

30th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2009**

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

SHREE BHAWANI PAPER MILLS LIMITED

CONTENTS	Page Nos.
Notice	3
Directors' Report	9
Corporate Governance Report	15
Management Discussion and Analysis Report	23
Auditors' Report	27
Balance Sheet	30
Profit & Loss Account	31
Cash Flow Statement	32-33
Schedules	34-46
Balance Sheet Abstract & Company's General Business Profile	47-48

SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad-211001, on Thursday, the 30th July, 2009 at 11.30 A.M. to transact the following Business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the year ended 31st March, 2009, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Shri C M Krishna, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Prof. Sushil Khanna who retires by rotation, and being eligible, but has not offered 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.1,00,000/- (Rupees one lac 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 an **Ordinary Resolution:**

“RESOLVED THAT supplemental to the Resolution No.5 passed at the Extra Ordinary General Meeting of the Company held on 6th August, 2005 and pursuant to provisions of Section 293 (1) (d) and all other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to Board of Directors of the Company for borrowing from time to time any sum or sums of money on such terms and conditions and with or without security as the Board may think fit which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from Company's Bankers in the ordinary course of business) may exceed the aggregate, for the time being, of the paid-up Capital of the Company and its free reserves, reserves not set apart for any specific purpose, provided that total amount of such borrowings shall not at any time exceed a sum of Rs.250 crores (Rupees two hundred fifty crores only).

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

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

“RESOLVED THAT in pursuance of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and such other approvals as may be necessary and subject to such conditions and modifications as may be prescribed, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging in any manner whatsoever of all movables and immovable properties of the Company, wheresoever situated, present or future and the whole of the undertaking of the Company, for borrowing of a sum not exceeding Rs.250 crores outstanding at any one time as loans from Banks, Financial Institutions or elsewhere.

SHREE BHAWANI PAPER MILLS LIMITED

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

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

“RESOLVED THAT the Board of Directors of the Company, be and are hereby authorised pursuant to sub-section (1) (e) of Section 293 of the Companies Act,1956 on behalf of the Company to contribute and or subscribe from time to time, in any financial year to any body, institute, society, person, trust or fund or any charitable or other purpose not directly related to the business of the Company or to the welfare of its employees up to a total amount of Rupees five lacs only or five per cent of the average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act,1956 during the three financial years immediately preceding, whichever is higher.”

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

“RESOLVED THAT the Company hereby accords its consent and approval under Section 314 and other applicable provisions, if any, of the Companies Act,1956 to the appointment of Shri Gaurav Tandon who is relative of Shri Alankar Tandon, Executive Director, and Shri Badri Vishal Tandon, Director of the Company, who holds an office or place of profit under the Company, for holding and continuing to hold office or place of profit as ‘**Management Executive**’ under the Company on terms & conditions detailed in the explanatory statement annexed hereto.

RESOLVED FURTHER THAT this Resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction, at their discretion and with the approval of the Central Government, where necessary, increments within the grade as they may deem fit and to promote him to any higher grade or grades at their discretion and in due course together with the allowances and benefits as may be applicable to the grade or grades for the time being and to give increments within that grade or grades as they may deem fit and proper.”

9. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as **Special Resolution**:

“RESOLVED THAT the Company hereby accords its consent and approval under Section 314 and other applicable provisions, if any, of the Companies Act,1956 to the appointment of Shri Akshat Tandon who is relative of Shri Girish Tandon, Managing Director of the Company, who holds an office or place of profit under the Company, for holding and continuing to hold office or place of profit as ‘**Manager- International Business**’ under the Company on terms & conditions detailed in the explanatory statement annexed hereto.

RESOLVED FURTHER THAT this Resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction, at their discretion and with the approval of the Central Government, where necessary, increments within the grade as they may deem fit and to promote him to any higher grade or grades at their discretion and in due course together with the allowances and benefits as may be applicable to the grade or grades for the time being and to give increments within that grade or grades as they may deem fit and proper.”

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

DATED : 27TH JUNE, 2009

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

SHREE BHAWANI PAPER MILLS LIMITED

NOTES :

1. A Member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 25th July, 2009 to 30th July, 2009. (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 205-C, 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 2009-10.
8. 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 C M Krishna, aged about 73 years, is MA (Economics), LLB and has more than 42 years working experience in various Corporates at higher Managerial level. Presently, he is working as Consultant with the Industries. He has been a Director of the Company since 1998 and is also a member of Audit Committee, Investors' Grievance Committee and Remuneration Committee of the Company.

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

- (ii) Prof. Sushil Khanna, aged about 58 years, is fellow (Ph.D), PGDM (MBA) from Indian Institute of Management, Calcutta. He is a Professor, teaching in the same Institute and has expertise in financial and managerial matters. He has been a Director of the Company since 2002.

Details of other Directorship/Committee Membership held by him:

NICCO Ventures Ltd., The Information Company Pvt. Ltd., Kerala Financial Corporation, and Oil India Corporation.

Prof. Sushil Khanna has not offered himself for re-election as Director of the Company in this Annual General Meeting.

SHREE BHAWANI PAPER MILLS LIMITED

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

ITEM NO. 5

Under the provisions of Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in General Meeting, borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business in excess of the aggregate of the paid up Share Capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

At the Extra Ordinary General Meeting of the Company held on 6th April, 2005, the shareholders had authorised the Board of Directors of the Company to borrow money upto Rs.100 Crores at any time in excess of aggregate of paid up share capital and free reserves of the Company. In order to provide additional funds which may be needed due to increased working capital and other requirements because of enhanced Capacity utilization, it is proposed to increase the limit of Rs.100 crores to Rs. 250 crores.

