

**33rd**

**DIRECTORS' REPORT  
AND ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31ST MARCH, 2012**

**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.) Shri Rajeev Lochan Singh SC  
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

---

<b>CONTENTS</b>	<b>Page Nos.</b>
Notice	3
Directors' Report	5
Corporate Governance Report	10
Management Discussion and Analysis Report	18
Auditors' Report	21
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26-27
Notes	28-38
Annexure - I	39-40

# SHREE BHAWANI PAPER MILLS LIMITED

---

## NOTICE

**NOTICE** is hereby given that the 33<sup>rd</sup> Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Conference Hall, Hotel Elchico, 24, M.G. Road, Civil Lines, Allahabad-211001, on Friday, the 28<sup>th</sup> September, 2012 at 11.30 am to transact the following Business:

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2012 and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2012, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Shri C M Krishna, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Brig.(Retd) Shri Rajeev Lochan Singh, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year and in this connection, to consider, and if thought fit, to pass, with or without modification(s), the following Resolution as **Ordinary Resolution**:

“RESOLVED THAT M/s P.L.Gupta & Co., Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company, to hold office until the conclusion of next Annual General Meeting at a Remuneration of Rs.1,00,000/- (Rupees one lac only) plus service tax, as applicable, and travelling and other out of pocket expenses.”

REGISTERED OFFICE :  
33, DAYANAND MARG  
ALLAHABAD - 211002

BY ORDER OF THE BOARD

BABITA JAIN  
COMPANY SECRETARY

DATED : 14<sup>TH</sup> AUGUST, 2012

## 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. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of Board Resolution on letterhead of the Company, signed by one of the director or Company Secretary or any other authorized signatory, authorising their representatives to attend and vote on their behalf at the Meeting.
3. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the Meeting.

## SHREE BHAWANI PAPER MILLS LIMITED

---

4. 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.
5. Documents referred to in this Notice is available for inspection of members of the Company, at the Registered Office of the Company, on any working day between 10:00 am to 12 noon until the date of the Meeting.
6. The Register of Members and the Share Transfer Books of the Company shall remain closed from 25<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012. (Both days inclusive).
7. Members are requested to intimate change, if any, in their addresses.
8. The Unclaimed Dividend for Financial Years, 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 2005-06, 2006-07 may immediately approach the Company with their dividend warrants for encashment.

9. 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.
10. 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.
11. 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 2012-13.
12. Details of the Directors seeking re-appointment at this Annual General Meeting: (Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai):
  - (i) Shri C.M.Krishna, aged about 75 years, MA (Economics), LLB and has more than 42 years working experience in various corporates at higher managerial level. Presently, he is working as Consultant with the Industries. He has been a Director of the Company since 1998 and is also a member of Audit Committee, Investor's Grievance Committee and Remuneration Committee of the Company.  
Details of other Directorship/Committee Membership held by him: NIL
  - (ii) Brig (Retd) Shri Rajeev Lochan Singh SC, aged about 60 years has master's Degree in Management from Osmania University, Hyderabad. He has joined the Army in June 1970. He was awarded 'Shaurya Chakra' by the President of India for outstanding gallantry in counter insurgency operations. He has vast experience of management of Medium and Large body of personnel in the Army. He has been a Director of the Company since 2008 and also member of Remuneration Committee of the Company.  
Details of other Directorship/Committee Membership held by him: NIL

---

# SHREE BHAWANI PAPER MILLS LIMITED

---

## DIRECTORS' REPORT

We have pleasure in presenting our 33<sup>rd</sup> Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2012.

### PERFORMANCE

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

	<b>Year ended 31.03.2012</b>	Year ended 31.03.2011
	<b>Rs. in Lacs</b>	Rs. in Lacs
Production (Tonnes)	<b>30767</b>	42773
Sales	<b>9448</b>	12271
Other Income	<b>248</b>	237
	<b>9696</b>	12508
Gross Profit/(Loss)	<b>-887</b>	834
Less : Interest	<b>1592</b>	1351
Depreciation for the year	<b>620</b>	609
Profit for the year before tax	<b>-3099</b>	-1126
Less : Provision for taxation	<b>-1400</b>	-78
Profit / (Loss) after taxation	<b>-1699</b>	-1048
Profit / (Loss) brought forward from last year	<b>-1862</b>	-814
Loss carried to Balance Sheet	<b>-3561</b>	-1862

During the year 2012, the Company has manufactured 30,767 tons of paper with a net sale of Rs. 94.48 crores excluding taxes. The main reasons for loss are high interest cost, steep fall in margin of news print due to severe recession in demand and high level of duty free imports. Further, the prices of fuel and raw materials increased abruptly thereby increasing the cost of production. The Company faced severe cash crunch because of high interest rates charged by the banks & repayment of Loans. During the year under review, the Company has paid Rs 15.92 crores towards interest and Rs. 11.04 crores towards installments to the Banks.

There has been an improvement in production and sales between April & June 2012 with production at 13,658 tons and gross sales at Rs. 48.24 crores. The plant is running at around 75% capacity and can achieve over 100% capacity very shortly. The main drawback in increasing capacity utilization is severe weather condition and implementation of ongoing Capital Expenditure programme, which has necessitated periodic shut down of existing plant to synchronize the new equipments.

Your Company manufactures writing, printing, news print and packaging paper on its three machines. The market condition for writing and printing paper is stable, however, MG varieties of paper is facing demand recession due to lower consumption of Packaging Industry. In case of news print, due to depreciation in rupee, the landed price of imported news print has increased and should give better price realisation for our newsprint in current year.

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

The Company has been facing severe financial crunch despite induction of more than Rs. 30 crores by the promoters and increase in Working Capital Limits by the Banks. The major cause for the same is investment of Rs. 9.17 crores in the Capital Expenditure Programme as own contribution and utilization of nearly Rs. 20 crores for Banks over dues. It should be appreciated, that, more than Rs. 80 crores has been paid by the Company during the last 4 years as interest and Term Loan repayment despite continued losses and very adverse industry scenario.

### **CAPITAL EXPENDITURE SCHEME**

The Company has been sanctioned Term Loan of Rs 19 crores from Indian Bank Consortium for completion of Chemical Recovery Project Capex I and upgradation of Agro Pulp Mill Capex II.

The Capital Expenditure Scheme for Chemical Recovery Plant is under trial run. We have been able to successfully recover Soda Ash of commercial grade from our Chemical Recovery Plant. The Plant will not only solve the pollution control problem, but also will generate net revenue when fully operational, which will help in improving the financials of the Company.

Capex I has been implemented in part and Capex II for Rs 10 crores will be implemented at the earliest.

### **OPEN OFFER**

The Promoters of the Company, Shri Badri Vishal Tandon group and Shri Om Prakash Goenka group, have received permission for purchase of equity shares in open offer as per SEBI guidelines. The open offer was opened on 6<sup>th</sup> June 2012, closed on 25<sup>th</sup> June 2012 and 9,09,033 shares were successfully tendered to Shri Badri Vishal Tandon group and Shri Om Prakash Goenka group. This has resulted in increase in joint promoters' holding by 69.44%.

