P) Ltd

SHREE BHAWANI PAPER MILLS LIMITED

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

ITEM NO. 5 & 6

Shri Murari Lal Jalan and Brig.(Retd.) Shri Rajeev Lochan Singh, SC, were appointed as Additional Directors of the Company Under Section 260 of the Companies Act, 1956 and Article 81(b) of the Articles of Association of the Company by the Board of Directors at their Meeting held on 21st June, 2008 with effect there from and holds the Office up to the date of ensuing Annual General Meeting. The Company has received notices in writing along with requisite deposit Under Section 257 of the Companies Act, 1956 from member of the Company signifying their intention to propose the appointment of Shri Murari Lal Jalan and Brig. (Retd.) Shri Rajeev Lochan Singh as Directors of the Company. The Board consider it beneficial and in the interest of the Company to continue to have the advice of Shri Murari Lal Jalan and Brig.(Retd.) Shri Rajeev Lochan Singh, SC, and accordingly, recommend their appointment as Directors of the Company.

Except Shri Murari Lal Jalan and Brig.(Retd.) Shri Rajeev Lochan Singh, SC, none of the Directors of the Company are in any way concerned or interested.

ITEM NO. 7 & 8

1. Shri Alankar Tandon was appointed as Additional Director of the Company Under Section 260 of the Companies Act, 1956 and Article 81 (b) of the Articles of Association of the Company, by the Board of Directors at their Meeting held on 28th April, 2008 with effect there from and holds the Office up to the date of forthcoming Annual General Meeting. Shri Alankar Tandon being eligible, offers himself for appointment at the Meeting. The Company has received a notice in writing along with requisite deposit Under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose him as Director of the Company.
2. The Board had also appointed Shri Alankar Tandon as Executive Director for a period of five years with effect from 28th April, 2008 subject to approval of Members in the General Meeting.
3. Shri Alankar Tandon, aged about 37 years, is a Commerce Graduate and have more than 14 years of experience in Capital Market and Financial Sector.
4. Shri Alankar Tandon is also Director in Tandon Investment Pvt.Ltd, Allahabad, Alankar Udyog Pvt.Ltd., Allahabad, Sahitya Bhawan Pvt.Ltd, Allahabad and Padmavati Financial Services Ltd., Allahabad.
5. On the recommendation of the Remuneration Committee, the Board at its Meeting held on 21st June, 2008 approved the terms & conditions of appointment of Shri Alankar Tandon, subject to approval of members.
6. The Principal terms of appointment are as follows :
 - (a) **Tenure** : Appointment of Shri Alankar Tandon effective from 28th April, 2008 for a period of 5 years.
 - (b) **Salary** : Rs.50,000/- (Rupees fifty thousand only) per month
The Board, subject to recommendation of Remuneration Committee, authorised to increase it from time to time, not to exceed Rs.80,000/- per month.
 - (c) **Commission** : Commission @ 0.5% 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
 - (d) **Perquisites** :
 - (i) House Rent Allowance: Rs.20,000/- (Rupees twenty thousand only) per month.

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- (ii) Medical Benefits for self and family: Reimbursement of the expenses actually incurred for self and family, subject to ceiling of one month's salary in a year or three months salary in a block of three years.
- (iii) Personal Medclaim/Accidental Insurance - Annual Premium for coverage of personal medclaim and accidental insurance be paid by the Company and premium thereof not to exceed Rs.25,000/- per annum.
- (iv) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rules.
- (v) Encashment of leave at the end of the tenure as per the Company's Rules .
- (vi) No sitting fee shall be paid for attending the Meeting of Board of Directors or Committee thereof.
- (vii) Any other benefits, facilities, allowances 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 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.

- 7. The above appointment will be subject to termination by one month's notice in writing on either side.
- 8. **Memorandum of Interest:**

None of the Directors except Shri Alankar Tandon and Shri Badri Vishal Tandon, who is father of Shri Alankar Tandon , may be considered as interested in the Resolution recommended for adoption.
- 9. As required Under Section 302 of the Companies Act, 1956, an abstract of the terms and conditions of the said appointment and Memorandum of Interest was already sent to the Shareholders of the Company.
- 10. The copy of the Resolution, as approved by the Board of Directors of the Company, is available for inspection during the business hours on any working day at the Registered Office of the Company.
- 11. Your Directors recommend the Resolutions for your approval.

BY ORDER OF THE BOARD

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

BABITA JAIN
COMPANY SECRETARY

DATED : 25TH AUGUST, 2008

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

We have pleasure in presenting our 29th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2008.