Your Directors recommend the Resolution for your approval and none of the Directors of the Company is, in any way, concerned or interested in this Resolution except as any other shareholder of the Company.

ITEM NO. 6

The Company may have to borrow funds from Banks, Financial Institutions, Corporations and Public, etc. As per the prevalent practice, such banks & institutions may insist for creation of charge on the undertaking of the Company. The Company proposes to pass Resolution Under Section 293 (1) (a) of the Companies Act, 1956 giving permission for creation of mortgage/charge on undertaking of the Company. Hence, this Ordinary Resolution is recommended for the consideration and approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution except as any other shareholder of the Company.

ITEM NO. 7

Section 293 (1) (e) of the Companies Act, 1956, inter alia, provides that any amount contributed to any charitable or other funds not directly relating to the business of the Company or the welfare of the employees, the aggregate of which exceeds Rs.50,000/- or five per cent of the Company's average net profits as determined in accordance with the provision of Section 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding year in which the contribution has been made, need the approval of the members of the Company. The Board of Directors considers that keeping in view the Company's obligations to the society at large and other social welfare and charitable funds/ clauses the limit provided under Section 293 (1) (e) of the Companies Act, 1956 requires upward revision.

This Resolution is, therefore, recommended for your approval.

None of the Directors of the Company is concerned or interested in this Resolution.

ITEM NO. 8

Shri Gaurav Tandon is Graduate from Indiana University, Bloomington, USA and MBA from Cardiff School of Management, UK. He joined the Company on 1st April, 2009 as **Management Executive** on the following terms & conditions;

SHREE BHAWANI PAPER MILLS LIMITED

1. Basic Salary : Rs.35,000/- (Rupees thirty five thousand only) per month.
2. Production Incentive : As per the Rules of the Company
3. House Rent Allowance : 10% of the Basic Salary
4. Perquisites:
 - (i) Medical Benefits for self & family: As per the Rules of the Company
 - (ii) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rule.
 - (iii) Encashment of leave as per the Company's Rule.
 - (iv) Free use of Company's car and telephones for official work.
 - (v) Any other benefits, facilities, allowances and expenses as may be allowed under the Company's rules/schemes.
5. This appointment is subject to termination by one-month's notice on either side.

Shri Gaurav Tandon is son of Shri Badri Vishal Tandon, Director of the Company, and brother of Shri Alankar Tandon, Executive Director of the Company. In terms of Section 314 of the Companies Act, 1956, members are requested to grant their approval to hold and continuing to hold the office of profit with the Company on the terms & conditions as set out in the aforesaid Resolution. Members are also requested to authorise the Board to sanction in due course promotion of Shri Gaurav Tandon to the next higher grade or grades with usual allowances and benefits as applicable.

Your Directors recommend the Resolution for your approval.

ITEM NO.9

Shri Akshat Tandon is Graduate from Indiana University, Bloomington, USA and has completed his Masters Degree in International Business Administration in April, 2008 from Bournemouth University, U.K . After gaining experience in International Business, Shri Akshat Tandon joined the Company on 1st April, 2009 as **Manager-International Business** on the following terms & conditions;

1. Basic Salary : Rs.35,000/- (Rupees thirty five thousand only) per month.
2. Production Incentive : As per the Rules of the Company
3. House Rent Allowance : 10% of the Basic Salary
4. Perquisites:
 - (i) Medical Benefits for self & family: As per the Rules of the Company
 - (ii) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rule.
 - (iii) Encashment of leave as per the Company's Rule.
 - (iv) Free use of Company's car and telephones for official work.
 - (vi) Any other benefits, facilities, allowances and expenses as may be allowed under the Company's rules/schemes.

SHREE BHAWANI PAPER MILLS LIMITED

5. This appointment is subject to termination by one-month's notice on either side.

Shri Akshat Tandon is son of Shri Girish Tandon, Managing Director of the Company. In terms of Section 314 of the Companies Act, 1956, members are requested to grant their approval to hold and continuing to hold the office of profit with the Company on the terms & conditions as set out in the aforesaid Resolution. Members are also requested to authorise the Board to sanction in due course promotion of Shri Akshat Tandon to the next higher grade or grades with usual allowances and benefits as applicable.

Your Directors recommend the Resolution for your approval.

BY ORDER OF THE BOARD

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

BABITA JAIN
COMPANY SECRETARY

DATED : 27TH JUNE, 2009

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

Your Board of Directors have the pleasure of presenting the 30th Annual Report and audited accounts of your Company for the year ending 31st March, 2009.

