

32nd

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2011**

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
Shri Chaitanya Dhruve Mehta
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.
D-153 A, Okhla Industrial Area,
Phase - I
New Delhi 110 020

SHREE BHAWANI PAPER MILLS LIMITED

CONTENTS	Page Nos.
Notice	3
Directors' Report	8
Corporate Governance Report	14
Management Discussion and Analysis Report	22
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30-31
Schedules	32-44
Balance Sheet Abstract & Company's General Business Profile	45-46

SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 32nd 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-211002, on Wednesday, the 21st September, 2011 at 11.30 am to transact the following Business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year ended 31st March, 2011, 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, 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, from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company 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 **Special Resolution**:

Adoption of new set of Articles of Association of the Company

"RESOLVED THAT pursuant to the Share Subscription and Shareholders Agreement entered into by the Company on June 25, 2011, Section 31 and all other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof), and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies under relevant laws /statutes and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions, the Articles of Association of the Company be replaced by the new set of Articles of Association as placed before the meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board of Directors be and are hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, expedient or desirable and to settle any questions, difficulties or doubts that may arise in this regard at any stage and also to agree to and make or accept such conditions, modifications and alterations as may be laid down by any or the relevant authorities while according its approvals, consents or permissions"

SHREE BHAWANI PAPER MILLS LIMITED

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

Appointment of Shri Chaitanya Dhruve Mehta as a Director of the Company, liable to retire by rotation

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Shri Chaitanya Dhruve Mehta who was appointed by the Board of Director of the Company as an Additional Director and who holds the Office upto 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 Chaitanya Dhruve Mehta for the Office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 10TH AUGUST, 2011

SHREE BHAWANI PAPER MILLS LIMITED

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

Proxies in order to be valid must be received by the Company not later than 48 hours before the commencement of the Meeting. The relevant proxy form is attached herewith.

2. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956. in respect of Resolutions set out hereinabove is annexed hereto and forms part of this Notice.
3. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of Board Resolution on the letterhead of the Company, signed by one of the Directors or Company Secretary or any other authorized signatory, authorising their representatives to attend and vote on their behalf at the Meeting.
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Nos. for easy identification of attendance at the Meeting.
5. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
6. Documents referred to in this Notice and explanatory statement are available for inspection of members of the Company, at the Registered Office of the Company, on any working day between 10:00 am to 5.00 pm until the date of the Meeting.
7. The Register of Members and the Share Transfer Books of the Company shall remain closed from 17th September, 2011 to 21st September, 2011. (Both days inclusive).
8. Members are requested to intimate change, if any, in their addresses.
9. The Unclaimed Dividend for Financial Years, 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 2004-05, 2005-06 and 2006-07 may immediately approach the Company with their dividend warrants for encashment.

10. 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.
11. 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.
12. 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 2011-12

SHREE BHAWANI PAPER MILLS LIMITED

13. Details of the Directors seeking re-appointment at this Annual General Meeting: (Pursuant to Clause 49 (IV) (G) of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai:

- (i) Shri Badri Vishal Tandon, aged about 61 years, is a Law Graduate and has more than 38 years of experience as Advocate, High Court, Allahabad. He has special expertise in tax matters. He has been a Director of the Company since inception and is also a member of Audit Committee and Investors Grievance Committee of the Company.

Details of other Directorship/Committee Membership held by him:

Director in Sahitya Bhawan Pvt. Ltd., Allahabad.

- (ii) Shri Chaitanya Dhruve Mehta aged about 54 years, a Solicitor and Notary and in practice for more than two decades, also the head partner in M/s Dhruve Liladhar & Co., Mumbai.

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

Date: 10th August, 2011

Dear shareholder,

Re: Go Green Initiative In Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" vide Circular No. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011 respectively, allowing paperless compliances by companies through electronic mode. Accordingly, companies are now permitted to send various notices / documents to its shareholder through electronic mode to the registered email address of shareholders. This move by the Ministry is welcome since it will benefit the society as well as to the company at large through reduction in paper consumption, avoiding delay/lost in transit of documents and contribution towards Greener Environment.

Keeping in view the underlying theme and the circular issued by MCA, your Company is keen to participate in Green Initiative and henceforth propose to send requisite documents such as Notices of General Meeting (s), Annual Report and other shareholders communication through electronic mode, to the e-mail address provided by you/made available to the Company by the Depositories.

Shareholders may register/change their email address with the Company through the following options:

1. **If you are holding shares in the Physical form:** By sending a letter to M/s. Skyline Financial Services Limited, Registrar & Share Transfer Agent of the Company at D-153 A, Okhla Industrial Area, Phase - 1 New Delhi 110 020 mentioning the name, the Folio Number, No. of shares held and e-mail address.
2. **If you are holding shares in the DEMAT form:** By updating your e-mail address with your Depository Participants. The Company will use the e-mail address provided by you to the Depositories viz. NSDL/CDSL and available to the Company from time to time to send various notices/documents etc henceforth.

Kindly note that if you still wish to receive the above documents in physical form, the same will be made available upon receipt of request from you.

Shareholders holding the shares in demat form are requested to also keep their Depository Participant informed of any changes in their e-mail address.

We solicit your valuable co-operation and support in our endeavour to contribute our bit to the environment.

Thanking you,

FOR SHREE BHAWANI PAPER MILLS LIMITED

BABITA JAIN
COMPANY SECRETARY

SHREE BHAWANI PAPER MILLS LIMITED

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

ITEM NO. 5

Pursuant to the Special Resolution passed at the Extra Ordinary General Meeting of the Shareholders of the Company on June 17, 2011, the Company had entered into Share Subscription and Shareholders Agreement with Mr. Omprakash Goenka, Mrs. Kiran Goenka, Mr. Gaurav Goenka, Mrs. Girija Goenka and M/s Mirah Dekor Limited (the 'Investors') and Mr. Badri Vishal Tandon (the 'Promoter Allottee') on June 25, 2011. In view of that, it is necessary to incorporate clauses as mentioned under the said agreement into the existing Articles of Association of the Company for its effective implementation. However, to avoid misconstruction by addition/deletion of existing clauses under the Articles of Association, it is proposed to adopt new set of Articles of Association which will broadly include all the relevant terms of agreement.

A copy of the draft of new Articles of Association is available for inspection by members at the Company's Registered Office on all working days between 10.00 am to 5.00 pm until the date of the Meeting.

Amendment to the Articles of Association of the Company requires the approval of the shareholders by Special Resolution. Hence, the Directors recommended the Resolution as set out in the Item no.5 for your approval.

Memorandum of concern or interest

None of the Directors of your Company is in any way, concerned or interested in the Resolution, except to the extent of their shareholding in the Company.

ITEM NO.6

Shri Chaitanya Dhruve Mehta was appointed as Additional Director of the Company pursuant to 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 18th May, 2011 with effect there from and holds the Office upto the date of ensuing Annual General 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 the appointment of Shri Chaitanya Dhruve Mehta as Director of the Company. The Board considered it beneficial and in the interest of the Company to continue to have the advice of Shri Chaitanya Dhruve Mehta and accordingly, recommend his appointment as Director of the Company.

Except Shri Chaitanya Dhruve Mehta, none of the Director of the Company is in any way concerned or interested.