PERFORMANCE

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

	Year ended* 31.03.2008 Rs. In Lacs	Year ended 31.03.2007 Rs. In Lacs
Production (Tonnes)	<u>12404</u>	<u>18840</u>
Sales	<u>3425</u>	<u>5545</u>
Other Income	<u>226</u>	<u>489</u>
	<u>3651</u>	<u>6034</u>
Gross Profit/(Loss)	<u>-60</u>	<u>772</u>
Less : Interest	<u>218</u>	<u>116</u>
Depreciation for the year	<u>268</u>	<u>180</u>
Profit for the year before tax	<u>-546</u>	<u>476</u>
Less : Provision for taxation	<u>27</u>	<u>189</u>
	<u>-573</u>	<u>287</u>
Profit brought forward from last year	<u>134</u>	<u>101</u>
Amount available for appropriation	<u>-439</u>	<u>388</u>
Appropriations:		
Proposed Dividend on Equity Shares	-	132
Tax on proposed Dividend	-	22
General Reserve	-	100
Balance carried to Balance Sheet	<u>-439</u>	<u>134</u>
	<u>-439</u>	<u>388</u>

*Note : Excluding trial runs.

The performance of the Company for the year ended March, 2008 has been very unsatisfactory due to various factors. Some of them are:

1. Inability to run the existing old machines to their full capacity.
2. Inadequate trained personnel for running the expanded production line, especially waste paper street.
3. Shortage of power connection against power requirement of 8 MW. Only a Turbine of 3 MW was set up, making a total availability of 6 MW.
4. Spiraling cost of imported waste paper from average U.S.\$ 225 per ton to more than U.S.\$ 300 per ton.
5. Over extended trial run due to poor quality of finished paper produced with lower pulp yield, leading to severe losses in trial run.
6. Shortage of Working Capital due to trial run cost and additional capital expenditure not originally envisaged in the project cost.

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7. Lack of essential spares for the expansion project, leading to frequent break downs and maintenance. There was inadequate provision of spares in the project cost originally envisaged.

All the above factors along with several more, lead to very serious complications with deep financial implications for the Company.

There was also a change in the top management and Shri Sudhir Tandon, who was Managing Director of the Company and under whose guidance and control the expansion project was implemented, resigned as Managing Director of the Company on 28th April, 2008. Shri Girish Tandon, Joint Managing Director, was re-designated as Managing Director of the Company by the Board on 28th April, 2008. The share holders will be pleased to know, that, during the first quarter of 2008-09, the Company has achieved a production of 10871 tonnes and a turn over of Rs. 31.98 crores with cash profit of Rs. 0.21 crores.

In order to analyze and rectify the short comings of the implementation of DIP line and in the new paper machines, M/s Adya Pulp & Paper Consultants, Kolkata, were appointed as Consultants. They have submitted their detailed report and have suggested remedial measures and investment proposal for planning the equipment, which is being implemented.

CAPITAL EXPENDITURE SCHEME

The new Paper Machine and Waste Paper De-inking Plant was commissioned during the year under review. Though the power plant was commissioned in time, there was delay in commissioning of paper machine and DIP line. During trial runs, the Company faced serious problems in the pulp mill and new paper machine section. This resulted in very high trial run expenses and the trial run period extended up to 29th February, 2008.

The total project cost came to Rs. 79 crores against Rs. 65 crores excluding margin money originally envisaged. The increase was mainly due to trial run expenses, installation of QCS, provision of power connection of 2,500 KVA from 33 KV line which had to be brought for 5 km.

The commercial production of the new paper machine III commenced on 1st March, 2008.

MEASURES TO IMPROVE THE PERFORMANCE OF THE COMPANY

The Company has three paper machines with a combined capacity of nearly 200 TPD. It also has a De-inking line of 170 TPD along with an agro pulping street of 40 TPD. It is the management's endeavor to run all three paper machines along with the waste paper and agro pulping street. For this, following measures have been taken, based on the technical appraisal report of M/s Adya Pulp & Paper Consultants:

1. Provision of essential spares for new paper machines and DIP line.
2. Upgradation of under capacity pumps and pipe lines in the DIP section.
3. Installation of sun dry board mill to use the reject of pulp mill and paper machines.
4. Setting up of LRP and obtaining permission for the same from Pollution Control Board.
5. Appointment and training of key technical personnel to operate the DIP line efficiently.
6. Upgradation of Slitter Rewinder and installation of Dandy Roll on Paper Machine No. III.
7. Change of Polypick Vacuum drainage elements on Paper Machine III to Ceramic drainage elements to achieve designed speed of machine of 600 mpm.
8. Augmentation of power availability with capacity to run any equipment on either Turbine or grid power.
9. Installation of thermo compressor based steam and condensate system on old machines to reduce steam consumption and improve the drying capacity.
10. Upgrading old machines with slotted basket for pressure screen, AC drive system for MG Machine etc.
11. Renovation of Boiler of Turbine No.1 for better fuel efficiency and steam availability.

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CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

As reported last year, the First and Second Rice Husk based Cogeneration Power Project of the Company, at Rae Bareilly, have been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC).