PERFORMANCE

Year under review are detailed below :

	Year ended 31.03.2009 Rs. In Lacs	Year ended* 31.03.2008 Rs. In Lacs
Production (Tonnes)	<u>41641</u>	<u>12404</u>
Sales	<u>11705</u>	<u>3425</u>
Other Income	<u>8</u>	<u>226</u>
	<u>11713</u>	<u>3651</u>
Gross Profit/(Loss)	<u>571</u>	<u>-60</u>
Less : Interest	<u>957</u>	<u>218</u>
Depreciation for the year	<u>558</u>	<u>268</u>
Profit / (Loss) for the year before tax	<u>-944</u>	<u>-546</u>
Less : Provision for taxation	<u>-195</u>	<u>27</u>
	<u>-749</u>	<u>-573</u>
Profit / (Loss) brought forward from last year	<u>-439</u>	<u>134</u>
Loss carried to Balance Sheet	<u>-1188</u>	<u>-439</u>

***Note : Excluding trial runs.**

The Company suffered a cash loss of Rs. 385 lacs despite increase in production to 41,641 tonnes and sales of Rs.117.05 crores. The cash loss could have been lower substantially, if, the Carbon Credit income for the year could accrue as in earlier years. Due to delay in certification of accrued CERs, the same will now accrue in the next year.

Some other important reasons for cash loss have been erratic capacity utilization, poor availability of critical spares, shortage with very high prices of imported raw-material and abnormal rain fall during July-September 2008.

The interest cost has been very high because of strain on Working Capital and interest being charged for the full year on Term Loan of Rs. 48 crores (earlier capitalised).

On the positive side, your Company has become an important supplier of prime news print in a very short time and the product of the Company is well accepted in the news paper industry. The agro pulping plant became operative after installation of Lignin Removal Process (LRP). This agro plant has enabled the Company to improve its production quality and also to manufacture its premium quality of paper from virgin pulp.

The power supply has been augmented by increasing the connected load of 500 KVA and water supply by installation of two deep bore wells. A training programme of man power has been started in house with the objective to improve the capabilities of the existing labour force.

On the raw-material scene, prices of imported raw-material have substantially reduced, but due to weakening of rupee, full advantage of price has not been available to the Company. Prices of other chemicals have also shown a down trend and are now stabilized. The cost push on raw-materials has eased in the last few months.

SHREE BHAWANI PAPER MILLS LIMITED

The price of rice husk is stable and adequate quantity is available. In view of the last year's extra ordinary rains, we are making all efforts to keep adequate stock of fuel in dry condition to maintain production.

Detailed study of the de-inking plant was conducted by Kadant Lamort, France, who deputed their personnel at our Mills in January 2009. The study pointed out severe deficiency in installation and running of the equipment. By implementing the recommendations of their report, the Company has been able to improve the yield and quality of pulp along with reduction in consumption of chemicals.

Capital Expenditure Scheme is under implementation and is being detailed separately. The advantages of scheme has started accruing to the Company.

The production trend of April and May 2009 is very encouraging. We have manufactured 9,058 tonnes of paper and sold 8,422 tonnes amounting to gross sales of Rs. 2,737 lacs for these two months. Now your Company is making cash profits and in the coming months, the management feels, that, situation will improve further after Diwali 2009 with the picking up of economic activities and demand.

MARKET

In the initial months of 2008-09, the paper market especially News Print was booming. However, due to international melt down, the news print prices and demand collapsed. Apart from this, the advertisement revenue fall of news paper industry lead to reduction in printed pages of news papers, leading to reduced news print consumption and excess supply of news print. All this lead to drastic reduction in sale prices and off take of news print from December 2008. However, as your Company is equipped to manufacture both news print and writing printing paper, the product mix was shifted to writing/printing paper. To support the sale of writing/printing paper, we are actively pursuing Government Tenders and have targeted supplying up to 15,000 tonnes during 2009-10 in this sector, which includes paper for education text books of various States. The paper market is expected to improve by end of 2009.

CAPITAL EXPENDITURE SCHEME

The Capital Expenditure Scheme of Rs.10 crores undertaken by the Company has helped in maintaining production, improving quality, efficiency and marketability of the product. It has reduced power consumption also. Critical spares are being procured. Waste paper De-inking plant has been strengthened with sophisticated Low Consistency Screens for better pulp cleaning along with Centrifugal CH3 Screen for reject handling to increase the yield.

Ceramic Drainage Elements have been installed on the MF machine No.2, which has not only increased the machine speed by about 5%, but has also resulted in better finish of the paper. Dandy Rolls installed on the MF 2 to produce Water Mark Paper of improved formation, has enabled the Company to accept orders requiring their logos to be imprinted.

Variable Frequency Drives have been installed with critical equipments, including Screw Press, thereby improving pulp consistency, resulting in slight reduction in power, chemical, steam consumption & better paper formation.

Various manual valves have been replaced with Control Valves and Transmitters for better process control.

LRP System has been put in place. A waste paper street of 30 tpd is in the process of installation to make the old plant self sufficient in pulp.

The DC Drive System in the MG machine is being replaced with sophisticated AC Drive System.

To reduce steam consumption and wastage, steam audit of the old plant is being carried out and also Thermo Compressor System is being installed. Civil construction of various godowns for storage of waste paper, chemicals & finished goods have been completed.

It is expected that the Capex Scheme will be completed by July, 2009.