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

DATED : 10TH AUGUST, 2011

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

We have pleasure in presenting our 32nd Annual Report together with the audited accounts of the Company for the year ended 31st March, 2011.

PERFORMANCE

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

	Year ended 31.03.2011	Year ended 31.03.2010
Production (Tonnes)	<u>42773</u>	<u>45548</u>
	Rs. in Lacs	Rs. in Lacs
Sales	<u>12271</u>	12592
Other Income	<u>237</u>	<u>212</u>
	<u>12508</u>	<u>12804</u>
Gross Profit/(Loss)	<u>834</u>	1118
Less : Interest	<u>1351</u>	1171
Depreciation for the year	<u>609</u>	<u>593</u>
Profit for the year before tax	<u>-1126</u>	-647
Less : Provision for taxation	<u>-78</u>	<u>-183</u>
Profit / (Loss) after taxation	<u>-1048</u>	-464
Profit / (Loss) brought forward from last year	<u>-814</u>	-1188
Transfer from General Reserve	<u>-</u>	<u>838</u>
Loss carried to Balance Sheet	<u>-1862</u>	<u>-814</u>

During the financial year under review, 2010-11, the Company has manufactured 42,773 tons of paper with a gross sale of Rs. 130.88 crores including taxes. The production could have been higher by more than 15,000 tons, but due to very adverse raw-material and financial conditions, the Company had to slow down production from November 2010.

The major reasons for loss in the year are:

1. Increase in waste paper price due to shortage of fiber.
2. Increase in price of fuel, that is, husk and coal.
3. Lower realization of sale per ton due to excess supply of writing printing paper and excessive import of newsprint.
4. High Interest cost.

SHREE BHAWANI PAPER MILLS LIMITED

During the period April-June 2011, the production was 7,997 tons and sales were 7,463 tons, amounting to Rs.26.72 crores. The production has picked up only in June. We manufactured 4,230 tons of paper versus combined production of 3,993 tons of April and May,2011.

Paper prices have improved from February 2011 and though July-October is off season for paper, still we expect to sell our entire production due to pending Government Orders and good demand of newsprint. After registering increase the domestic waste paper prices now coming down. Imported waste paper prices are high but steady. We are trying to reduce dependence on imported waste paper after implementation of Chemical Recovery plant and further capital expenditure.

Availability of Agro residue is expected to be good in coming months.

COMPLIANCE OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

Pursuant to provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985, we are required to report the shareholders and the Board for Industrial and Financial Reconstruction (BIFR) regarding the erosion of net worth of the Company.

The major reasons for losses are the severe recession in paper market in previous years, increase in price of raw material & fuel, high interest cost. Despite the losses, the Company has been paying the term loan installments/bank dues by raising short term loans. This has led to shortage of working capital. Hence, the equity capital was raised for smooth operations of the Plant which is suffering due to lack of working capital.

CAPITAL EXPENDITURE SCHEME

The Capital Expenditure Scheme for Chemical Recovery Plant is under implementation. However, due to delay in equipment supplies and some electrical motors along with imported equipment from China, we expect a delay of three months in completion. In view of this, there is some time and cost over run.

Further, the Company has taken opinion from experts who have advised the immediate steps should be taken to increase the production of bleach pulp to 150 tons per day. Balancing equipment to reduce power cost and improve storage facility of agro residue and fuel is urgently required. Investment is also required in infrastructure.

Accordingly, the Company has submitted a Proposal to extend the present Capital Expenditure Scheme with request to provide Additional Term Loan to banks.

CAPITAL

Your Company has issued an aggregate of 1,84,03,224 Equity Shares of Rs. 10/- each aggregating to Rs. 18.40 crores of preferential basis as under:

- (a) 22,50,000 equity shares to Mr. Badri Vishal Tandon (Karta of Ram Mohan Das Tandon (HUF)) existing promoter of the Company.
- (b) 1,16,53,224 equity shares to the investor Acquirers ie Mr. Omprakash Goenka, Mrs. Kiran Goenka, Mr. Gaurav Goenka, Mrs. Girija Goenka and Mirah Dekor Ltd.
- (c) 45,00,000 equity shares to Mr. Mohit Chaturvedi, Mrs. Bina Chaturvedi and Ganges Leasing and Finance Company Private Limited.

Your Company further entered into Share Subscription and Shareholders Agreement between the existing Promoters of the Company and Mr. Omprakash Goenka, Mrs. Kiran Goenka, Mr. Gaurav Goenka, Mrs. Girija Goenka and Mirah Dekor Ltd. (the 'Investor Acquirers'). Accordingly, Shri Badri Vishal Tandon will be the Chairman, Shri Om Prakash Goenka, Vice-Chairman and Shri Girish Tandon, Managing Director of the Company.

SHREE BHAWANI PAPER MILLS LIMITED

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

During the year under review, the Company received 28463 units of CERs for our contribution to reduce carbon emissions from first & second Rice Husk Based Cogeneration Power Project for activity up to 31st December, 2009. We realized a sum of Rs.217 lacs net of expenses from sale of these CERs.

We expect to receive further 24473 CERs for an activity from 1st January,2010 to 31st December,2010 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as required under Section 217 (l) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, 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, 2011, fixed deposits from the public and shareholders aggregated to Rs. 378.19 lacs. There has been no unpaid/unclaimed/overdue deposit as on date.

DIRECTORS

Shri Badri Vishal Tandon and Shri K A Pai, Directors of the Company, are retiring by rotation.

Shri Badri Vishal Tandon being eligible for re-election, has given his consent for the same.

Shri K A Pai has expressed his inability, due to old age to continue as Director, after forthcoming Annual General Meeting. Your Directors express their deep appreciation for his valuable association & contribution for more than a decade.

Under the provisions of Section 260 of the Companies Act, 1956 and Article 81 (b) of the Articles of Association of the Company, Shri Chaitanya Dhruve Mehta was appointed as an Additional Director of the Company with effect from 18th May, 2011 to hold the Office till the conclusion of ensuing Annual General Meeting.

The Company has received Notice under Section 257 of the Companies Act, 1956 and accordingly the Resolution proposing the appointment of Shri Chaitanya Dhruve Mehta shall be placed before the shareholders for their approval at the ensuing Annual General Meeting.

AUDITORS

M/s P. L. Gupta & Co., Chartered Accountants, Statutory Auditors of the Company, retire from their Office at the conclusion of ensuing Annual General Meeting. 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 re-appointment for the accounting year 2011-12.

PARTICULARS OF EMPLOYEES

None of the Employee of the Company was in receipt of total remuneration of Rs.60,00,000/- during the financial year under review or Rs.5,00,000/- 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.