During the year under review, the Company has received 22515 units of CERs for its contribution to reduce carbon emission during the year 2007-08. The Company realized a sum of Rs 2.00 crores from sale of these CERs during the year.

We expect to receive around 32000 CERs for the activities undertaken during the current year. The revenue generated from sale of these CERs will be accounted on actual receipt .

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, 2008, fixed deposits from the public and shareholders aggregated to Rs.426.07 lacs. The renewal/repayment of four deposits amounting to Rs.70,000/- could not be made for want of instruction thereof from the depositors up to 31st March, 2008 which has since been renewed/paid till the date of this report.

DIRECTORS

Shri Sudhir Tandon has resigned from the Company as Managing Director with effect from 28th April, 2008. Your Directors express their appreciation for his valuable association with the Company. He was co-opted as Additional Director of the Company, but subsequently resigned as Additional Director of the Company also.

Shri Girish Tandon was re-designated as Managing Director of the Company with effect from 28th April, 2008 on the same terms & conditions for remaining tenure as Joint Managing Director.

Shri Om Nath Kapoor ceased to be the Director of the Company with effect from 28th April, 2008. Your Directors have expressed their appreciation for his association with the Company.

The Board, at its meeting held on 28th April, 2008, appointed Shri Alankar Tandon as a Whole Time Director designated as Executive Director of the Company, for a period of five years with effect from 28th April, 2008. In view of the fact that Shri Alankar Tandon was appointed as an Additional Director at the said Board Meeting, he holds the office till the conclusion of ensuing Annual General Meeting.

Under the provisions of Section 260 of the Companies Act, 1956 and Article 81 of the Article of Association of the Company, Shri Murari Lal Jalan and Brig.(Retd.)Shri Rajeev Lochan Singh, SC, were appointed as Additional Director of the Company with effect from 21st June, 2008 to hold the Office till the conclusion of ensuing Annual General Meeting.

The Company has received Notices Under Section 257 of the Companies Act, 1956 and accordingly, the Resolutions proposing the appointments of Shri Alankar Tandon, Shri Murari Lal Jalan and Brig. (Retd.) Shri Rajeev Lochan Singh, SC, shall be placed before the shareholders for their approval at the ensuing Annual General Meeting.

Shri Badri Vishal Tandon and Shri K A Pai, Directors of the Company, are retiring by rotation and being eligible for re-election, have given their consent for the same.

CRISIL SME RATING

CRISIL has awarded a CRISIL Rating of SME 3, which indicates '**Above Average level of creditworthiness adjudged in relation to other SMEs**'.

This Rating is valid till April 24, 2009.

SHREE BHAWANI PAPER MILLS LIMITED

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 2008-09.

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, 2008, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments 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, 2008 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their thanks to the 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

GIRISH TANDON
MANAGING DIRECTOR

ALANKAR TANDON
EXECUTIVE DIRECTOR

PLACE : ALLAHABAD

DATED: 25TH AUGUST, 2008

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) Soot blower has been installed in the new high pressure boiler resulting in reduced down time of boiler.
- (c) Variable frequency drives have been installed on some higher rating motors to economise the power consumption.
- (d) The Company is augmenting pulp from Waste Paper Deinking plant, which will further reduce the power consumption per unit of production.
- (e) The required data as per Form A of the Annexure to the aforesaid Rules is furnished below:

A. POWER AND FUEL CONSUMPTION

1. Electricity

	Current year	Previous year
a) Purchased Units	0.73	–
Total Amount	5.65	–
Rate/Unit	7.77	–
b) Own Generation		
Through Diesel Generators :		
Units (KWH in lacs)	5.50	6.07
Units per litre of diesel oil	2.85	4.27
Diesel (Rs./Litre)	28.96	28.31
Rate/Unit (Rs.)	10.23	6.83
Through Steam Turbine :		
Units (KWH in lacs)	289.08	219.74
Units per Tonne of Fuel	405	503
Rate / Unit (Rs.)	5.17	2.94

2. Paddy Husk

Quantity (Tonnes)	71316	50960
Total Cost (Rs. in lacs)	1349.83	659.96
Average Rate (Rs./Tonne)	1893	1295

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	22864	18840
Electricity* (Units/Tonne)	1288	1199
Paddy Husk** (Tonnes/Tonne)	3.12	2.70

* 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.
2. 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. 58316/- (Previous Year Rs. 150531/-)
(c) Total	:	Rs. 58316/- (Previous Year Rs. 150531/-)
(d) Total R&D Expenditure as a percentage of total turnover	:	0.009% (Previous Year 0.03%)

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts

Suitable steps are being taken in the Waste Paper Deinking Plant to reduce chemicals and energy consumption, as well as to improve quality of finished products.

2. Benefits

The new plant has stabilized only in March 2008 and hence the benefits will accrue in the coming period.