MEASURES TO IMPROVE THE PERFORMANCE OF THE COMPANY

All the three paper machines with combined capacity of 200 tpd are operational and the following measures are proposed to improve the capacity utilization and profitability of the Company:

SHREE BHAWANI PAPER MILLS LIMITED

1. To reduce steam and water consumption by conscious efforts and energy audit.
2. To strengthen the agro pulp by better operational efficiency of the pulping and LRP plant.
3. The Company has taken several measures to improve the waste paper pulp yield. Major steps taken are:
 - (a) implementation of suggestions given by foreign consultant.
 - (b) installation of centrifugal CH₃ screen for utilizing rejects.
 - (c) Installation of Voith Screens to remove specs and foreign particles in the pulp.
 - (d) installation of variable frequency drives & control valves to maintain automated control of consistency and pulp flows.
 - (e) installation of low consistency screen.
 - (f) Changing of mild steel pipelines with stainless steel in the DIP line to fight corrosion and prevent deterioration of pulp brightness.
4. To develop a stable demand for Company products by increasing the number of Dealers and participating in all major Government Tenders.
5. The Company has set up a new Department of International Business. This department will over see the development of export market and stream line import of waste paper which accounts for nearly 45% of the cost of raw-material. The Company is dependant on imported waste paper because of good quality, secondary fiber is not available in India in quantity. Further, there is an export potential of Company products in nearby countries and the new department will co-ordinate both import and export.

Development of export market will be the thrust area of this year 2009-10. With the improvement in writing, printing and news print quality from July 2009, maximum effort will be made to procure export orders.

6. In the recent years, the Company's production has increased three folds. Rae Bareli is a remote area, with no significant industries. The Company is facing difficulties in transporting of finished goods due to poor availability of trucks. Some times, vehicles have to be arranged from Kanpur & Lucknow to meet the deadlines, especially in Government sales. Similarly, Company has to procure domestic waste paper from big collection centers, such as Kolkata, Mumbai and Delhi.

All imports of waste paper are at ICD, Kanpur by containers, which have to be moved to & from the ICD. These containers need specialize 40 feet trailers which are in poor availability.

Thus, it has become imperative to form a fully owned Logistics Company to stream line the dispatches and raw-material movement.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

The Company expects to receive the credit of 23,780 CERs from first and second Rice Husk based Cogeneration Project for Activities up to 31st August, 2008 in current year. The revenue generated from sale of these CERs will be accounted on actual receipt.

Your Company has entered into agreement for sale of 71,000 CERs till 2012 with the Federal Authority of Belgium at a fixed price. This has been done to guarantee the return and revenue to the Company.

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, 2009, fixed deposits from the public and shareholders aggregated to Rs. 535.22 lacs. The renewal/repayment of four deposits amounting to Rs.1.50 lacs could not be made for want of instruction thereof from the depositors up to 31st March, 2009 which has since been renewed/paid till the date of this report.

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS

Shri C M Krishna & Dr. Sushil Khanna, Directors of the Company, are retiring by rotation.

Shri C M Krishna being eligible for re-election, has given his consent for the same.

Your Directors would like to express their deep thanks and appreciation for the valuable contribution of Dr. Sushil Khanna, the retiring Director.

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 2009-10.

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, 2009, 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, 2009 on a 'Going Concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their thanks to Indian Bank and Bank of Baroda, principal bankers of the Company, for their extra ordinary support in very difficult economic conditions. The Directors would also like to record their appreciation to the members of staff and workers, who 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: 27TH JUNE, 2009**

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. Soot Blower for high pressure boiler no. 1 has also been ordered.
- (c) Variable frequency drives have been installed on critical motors to economise the power consumption. Some Soft Starters have also been replaced with Variable Frequency Drives.
- (d) Ceramic drainage element have been installed on the higher capacity paper machine, which has reduced load & there by power consumption.
- (e) Pressure Reducing Desuperheater Heater Station (PRDS) has been installed in the power plant for conservation of energy.
- (f) To reduce the steam consumption, thermo compressor System has been ordered. Steam audit is also being carried out to plug the leakages.
- (g) The Company is augmenting pulp from Waste Paper Deinking plant which has further reduced 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

	<u>Current year</u>	<u>Previous year</u>
a) Purchased Units	92.83	0.73
Total Amount	376.98	5.65
Rate/Unit	4.06	7.77
b) Own Generation		
i) Through Diesel Generators :		
Units (KWH in lacs)	0.04	5.50
Units per litre of diesel oil	5.35	2.85
Diesel (Rs./Litre)	28.96	28.96
Rate/Unit (Rs.)	11.19	10.23
ii) Through Steam Turbine :		
Units (KWH in lacs)	363.54	289.08
Units per Tonne of Fuel	498	405
Rate / Unit (Rs.)	4.43	5.17
2. Paddy Husk		
Quantity (Tonnes)	83607	71316
Total Cost (Rs. in lacs)	1644.57	1349.83
Average Rate (Rs./Tonne)	1967	1893

SHREE BHAWANI PAPER MILLS LIMITED

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	41641	22864
Electricity* (Units/Tonne)	1096	1288
Paddy Husk** (Tonnes/Tonne)	2.01	3.12

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

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts

Concentrated efforts are being made to improve quality, efficiency levels at all levels and reducing energy consumption.

2. Benefits

Yield of recycled waste paper pulp has increased. The Company's product is now well established in the Newsprint sector also. Power consumption has decreased. There has been significant reduction in the chemical cost as well.

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. Development of export market will be the thrust area of this year 2009-10 with the improvement in writing, printing and news print quality from July 2009, maximum effort will be made to procure export orders.
2. Foreign Exchange earnings and outgo.:
Foreign exchange earnings on account of exports of goods and CERs were Rs.38.38 lacs and total foreign exchange outgo during the year amounted to about Rs.2257.90 lacs on account of import of capital goods, raw materials, stores, spares and travelling.