### **CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT**

During the year under review, the Company would receive 24473 CERs for an activity from 1st January, 2010 to 31<sup>st</sup> December, 2010 from both Cogeneration Power Projects. The CDM Verification for Project II (Ref No. 0802, Monitoring Period 01/01/2011 to 31/12/2012) is likely to be started.

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

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

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

During the year, because of continuous losses, the Company has not accepted/ renewed fixed deposits from public and shareholders and as on 31st March, 2012, fixed deposits from the public and shareholders aggregated to Rs.197.66 lacs. The repayment of two deposits amounting to Rs 2.00 lacs could not be made for want of instruction thereof from depositors.

### **DIRECTORS**

Shri C M Krishna and Brig.(Retd.) Shri Rajeev Lochan Singh SC, Directors of the Company, are retiring by rotation.

Shri C M Krishna and Brig.(Retd.) Shri Rajeev Lochan SC, being eligible for re-election, have given their consent for the same.

### **AUDITORS**

M/s. P.L.Gupta & Co., Chartered Accountants, Auditors of the Company, retire from their Office. They are, however, eligible for re-appointment and have furnished certificate to the effect that their appointment, if made, will be in accordance with the limits specified in Sub- Section (I-B) of Section 224 of the Companies Act, 1956. Your Directors recommend their re-appointment for the accounting year 2012-13.

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

### **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.

### **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 31<sup>st</sup> March, 2012, 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 31<sup>st</sup> March, 2012 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: 14<sup>TH</sup> AUGUST, 2012**



# SHREE BHAWANI PAPER MILLS LIMITED

---

## ANNEXURE I

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

### I. CONSERVATION OF ENERGY

- (a) More efficient boiler furnace cleaning equipment has 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 being carried out to plug the leakages.
- (f) The Company is augmenting pulp from Waste Paper Deinking plant which will further reduce 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

	<u>Current year</u>	<u>Previous year</u>
<b>a) Purchased Units</b>	<b>101.49</b>	120.31
Total Amount	<b>484</b>	548
Rate/Unit	<b>4.77</b>	4.56
<b>b) Own Generation</b>		
Through Diesel Generators :		
Units (KWH in lacs)	<b>0.15</b>	0.59
Units per litre of diesel oil	<b>3.00</b>	3.00
Diesel (Rs./Litre)	<b>28.96</b>	28.96
Rate/Unit (Rs.)	<b>9.99</b>	9.67
Through Steam Turbine :		
Units (KWH in lacs)	<b>243.87</b>	326.93
Units per Tonne of Fuel	<b>460</b>	554
Rate / Unit (Rs.)	<b>5.86</b>	4.79

#### 2. Paddy Husk

Quantity (Tonnes)	<b>49549</b>	53413
Total Cost (Rs. in lacs)	<b>1095.42</b>	1405.25
Average Rate (Rs./Tonne)	<b>2211</b>	2118

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

### B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	<b>30767</b>	42773
Electricity* (Units/Tonne)	<b>1123</b>	1047
Paddy Husk** (Tonnes/Tonne)	<b>1.97</b>	1.71

\* 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.204.46 lacs and total foreign exchange outgo during the year amounted to about Rs.1664.03 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.

In accordance with the Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Report containing the details of corporate governance system processes of the Company as under :

#### **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 31.03.2012 are given below :

Name of the Director	Category	No. of outside Directorships held	No. of Committee Memberships /Chairmanship held	No. of Board Meetings		Attended Last A.G.M.
				Held	Attended	
Shri Girish Tandon Managing Director	Promoter Executive	2	1	7	7	Yes
Shri Alankar Tandon Executive Director	Promoter Executive	3	1	7	6	Yes
Shri Badri Vishal Tandon	Non-Independent Non-Executive	1	2	7	6	Yes
Shri C M Krishna	Independent Non-Executive	-	3	7	3	No
*Shri K A Pai	Independent Non-Executive	-	2	4	3	No
Brig. (Retd.) Shri Rajeev Lochan Singh SC	Independent Non-Executive	-	1	7	1	No
Shri Murari Lal Jalan	Independent Non-Executive	9	1	7	2	No
**Shri Chaitanya Dhruve Mehta	Independent Non-Executive	-	-	4	1	No

\*Ceased to be Director of the Company with effect from 21.09.2011

\*\*Ceased to be Director of the Company with effect from 15.11.2011

## 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 half of the total numbers of Directors and the numbers of Independent Directors are also half of the total strength.

Seven Board Meetings were held during the year i.e. on 18.05.2011, 30.05.2011, 25.06.2011, 10.08.2011, 15.11.2011, 06.01.2012 and 11.02.2012.

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

Shri C M Krishna and Brig. (Retd.) Shri Rajeev Lochan Singh SC, Directors of the Company, are retiring by rotation.

Shri C M Krishna and Brig. (Retd.) Shri Rajeev Lochan Singh SC, being eligible for re-election, have given their consent for the same.

Information as required under Clause 49 (IV) (G) of the Listing Agreement is annexed to the Notice of the Annual General Meeting.

### AUDIT COMMITTEE

The Audit Committee of the Company presently comprises of three non-executive Directors out of which two 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	1
*Shri K A Pai	2	2
Shri Murari Lal Jalan	4	1

\*Ceased to be Director of the Company with effect from 21.09.2011

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 Agreements with 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 Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.
15. The Audit Committee shall mandatorily review the following information:
  1. Management discussion and analysis of financial condition and results of operations;
  2. Statement of significant related party transactions submitted by the Management;
  3. Management letter/letters of internal control weaknesses issued by the Statutory Auditors;
  4. Internal audit reports relating to internal control weaknesses; and
  5. The appointment, removal and terms of remuneration of the Internal Auditor shall be subject to review by the Audit Committee.

### MANAGERIAL REMUNERATION

#### REMUNERATION COMMITTEE

The Remuneration Committee of the Company presently comprises of two 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	-
Brig. (Retd.) Shri Rajeev Lochan Singh SC	1	1

\*Ceased to be Director of the Company with effect from 21.09.2011

The Company Secretary shall act as Secretary of the 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 2011-12 to Shri Girish Tandon, Managing Director, Rs.29,67,186/- and Shri Alankar Tandon, Executive Director is Rs. 10,35,917/-.

### 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 2011-12 is given below:

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	58,000/-
2.	Shri C. M. Krishna	18,500/-
3.	Shri K A Pai	25,500/-
4.	Shri Murari Lal Jalan	13,500/-
5.	Brig. (Retd.) Shri Rajeev Lochan Singh SC	8,500/-
6.	Shri Chaitanya D Mehta	5,000/-

### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

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

Shri Badri Vishal Tandon, Chairman

Shri C M Krishna

Shri Girish Tandon

Shri Alankar Tandon

The Committee keeps watch on the performance of the share transfer works and recommends measures to improve the investors' services. The Committee looks 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 31<sup>st</sup> March, 2012 - NIL

The number of share transfer pending as on 31<sup>st</sup> March, 2012 - NIL.