SHREE BHAWANI PAPER MILLS LIMITED

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, 2011, 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, 2011 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 in spite 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: 10TH AUGUST, 2011

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) Ceramic drainage element have been installed on the higher capacity paper machine, which has reduced load & there by power consumption.
- (e) To reduce steam consumption, thermo compressor has been installed. Steam audit is also being carried out to plug the leakages.
- (f) The Company is augmenting pulp from Waste Paper Deinking plant which will has further reduced the power consumption per unit of production.
- (g) 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		
Units (KWH in lacs)	120.31	110.70
Total Amount	548	443
Rate/Unit	4.56	4.00
b) Own Generation		
Through Diesel Generators :		
Units (KWH in lacs)	0.59	0.02
Units per litre of diesel oil	3.00	3.20
Diesel (Rs./Litre)	28.96	28.96
Rate/Unit (Rs.)	9.67	11.43
Through Steam Turbine :		
Units (KWH in lacs)	326.93	369.50
Units per Tonne of Fuel	554	461
Rate / Unit (Rs.)	4.79	4.61
2. Paddy Husk		
Quantity (Tonnes)	53413	90324
Total Cost (Rs. in lacs)	1405.25	1706.58
Average Rate (Rs./Tonne)	2118	1889

SHREE BHAWANI PAPER MILLS LIMITED

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	42773	45549
Electricity* (Units/Tonne)	1047	1054
Paddy Husk** (Tonnes/Tonne)	1.71	1.98

* 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	:	NIL (Previous Year Rs. NIL)
(b) Recurring	:	NIL (Previous Year Rs. NIL)
(c) Total	:	NIL (Previous Year Rs. NIL)
(d) Total R&D Expenditure as a percentage of total turnover	:	NIL (Previous Year NIL)

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 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 actively exploring export market for MG Paper.
2. Foreign Exchange earnings and outgo
Foreign exchange earnings on account of exports of goods & CERs were Rs.297.88 lacs and total foreign exchange outgo during the year amounted to about Rs.1857.68 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 31.03.2011 are given below :

Name of the Director	Category	No. of outside Directorships held	No. of Committee Memberships 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	5	Yes
Shri K A Pai	Independent Non Executive	-	2	5	3	No
Brig. (Retd.) R.L. Singh SC	Independent Non Executive	-	1	5	1	No
Shri Murari Lal Jalan	Independent Non Executive	9	1	5	-	No

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 i.e. on 29.05.2010, 14.08.2010, 15.11.2010, 14.02.2011 and 15.03.2011.

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 Badri Vishal Tandon and Shri K A Pai, Directors of the Company, are retiring by rotation.

Shri Badri Vishal Tandon being eligible for re-election, has given his consent for the same.

Shri K A Pai has expressed his inability, due to old age to continue as Director, after forthcoming annual general meeting. Your Directors expressed their deep appreciation for his valuable association & contribution of more than a decade.

Information as required under Clause 49 (VI) (G) 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	4
Shri K A Pai	4	3
Shri Murari Lal Jalan	4	-

The Company Secretary shall act as Secretary of the Audit Committee.

The Audit Committee has been mandated with the same terms of reference as specified in amended Clause 49 of the Listing Agreement with Bombay 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.
 - 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.
- 12a. Approval of appointment of CFO (i.e the whole time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidates.
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 Meeting 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	1	1

The Company Secretary shall act as Secretary of Remuneration Committee.

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 2010-11 to Shri Girish Tandon, Managing Director, Rs.31,64,603/- and Shri Alankar Tandon, Executive Director, Rs. 9,70,145/-.

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 2010-11 is given below:

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	53,000/-
2.	Shri C. M. Krishna	42,500/-
3.	Shri K A Pai	29,000/-
5.	Shri Murari Lal Jalan	—
6.	Brig. (Retd.) R L Singh SC	8,500/-

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, 2011 - NIL

The number of share transfer pending as on 31st March, 2011 - NIL.

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

SHREE BHAWANI PAPER MILLS LIMITED

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.3.2011

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.	Brig. (Retd.) Shri R.L. Singh SC	NIL
7.	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 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
2007-08 AGM	Conference Hall, Hotel Elchico, Restaurant, 24, M.G. Marg, Civil Lines, Allahabad	30.09.2008	11.30 AM
2008-09 AGM	- do -	30.07.2009	11.30 AM
2009-10 AGM	- do -	27.09.2010	11.30 AM
2010-11 EGM	Registered Office at 33, Dayanand Marg, Allahabad.	17.06.2011	11.00 AM
2010-11 AGM	Conference Hall, Hotel Elchico Restaurant, 24, M.G. Marg Civil Lines Allahabad.	21.09.2011	11.30 AM

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

BOOK CLOSURE

Saturday, 17th September, 2011 to Wednesday, 21st September, 2011 (Both days inclusive).

CODE OF CONDUCT

The code of conduct for the Directors and the Senior Management of the Company have 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 2010-2011. A declaration signed by Managing Director about affirmation of code of conduct by Board Members and Senior Management Personnel is as follows :

DECLARATION BY THE MANAGING DIRECTOR

Re : Code of Conduct - Declaration under Clause 49

This is to certify that :

- 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.
- 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.
- All board members and senior management personnel have affirmed compliance with the said Code of Conduct for the year ended 31st March, 2011.

Place : Allahabad

Dated : 30th May, 2011.

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 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 Exchange, 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 / Amrit Prabhat, Allahabad, and are displayed on the website of the Company www.shbhawani.com

GENERAL SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING

Date & Time : Wednesday, 21st September, 2011, 11.30 AM
Venue : Conference Hall, Hotel Elchico Restaurant, 24, 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 2011-12 has 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.
D-153 A, Okhla Industrial Area,
Phase - I,
NEW DELHI - 110 020

Phone No.: 011 26812682-83
Fax No. : 011 26812684

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 31.03.2011

No. of Shares	No. of Shareholders	%age	No. of Shares	%age
Up to 500	2328	65.56	467736	2.85
501-1000	516	14.53	430903	2.62
1001-5000	504	14.20	1192855	7.27
5001-10000	80	2.25	583550	3.55
10001 & above	123	3.46	13748956	83.71
	3551	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	705761	4.30
NRIs	16185	0.10
Indian Public	6297430	38.34
	16424000	100.00

DEMATERIALIZATION OF SHARES

As on 31.3.2011, 97.88% i.e., 16076468 Equity Shares of Company's share capital are dematerialised and balance of 347532 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.
D-153 A, Okhala Industrial Area,
Phase - I,
New Delhi - 110 020
Tel : 011 - 26812682-83
Fax : 011 - 26812684

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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**

**PLACE : ALLAHABAD
DATE : 11th JULY, 2011**

**(P.L. GUPTA)
PARTNER
Membership No. 9444
Registration No. 011575C**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

Global economies are recovering from the economic downturn since year 2009 and still continues, although the growth is categorically fragile and needs to be proctor by the government until the shift in Business Cycle. The overall economic condition still remains very uncertain.

The pulp and paper industry in India ranks 15th amongst the largest paper industries in the world. It provides employment to more than two million people and contributes around Rs. 25 billion to the government coffers. The government regards the paper industry as one of the 35 high priority industries in the country. As expected, overall demand for paper is estimated to have increased by around 6% during the year under review. The tissue paper sub-segment is however estimated to be growing the around 20%.

The Indian paper industry has huge potential and capabilities to serve the ever growing demand for paper and products in domestic and international market and also to create employment opportunities in the rural India. Out of the 12 million tonnes of Installed Capacity of Indian Paper Industry, 11 million tonnes of capacity are in operation with an annual production of 10 million tonnes whereas the present per capita consumption is 10.50 million tonnes. Growth is projected for the paper industry for the coming years and accordingly, Indian Paper Industry gearing itself to meet the projected demand of 15 million tonnes by the year 2015 and 21 million tonnes by the 2020.