ANNEXURE II

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of law and adherence to ethical standards to achieve the Company's objective of enhancing shareholder value & discharge of social responsibility. The Corporate Governance Structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. the Board of Directors, the Senior Management, employees etc.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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 maximizing 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 31.03.2009 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 Girish Tandon Managing Director	Promoter Executive	2	1	5	5	Yes
Shri Alankar Tandon Executive Director	Promoter Executive	3	1	5	5	Yes
Shri Badri Vishal Tandon	Non-Independent Non Executive	1	2	5	5	Yes
Shri C M Krishna	Independent Non Executive	-	3	5	4	No
Shri K A Pai	Independent Non Executive	-	2	5	4	No
Prof. Sushil Khanna	Independent Non Executive	3	-	5	2	No
* Brig. (Retd.) R.L. Singh SC	Independent Non Executive	-	1	4	2	No
* Shri Murari Lal Jalan	Independent Non Executive	9	1	4	2	No
** Shri Sudhir Tandon	Non-Independent Non Executive	1	-	2	2	No

* Appointed with effect from 21st June, 2008

** Ceased to be the Director of the Company with effect from 25th August, 2008

SHREE BHAWANI PAPER MILLS LIMITED

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

Five Board Meetings were held during the year on 28.04.2008, 21.06.2008, 25.08.2008, 31.10.2008 and 23.01.2009.

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 C M Krishna and Prof. Sushil Khanna are liable to retire by rotation. Shri C M Krishna being eligible for re-election and has given his consent for the same.

Prof. Sushil Khanna has expressed his inability to continue as Director, after this forthcoming Annual General Meeting.

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 Meetings attended
Shri Badri Vishal Tandon	4	4
Shri C M Krishna	4	3
Shri K A Pai	4	3
Shri Murari Lal Jalan	3	1

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial 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.
 - 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

SHREE BHAWANI PAPER MILLS LIMITED

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 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 the Director	No.of Meetings held	No.of Meetings attended
Shri K A Pai	1	1
Shri C M Krishna	1	1
Brig. (Retd.) R L Singh SC	-	-

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

SHREE BHAWANI PAPER MILLS LIMITED

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 2008-09 to Shri Sudhir Tandon (Managing Director up to 28.04.2008) Rs.4,93,167/-, Shri Girish Tandon, Managing Director, Rs.21,99,192/- and Shri Alankar Tandon, Executive Director Rs. 7,77,000/-.

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 2008-09 is given below

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	56,500/-
2.	Shri C. M. Krishna	37,500/-
3.	Shri K A Pai	34,000/-
4.	Prof. Sushil Khanna	10,000/-
5.	Shri Murari Lal Jalan	13,500/-
6.	Brig. (Retd.) R L Singh SC	10,000/-
7.	Shri Sudhir Tandon	10,000/-

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

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

Shri Badri Vishal Tandon, Chairman

Shri C M Krishna

Shri Girish Tandon

Shri Alankar 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 matter relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2009 - NIL

The number of share transfer pending as on 31st March, 2009 - NIL.

During the year, the Investor's Grievance Committee had five Meetings.

SHREE BHAWANI PAPER MILLS LIMITED

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.3.2009

Sl. No.	Name of Director	No. of Shares held
1.	Shri Girish Tandon (I)	284600*
2.	Shri Alankar Tandon (I)	248000
3.	Shri Badri Vishal Tandon (I)	246998
4.	Shri C M Krishna	1000
5.	Shri K A Pai	NIL
6.	Prof. Sushil Khanna	NIL
7.	Brig. (Retd.) Shri R.L. Singh SC	NIL
8.	Shri Murari Lal Jalan	NIL

* Shri Girish Tandon, Managing Director, has pledged his shares in favour of bankers of the Company as collateral security for sanction of working capital & term loan facilities to the Company.

GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2005-06 AGM	Hotel Elchico Restaurant, Conference Hall, M.G. Marg, Civil Lines, Allahabad	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
2008-09* AGM	- do -	30.07.2009	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, 2009 to 30th July, 2009 (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 Directors and senior management of the Company for the year 2008-2009. A Declaration signed by Managing Director about affirmation of code of conduct by Board Members and Senior Management Personnel is follows :

DECLARATION BY THE MANAGING DIRECTOR

Sub: Code of Conduct - Declaration under Clause 49

This is to certify that :

1. In pursuance of the provisions of Clause 49 of the Listing Agreement, a Code of Conduct has been adopted by the Board of Directors of the Company.
2. The said Code of Conduct has been posted on the Website of the Company and has been circulated to all the Board members and the employees of the Company.
3. All board members and senior management personnel have affirmed compliance with the said Code of Conduct, for the year ended 31st, March, 2009.

Place : Allahabad

Dated : 27th June, 2009.

Sd/-

Girish Tandon
Managing Director

SHREE BHAWANI PAPER MILLS LIMITED

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 11 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. They have imposed no penalties or strictures 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 www.sebidifar.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 : July 30, 2009 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 2009-10 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.