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

# SHREE BHAWANI PAPER MILLS LIMITED

## DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.03.2012

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.	Brig. (Retd.) Shri Rajeev Lochan Singh SC	NIL
6.	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 Meetings held :

Year	Location	Date	Time
2008-09 AGM	Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad	30.07.2009	11.30 AM
2009-10 AGM	- do -	27.09.2010	11.30 AM
2010-11 AGM	- do -	21.09.2011	11.30 AM
<b>2011-12 AGM</b>	<b>-do-</b>	<b>28.09.2012</b>	<b>11.30 AM</b>

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

## BOOK CLOSURE

25<sup>th</sup> September, 2012 to 28<sup>th</sup> September, 2012 (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 2011-2012. 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

#### Sub. : Code of Conduct - Declaration under Clause 49

This is to certify that :

1. In pursuance of the provisions of Clause 49 of the Listing Agreement, a Code of Conduct has been adopted by the Board of Directors of the Company.
2. The said Code of Conduct has been posted on the Website of the Company and has been circulated to all the Board members and the employees of the Company.
3. All board members and senior management personnel have affirmed compliance with the said Code of Conduct for the year ended 31<sup>st</sup> March, 2012.

Place : Allahabad

Dated : 30<sup>th</sup> May, 2012.

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 31 of the Notes forming part of financial statements. 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 Exchanges immediately after these are taken on record by the Board. These financial results are normally published in Northern India Patrika / Amrit Prabhat, Allahabad, and are displayed on the website of the Company [www.shbhawani.com](http://www.shbhawani.com)

### GENERAL SHAREHOLDERS INFORMATION

#### ANNUAL GENERAL MEETING

Date & Time : 28<sup>th</sup> September, 2012, 11.30 AM  
Venue : Conference Hall, Hotel Elchico Restaurant, 24, M.G. Marg, Civil Lines, Allahabad- 211001

#### LISTING

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

The Listing Fee for the financial year 2012-13 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 31.03.2012

No. of Shares	No. of Shareholders	%age	No. of Shares	%age
Up to 500	2263	66.56	449754	1.29
501-1000	480	14.12	402619	1.16
1001-5000	460	13.52	1085206	3.11
5001-10000	73	2.15	519058	1.49
10001 & above	124	3.65	32370587	92.95
	<b>3400</b>	<b>100.00</b>	<b>34827224</b>	<b>100.00</b>

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	23273348	66.83
Institutional Investors	1400	0.01
Private Corporate	2527775	7.26
NRIs	14973	0.04
Indian Public	9009728	25.86
	<b>34827224</b>	<b>100.00</b>

## DEMATERIALIZATION OF SHARES

As on 31.3.2012, 99.03% i.e., 34488773 Equity Shares of Company's share capital are dematerialised and balance of 338451 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 Security 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, Okhla 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 31<sup>st</sup> March, 2012, 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 : 30<sup>th</sup> MAY, 2012**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **OVERALL ECONOMIC OVERVIEW**

There has been a perceptible slow down in the Indian economy with GDP growth coming down to a nine-year low of 6.5% for the year under review. Infrastructure development has not kept pace with expectations. Slow-down in international economy caused by Euro zone crisis also contributed to poor market sentiments.

Rampant inflation and escalating cost of vital industrial inputs such as Coal, power and freight etc have also caused severe strain on the economy. Credit squeeze and tight monetary policies adopted by RBI do not appear to have neither controlled inflation nor helped growth. Coupled with lack of clear policy direction and minimal progress on the reforms process, these factors have changed the investment climate from being optimistic to cautionary. The overall economic condition still remains very uncertain.

The Indian paper industry is growing with an increasing demand, is expected to witness an average growth rate during the next one year even despite the impact of ongoing economic slowdown of the country. However, this slowdown is not alarming as the economic fundamentals of the Country are strong. The paper industry sector is expected to grow 7.5 percent annually. Currently, the Indian industry accounts for about 2.5 per cent of the global production of paper. However, the paper, paperboards and newsprint consumption in the country is expected to grow to 17 million tons from the current 12 million tone in the next five years. Though domestic consumption is growing, the per capita consumption is only about 12 Kilo gram against the global average of 57 Kilo gram.

The increased corporate spending, improving literacy and living standards, declining poverty and availability of higher disposable incomes in India have been the macro-economic drivers that are likely to increase the demand for paper in the country in long run. From the last two decades, India witnessed significant investments in capacity expansions, particularly in the writing and printing segment of the industry which led now the industry to price competitiveness and the net margins of local players are under pressure. Increasing chemical, fuel and freight costs are also squeezing the margins further. Poor market conditions, age old and obsolete technology, inability to achieve economies of scale and lack of skilled labor remain the main hurdles ahead for the Indian paper manufacturers. Further to above limitations, lack of resource usage efficiency, increasing industry competitiveness and value chain management are other key challenges that need to be met. Besides, paper recovery rates in India stand the very low level of 22% compared with the 65% or more recovery rates achieved by the developed countries. As the industry is quite fragmented, handling these issues would definitely be a challenge among the small and medium sized manufacturers.

### **OPPORTUNITIES AND THREATS**

The major challenge for industry is the input import is greater than the challenge of paper imports. Costs of local producers have been impacted by the strong Dollar as we have large dependence on import of fiber, energy and chemicals. The future of paper industry is linked to the future of Indian economy. Although, at present we are passing through a turbulent period, we can foresee a better and brighter prospect in 2012.

### **PRODUCTWISE PERFORMANCE**

During the year 2011-12, the Company manufactured 30767 tons of printing, writing & newsprint paper. The main reasons for under capacity utilization and low production are high cost fuel and raw-material and severe liquidity crunch in the Company because of high interest rates charged by the banks & repayment of Loans. Potential weakening of the Rupee has increased the cost of waste paper and production cost also.

## **OUTLOOK**

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 is 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.

## **RISK AND CONCERNS**

At present, there are 800 paper mills engaged in the manufacture of different grades of paper and paperboards and newsprint in India. Today, the Indian Paper industry is meeting demand of most varieties of paper and paperboards and the import, however, is confined only to certain specialty papers. However, the main woe of the industry is availability of raw material and the Company is heavily depend on imported wood pulp and waste paper which is hurting the basic sentiments of the Industry and is also affecting the bottom line of the Industry due to high cost of production caused by inadequate availability and high cost of raw materials, besides power cost which is around 25% of the total cost of the production. In order to keep the Indian paper industry rolling, it is very much necessary to be kept in mind that the industry gets raw materials adequately at par with the international standard and quality.