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.
2. Foreign Exchange earnings and outgo :
Foreign exchange earnings on account of exports of goods and CERs were Rs. 228.24 lacs and total foreign exchange outgo during the year amounted to about Rs. 208.05 lacs on account of import of capital goods, raw material, stores, spares and travelling.

ANNEXURE II

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a Company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government, lenders and the society. Your Company is committed to attain highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvements of internal controls and sound investor relations.

The Company adheres to good Corporate practices and is constantly striving to better them and adopt the best practices. It is believed that adherence to business ethics and commitment to Corporate social responsibility would help the Company to achieve its goal of maximising value for all its stakeholders.

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 as on 31.03.2008 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	1	1	4	4	Yes
Shri Girish Tandon Jt. Managing Director	Promoter Executive	2	1	4	4	Yes
Shri Badri Vishal Tandon	Non-Independent Non Executive	1	2	4	4	Yes
Shri C M Krishna	Independent Non Executive	-	2	4	4	Yes
Shri Om Nath Kapoor	Independent Non Executive	-	-	4	3	No
Shri K A Pai	Independent Non Executive	-	2	4	2	No
Prof. Sushil Khanna	Independent Non Executive	3	2	4	2	No

It is clear from the above, that the Board of Directors of the Company has 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 numbers of Independent Directors are also more than half of the total strength.

SHREE BHAWANI PAPER MILLS LIMITED

Four Board Meetings were held during the year on 23.04.2007, 27.07.2007, 29.10.2007 and 30.01.2008.

Shri Sudhir Tandon ceased to be the Managing Director of the Company with effect from 28th April, 2008. Further, he was co-opted as Additional Director of the Company, but subsequently resigned as Additional Director of the Company also. Shri Om Nath Kapoor ceased to be the Director of the Company with effect from 28th April, 2008.

Shri Girish Tandon was re-designated as Managing Director of the Company with effect from 28th April, 2008 on the same terms & conditions for remaining tenure as Joint Managing Director.

Shri Alankar Tandon was appointed as Executive Director of the Company for a period of five years with effect from 28th April, 2008.

Presently, the day to day operations of the Company are entrusted with Managing Director and Executive Director of the Company subject to superintendence, control and direction of the Board of Directors.

Shri Murari Lal Jalan and Brig.(Retd.) Shri Rajeev Lochan Singh, SC, were co-opted as Additional Director of the Company with effect from 21st June, 2008 to hold the Office till the conclusion of Annual General Meeting (AGM) to be held on 30th September, 2008.

Shri Badri Vishal Tandon & Shri K A Pai are liable to retire by rotation and being eligible, offer themselves for reappointment.

Information 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 the Director	No.of Meetings held	No.of Meeting attended
Shri Sushil Khanna	4	2
Shri Badri Vishal Tandon	4	4
Shri C M Krishna	4	4
Shri K A Pai	4	2

The Audit Committee has been mandated with the same terms of reference as specified in amended Clause 49 of the Listing Agreement with the Stock Exchange. 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 statement is correct, sufficient and credible.
2. Appointment and, if required, the replacement or removal of the Statutory Auditor and 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.

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- 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 judgment 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 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.
 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:
 1. Management discussion and analysis of financial condition and results of operations;
 2. Statement of significant related party transactions submitted by the Management;
 3. Management letter/letters of internal control weaknesses issued by the Statutory Auditors;
 4. Internal audit reports relating to internal control weaknesses and;
 5. 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 presently comprises 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 the Director	No.of Meetings held	No.of Meeting attended
Shri K A Pai	1	1
Shri C M Krishna	1	1
Shri Sushil Khanna	1	0

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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 the Members, in General Meeting.

DETAILS OF REMUNERATION PAID TO EXECUTIVE DIRECTORS

The aggregate value of salary and perquisites paid during the financial year 2007-08 to Shri Sudhir Tandon, Managing Director, Rs.20,03,056/- and Shri Girish Tandon, Joint Managing Director, Rs.20,18,996/- .

SITTING FEE PAID TO NON EXECUTIVE DIRECTORS

Remuneration by way of sitting fees for attending the Meeting of the Board/Committee's thereof during the financial year 2007-08 is given below

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	51,500/-
2.	Shri C. M. Krishna	37,500/-
3.	Shri Om Nath Kapoor	15,000/-
4.	Shri K A Pai	20,500/-
5.	Shri Sushil Khanna	17,000/-

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Investor's Grievance Committee of the Company as on 31.03.2008 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 investors' 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 quite often to expedite all the matters relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2008 - NIL

The number of share transfer pending as on 31st March, 2008 - NIL.