SHREE BHAWANI PAPER MILLS LIMITED

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2009

No. of Shares	No. of Shareholders	%age	No. of shares	%age
Up to 500	2530	63.39	539203	3.28
501-1000	614	15.38	511403	3.11
1001-5000	624	15.64	1475988	8.99
5001-10000	92	2.31	681467	4.15
10001 & above	131	3.28	13215939	80.47
	3991	100.00	16424000	100.00

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	9403224	57.25
Institutional Investors	1400	0.01
Private Corporate Bodies	770154	4.70
NRIs	25804	0.15
Indian Public	6223418	37.89
	16424000	100.00

DEMATERIALIZATION OF SHARES

As on 31.3.2009, 97.70% i.e., 16045976 Equity Shares of Company's share capital are dematerialised, balance of 378024 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 Bareilly 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 - 2548404 / 2548406
Fax : 0532 - 2548425

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, 2009, 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)
PARTNER
Membership No. 9444**

PLACE : ALLAHABAD

DATED : 27TH JUNE, 2009

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

The Financial Year 2008-09 witnessed worldwide volatility with high degree of uncertainty. In the Indian economy, the year started off with highly optimistic note on the backdrop of the strong fundamentals of the economy which was completely reversed as the year draw to a close.

After five years of spectacular growth posted by the Indian economy, there were perceptible signs of declaration in FY'09. A number of factors inimical to growth intensified and these include global economic slowdown associated with the financial crisis in developed economies and tightening of equity and credit markets. There has been substantial shrinkage of the export market and capital flows dried up. Consequently, a vicious cycle of weak demand and failing output developed in the Indian economy.

The Indian Paper Industry is among the top 15 global players today, with an output of more than 6 millions tones annually with an estimated turnover of Rs. 150,000 millions. (approx. USD 3400 million). Paper Industry in India is riding on a strong demand and on an expanding mood to meet the projected demand of 8 million tones by 2010 & 13 million tones by 2020. A large number of expansion programme & expansion of capacities have been announced covering the various sectors like paper, paperboard, newsprint etc..

The expanding Industrial Scenario calls for efforts to tackle related problems –

- Industry needs capital and technology.
- Since energy cost accounts nearly 25 per cent of cost of production there is an urgency to improve energy management and energy consumption.
- Quantum jump in production, called for by the demand projection is possible only by expansion of existing capacity and creation of additional capability. Upgradation of technology and new capacities also involve massive investment.
- Use of agro residues for preparation of pulp also throws up challenges like pollution control, recycling, use of cost effective technology for utilization of agro residues, etc.

COMPANY'S PERFORMANCE & OUTLOOK

The Company suffered a cash loss of Rs. 385 lacs despite increase in production to 41,641 tonnes and sales of Rs.117.05 crores. The cash loss could have been lower substantially, if, the Carbon Credit income for the year could accrue as in earlier years. Due to delay in certification of accrued CERs, the same will now accrue in the next year.

Some other important reasons for cash loss have been erratic capacity utilization, poor availability of critical spares, shortage with very high prices of imported raw-material and abnormal rain fall during July-September 2008.

The interest cost has been very high because of strain on Working Capital and interest being charged for the full year on Term Loan of Rs. 48 crores (earlier capitalised).

On the positive side, your Company has become an important supplier of prime news print in a very short time and the product of the Company is well accepted in the news paper industry. The agro pulping plant became operative after installation of Lignin Removal Process (LRP). This agro plant has enabled the Company to improve its production quality and also to manufacture its premium quality of paper from virgin pulp.

SHREE BHAWANI PAPER MILLS LIMITED

The power supply has been augmented by increasing the connected load of 500 KVA and water supply by installation of two deep bore wells. A training programme of man power has been started in house with the objective to improve the capabilities of the existing labour force.

On the raw-material scene, prices of imported raw-material have substantially reduced, but due to weakening of rupee, full advantage of price has not been available to the Company. Prices of other chemicals have also shown a down trend and are now stabilized. The cost push on raw-materials has eased in the last few months.

The price of rice husk is stable and adequate quantity is available. In view of the last year's extra ordinary rains, we are making all efforts to keep adequate stock of fuel in dry condition to maintain production.

Detailed study of the de-inking plant was conducted by Kadant Lamort, France, who deputed their personnel at our Mills in January 2009. The study pointed out severe deficiency in installation and running of the equipment. By implementing the recommendations of their report, the Company has been able to improve the yield and quality of pulp along with reduction in consumption of chemicals.

Capital Expenditure Scheme is under implementation and is being detailed separately. The advantages of scheme has started accruing to the Company.

The production trend of April and May 2009 is very encouraging. We have manufactured 9,058 tonnes of paper and sale of 8,422 tonnes amounting to gross sales of Rs. 2,737 lacs for these two months. Now your Company is making cash profits and in the coming months, the management feels, that, situation will improve further after Diwali 2009 with the picking up of economic activities and demand.

MARKET

In the initial months of 2008-09, the paper market especially News Print was booming. However, due to international melt down, the news print prices and demand collapsed. Apart from this, the advertisement revenue fall of news paper industry led to reduction in printed pages of news papers, leading to reduced news print consumption and excess supply of news print. All this led to drastic reduction in sale prices and off take of news print from December 2008. However, as your Company is equipped to manufacture both news print and writing printing paper, the product mix was shifted to writing/printing paper. To support the sale of writing/printing paper, we are actively pursuing Government Tenders and have targeted supplying up to 15,000 tons during 2009-10 in this sector, which includes paper for education text books of various States. The paper market is expected to improve by end of 2009.