Industry has been pleading for the last many years to setup Technology Up-gradation Fund (TUF) to address its technological obsolescence. It is very much essential to focus the attention of the authorities to this crucial issue in the forthcoming budget. Research & development (R & D) activities are not taking place in Indian paper Industry in its right spirit and industry is compelled to adopt costlier technologies from overseas countries. Therefore, the CESS Money collected from the Paper Industry should be given to paper mills for R & D as per IDR Act.

Paper industry is highly diverse, technical and capital intensive. Norms relating to environmental pollution and tighter effluent treatment/descharge parameters etc. have restricted rapid expansion of paper industry.

The advantages of the agro and waste paper based mills are manufacturing eco-friendly paper by using annually renewable raw materials and waste paper. The industry is set up in rural areas and providing employment to the rural population. Collection of waste paper itself is providing millions of jobs to the rag pickers, kabariwalh, etc. One metric tonne paper required 3-5 MT of straw and only one metric tonne is generated from one acre of land. Sale of agro residues, which earlier used to burn in absence of viable marketing causing heavy air pollution, now adds additional income to the farmers. Thus, the growth of these segments help not only preserving the already depleting precious forests but also maintain the green cover.

OPPORTUNITIES AND THREATS

The introduction of the Rights to Education Act is expected to give a tremendous boost to demand for paper. The on going national census and UID initiative are also expected to result in substantial demand for paper. Changes in life style and growth in IT sector will continue to drive increasing demand for tissue paper. Export markets will also present attractive opportunities at least in the near future. Therefore, we expect paper prices to gradually improve to more reasonable levels. However, further new capacities of nearly 400000 tons of writing & printing papers are expected to come on stream some time in 2011 which may keep prices under check.

The Company imports about 50% of the raw material, there is world wide scarcity of waste paper due to lower consumption in Europe and U.S. Even in India, there is acute shortage of recycled fibre, which has been aggravated by usage of waste, boxes, cartons as fuel in winter seasons. Price of domestic waste paper has increased by 30% during the year 2010-11, now again coming down. Apart from this, there is a huge competition for sourcing raw materials among paper Mills, Duplex and Kraft Mills are very aggressive buyers of waste paper because the price of kraft and duplex has increased by more than 50% for the last one year. Therefore, they have a better paying capacity than writing printing mills to buy waste paper.

SHREE BHAWANI PAPER MILLS LIMITED

On the fuel front, we feel that this is going to be a difficult year because coal and petroleum prices are increasing on regular basis and this is causing a deep strain on husk prices.

Other agro residues are available and there is no shortage of bagasse or wheat straw.

Due to demand and supply gap in our Country, the Company is assured of a stable market for its products. The Company is focused in reducing cost of Production and maintaining the competitiveness through quality improvement, better energy management and increased usage of agri residues.

The main strength of the Company lies in its ability to sustain in the leaner period by switching of production capacity from newsprint to writing printing segment and vice versa. Through Innovation and continuous up gradation in efficiency & improvement in the health of the plant, the Company has been able to increase its production capacity substantially over the years.

PRODUCTWISE PERFORMANCE

During the year 2010-11, the Company manufactured 42773 tons of printing, writing & newsprint paper. The production could have been higher but due to very adverse raw-material and adverse market conditions, the Company had to slow down production from November 2010.

OUTLOOK

The Company expects that

- Paper demand and prices are better during the year 2011 and after the implementation of the Capital Expenditure Schemes we will be manufacturing better quality paper of higher realization.
- After the completion of Capital Expenditure Scheme, the dependence on imported raw-material will reduce, resulting in lower cost of production.
- We hope to achieve additional revenue from Renewable Energy Certificate apart from carbon credit income.

RISK AND CONCERNS

- Indian paper industry is burdened with many disability factors that are, growing raw material shortages, rising cost of input, mainly energy cost, piling up of stock, reduction in capacity utilization, financial crunch affected the bottom line of the mills, uncontrolled dumping of certain grades of paper from China and Indonesia, technological obsolescence, etc.
- Increased competition in paper industry may adversely affect the business of the Company.
- Due to demand recession, the receivables in paper industry have increased along with stocks, leading to higher borrowing of Working Capital.
- Weakening of the Rupee will increase cost of waste paper and production cost.

FINANCIAL PERFORMANCE

During the financial year under review, 2010-11, the Company manufactured 42,773 tons of paper with a gross sale of Rs. 130.88 crores including taxes. The production could have been higher by more than 15,000 tons, but due to very adverse raw-material and market conditions, the Company had to slow down production from November 2010.

The major reasons for loss in the year are:

1. Increase in waste paper price by 30% due to shortage of fiber.
2. Increase in price of fuel, that is, husk and coal by more than 25%.
3. Lower realization of sale per ton due to excess supply of writing printing paper and excessive import of newsprint.
4. High Interest cost.

SHREE BHAWANI PAPER MILLS LIMITED

During the year under review, the Company received 28463 units of CERs for its contribution to reduce carbon emissions from first & second Rice Husk Based Cogeneration Power Project for activity up to 31st December, 2009. We realized a sum of Rs.217 lacs net of expenses from sale of these CERs.

We expect to receive further 24473 CERs for an activity from 1st January, 2010 to 31st December,2010 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

The major reasons for the losses in the Company is attributed to the various factors which are dominantly external factors which, inter alia, includes severe recession in paper industry from past several years, increase in raw material inputs, fuel, power, and imbalances in the imports of waste paper on account of market forces and imbalances between news print vis-a-vis. writing printing paper, coupled with lack of infrastructure in clearing of goods has resulted into losses. However in spite of all constraints, the Company has been paying the regular installment of term loan and bank dues by arranging the short term loans. The same has resulted into shortage of working capital consequently the performance of the company.

In order to come out with the situation, the Company has issued an aggregate of 1,84,03,224 Equity Shares of Rs.10/- each aggregating to Rs.18.40 crores on preferential basis on 25th June, 2011. paper prices have improved from February 2011 and though July- October is off season for paper, still we expect good demand of all kinds of paper.

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 efficiency. 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 Discussion and Analysis describing the Company's objective, projections, estimates, expectations or predictions may be 'forward looking statements' with in the meaning of applicable securities law or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could differ materially from those expressed or implied. Important factors that could made a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw materials cost and availability, change 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, 2011, 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, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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, 2011;
 - (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
REGISTRATION NO. 011575C**

**PLACE : ALLAHABAD
DATE : 30th MAY, 2011**

**(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 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. 12.70 Lacs were outstanding in case of 15 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 12.70 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 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, 2011 for a period of more than six months from the date they became payable.
- X. The accumulated losses of the Company at the end of the financial year are more 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. The company has since paid aggregating Rs. 177.34 Lacs to Financial Institutions & Banks against the dues amounting to Rs. 456.44 Lacs which fell due in January-March 2011.
- 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
REGISTRATION NO. 011575C**