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

SHREE BHAWANI PAPER MILLS LIMITED

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.3.2008

Sl. No.	Name of Director	No. of Shares held
1.	Shri Sudhir Tandon	1075748
2.	Shri Girish Tandon (I)	284600
3.	Shri Badri Vishal Tandon	1644844
4.	Shri C M Krishna	1000
5.	Shri K A Pai	NIL
6.	Shri Om Nath Kapoor	NIL
7.	Prof. Sushil Khanna	NIL

GENERAL BODY MEETINGS

Location and time for the last four Annual General & Extra Ordinary General Meetings held :

Year	Location	Date	Time
2004-05 AGM	Regd. Office of the Company at 33, Dayanand Marg, Allahabad- 211 002	24.06.2005	01.00 PM
EGM	Hotel Elchico Restaurant, Conference Hall, M.G. Marg, Civil Lines, Allahabad	06.08.2005	04.00 PM
2005-06 AGM	- do -	31.07.2006	11.30 AM
2006-07 AGM	- do -	24.09.2007	11.30 AM
2007-08* AGM	- do -	30.09.2008	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

24th September, 2008 to 30th September, 2008 (Both days inclusive)

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. The Company has obtained from all Board members and senior management affirmation that they have complied with the Code of Conduct for the year 2007-2008.

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 20 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 Stock Exchanges, Securities and Exchange Board of India and other Statutory Authorities 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 Company regularly intimates unaudited as well as audited financial results to the Stock Exchange immediately after these are taken on record by the Board. These financial results are normally published in the Business Standard /Northern India Patrika /Amar Ujala, Allahabad, and are displayed on the website of the Company www.shbhawani.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely

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www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, <http://www.sebi.gov.in>.

GENERAL SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING

Date & Time : September 30, 2008 at 11.30 AM

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

LISTING

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

The Listing Fee for the financial year 2008-09 have been paid to the Bombay Stock Exchange Ltd., Mumbai.

SCRIP CODE WITH BSE

502563

ISIN NUMBER FOR NSDL & CDSL

ISIN INE 688 C 01010

REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.

246, Sant Nagar, East of Kailash,
ISKON Temple Road
NEW DELHI - 110 065

Phone No. 011 26292682-83

Fax No. : 011 26292681

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 Registrar 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 31.03.2008

No. of Shares	No. of Shareholders	%age	No. of shares	%age
Up to 500	2535	62.53	546482	3.33
501-1000	615	15.17	515436	3.14
1001-5000	656	16.18	1535256	9.34
5001-10000	107	2.64	776476	4.73
10001 & above	141	3.48	13050350	79.46
	4054	100.00	16424000	100.00

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Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	9403524	57.25
Institutional Investors	1400	0.01
Private Corporate Bodies	825579	5.04
NRIs	25409	0.15
Indian Public	6168088	37.55
	16424000	100.00

DEMATERIALISATION OF SHARES

As on 31.3.2008, 97.63% ie., 16034801 Equity Shares of Company's share capital are dematerialised and balance of 389199 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, WARRANTs 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.**
246, Sant Nagar,
ISKON Temple Road,
New Delhi - 110 065
Email : admin@skylinerta.com
Tel : 011 - 26292682-83
Fax : 011 - 26292681

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
Email : babitajain@shbhawani.com
Tel : 0532 - 2607959 / 2607960
Fax : 0532 - 2607957

WEBSITE OF THE COMPANY

www.shbhawani.com

SHREE BHAWANI PAPER MILLS LIMITED

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, 2008, 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 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 : ALLAHABAD

DATED : 25TH AUGUST, 2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

India has pegged economic growth in the last fiscal year at a higher rate than expected nine percent. It is the third successive year that the economy has grown at this pace. Significant growth in infrastructure like Roads, Airports, Ports, Power Generation and distribution, SEZ etc. continues at a fast pace. Other construction activities in the housing, industrial and commercial have also been increasing. Simultaneously, the manufacturing segment has registered double digit growth. The Indian Economy has, therefore, been enjoying high and relatively stable rates of growth for almost a quarter century now. However, there is battle against two emerging concerns, high global crude oil prices and rising inflation. Record high crude oil prices are hurting India significantly because it imports about 70 percent of its needs.

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 still remain elusive. The Government is committed to achieve these national goals and has been steadily increasing the budgetary allocation for education. The Government of India considers the paper industry as one of the 35 high priority industries of the Country.

Consumption of paper and paperboard has also risen steadily over the years. The growth in consumption was at an average rate of 5.1% a year and at a higher rate in recent years. It is also worth noting that not only consumption has exceeded the production every year but the gap between consumption and production has also widened over time. The gap is likely to widen even further in near future. An inference from India's low per capita consumption is that enormous scope exists for the consumption to rise in India in the years to come.

There are, at present, about 594 units engaged in the manufacturing of paper, paperboards and newsprint in India producing nearly 5.5 million tons annually against the capacity of around 7.4 million tons. Paper consumption in India is expected to reach 9.0 million tons by the year 2010 and 13 million tons by 2015.