CAPITAL EXPENDITURE SCHEME

The Capital Expenditure Scheme of Rs. 10 crores under taken by the Company has helped in maintaining production, improving quality, efficiency and marketability of the product. It has reduced power consumption also. Critical spares are being procured. Waste paper De-inking plant has been strengthened with sophisticated Low Consistency Screens for better pulp cleaning along with Centrifugal CH3 Screen for reject handling to increase the yield.

Ceramic Drainage Elements have been installed on the MF machine No.2, which has not only increased the machine speed by about 5%, but has also resulted in better finish of the paper. Dandy Rolls installed on the MF 2 to produce Water Mark Paper of improved formation has enabled the Company to accept orders requiring their logos to be imprinted.

Variable Frequency Drives have been installed with critical equipments, including Screw Press, thereby improving pulp consistency, resulting in slight reduction in power, chemical & steam consumption & better paper formation.

SHREE BHAWANI PAPER MILLS LIMITED

Various manual valves have been replaced with Control Valves and, Transmitters for better process control.

LRP System has been put in place. A waste paper street of 30 tpd is in the process of installation to make the old plant self sufficient in pulp.

The DC Drive System in the MG machine is being replaced with sophisticated AC Drive System.

To reduce steam consumption and wastage, steam audit of the old plant is being carried out and also Thermo Compressor System is being installed. Civil construction of various godowns for storage of waste paper, chemicals & finished goods have been completed.

It is expected that the Capex Scheme will be completed by July, 2009.

OPPORTUNITIES AND THREATS

- The prospects of Indian pulp and paper industry are indeed good. Robust growth in key sectors, growing purchasing power, industrialization and continued emphasis on literacy can propel India to reach an eminent position in the global paper market.
- The increased focus on education is evident as we witness significant progress of the Government's schemes like "Sarva Shiksha Abhiyan" and "National Literacy Mission".
- 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.
- 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.
- 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.

RISK AND CONCERNS

- The Indian Paper Industry faces shortage of quality raw material and constant increase in cost of raw materials, chemicals and other inputs.
- The availability of paddy husk fuel for Power Plant is mainly seasonal and dependant upon the crop.
- Increased competition in paper industry may adversely affect the business of the company.
- 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.
- The new Paper Machine III is capable of producing Newsprint and water mark paper apart from creamwove & other varieties.
- The Company has set up a Lignin Removal Plant for its agro pulping street. Now we are able to operate its agro pulping street giving it raw material flexibility.

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 Management's 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, 2009, the Profit and 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 (Auditor's 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 and 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 and 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 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, 2009;
 - (b) in the case of the Profit and 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 : ALLAHABAD
DATE : 27th JUNE, 2009**

**(P.L. GUPTA)
PARTNER
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. 60.25 Lacs were outstanding in case of 17 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 62.40 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 purchases 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, custom 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, 2009 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the Statute	Nature of Dues	Amount (Rs. In Lacs)	Forum where dispute is pending
Central Excise Act	Cenvat Credit	5.74	Commissioner Appeal, Lucknow

- X. The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth. It has incurred cash losses, both in the financial year under report and 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 banks except interest amounting to Rs. 98.17 Lacs which fell due during the year has since been paid.
- 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 is 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 : ALLAHABAD
DATE : 27th JUNE, 2009

(P.L. GUPTA)
PARTNER
Membership No. 9444

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE	As at 31-03-2009 Rupees	As at 31-03-2008 Rupees
I. SOURCES OF FUNDS :		
1. SHAREHOLDERS' FUNDS		
(a) Share Capital	1 164044635	164044635
(b) Reserves & Surplus	2 33315034	73208431
	<u>197359669</u>	<u>237253066</u>
2. LOAN FUNDS		
(a) Secured Loans	3 819536990	719200209
(b) Unsecured Loans	4 162460818	85419512
	<u>981997808</u>	<u>804619721</u>
3. DEFERRED TAX LIABILITY (Refer Note 9, Schedule 20)	<u>26093669</u>	46191548
TOTAL	<u>1205451146</u>	<u>1088064335</u>
II. APPLICATION OF FUNDS :		
1. FIXED ASSETS	5	
(a) Gross Block	1231498982	1165799243
(b) Less : Depreciation	294022957	241032405
(c) Net Block	<u>937476025</u>	<u>924766838</u>
(d) Capital Work-in-Progress	6 15512478	506250
	<u>952988503</u>	<u>925273088</u>
2. INVESTMENTS	7 294840	294840
3. CURRENT ASSETS, LOANS & ADVANCES		
(a) Inventories	8 248213644	115350909
(b) Sundry Debtors	9 146680149	64030332
(c) Cash & Bank Balances	10 13386761	9507549
(d) Loans & Advances	11 32116762	47463239
	<u>440397316</u>	<u>236352029</u>
Less : CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities	12 219403111	70458302
(b) Provisions	13 3797272	3397320
	<u>223200383</u>	<u>73855622</u>
NET CURRENT ASSETS	<u>217196933</u>	162496407
4. PROFIT & LOSS ACCOUNT		
(a) As per Profit & Loss Account	118784212	-
(b) Less : Reserve and Surplus Account per Contra.	<u>83813342</u>	<u>34970870</u>
	<u>34970870</u>	<u>-</u>
TOTAL	<u>1205451146</u>	<u>1088064335</u>