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

The economic slow down the paper industry is also feeling heat like other industries and therefore, there is need for consideration of financial package to overcome come the financial ills of the paper industry

Increased competition in paper industry may adversely affect the business of the Company.

## **FINANCIAL PERFORMANCE**

During the year 2012, the Company has manufactured 30,767 tons of paper with a net sale of Rs. 94.48 crores excluding taxes. The main reasons for loss are high interest cost, steep fall in margin of news print due to severe recession in demand and high level of duty free imports. Further, the prices of fuel and raw materials increased abruptly thereby increasing the cost of production. The Company faced severe cash crunch because of high interest rates charged by the banks & repayment of Loans. During the year under review, the Company has paid Rs 15.92 crores towards interest and Rs 11.04 crores towards installments to the Banks.

There has been an improvement in production and sales between April & June 2012 with production at 13,658 tons and gross sales at Rs. 48.24 crores. The plant is running at around 75% capacity and can achieve over 100% capacity very shortly. The main drawback in increasing capacity utilization is severe weather condition and implementation of ongoing Capital Expenditure programme, which has necessitated periodic shut down of existing plant to synchronize the new equipments.

Your Company manufactures writing, printing, news print and packaging paper on its three machines. The market condition for writing and printing paper is stable, however, MG varieties of paper is facing demand recession due to lower consumption of Packaging Industry. In case of news print, due to depreciation in rupee, the landed price of imported news print has increased and should give better price realisation for our newsprint in current year.

The Company has been facing severe financial crunch despite induction of more than Rs. 30 crores by the promoters and increase in Working Capital Limits by the Banks. The major cause for the same is investment of Rs. 9.17 crores in the Capital Expenditure Programme as own contribution and utilization of nearly Rs. 20 crores for Banks over dues. It

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

should be appreciated, that, more than Rs.80 crores has been paid by the Company during the last 4 years as interest and Term Loan repayment despite continued losses and very adverse industry scenario.

The Company has been sanctioned Term Loan of Rs 19 crores from Indian Bank Consortium for completion of Chemical Recovery Project Capex I and upgradation of Agro Pulp Mill Capex II. The Capital Expenditure Scheme for Chemical Recovery Plant is under trial run. We have been able to successfully recover Soda Ash of commercial grade from our Chemical Recovery Plant. The Plant will not only solve the pollution control problem, but also will generate net revenue which will help in improving the financials of the Company. Capex I has been implemented in part and Capex II for Rs 10 crores will be implemented at the earliest.

During the year under review, the Company would receive 24473 CERs for an activity from 1<sup>st</sup> January, 2010 to 31<sup>st</sup> December, 2010 from both Cogeneration Power Projects. The CDM Verification for Project II (Ref No. 0802, Monitoring Period 01/01/2011 to 31/12/2012) is likely to be started.

### **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 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 make a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw materials cost and availability, changes in government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or reverse any forward looking statements, on the basis of any subsequent developments, information or events.

## **AUDITORS' REPORT**

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

1. We have audited the attached Balance Sheet of **Shree Bhawani Paper Mills Limited**, as at 31<sup>st</sup> March, 2012, the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2012 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 read together with significant Accounting Policies & Notes on Financial Statements and attached thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012;
    - (b) in the case of the Statement of Profit and Loss, 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 : 30<sup>TH</sup> MAY, 2012**

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

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

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

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

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The Company has physically verified certain assets during the year in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
(c) During the year the Company has not disposed off a substantial part of its Fixed Assets, so as to affect its going concern status.
- 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. Therefore, the requirements of clauses (III) (b), (c) & (d) of para 4 of the order are not applicable.  
(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. 4.60 Lacs were outstanding in case of 7 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 purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- V. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been entered.  
(b) According to the information and explanations given to us, there is no transaction (excluding the loans reported in para (iii)(b) above) in respect of any party and hence the question of reasonable prices in respect of such transactions with regard to the prevailing market price does not arise.
- VI. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

## SHREE BHAWANI PAPER MILLS LIMITED

---

- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 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) According to the records of the Company, undisputed statutory dues including provident fund, investors education & protection fund, income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess & material Statutory dues applicable to it have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, TDS amounting to Rs. 15.10 Lacs was outstanding as at 31<sup>st</sup> March, 2012 for a period of more than 6 months from the date it 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. 261.27 Lacs to Financial Institutions & Banks against the dues amounting to Rs. 335.27 Lacs which fell due in January-March 2012.
- 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 made preferential allotment of shares to parties & companies covered in the register maintained u/s 301 of the Act and the price at which shares have been issued is not prejudicial to the interest of the Company.
- 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 : 30<sup>TH</sup> MAY, 2012**

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



# SHREE BHAWANI PAPER MILLS LIMITED

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012

		(Rupees)	
PARTICULARS	NOTE NO.	AS AT 31 <sup>ST</sup> MARCH, 2012	AS AT 31 <sup>ST</sup> MARCH, 2011
<b>I. EQUITY AND LIABILITIES :</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	1	348076875	164044635
(b) Reserves and Surplus	2	<u>-322769338</u>	<u>-152818604</u>
<b>2. SHARE APPLICATION MONEY PENDING ALLOTMENT</b>			
		-	50000000
<b>3. NON-CURRENT LIABILITIES</b>			
(a) Long Term Borrowings	3	1399806332	1007255746
(b) Long-Term provisions	4	3233818	3643770
<b>4. CURRENT LIABILITIES</b>			
(a) Short Term Borrowings	5	390827387	333693039
(b) Trade Payables	6	181112362	176353533
(c) Other Current Liabilities	7	107145717	117190801
(d) Short Term Provisions	8	721100	840151
<b>TOTAL</b>		<u>2108154253</u>	<u>1700203071</u>
<b>II. ASSETS :</b>			
<b>1. NON-CURRENT ASSETS</b>			
<b>(A) FIXED ASSETS</b>			
(i) Tangible Assets	9	867225837	914945954
(ii) Intangible Assets	9	-	-
(iii) Capital Work-in-Progress	9	264739451	154624940
(iv) Intangible Assets Under Dev.	9	15406000	-
<b>(B) Non-Current Investments</b>	10	294840	294840
<b>(C) Deferred Tax Assets (Net)</b>		140000000	-
<b>(D) Long-Term Loans and Advances</b>	11	4486845	3772350
<b>2. CURRENT ASSETS</b>			
<b>(A) Inventories</b>	12	425541448	400892908
<b>(B) Trade Receivables</b>	13	219064931	138185297
<b>(C) Cash and Cash Equivalents</b>	14	35727605	17990154
<b>(D) Short-Term Loans and Advances</b>	15	135667296	69496628
<b>TOTAL</b>		<u>2108154253</u>	<u>1700203071</u>
<b>Significant Accounting Policies.</b>			
<b>Notes on Financial Statements.</b> 1 to 35			