The new millennium is going to be the millennium of the knowledge. So demand for paper would go on increasing in times to come. In view of paper industry's strategic role for the society and also for the overall industrial growth, it is necessary that the paper industry performs well.

COMPANY'S PERFORMANCE & OUTLOOK

The total production during the year including trial runs was only 22864MT as against capacity of 54000MT, including that of new paper machine. The performance of the Company for the year ended March, 2008 has been very unsatisfactory due to various factors. Some of them are:

1. Inability to run the existing old machines to their full capacity.
2. Inadequate trained personnel for running the expanded production line, especially waste paper street.
3. Shortage of power connection against power requirement of 8 MW. Only a Turbine of 3 MW was set up, making a total availability of 6 MW.
4. Spiraling cost of imported waste paper from average U.S.\$ 225 per ton to more than U.S.\$ 300 per ton.
5. Over extended trial run due to poor quality of finished paper produced with lower pulp yield, leading to severe losses in trial run.
6. Shortage of Working Capital due to trial run cost and additional capital expenditure not originally envisaged in the project cost.
7. Lack of essential spares for the expansion project, leading to frequent break downs and maintenance. There was inadequate provision of spares in the project cost originally envisaged.

All the above factors along with several more, lead to very serious complications with deep financial implications for the Company.

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There was also a change in the top management and Shri Sudhir Tandon, who was Managing Director of the Company and under whose guidance and control the expansion project was implemented, resigned as Managing Director of the Company on 28th April, 2008. Shri Girish Tandon, Joint Managing Director, was re-designated as Managing Director of the Company by the Board on 28th April, 2008. The share holders will be pleased to know, that, during the first quarter of 2008-09, the Company has achieved a production of 10871 tonnes and a turn over of Rs. 31.98 crores with cash profit of Rs. 0.21 crores.

The Commercial Production of the new paper machine commenced on 1st March, 2008. Since March, 2008, quality of paper manufactured is quite satisfactory and well accepted in market.

Domestic demand for paper particularly Newsprint is expected to continue and selling prices are moving upwards. The New paper machine is capable of producing Newsprint apart from Creamwove and other varieties. The Company has received the license to manufacture Newsprint in February, 2008. Now, the Company is manufacturing mainly Newsprint on new MF Machine and has been able to liquidate inventory of finished goods manufactured during trial run. The Newsprint prices have increased from US\$ 650/- per ton in October 2007, to US\$ 850/- per ton in April, 2008 and expected to maintain the trend, thereby pushing up the domestic prices as well.

CAPITAL EXPENDITURE SCHEME

The new Paper Machine and Waste Paper De-inking Plant was commissioned during the year under review. Though the power plant was commissioned in time, there was delay in commissioning of paper machine and DIP line. During trial runs, the Company faced serious problems in the pulp mill and new paper machine section. This resulted in very high trial run expenses and the trial run period extended up to 29th February, 2008.

The total project cost came to Rs. 79 crores against Rs. 65 crores excluding margin money originally envisaged. The increase was mainly due to trial run expenses, installation of QCS, provision of power connection of 2,500 KVA from 33 KV line which had to be brought for 5 km.

The commercial production of the new Paper Machine III commenced on 1st March, 2008.

MEASURES TO IMPROVE THE PERFORMANCE OF THE COMPANY

The Company has three paper machines with a combined capacity of nearly 200 TPD. It also has a De-inking line of 170 TPD along with an agro pulping street of 40 TPD. It is the management's endeavor to run all three paper machines along with the waste paper and agro pulping street. For this, following measures have been taken based on the technical appraisal report of M/s Adya Pulp & Paper Consultants:

1. Provision of essential spares for new paper machines and DIP line.
2. Upgradation of under capacity pumps and pipe lines in the DIP section.
3. Installation of sun dry board mill to use the reject of pulp mill and paper machines.
4. Setting up of LRP and obtaining permission for the same from Pollution Control Board.
5. Appointment and training of key technical personnel to operate the DIP line efficiently.
6. Upgradation of Slitter Rewinder and installation of Dandy Roll on Paper Machine No. III.
7. Change of Polypick Vacuum drainage elements on Paper Machine III to Ceramic drainage elements to achieve designed speed of machine of 600 mpm.
8. Augmentation of power availability with capacity to run any equipment on either Turbine or grid power.

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9. Installation of thermo compressor based steam and condensate system on old machines to reduce steam consumption and improve the drying capacity.
10. Upgrading old machines with slotted basket for pressure screen, AC drive system for MG Machine etc.
11. Renovation of Boiler of Turbine No.1 for better fuel efficiency and steam availability

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

First and Second Rice Husk based Cogeneration Power Project of the Company, at Rae Bareilly have been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC).

During the year under review, the Company has received 22515 units of CERs for its contribution to reduce carbon emission during the year 2007-08. The Company realized a sum of Rs 2.00 crores from sale of these CERs during the year.