**PLACE : ALLAHABAD
DATE : 30th MAY, 2011**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

			As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
I. SOURCES OF FUNDS :				
1. SHAREHOLDERS' FUNDS				
(a) Share Capital	1	164044635		164044635
(b) Reserves & Surplus	2	33315034	197359669	197359669
2. LOAN FUNDS				
(a) Secured Loans	3	1055049686		923406654
(b) Unsecured Loans	4	285899098	1340948784	1109228876
3. SHARE APPLICATION MONEY			50000000	
4. DEFERRED TAX LIABILITY (Refer Note 8, Schedule 20)			-	7781036
TOTAL			1588308453	1314369581
II. APPLICATION OF FUNDS :				
1. FIXED ASSETS	5			
(a) Gross Block		1325219190		1292714268
(b) Less : Depreciation		410273236		353142153
(c) Net Block		914945954		939572115
(d) Capital Work-in-Progress	6	154624940	1069570894	946026872
2. INVESTMENTS	7		294840	294840
3. CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	8	400892908		346827366
(b) Sundry Debtors	9	138185297		121107035
(c) Cash & Bank Balances	10	17990154		8325129
(d) Loans & Advances	11	73268978		33641428
		630337337		509900958
Less : CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities	12	293544335		219877014
(b) Provisions	13	4483921		3308791
		298028256		223185805
NET CURRENT ASSETS			332309081	286715153
4. PROFIT & LOSS ACCOUNT As per Profit & Loss Account			186133638	81332716
TOTAL			1588308453	1314369581

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 : 30TH MAY, 2011

BABITA JAIN
COMPANY SECRETARY

BADRI VISHAL TANDON
C.M. KRISHNA

} DIRECTORS

ANUJ TANDON
FINANCE CONTROLLER

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	SCHEDULE	Year Ended 31.03.2011 Rupees	Year Ended 31.03.2010 Rupees
INCOME			
Sales	14	1263165134	1298070540
Less : Excise Duty		36022243	38901618
		<u>1227142891</u>	<u>1259168922</u>
Other Income	15	23736233	21238479
		<u>1250879124</u>	<u>1280407401</u>
EXPENDITURE			
Materials	16	812749975	835282028
Payments & Benefits to Employees	17	80436971	78228173
Power & Fuel		224976570	203809482
Cost of Borrowings	18	135138216	117107249
Other Expenses	19	49266205	51304674
		<u>1302567937</u>	<u>1285731606</u>
Profit before depreciation & taxation		-51688813	-5324205
Depreciation		60893145	59383010
Profit before taxation		-112581958	-64707215
Provision for taxation			
Current tax		-	-
Deferred tax		-7781036	-18312633
Tax Adjustment in respect of Earlier Year		-	-32736
		<u>-7781036</u>	<u>-18345369</u>
Profit after taxation		-104800922	-46361846
Balance brought forward from last year		-81332716	-118784212
Transfer from General Reserve		-	83813342
Profit carried to Balance Sheet		<u>-186133638</u>	<u>-81332716</u>
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 20)		-6.38	-2.82

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 : 30TH MAY, 2011

BABITA JAIN
COMPANY SECRETARY

BADRI VISHAL TANDON } DIRECTORS
C.M. KRISHNA }

ANUJ TANDON
FINANCE CONTROLLER

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	Year Ended 31.03.2011	Year Ended 31.03.2010
(RUPEES IN LACS)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	-1125.82	-647.07
Adjustment for:		
Income Tax Refund	—	0.32
Depreciation	608.93	593.83
Interest Expenses	1351.38	1171.07
Interest Income	- 1.19	- 6.84
Dividend Income	- 0.13	- 0.18
(Profit)/Loss on Sale of Fixed Assets	-4.06	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	829.11	1111.13
Adjustment for:		
Trade & Other receivables	-569.76	239.02
Inventories	-540.66	-986.13
Trade payable and other liabilities	699.35	6.41
CASH GENERATED FROM OPERATIONS	418.04	370.43
Direct taxes Paid/Refund	-0.49	11.17
CASH FLOW BEFORE EXTRAORDINARY ITEMS	417.55	381.60
Extraordinary items	—	—
NET CASH FROM OPERATING ACTIVITIES ...A	417.55	381.60
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	- 1804.40	- 543.31
Sale of Fixed Assets	8.52	1.61
Purchase of Investments	—	—
Dividend received	0.13	0.18
Interest received	3.89	5.91
NET CASH USED IN INVESTING ACTIVITIES ...B	- 1791.86	- 535.61
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital	—	—
Share Application Money	500.00	—
Proceeds from Long Term Borrowings	247.58	66.55
Repayment of Long Term Borrowings	777.38	—
Net Increase/decrease in Cash Credit Utilisation	290.04	976.07
Deposits	1000.76	233.61
Hire Purchase	1.42	-3.91
Interest paid	-1346.22	-1167.99
Dividend paid	—	-0.94
NET CASH FROM FINANCING ACTIVITIES ...C	1470.96	103.39

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2011	(RUPEES IN LACS) Year Ended 31.03.2010
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>96.65</u>	<u>-50.62</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	83.25	133.87
CASH AND CASH EQUIVALENTS (Closing Balance)	179.90	83.25

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**

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED : 30TH MAY, 2011**

**BABITA JAIN
COMPANY SECRETARY**

**BADRI VISHAL TANDON }
C.M. KRISHNA }**

DIRECTORS

**ANUJ TANDON
FINANCE CONTROLLER**

SHREE BHAWANI PAPER MILLS LIMITED

SCHEDULE 1 : SHARE CAPITAL

	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
AUTHORISED		
35000000 Equity Shares of Rs. 10/- each	350000000	350000000
250000 Preference Shares of Rs. 10/- each	2500000	2500000
	352500000	352500000
ISSUED, SUBSCRIBED AND PAID-UP		
16424000 Equity Shares of Rs. 10/- each fully paid-up (including 326000 Equity Shares of Rs. 10/- each fully paid issued to Financial Institutions on conversion of part loan)	164240000	164240000
Less : Calls in Arrears from others	195365	195365
	164044635	164044635

SCHEDULE 2 : RESERVES AND SURPLUS

Securities Premium Account				
As per last account	30795000		30795000	
Less : Calls in Arrears from others	48841	30746159	48841	30746159
	Capital Reserve		1568875	1568875
As per last account				
Capital Redemption Reserve				
As per last account		1000000		1000000
General Reserve				
As per last account	83813342		83813342	
Less : Transfer to Profit and Loss Account	83813342	—	83813342	—
		33315034		33315034

SCHEDULE 3 : SECURED LOANS

I. TERM LOANS

Indian Bank	360507876	313123146
Bank of Baroda	360848772	305736746
	721356648	618859892

(i) The Loans are secured by a 'Pari Passu' Joint Equitable Mortgage over the Company's immovable properties and a charge by way of hypothecation of movable assets of the Company both present and future subject to prior charges created on specified movable assets in favour of Company's Bankers for Working Capital.

The Loans are additionally secured by pledge of equity shares held by the Managing Director of the Company.

(ii) Instalments of Principal loan falling due within one year Rs.1082.08 lacs (Previous Year Rs. 950.32 Lacs).