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**

**BABITA JAIN  
COMPANY SECRETARY**

**BADRI VISHAL TANDON  
C.M. KRISHNA  
R.L. SINGH**

} **DIRECTORS**

**PLACE : ALLAHABAD  
DATED : 30<sup>TH</sup> MAY, 2012**

**ANUJ TANDON  
FINANCE CONTROLLER**

# SHREE BHAWANI PAPER MILLS LIMITED

## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

(Rupees)

PARTICULARS	NOTE NO.	YEAR ENDED 31 <sup>ST</sup> MARCH, 2012	YEAR ENDED 31 <sup>ST</sup> MARCH, 2011
I. REVENUE FROM OPERATIONS			
(GROSS)	16	976144432	1263165134
Less : Excise Duty		31359772	36022243
REVENUE FROM OPERATIONS (NET)		944784660	1227142891
II. OTHER INCOME	17	24825534	23736233
III. <b>TOTAL REVENUE (I+II)</b>		<b>969610194</b>	<b>1250879124</b>
IV. <b>EXPENSES</b>			
(a) Cost of Material Consumed	18	533032768	546097575
(b) Changes in inventories of finished Goods, Work-in-Progress and Stock-in-Trade	19	-16863040	23324937
(c) Employee Benefits Expense	20	81108643	80436971
(d) Finance Costs	21	166440937	142469464
(e) Depreciation and amortization Expense	9	62014129	60893145
(f) Other Expenses	22	453827491	510238990
<b>TOTAL EXPENSES</b>		<b>1279560928</b>	<b>1363461082</b>
V PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)		-309950734	-112581958
VI Exceptional Items		-	-
VII <b>PROFIT BEFORE TAX (V-VI)</b>		-309950734	-112581958
VIII <b>LESS : TAX EXPENSES</b>			
(a) Current Tax		-	-
(b) Deferred Tax		-140000000	-7781036
IX PROFIT FOR THE YEAR		-169950734	-104800922
X Earning per Equity Share (of Rs. 10/- Each)			
(a) Basic		-5.50	-6.38
(b) Diluted		-5.50	-6.38

Significant Account Policies

Notes on Financial Statements. 1 to 35

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

BABITA JAIN  
COMPANY SECRETARY

BADRI VISHAL TANDON  
C.M. KRISHNA  
R.L. SINGH

} DIRECTORS

PLACE : ALLAHABAD  
DATED : 30<sup>TH</sup> MAY, 2012

ANUJ TANDON  
FINANCE CONTROLLER

# SHREE BHAWANI PAPER MILLS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

		(RUPEES)	
		Year Ended 31.03.2012	Year Ended 31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		-309950734.00	-112581958.00
Adjustment for :			
Income Tax Refund		-	-
Depreciation		62014129.00	60893145.00
Interest Expenses		159238445.00	135138215.67
Interest Income		- 667786.00	- 118742.00
Dividend Income		- 24300.00	- 12960.00
(Profit)/Loss on Sale of Fixed Assets		-36593.00	- 405780.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		-89426839.00	82911920.67
Adjustment for:			
Trade & Other receivables	-195067722.00		-56975537.01
Inventories	-24648448.00		-54069889.42
Trade payable and other liabilities	39851794.00	-179864376.00	69935279.00
<b>CASH GENERATED FROM OPERATIONS</b>		-269291215.00	41801773.24
Direct taxes Paid/Refund		-237951.00	-49000.00
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>		-269529166.00	41752773.24
Extraordinary items		-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	...A	-269529166.00	41752773.24
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		- 137758240.00	- 180440243.00
Sale of Fixed Assets		94125.00	852000.00
Purchase of Investments		-	-
Dividend received		24300.00	12960.00
Interest received		618766.00	389000.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	...B	- 137021049.00	- 179186283.00
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Capital		134032240.00	-
Share Application Money		-	50000000.00
Proceeds from Long Term Borrowings		137253984.00	24759108.16
Repayment of Long Term Borrowings		110447223.00	77738000.00
Net Increase/(Decrease) in Cash Credit Utilisation		22334615.00	29004115.99
Deposits		179199583.00	100076778.00
Hire Purchase		449314.00	142121.61
Interest paid		-159424276.00	-134621589.00
Dividend paid		-5017.00	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	...C	424287666.00	147098534.76

---

## SHREE BHAWANI PAPER MILLS LIMITED

---

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>17737451.00</u>	<u>9665025.00</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	17990154.00	8325129.00
CASH AND CASH EQUIVALENTS (Closing Balance)	35727605.00	17990154.00

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**

**BABITA JAIN  
COMPANY SECRETARY**

**BADRI VISHAL TANDON  
C.M. KRISHNA  
R.L. SINGH**

} **DIRECTORS**

**PLACE : ALLAHABAD  
DATED : 30<sup>TH</sup> MAY, 2012**

**ANUJ TANDON  
FINANCE CONTROLLER**

# SHREE BHAWANI PAPER MILLS LIMITED

## NOTES FORMING PART OF FINANCIAL STATEMENTS

<b>NOTE 1 : SHARE CAPITAL</b>	<b>As at 31-03-2012</b>	<b>(Rupees) As at 31-03-2011</b>
<b>(1) AUTHORISED</b>		
EQUITY SHARES : RS. 10/- PAR VALUE 35000000 Equity Shares	<b>350000000</b>	350000000
PREFERENCE SHARES : RS. 10/- PAR VALUE 2,50,000 Preference Shares	<b>2500000</b>	2500000
	<b>35,25,00,000</b>	<b>35,25,00,000</b>
<b>(2) ISSUED, SUBSCRIBED AND PAID-UP</b>		
EQUITY SHARES : RS. 10/- PAR VALUE 34827224* (16424000) Equity Shares fully paid up	<b>348272240</b>	164240000
Less : Calls unpaid		
By others	<b>195365</b>	195365
<b>Total</b>	<b>348076875</b>	<b>164044635</b>

\*Including 326000 Equity Shares of Rs. 10/- Par value fully paid up issued to Financial Institutions on conversion of part loan.

The company has only one class of shares issued as Equity Shares having a par value of Rs. 10/- Each share holder of Equity shares is entitled to one vote per share.

The company declares & pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the share holders in the ensuring Annual General Meeting.

In the event of liquidation of the company, the holders of Equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of Equity shares held by the share holders.