We expect to receive around 32000 CERs for the activities undertaken during current year. The revenue generated from sale of these CERs will be accounted on actual receipt.

OPPORTUNITIES AND THREATS

- A recent study by an International consulting firm indicates that the Paper and paperboard demand in India could grow to 14 million tons per year by 2015. Therefore, significant opportunities should be available for a sustainable growth of the Indian paper industry.
- The Company imports about 50% of the raw material, which is prone to foreign exchange fluctuation. However, the Company is constantly trying to source cheaper furnish without compromising on quality of the finished product.
- 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 installed Waste Paper Deinking Line Pulp Street of above 50000 TPA which will take care of the environment protection issues on a long term basis.
- The new Paper Machine III is capable of producing Newsprint apart from Creamwove & other varieties. The Company has received the license to manufacture Newsprint in February, 2008.
- The Company has applied for consent to set up a Lignin Removal Plant (LRP) for its agro pulping street. This consent when received will enable the Company to operate its agro pulping street giving it raw material flexibility.

RISK AND CONCERNS

- The cost of raw materials, chemicals and other inputs are continuing to increase sharply..
- The availability of paddy husk fuel for Power Plant is mainly seasonal and dependant 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. The Company has installed Deinking Pulp street which will mitigate the risk of agri residues as well as take care of environment protection issue.
- Increased competition in paper industry may adversely affect the business of the Company.

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- The Company has diversified product-mix. It produces high value added 25gsm MG Poster, Tissue paper & Newsprint. Its MF Colour Printing, Newsprint & Duplicating paper is well accepted in the market.

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.

CAUTIONARY STATEMENT

Statements in this report on Managements' Discussion and Analysis describing the Company's objective, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities law or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw materials cost and availability, changes in government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or reverse any forward looking statements, on the basis of any subsequent developments, information or events.

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, 2008, 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, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 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, 2008;
 - b. in the case of the Profit & Loss Account, of the loss 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 : KANPUR
DATE : 21st JUNE, 2008**

**(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, so as to affect its going concern.
- 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. 27.70 lacs were outstanding in case of 12 parties covered in the register maintained U/S 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 27.70 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 and 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, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2008 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 are 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 accumulated losses at the end of the financial year and it has incurred cash losses during the financial year. The Company did not incur cash loss 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 issue 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 : KANPUR
DATE : 21st JUNE, 2008**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2008

			As at 31-03-2008 Rupees	As at 31-03-2007 Rupees
I. SOURCES OF FUNDS :				
1. SHAREHOLDERS' FUNDS				
(a) Share Capital	1	164044635		162641220
(b) Reserves & Surplus	2	73208431	237253066	292758986
2. LOAN FUNDS				
(a) Secured Loans	3	719200209		434055270
(b) Unsecured Loans	4	85419512	804619721	483212087
3. DEFERRED TAX LIABILITY (Refer Note 8, Schedule 20)			46191548	44171212
TOTAL			1088064335	820142285
II. APPLICATION OF FUNDS :				
1. FIXED ASSETS	5			
(a) Gross Block		1165799243		511251920
(b) Less : Depreciation		241032405		216009287
(c) Net Block		924766838		295242633
(d) Capital Work-in-Progress	6	506250	925273088	676425748
2. INVESTMENTS	7		294840	294840
3. CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	8	115350909		101816661
(b) Sundry Debtors	9	64030332		59730356
(c) Cash & Bank Balances	10	9507549		5637910
(d) Loans & Advances	11	47463239		39200481
		236352029		206385408
Less : CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities	12	70458302		43760313
(b) Provisions	13	3397320		19203398
		73855622		62963711
NET CURRENT ASSETS			162496407	143421697
TOTAL			1088064335	820142285

NOTES FORMING PART OF THE ACCOUNTS 20
As per our report of even date.

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

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

PLACE : KANPUR
DATED : 21ST JUNE, 2008

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUDHIR TANDON**

} **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	SCHEDULE	Year Ended 31.03.2008 Rupees		Year Ended 31.03.2007 Rupees
INCOME				
Sales	14	377377421		554452719
Less : Excise Duty		34843050		59200781
		342534371		495251938
Other Income	15	22626740		48947359
		365161111		544199297
EXPENDITURE				
Materials	16	241082181		316419954
Payments & Benefits to Employees	17	43257560		59167305
Power & Fuel		66219007		67058031
Cost of Borrowings	18	21813417		11634636
Other Expenses	19	20523246		24331295
		392895411		478611221
Profit/(Loss) before depreciation & taxation		-27734300		65588076
Depreciation		26809616		18023979
Profit before taxation		-54543916		47564097
Provision for taxation				
Current tax		-	5300000	
Deferred tax	2020336		12953771	
Fringe Benefit Tax	695937	2716273	671538	18925309
Profit after taxation		-57260189		28638788
Balance brought forward from last year		13340244		10073663
Amount available for appropriations		-43919945		38712451
APPROPRIATIONS :				
General Reserve		-		10000000
Proposed Dividend		-		13139200
Tax on Proposed Dividend		-		2233007
Surplus Carried to Balance Sheet		-43919945		13340244
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 20)		-3.49		2.46

NOTES FORMING PART OF THE ACCOUNTS 20

As per our report of even date.