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
II. OTHER LOANS & ADVANCES		
(a) From Banks	333037914	304033884
<p>Secured by hypothecation of stock of Raw Materials, Stores, Stock in process, finished goods, book debts, both present & future and further secured by second charge and mortgage on immovable properties of the Company as by way of Collateral Security.</p> <p>All the above loans are guaranteed by the Managing Director & Executive Director of the Company.</p>		
(b) From Others :		
Hire Purchase Finance	655124	512878
Secured by hypothecation of specific asset.		
	1055049686	923406654
SCHEDULE 4 : UNSECURED LOANS		
Fixed Deposits	37818657	48477232
Security Deposits	100178967	76502397
Corporate Deposits	8832400	8149990
Other Loans & Advances	139069074	52692603
	285899098	185822222

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2010 Rs.	Addi- tions Rs.	Deduc- tions Rs.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.	For the Year	Deductions/ Adjustments	As at 31.03.2011 Rs.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
Lease Hold Land	887530	-	-	887530	285975	9861	-	295836	591694	601555
Buildings	136072713	7495949	-	143568662	32646961	4504270	-	37151231	106417431	103425752
Plant & Machinery	1136881474	27921130	4098052	1160704552	306558567	55140871	3695860	358003578	802700974	830322907
Vehicles*	8849780	790993	-	9640773	6853595	550923	-	7404518	2236255	1996185
Furniture, Fixture & other Equipments	10022771	504813	109911	10417673	6797055	687220	66202	7418073	2999600	3225716
	1292714268	36712885	4207963	1325219190	353142153	60893145	3762062	410273236	914945954	939572115
Previous Year	1231498982	61640080	424794	1292714268	294022957	59383010	263814	353142153	939572115	
Capital Work in Progress									154624940	6454757

Note : * includes under hire purchase arrangement Rs. 1800000/-

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
SCHEDULE 6 : CAPITAL WORK IN PROGRESS		
Building under Construction	26828312	4365982
Plant & Machinery under Erection	80442989	57723557
Advance against Capital Expenditure	61690921	1288209
	(A) 168962222	63377748
Pre-Operative Expenditure		
Expenditure incurred upto previous year	6454757	79667
Salaries, Wages and other benefits	6205534	1436776
Interest on Term Loans	6071848	2091129
Insurance	147320	-
Professional Fee	74000	-
Bank Charges	2031292	-
Travelling Expenses	95046	-
	(B) 21079797	3607572
Less : Capitalised		
Plant and Machinery	27921130	55779923
Buildings	7495949	4750640
	(C) 35417079	60530563
Pre-Operative Expenditure (Net) - Pending Allocation	154624940	6454757
Total (A + B) - (C)	154624940	6454757
SCHEDULE 7 : INVESTMENTS		
Long term Investments Non-Trade (Quoted)	294840	294840
3240 Equity Shares of Rs. 10/- each of Indian Bank		
Market Value of Quoted Investments Rs.753138/- (Previous year Rs.569592/-)		
SCHEDULE 8 : INVENTORIES (Certified and valued by the Management)		
Raw Materials	240539835	185947481
Stores, Chemicals & Spare Parts	128033779	84686418
Finished Goods	4078760	28275873
Stock in process	19128131	18255955
Stock in Transit (Waste Paper)	9112403	29661639
	400892908	346827366

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
SCHEDULE 9 : SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Due for more than 6 months	6056376	620428
Other Debts	132128921	120486607
	138185297	121107035
SCHEDULE 10 : CASH & BANK BALANCES		
Cash in hand	1951747	1651548
With Scheduled Banks :		
In Current Account	7955607	3509581
In Fixed Deposit Account	8082800	3164000
	17990154	8325129
SCHEDULE 11 : LOANS & ADVANCES		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	59258760	13145184
Balance with Central Excise Department	10237867	17401752
Sundry Deposits	3772351	3094492
	73268978	33641428
SCHEDULE 12 : CURRENT LIABILITIES		
Sundry Creditors (including Rs. 187500/- due to Directors; 2009-2010, 187000/-) (Refer Note. 5, Schedule 20)	248573679	190247214
Advances from Customers	30743570	19814869
Creditors for Capex Scheme	4442980	-
Unpaid Dividends	518971	519704
Other Liabilities	3753587	4299638
Interest Accrued but not due on loans	5511548	4995589
There is no amount due to be transferred to Investor Education and Protection Fund.		
	293544335	219877014
SCHEDULE 13 : PROVISIONS		
Income Tax (Net of Advances)	840151	889454
Leave Encashment	3643770	2419337
	4483921	3308791

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2011 Rupees		Year Ended 31.03.2010 Rupees
SCHEDULE 14: SALES			
SALES (Inclusive of Excise Duty)	1308842836		1374011341
Less : Rebate & Discounts	45677702	1263165134	75940801
		1263165134	1298070540
SCHEDULE 15 : OTHER INCOME			
Certified Emission Reductions Sale	21737684		19762515
Dividend from non-trade investments	12960		17820
Interest - Deposits with Banks	116255		599048
(Tax Deducted at Source Rs. 14534/-, 2009-2010 Rs. 65849/-)			
Interest - Others	2487		85206
Insurance (Net)	372554		618993
Profit on Sale of Fixed Assets (Net)	405780		-
Miscellaneous Receipts	1088513		154897
	23736233		21238479
SCHEDULE 16 : MATERIALS			
A. CONSUMPTION OF RAW MATERIALS			
Opening Stock	185947481		95717440
Add : Purchases	600689929		681102384
	786637410		776819824
Less : Closing Stock	240539835	546097575	185947481
			590872343
B. INCREASE/DECREASE IN STOCKS			
Opening Stock :			
Finished Goods	28275873		25140652
Stock in Process	18255955		16861839
	46531828		42002491
Less : Closing Stock :			
Finished Goods	4078760		28275873
Stock in process	19128131		18255955
	23206891	23324937	46531828
			-4529337
C. EXCISE DUTY ON CLOSING STOCKS		204512	30834
D. CONSUMPTION OF STORES, CHEMICALS & SPARE PARTS		243122951	248908188
		812749975	835282028
SCHEDULE 17 : PAYMENTS & BENEFITS TO EMPLOYEES			
Salaries, Wages, Bonus & Allowances	71262237		69501717
Workmen and Staff Welfare Expenses	4515833		4272610
Employer's Contribution to Provident & Other Funds	4658901		4453846
	80436971		78228173

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2011 Rupees	Year Ended 31.03.2010 Rupees
SCHEDULE 18 : COST OF BORROWINGS		
Interest		
Fixed Loans*	85292097	80940533
Bank Borrowings etc.	49846119	36166716
* Includes Rs. NIL paid to Directors (Previous Year Rs. 17266/-)	135138216	117107249
SCHEDULE 19 : OTHER EXPENSES		
Repairs & Maintenance:		
Buildings	872998	946330
Plant & Machinery	16947705	13876415
Others	620807	166692
	18441510	14989437
Advertisement & Publicity	827453	909135
Bank Charges	7331248	4717260
Directors' Fee	133000	143000
Directors' Travelling Expenses	759628	119790
Exchange Rate Fluctuation	85380	-
Freight, Forwarding & Other Selling Expenses	4431953	9472716
Handling & Transportation Charges	-	3821273
Legal Expenses & Professional Fee	1205717	1670163
Loss on Sale of Fixed Assets	-	12931
Postage, Telegram & Telephone	1591851	1354681
Printing & Stationery	749583	820981
Rates & Taxes	2192697	517185
Rent	864000	630500
Service Tax	194488	177735
Selling Agents Commission	3432567	2592039
Travelling & Conveyance	2888637	4847390
Auditors' Remuneration:		
(* Net of service tax)		
Audit Fee	100000*	100000*
Tax Audit Fee	25000*	20000*
Other Services	52000*	52000*
Reimbursement of Expenses	14000	14000
	191000	186000
Cost Audit Fee	31500	31500
Internal Audit Fee	40000	40000
Vehicle Expenses	1157314	1029297
Miscellaneous Expenses	2716679	3221661
	49266205	51304674

SHREE BHAWANI PAPER MILLS LIMITED

SCHEDULE 20 : NOTES FORMING PART OF THE ACCOUNTS

1. Significant Accounting Policies :

A. General :

The financial statements are prepared under the historical cost convention in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956.