The details of shareholders holding more than 5% shares as at 31<sup>st</sup> March, 2012 is set out below -

Name of the Shareholder	No of Shares	% held as at March 31, 2012	No of Shares	% held as at March 31, 2011
Om Prakash Goenka	<b>4693224</b>	<b>13.48</b>	-	-
Badri Vishal Tandon (Karta of Ram Mohan Das Tandon [HUF])	<b>3661347</b>	<b>10.51</b>	1411347	8.59
Neera Tandon	-	-	949398	5.78
Gaurav Tandon	-	-	999198	6.08
Akshat Tandon	-	-	1017875	6.20
The reconciliation of the number of shares outstanding is set out below :			<b>As at 31<sup>st</sup> March 2012</b>	<b>As at 31<sup>st</sup> March 2011</b>
			<b>No. of shares</b>	<b>No. of shares</b>
Equity shares at the beginning of the year			<b>16424000</b>	16424000
Add : Issued during the year			<b>18403224</b>	-
<b>Equity shares at the end of the year</b>			<b>34827224</b>	<b>16424000</b>

## SHREE BHAWANI PAPER MILLS LIMITED

### NOTE 2 : RESERVES & SURPLUS

<b>A. CAPITAL RESERVE</b>	<b>1568875</b>	<b>1568875</b>
AS PER LAST BALANCE SHEET		
<b>B. SECURITIES PREMIUM RESERVE</b>	<b>30795000</b>	<b>30795000</b>
AS PER LAST BALANCE SHEET	48841	48841
LESS : CALLS UNPAID BY OTHERS	<u>30746159</u>	<u>30746159</u>
<b>C. CAPITAL REDEMPTION RESERVE</b>		
AS PER LAST BALANCE SHEET	<u>1000000</u>	<u>1000000</u>
<b>D. PROFIT &amp; LOSS ACCOUNT</b>		
AS PER LAST BALANCE SHEET	-186133638	-81332716
ADD : LOSS FOR THE YEAR	<u>-169950734</u>	<u>-104800922</u>
	<u><b>-356084372</b></u>	<u><b>-186133638</b></u>
<b>Total</b>	<u><b>-322769338</b></u>	<u><b>-152818604</b></u>

### NOTE 3 : LONG TERM BORROWINGS

<b>A. SECURED</b>		
TERM LOAN - FROM BANKS	969058207	721356648
<b>B. UNSECURED</b>		
TERM LOAN - FROM OTHER PARTIES	19765667	37818657
LOANS & ADVANCES FROM RELATED PARTIES	42797137	11610000
DEPOSITS	107436628	109011367
OTHER LOANS & ADVANCES	<u>260748693</u>	<u>127459074</u>
<b>Total</b>	<u><b>1399806332</b></u>	<u><b>1007255746</b></u>

#### Nature of security and terms of repayment for Long Term Secured Borrowings :

Nature of Security	Terms of Repayment
1. Term loan amounting to Rs. 1898.65 Lacs (March 31, 2011 Rs. 2250.43 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.75% p.a. as at year end. (P.Y. 12.00% p.a.)
2. Term loan amounting to Rs. 197.46 Lacs (March 31, 2011 Rs. 234.83 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 15.25% p.a. as at year end. (P.Y. 12.50 % p.a.)
3. Term loan amounting to Rs. 861.12 Lacs (March 31, 2011 Rs. 872.30 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2013. Last installment due in March 2021. Rate of interest 15.25% p.a. as at year end. (P.Y. 12.50 % p.a.)
4. Term loan amounting to Rs. 1924.04 Lacs (March 31, 2011 Rs. NIL)	Repayment in 28 quarterly installments commencing from 30.06.2015. Last installment due in March 2022. Rate of interest 14.75% p.a. as at year end. (P.Y. NOT APPLICABLE)
5. Term loan amounting to Rs. 1012.65 Lacs (March 31, 2011 Rs. NIL)	Repayment in 8 quarterly installments commencing from 30.06.2013. Last installment due in March 2015. Rate of interest 14.75% p.a. as at year end. (P.Y. NOT APPLICABLE)

## SHREE BHAWANI PAPER MILLS LIMITED

- |   |   |
|---|---|
| 6. Term loan amounting to Rs. 1898.53 Lacs<br>(March 31, 2011 Rs. 2250.87 Lacs) | Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.00% p.a. as at year end. (P.Y. 11.50% p.a.)    |
| 7. Term loan amounting to Rs. 197.84 Lacs<br>(March 31, 2011 Rs. 234.65 Lacs)   | Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.00% p.a. as at year end. (P.Y. 11.25% p.a.)    |
| 8. Term loan amounting to Rs. 860.88 Lacs<br>(March 31, 2011 Rs. 858.63 Lacs)   | Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.25% p.a. as at year end. (P.Y. 11.25% p.a.)    |
| 9. Term loan amounting to Rs. 50.67 Lacs<br>(March 31, 2011 Rs. 260.92 Lacs)    | Repayment in 12 quarterly installments commencing from 30.06.2009. Last installment due in March 2012. Rate of interest 15.25% p.a. as at year end. (P.Y. 12.50% p.a.)    |
| 10. Term loan amounting to Rs. 788.74 Lacs<br>(March 31, 2011 Rs. NIL)          | Repayment in 32 quarterly installments commencing from 30.06.2014. Last installment due in March 2022. Rate of interest 14.25% p.a. as at year end. (P.Y. NOT APPLICABLE) |
- A.** All the above secured loans are secured by "Pari Passu" joint equitable mortgage over the company's immovable properties & a charge by way of hypothecation of movable assets, all current assets of the company, both present & 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.
- B.** Installment of principal loan falling due within one year Rs. 66250000/- (Previous year Rs. 108208000/-)
- C.** The company has made repayment of loans amounting to Rs. 21562500/- upto 14th May 2012 which fell due on 31st March 2012. However, company has made repayment of interest amounting to Rs. 4563353/- upto 18th April 2012 against aggregate amount of Rs. 11964094/- which fell due on 31st March 2012.

### NOTE 4 : LONG TERM PROVISIONS

PROVISION FOR EMPLOYEE BENEFITS	3233818	3643770
---------------------------------	---------	---------

### NOTE 5 : SHORT - TERM BORROWINGS

WORKING CAPITAL LOAN		
SECURED		
* FROM INDIAN BANK & BANK OF BARODA	355372615	333037914
** FROM IDBI BANK LTD	34350458	-
*** FROM OTHER PARTIES	1104314	655124
	<b>390827387</b>	<b>333693039</b>

- \* All the above secured loans are secured by hypothecation of stock of raw materials, stores, stock in process, finished goods, book debts, both present and future and further secured by "Pari Passu" joint equitable mortgage over immovable properties of the company.  
All the above loans are further guaranteed by the Managing Director and Executive Director of the company.
- \*\* The loan from IDBI Bank Ltd. is secured by first charge on the Carbon Credits by way of hypothecation of company. This loans is further secured by personal guarantee of Managing Director & Executive Director of the Company.
- \*\*\* Secured by hypothecation of specified assets.