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

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

**PLACE : KANPUR
DATED : 21ST JUNE, 2008**

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUDHIR TANDON**

} **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

		(RUPEES IN LACS)	
		Year Ended 31.03.2008	Year Ended 31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		-545.44	475.64
Adjustment for:			
Depreciation		268.09	180.24
Interest Expenses		218.13	116.35
Interest Income		- 2.76	- 5.50
Dividend Income		- 0.10	-
(Profit)/Loss on Sale of Fixed Assets		- 19.26	- 4.38
OPERATING PROFIT BEFORE WORKING		-81.34	762.35
CAPITAL CHANGES			
Adjustment for:			
Trade & Other receivables	-123.08		-566.28
Inventories	-135.34		-136.42
Trade payable and other liabilities	288.62	30.20	22.59
CASH GENERATED FROM OPERATIONS		-51.14	82.24
Direct taxes paid		-39.62	-71.03
CASH FLOW BEFORE EXTRAORDINARY ITEMS		-90.76	11.21
Extraordinary items		-	-
NET CASH FROM OPERATING ACTIVITIES	...A	-90.76	11.21
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		- 2764.76	-4372.19
Sale of Fixed Assets		27.45	8.27
Payment to Creditors for Capex Scheme		-27.95	-
Purchase of Investments		-	-2.95
Dividend received		0.10	-
Interest received		2.41	6.93
NET CASH USED IN INVESTING ACTIVITIES	...B	- 2762.75	-4359.94
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Share Capital		17.54	1219.76
Proceeds from Long Term Borrowings		1022.38	3408.69
Repayment of Long Term Borrowings		- 205.00	- 205.00
Net Increase/decrease in Cash Credit Utilisation		2044.24	- 72.79
Deposits		362.63	- 2.84
Hire Purchase		-10.16	13.11
Interest paid		- 210.42	- 122.37
Dividend paid		- 129.00	- 40.34
NET CASH FROM FINANCING ACTIVITIES	...C	2892.21	4198.22

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2008	(RUPEES IN LACS) Year Ended 31.03.2007
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>38.70</u>	<u>-150.51</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	56.38	206.89
CASH AND CASH EQUIVALENTS (Closing Balance)	95.08	56.38

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 : KANPUR
DATED : 21ST JUNE, 2008

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUDHIR TANDON**

} **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	Rights Issue
<input type="text" value="NIL"/>	<input type="text" value="1754"/>
Bonus Issue	Private Placement
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

(III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	Total Liabilities	Total Assets
	<input type="text" value="1161920"/>	<input type="text" value="1161920"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus
	<input type="text" value="164045"/>	<input type="text" value="73208"/>
	Deferred Tax Liability	Secured Loans
	<input type="text" value="46191"/>	<input type="text" value="719200"/>
		Unsecured Loans
		<input type="text" value="85420"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="925273"/>	<input type="text" value="295"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="162496"/>	<input type="text" value="NIL"/>

(IV) PERFORMANCE OF COMPANY

Turnover	Total Expenditure
<input type="text" value="365161"/>	<input type="text" value="419705"/>
Profit Before Tax	Profit After Tax
<input type="text" value="-54544"/>	<input type="text" value="-57260"/>
Earning Per Share in Rs.	Dividend Rate
<input type="text" value="-3.49"/>	<input type="text" value="NIL"/>

SHREE BHAWANI PAPER MILLS LIMITED

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

Item Code No. (ITC Code) : 48020000

Product Description : Uncoated Paper and Paper Board used for Writing and Printing purposes

Item Code No. (ITC Code) : 48010090

Product Description : Newsprint in Rolls or Sheets

Signatures to Schedules 1 to 20
As per our Report of even date.

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

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

**PLACE : KANPUR
DATED : 21ST JUNE, 2008**

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUDHIR TANDON**

} **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 Ninth Annual General Meeting of the Company to be held on 30th September, 2008 and at any adjournment thereof.
hand/hands this
..... day
of 2008

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 211002

ATTENDANCE SLIP

I/We hereby record my/our presence at the 29th Annual General Meeting held at Conference Hall, Hotel Elchico Restaurant at 24, M. G. Marg, Allahabad 211002 on Tuesday, the 30th September, 2008 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 211002 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.

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DESIGNED & PRINTED BY : BRAIN BRIDGE ADVERTISING & MARKETING PVT. LTD. ALLAHABAD.**

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Allahabad—211 002**