B. Use of Estimates :

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known/materialised.

C. Recognition of Income and Expenditure :

All income and expenditure items having a material bearing on the financial statements are recognised on the accrual basis.

D. Sales :

Sales are accounted for inclusive of excise duty. The sale value is net of discounts, returns and sales tax.

E. Excise Duty :

Excise Duty on finished goods has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded ware-houses.

F. Depreciation :

i) Depreciation on Buildings and Plant & Machinery is provided on straight line method and on other assets on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
ii) Lease hold land is amortised over the duration of lease.

G. Employee Benefits :

i) Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
ii) Post-employment and other long term employee benefits are recognised as an expense in the profit and loss accounts for the year in which the employee has rendered services. The expense is recognised at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit and loss accounts.
iii) The company has created an approved gratuity fund and has taken a Group Gratuity Insurance Policy with Life Insurance Corporation of India for future payment of gratuity to employees. The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year.

H. Fixed Assets :

Fixed assets are stated at cost net of modvat/cenvat less accumulated depreciation and impairment loss, if any. Pre-operative expenses including eligible borrowing cost incurred during construction period and issue expenses related to funds raised for financing the project are charged to capital work-in-progress and on completion, the costs are allocated to the respective fixed assets.

I. Borrowing Cost :

Borrowing costs that are attributable to the acquisition and construction of qualifying assets are capitalised as a part of the cost of such assets till the assets are ready for its use. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

J. Provision and Contingencies :

The Company creates a provision when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

Liabilities which are material and whose future outcome can not be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

SHREE BHAWANI PAPER MILLS LIMITED

K. Investments :

Long term Investments are stated at cost. Provision for diminution in value of long term Investments is made only if such decline is other than temporary.

L. Foreign Currency Transactions :

i) Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate at the date of the transaction.

ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expenses in the period in which they arise except in case of liabilities incurred for the purpose of acquiring the fixed assets from outside India in which case such exchange differences are adjusted in the carrying amount of fixed assets.

M. Lease :

Lease payments under an operating lease are recognised as expenses in the statement of Profit and Loss as per terms of lease agreement.

N. Inventories :

Raw materials, work-in-progress and finished goods are valued at lower of cost and net realisable value. However, materials held for use in the production of finished products are not written down below cost, if the finished products in which they will be incorporated are expected to be sold at or above cost. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Chemicals and Stores and Spare Parts are valued at or below cost. Cost of inventories is generally computed on weighted average/FIFO basis.

O. Taxation :

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Tax on fringe benefits is measured at the specified rate on the value of fringe benefits in accordance with the provisions of Section 115WC of the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profit for the year is accounted using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred Tax assets arising from the timing difference are recognised to the extent that there is reasonable certainty that sufficient future taxable income will be available.

P. Research and Development :

Revenue expenditure is charged as an expense in the year it is incurred. Expenditure which results in the creation of capital assets is taken as fixed assets and depreciation is provided on such assets as applicable.

Q. Impairment of Assets :

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired.

2. Contingent liability not provided for:

Guarantees given by bank **Rs. 51.00 lacs** (Previous Year Rs. 133.11 lacs)
Outstanding Letter of Credit **Rs. 522.36 lacs** (Previous Year Rs. 143.20 lacs)

3. Estimated amount of capital contracts remaining to be executed and not provided for **Rs. 434.94 lacs** (Previous Year Rs. 17.66 lacs).

4. The Income Tax assessments of the Company have been completed upto Assessment Year 2008-09. The Income Tax authorities had disallowed certain concessions/allowances available to the Company. The Company has filed appeals against such disallowances before appropriate authorities. Pending decision, the provision for Income Tax already made in the past has been considered to be adequate enough to meet the liabilities, if any.

5. Sundry creditors include principal amount Rs 117.20 lacs (2009-2010 Rs. 46.33 lacs) due to the suppliers covered by Micro and Small Enterprises Development Act, 2006.

SHREE BHAWANI PAPER MILLS LIMITED

There is no interest paid/payable during the year by the Company to such suppliers.

Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2011 are as under :

Item No.	Particulars	2010-2011	2009-2010
(a)	(i) The Principal amount remaining unpaid at the end of the year	108.62	34.29
	(ii) The interest due on above	NIL	NIL
(b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	NIL	NIL
(c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under the Act.	NIL	NIL

The disclosure is based on information available with the Company regarding the status of suppliers.

6. The Company has operating lease for two of its premises, which is renewable on expiry. Rental expenses for operating lease charged to Profit & Loss Account for the year is Rs. 7.44 lacs (Previous Year Rs. 5.20 lacs).
7. Managing Director & Executive Directors' remuneration

	2010-2011 Rupees	2009-2010 Rupees
Salary	3450000	3000000
Perquisites	144748	89708
Leave Encashment	540000	-
	4134748	3089708

As the employee-wise break-up of contribution to group gratuity scheme and leave encashment is not ascertainable, the amount related to Managing and Executive Director could not be included in the above.

8. The break-up of deferred tax assets and liabilities into major components at the year end is as below :

	As at 31.03.2010	Charge during the Year	As at 31.03.2011
Deferred Tax Liability :			
Depreciation	126786923	8333820	135120743
Deferred Tax Assets :			
Unabsorbed Depreciation	119005887	16114856	135120743
Net Deferred Tax Liability	7781036	-7781036	-

9. Earnings Per share (EPS).

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	Year Ended 31.03.2011	Year Ended 31.03.2010
Profit attributable to the Equity Shareholders (Rs.) (A)	- 104800922	- 46361846
Basic/Weighted average number of Equity Shares outstanding during the year (Nos) (B)	16424000	16424000
Nominal value of Equity Share (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) for the year (A/B)	-6.38	- 2.82

SHREE BHAWANI PAPER MILLS LIMITED

10. Related Party Disclosure as per Accounting Standard 18 :

List of related parties and relationships :

A. Key Management Personnel

1. Shri Girish Tandon - Managing Director
2. Shri Alankar Tandon - Executive Director

B. Relative of Key Management Personnel

1. Shri Badri Vishal Tandon
2. Smt. Savita Seth
3. Smt. Meenu Tandon
4. Smt. Neera Tandon
5. Smt. Surabhi Mehra
7. Smt. Paridhi Tandon
7. Shri Gaurav Tandon
8. Shri Akshat Tandon
9. Smt. Chavi Tandon
10. Km. Damini Tandon
11. Master Aadi Tandon
12. Master Anadi Tandon

C. Enterprises over which Key Managerial Personnel are able to exercise significant influence.

1. Alankar Udyog Pvt. Ltd.
2. Sahitya Bhawan Pvt. Ltd.
3. Electra Logistics Pvt. Ltd.

SHREE BHAWANI PAPER MILLS LIMITED

Transactions with Related Parties :