## SHREE BHAWANI PAPER MILLS LIMITED

### NOTE 6 : TRADE PAYABLES

MICRO, SMALL & MEDIUM ENTERPRISES	10224266	11719612
OTHERS	170888096	164633921
	181112362	176353533

### NOTE 7 : OTHER CURRENT LIABILITIES

A. ADVANCES FROM CUSTOMERS	30468299	30743569
B. CREDITORS FOR CAPEX SCHEME	6385601	4442980
C. OUTSTANDINGS	11085548	5791785
D. INTEREST ACCRUED BUT NOT DUE ON LOANS	5326169	5511548
E. UNPAID DIVIDENDS	514983	518971
F. OTHERS	53365117	70181948
	107145717	117190801

### NOTE 8 : SHORT-TERM PROVISIONS

INCOME TAX		
	721100.00	840151.00

### NOTE 9 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK	
	As at	Addi-	Deduc-	As at	As at	For the	Deductions/	As at	As at	As at
	31.03.2011	tions	tions	31.03.2012	31.03.2011	Year	Adjustments	31.03.2012	31.03.2012	31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	Rs.
<b>1. TANGIBLE ASSETS</b>										
Lease Hold Land	887529.61	-	-	887529.61	295835.76	9861	-	305696.76	581832.85	591693.85
Buildings	143568662.21	2804414.00	-	146373076.21	37151231.41	4648411	-	41799642.41	104573433.80	106417430.80
Plant & Machinery	1160704551.72	9530285.00	-	1170234836.72	358003577.80	55925917	-	413929494.80	756305341.92	802700973.92
Vehicles*	9640772.98	1338814.00	389518.00	10590068.98	7404518.44	828177	336111.00	7896584.44	2693484.54	2236254.54
Furniture & Fixture	10417673.22	609292.00	-	11026965.22	7418072.51	599516	-	8017588.51	3009376.71	2999600.71
Office Equipments	-	64614.00	-	64614.00	-	2247	-	2247.00	62367.00	-
<b>Total</b>	1325219189.74	14347419.00	389518.00	1325219189.74	410273235.92	62014129.00	336111.00	471951253.92	867225836.82	914945953.82
Previous Year	1292714268.32	36712884.72	4207963.30	1325219189.74	353142153.22	60893145.00	3762062.30	410273235.92	914945953.82	-
<b>INTANGIBLE ASSETS</b>	-	-	-	-	-	-	-	-	-	-
Capital Work in Progress	-	-	-	-	-	-	-	-	264739451	154624939.96
Intangible Assets under Development	-	-	-	-	-	-	-	-	15406000	-
<b>Note :</b>	* includes under hire purchase arrangement Rs. 2800000/-									

### NOTE 10 : NON CURRENT INVESTMENT

#### LONG TERM INVESTMENTS

NON-TRADE (QUOTED)		
3240 Equity Shares of Rs. 10/- each of Indian Bank (Market Value of Quoted Investment Rs. 776628/- Previous Year Rs. 753138/-)	294840	294840



## SHREE BHAWANI PAPER MILLS LIMITED

### NOTE 11 : LONG TERM LOANS AND ADVANCES

(UNSECURED & CONSIDERED GOOD)

SECURITY DEPOSITS	4486845	3772350
	<b>4486845</b>	<b>3772350</b>

### NOTE 12 : INVENTORIES

A. RAW MATERIALS;	260232601	240539835
B. RAW MATERIAL IN TRANSIT	17210443	9112403
C. FINISHED GOODS;	22220340	4078760
D. STOCK IN PROCESS;	17849591	19128131
E. STORES, CHEMICALS & PACKING MATERIALS	61485885	65667379
F. PADDY HUSK & COAL	44359361	57910526
G. OTHERS;	2183227	4455874
	<b>425541448</b>	<b>400892908</b>

### NOTE 13 : TRADE RECEIVABLES

(UNSECURED & CONSIDERED GOOD)

OVER 6 MONTHS	31317706	6056376
OTHERS	187747225	132128921
	<b>219064931</b>	<b>138185297</b>

### NOTE 14 : CASH & CASH EQUIVALENTS

CASH IN HAND	3180322	1951747
BALANCE WITH BANKS	10708070	7955607
FIXED DEPOSITS WITH BANKS	21839213	8082800
	<b>35727605</b>	<b>17990154</b>

### NOTE 15 : SHORT TERM LOANS & ADVANCES

(UNSECURED & CONSIDERED GOOD)

BALANCE WITH CUSTOMS, CENTRAL EXCISE AUTHORITIES	2076258	10237867
OTHERS	133591038	59258761
	<b>135667296</b>	<b>69496628</b>

### NOTE 16 : REVENUE FROM OPERATIONS

A. SALES	1043500017	1308842836
B. LESS: REBATE & DISCOUNT	67355585	45677702
	<b>976144432</b>	<b>1263165134</b>

### NOTE 17 : OTHER INCOME

INTEREST ON DEPOSITS WITH BANKS & OTHERS	667786	118742
DIVIDEND RECEIVED FROM NON-TRADE INVESTMENTS	24300	12960
PROFIT ON SALE OF FIXED ASSETS	36593	405780
MISC. INCOME	4275025	1461067
CERTIFIED EMISSION REDUCTION SALE	19821830	21737684
	<b>24825534</b>	<b>23736233</b>

## SHREE BHAWANI PAPER MILLS LIMITED

### NOTE 18 : COST OF MATERIALS CONSUMED

WASTE PAPER	478535835	497552873
WHEAT/RICE STRAW	38473837	33019461
OTHERS*	16023096	15525241
	533032768	546097575

\*Others include Sarkanda, Raw Jute, Bagasse & etc. None of which individually account for more than 10% if the total consumption.

### NOTE 19 : CHANGES IN INVENTORIES OF FINISHED GOODS

<b>OPENING STOCK</b>		
FINISHED GOODS	4078760	28275873
STOCK IN PROCESS	19128131	18255955
	23206891	46531828
<b>LESS: CLOSING STOCK</b>		
FINISHED GOODS	22220340	4078760
STOCK IN PROCESS	17849591	19128131
	40069931	23206891
<b>DECREASE IN INVENTORIES OF FINISHED GOODS</b>	<b>-16863040</b>	<b>23324937</b>

### NOTE 20 : EMPLOYEE BENEFITS EXPENSE

SALARY AND WAGES	71072451	71262237
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	5091662	4658901
WORKERS AND STAFF WELFARE	4944530	4515833
	81108643	80436971

### NOTE 21 : FINANCE COST

A. INTEREST EXPENSE	159238445	135097458
B. OTHER BORROWING COSTS	7202492	7372006
	166440937	142469464

### NOTE 22 : OTHER EXPENSES

STORES, SPARE PARTS & CHEMICALS CONSUMED	201129569	217340068
PACKING MATERIAL CONSUMED	19195719	25782883
POWER & FUEL	193397406	224976570
REPAIRS TO BUILDING	220089	872998
REPAIRS TO MACHINERY	11628700	16947705
REPAIRS TO OTHERS	388468	620807
EXCISE DUTY	1318636	204512
RENT	992000	864000
RATES & TAXES	1311501	2192697
LOADING, TRANSPORTATION & OTHER CHARGES	5735962	4431953
COMMISSION ON SALES	3935826	3432567
ADVERTISEMENT	691086	827453
MISC EXPENDITURE	13677529	11553777
PAYMENT TO AUDITORS		
AS AUDITORS	100000	100000
FOR TAXATION MATTERS	25000	25000
FOR OTHERS SERVICES	66000	52000
FOR REIMBURSEMENT OF EXPENSES	14000	14000
	453827491	510238990