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

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

**(P. L. GUPTA)
PARTNER**

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED : 27TH JUNE, 2009**

**BABITA JAIN
COMPANY SECRETARY**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUSHIL KHANNA
R.L. SINGH**

} DIRECTORS

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE	Year Ended 31.03.2009 Rupees	Year Ended 31.03.2008 Rupees
INCOME		
Sales	14	1206834358
Less : Excise Duty		36357416
		<u>1170476942</u>
Other Income	15	870406
		<u>1171347348</u>
EXPENDITURE		
Materials	16	799120348
Payments & Benefits to Employees	17	73014540
Power & Fuel		204667596
Cost of Borrowings	18	95661209
Other Expenses	19	37428854
		<u>1209892547</u>
Loss before depreciation & taxation		-38545199
Depreciation		55795993
		-94341192
Loss before taxation		-94341192
Provision for taxation		
Current tax	-	-
Deferred tax	-20097879	2020336
Fringe Benefit Tax	620954	695937
		<u>2716273</u>
Loss after taxation		-74864267
Balance brought forward from last year		-57260189
		<u>-43919945</u>
Loss carried to Balance Sheet		13340244
		<u>-118784212</u>
Basic/Diluted Earnings per Share (Rs.) (Refer Note 10, Schedule 20)		-4.56
		-3.49

NOTES FORMING PART OF THE ACCOUNTS 20

As per our report of even date.

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

(P. L. GUPTA)
PARTNER

GIRISH TANDON
MANAGING DIRECTOR

ALANKAR TANDON
EXECUTIVE DIRECTOR

PLACE : ALLAHABAD
DATED : 27TH JUNE, 2009

BABITA JAIN
COMPANY SECRETARY

BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUSHIL KHANNA
R.L. SINGH

} DIRECTORS

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

		(RUPEES IN LACS)	
		Year Ended 31.03.2009	Year Ended 31.03.2008
A. CASH FLOW FROM OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		-943.41	-545.44
Adjustment for:			
Depreciation		557.96	268.09
Interest Expenses		956.61	218.13
Interest Income		- 2.62	- 2.76
Dividend Income		- 0.19	- 0.10
(Profit)/Loss on Sale of Fixed Assets		- 1.04	- 19.26
OPERATING PROFIT BEFORE WORKING		567.31	-81.34
CAPITAL CHANGES			
Adjustment for:			
Trade & Other receivables	- 672.33		- 123.08
Inventories	- 1328.63		- 135.34
Trade payable and other liabilities	1463.67	- 537.29	288.62
CASH GENERATED FROM OPERATIONS		30.02	- 51.14
Direct taxes paid		- 6.58	- 39.62
CASH FLOW BEFORE EXTRAORDINARY ITEMS		23.44	-90.76
Extraordinary items		-	-
NET CASH FROM OPERATING ACTIVITIES	...A	23.44	-90.76
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		- 831.14	- 2792.71
Sale of Fixed Assets		14.55	27.45
Purchase of Investments		-	-
Dividend received		0.19	0.10
Interest received		2.11	2.41
NET CASH USED IN INVESTING ACTIVITIES	...B	- 814.29	- 2762.75
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Share Capital		-	17.54
Proceeds from Long Term Borrowings		1275.77	1022.38
Repayment of Long Term Borrowings		-	- 205.00
Net Increase/decrease in Cash Credit Utilisation		- 277.82	2044.24
Deposits		770.41	362.63
Hire Purchase		5.40	- 10.16
Interest paid		- 944.00	- 210.42
Dividend paid		- 0.12	- 129.00
NET CASH FROM FINANCING ACTIVITIES	...C	829.64	2892.21

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2009	(RUPEES IN LACS) Year Ended 31.03.2008
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>38.79</u>	<u>38.70</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	95.08	56.38
CASH AND CASH EQUIVALENTS (Closing Balance)	133.87	95.08

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)
PARTNER**

**PLACE : ALLAHABAD
DATED : 27TH JUNE, 2009**

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**KAMAL SRIVASTAVA
DEPUTY GENERAL MANAGER (FINANCE)**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUSHIL KHANNA
R.L. SINGH**

} **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="NIL"/>
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="1428652"/>	<input type="text" value="1428652"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus
	<input type="text" value="164045"/>	<input type="text" value="33315"/>
	Deferred Tax Liability	Secured Loans
	<input type="text" value="26094"/>	<input type="text" value="819537"/>
		Unsecured Loans
		<input type="text" value="162461"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="952989"/>	<input type="text" value="295"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="217197"/>	<input type="text" value="34971"/>

(IV) PERFORMANCE OF COMPANY

Turnover	Total Expenditure
<input type="text" value="1171347"/>	<input type="text" value="1265688"/>
Profit Before Tax	Profit After Tax
<input type="text" value="-94341"/>	<input type="text" value="-74864"/>
Earning Per Share in Rs.	Dividend Rate
<input type="text" value="-4.56"/>	<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)
PARTNER**

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED : 27TH JUNE, 2009**

**BABITA JAIN
COMPANY SECRETARY**

**BADRI VISHAL TANDON
C.M. KRISHNA
K.A. PAI
SUSHIL KHANNA
R.L. SINGH**

} 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 Thirtieth Annual General Meeting of the Company to be held on 30th July, 2009 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 30th Annual General Meeting held at Conference Hall, Hotel Elchico Restaurant at 24, M. G. Marg, Allahabad 211001 on Thursday, the 30th July, 2009 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.

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

**BOOK POST
UNDER CERTIFICATE OF POSTING**

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