Nature of Transactions	Related to (A)	Related to (B)	Related to (C)
I. Rent for Office Premises	Rs. 150000 Rs. [50000]	Rs. 450000 Rs. [150000]	Rs. — Rs. —
II. Interest on Fixed Deposits taken	Rs. - Rs. [17266]	Rs. 150125 Rs. [326256]	Rs. — Rs. —
III. Opening Balance of Fixed Deposits	Rs. - Rs. [580000]	Rs. 1270000 Rs. [5445000]	Rs. — Rs. —
Fixed Deposits received during the period/year	Rs. - Rs. -	Rs. - Rs. [1270000]	Rs. — Rs. —
Fixed Deposits repaid during the period/year	Rs. - Rs. [580000]	Rs. - Rs. [5445000]	Rs. — Rs. —
Closing Balance of Fixed Deposits	Rs. - Rs. -	Rs. 1270000 Rs. [1270000]	Rs. — Rs. —
IV. Interest accrued as on 31.03.2011	Rs. — Rs. —	Rs. 12003 Rs. [6018]	Rs. — Rs. —
V. Managerial Remuneration	Rs. 4134748 Rs. [3089708]	Rs. 568050 Rs. [1119800]	Rs. — Rs. —
VI. Managerial remuneration payable as at 31.03.2011	Rs. 187500 Rs. [187000]	Rs. 42000 Rs. 83000	Rs. — Rs. —
VII. Sale of Fixed Assets	Rs. — Rs. —	Rs. — Rs. —	Rs. — Rs. —

11. Employee Benefits :

As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below :

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under :

	2010-2011 Rupees	2009-2010 Rupees
Employers' Contribution to Provident and other Funds	6421614	5932742

Defined Benefit Plan

The employees' Leave Encashment Scheme is unfunded. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

SHREE BHAWANI PAPER MILLS LIMITED

I Reconciliation of opening and closing balance of Defined Benefit obligation	Leave Encashment (Unfunded) 2010-2011	Leave Encashment (Unfunded) 2009-2010
Defined Benefit obligation at beginning of the year	2282493	3785742
Current Service Cost	3089595	1405348
Interest Cost	176706	206158
Actuarial (gain)/loss	-1757677	-1886596
Benefits Paid	-147347	-1228159
Defined Benefit obligation at the year end	3643770	2282493
II Reconciliation of fair value of assets and obligations	Leave Encashment (Unfunded) As at 31.03.2011	Leave Encashment (Unfunded) As at 31.03.2010
Fair value of plan assets	—	—
Present value of obligation	3643770	2282493
Amount recognised in Balance Sheet	3643770	2282493
III Expense recognised during the year (Under the head 'Payment to and Provisions for Employees' - Refer Schedule 17)	Leave Encashment (Unfunded) 2010-2011	Leave Encashment (Unfunded) 2009-2010
Current Service Cost	3089595	1405348
Interest Cost	176706	206158
Expected return on plan assets	—	—
Actuarial (gain)/loss	-1757677	-1886596
Net Cost	1508624	-275090
IV Actuarial Assumptions	Leave Encashment (Unfunded) 2010-2011	Leave Encashment (Unfunded) 2009-2010
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.17%	8%
Expected rate of return on plan assets (per annum)	—	—
Rate of escalation in salary (per annum)	3%	3%

The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

12. Segment Information :

The Company operates only in one business segment, that is, 'Printing, Writing & Newsprint Paper'.

13. Previous year's figures have been regrouped wherever necessary.

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2011	Year Ended 31.03.2010		
14.a) CAPACITIES AND PRODUCTION CAPACITIES				
i) Licenced Capacity (per annum) Printing, Writing & Newsprint Papers	NOT APPLICABLE	NOT APPLICABLE		
ii) Installed Capacity (per annum)* (*As certified by the Management and accepted by Auditors)	54000 MT	54000 MT		
PRODUCTION				
Finished Goods Printing, Writing & Newsprint Papers	42773 MT	45548 MT		
b) SALES				
Printing, Writing & Newsprint Papers	43518 MT	45623 MT		
	Rs. 1308842836	Rs. 1374011341		
c) STOCK OF FINISHED GOODS				
i) Closing Stock	112 MT	857MT		
Printing, Writing & Newsprint Papers	Rs. 4078760	Rs. 28275873		
ii) Opening Stock	857MT	932 MT		
Printing, Writing & Newsprint Papers	Rs. 28275873	Rs. 25140652		
d) RAW MATERIALS CONSUMED				
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Straw & Bagasse	18163	47062454	27774	50569987
Waste Paper	21496	226067645	8080	79595879
Imported Waste Paper	14710	269527859	31394	446654003
Jute, Waste & Hemp	113	2419670	54	979903
Bleached/Unbleached Pulp	5	225300	702	13018251
Wood Pulp	20	794647	2	54320
		546097575		590872343
e) CONSUMPTION OF RAW MATERIALS, STORES & SPARES				
	2010-2011		2009-2010	
	Rupees	%	Rupees	%
i) RAW MATERIALS				
Imported	270322506	49.50	446708323	75.60
Indigenous	275775069	50.50	144164020	24.40
ii) STORES & SPARES				
Imported	3195514	1.31	10821244	4.35
Indigenous	239927437	98.69	238086944	95.65
f) CIF VALUE OF IMPORTS				
i) Capital Goods	2231672		10940563	
ii) Raw Materials	182677326		309957072	
iii) Stores & Spares	826164		1630565	
g) EARNINGS IN FOREIGN CURRENCY				
i) Certified Emission Reductions	23886016		22812550	
ii) On Export of Goods (FOB Basis)	5901989		4324288	
g) EXPENDITURE IN FOREIGN CURRENCY				
Travelling	33139		563420	

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:

Corporate Index No (CIN) :
 Balance Sheet Date : State Code :

(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
Sources of Funds	<input type="text" value="1886337"/>	<input type="text" value="1886337"/>
	Paid-up Capital	Reserves & Surplus
	<input type="text" value="164045"/>	<input type="text" value="33315"/>
	Share Application Money	Secured Loans
	<input type="text" value="50000"/>	<input type="text" value="1055050"/>
	Deferred Tax Liability	Unsecured Loans
	<input type="text" value="-"/>	<input type="text" value="285899"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="1069571"/>	<input type="text" value="295"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="332309"/>	<input type="text" value="186134"/>

(IV) PERFORMANCE OF COMPANY

	Turnover	Total Expenditure
	<input type="text" value="1250879"/>	<input type="text" value="1363461"/>
	Profit Before Tax	Profit After Tax
	<input type="text" value="-112582"/>	<input type="text" value="-104801"/>
Earning Per Share in Rs.	Dividend Rate	Dividend Rate
	<input type="text" value="-6.38"/>	<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**

**PLACE : ALLAHABAD
DATED : 30TH MAY, 2011**

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ANUJ TANDON
FINANCE CONTROLLER**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON } DIRECTORS
C.M. KRISHNA }**

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 Thirty Second Annual
General Meeting of the Company to be held on 21st September, 2011 and at any adjournment thereof.
hand/hands this
..... day
of 2011
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 32nd Annual General Meeting held at Conference Hall, Hotel Elchico
Restaurant at 24, M. G. Marg, Allahabad 211002 on Wednesday, the 21st September, 2011 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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Allahabad—211 002**