## SHREE BHAWANI PAPER MILLS LIMITED

- NOTE 23 :** Contingent liability not provided for:  
Guarantees given by bank Rs. 3,04,25,116 (Previous Year Rs. 51,00,000)  
Outstanding Letter of Credit Rs. 14,57,18,829 (Previous Year Rs. 5,22,36,000)
- NOTE 24 :** Estimated amount of capital contracts remaining to be executed and not provided for Rs. 1,90,40,362 (Previous Year Rs. 4,34,94,000)
- NOTE 25 :** The Income Tax assessments of the Company have been completed upto Assessment Year 2009-10. 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.
- NOTE 26 :** Sundry creditors include principal amount Rs. 1,02,24,266 (2010-2011 Rs. 1,17,19,612) due to the suppliers covered by Micro and Small Enterprises Development Act, 2006.  
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, 2012 are as under:

Item No.	Particulars	2011-2012	2010-2011
(a)	(i) The Principal amount remaining unpaid at the end of the year	<b>1,00,83,656</b>	1,08,62,000
	(ii) The interest due on above	<b>NIL</b>	NIL
(b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	<b>NIL</b>	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.	<b>NIL</b>	NIL

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

- NOTE 27 :** In the opinion of the Board, any of the asset other than Fixed Assets and non-current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- NOTE 28 :** 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. 9,92,000 (Previous Year Rs. 7,44,000).
- NOTE 29 :** The break-up of deferred tax assets and liabilities into major components at the year end is as below :

Particulars	As at 31.03.2011	Charge during the year	As at 31.03.2012
<b>Deferred Tax Liability :</b>			
Depreciation - Timing Difference	135120743	<b>2910458</b>	<b>138031201</b>
<b>Deferred Tax Assets :</b>			
Unabsorbed Depreciation	135120743	<b>32956455</b>	<b>168077198</b>
Unabsorbed Business Losses	-	<b>114378882</b>	<b>114378882</b>
	135120743	<b>147335337</b>	<b>282456080</b>
<b>Net Deferred Tax Liability</b>	-	<b>144424879</b>	<b>144424879</b>

Based on the past performance & perception about future operation, management is of the view that adequate future taxable income would be available against which above deferred tax asset can be recognised.

## SHREE BHAWANI PAPER MILLS LIMITED

---

**NOTE 30 :** Earnings per share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings per Share :

Particulars		Year Ended 31.03.2012	Year Ended 31.03.2011
Net Profit after tax as per Statement of Profit & Loss attributable to the equity share holders (Rs)	(A)	-169950734	-104800922
Weighted average number of Equity Shares used as denominator for calculating EPS	(B)	30893413	16424000
Face Value per Equity Shares (Rs.)		10	10
Basic/Diluted Earnings Per Share (Rs.)	(A/B)	-5.50	-6.38

**NOTE 31 :** **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. <b>210000</b> Rs. [150000]	Rs. <b>630000</b> Rs. [450000]	— —
II. Interest on Fixed Deposits taken	Rs. - Rs. -	Rs. <b>145663</b> Rs. [150125]	— —
III. Opening Balance of Fixed Deposits	Rs. - Rs. -	Rs. <b>1270000</b> Rs. [1270000]	— —
Fixed Deposits received during the period/year	Rs. - Rs. -	Rs. - Rs. -	— —
Fixed Deposits repaid during the period/year	Rs. - Rs. -	Rs. <b>810000</b> Rs. -	— —
Closing Balance of Fixed Deposits	Rs. - Rs. -	Rs. <b>460000</b> Rs. [1270000]	— —
IV. Interest accrued as on 31.03.2012	Rs. — Rs. —	Rs. <b>13503</b> Rs. [12003]	— —
V. Managerial Remuneration	Rs. <b>4003103</b> Rs. [4134748]	Rs. <b>988100</b> Rs. [568050]	— —
VI. Managerial remuneration payable as at 31.03.2012	Rs. <b>234200</b> Rs. [187500]	Rs. <b>83200</b> Rs. [42000]	— —
VII. Sale of Fixed Assets	Rs. — Rs. —	Rs. — Rs. —	— —

### NOTE 32 : Employee Benefits

As per Accounting Standard 15 'Employee Benefits', the

#### Defined Contribution Plan

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

	<b>2011-2012</b> <b>Rupees</b>	2010-2011 Rupees
Employers' Contribution to Provident and other Funds	<b>7051411</b>	6421614

#### 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

<b>I Reconciliation of opening and closing balance of Defined Benefit obligation</b>	<b>Leave Encashment (Unfunded) 2011-2012</b>	<b>Leave Encashment (Unfunded) 2010-2011</b>
Defined Benefit obligation at beginning of the year	3643770	2282493
Current Service Cost	2619616	3089595
Interest Cost	264531	176706
Actuarial (gain)/loss	-2482232	-1757677
Benefits Paid	-811867	-147347
Defined Benefit obligation at the year end	3233818	3643770
<b>II Reconciliation of fair value of assets and obligations</b>	<b>Leave Encashment (Unfunded) As at 31.03.2012</b>	<b>Leave Encashment (Unfunded) As at 31.03.2011</b>
Fair value of plan assets	—	—
Present value of obligation	3233818	3643770
Amount recognised in Balance Sheet	3233818	3643770
<b>III Expense recognised during the year (Under the head 'Payment to and Provisions for Employees' - Refer Schedule 17)</b>	<b>Leave Encashment (Unfunded) 2011-2012</b>	<b>Leave Encashment (Unfunded) 2010-2011</b>
Current Service Cost	2619616	3089595
Interest Cost	264531	176706
Expected return on plan assets	—	—
Actuarial (gain)/loss	-2482232	-1757677
<b>Net Cost</b>	<b>401915</b>	<b>1508624</b>
<b>IV Actuarial Assumptions</b>	<b>Leave Encashment (Unfunded) 2011-2012</b>	<b>Leave Encashment (Unfunded) 2010-2011</b>
<b>Mortality Table</b>	<b>1994-96 (Ultimate)</b>	<b>1994-96 (Ultimate)</b>
Discount rate (per annum)	8.17%	8.17%
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.

**NOTE 33 : Segment Information :**

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

## SHREE BHAWANI PAPER MILLS LIMITED

### NOTE 34 : a) RAW MATERIALS CONSUMED

	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Wheat Straw & Rice Straw	13730	38473837	12457	33019461
Waste Paper	31616	478535835	36206	495595504
Bagasse & Others	9407	16023096	5844	17482610
		<b>533032768</b>		<b>546097575</b>

### b) CONSUMPTION OF RAW MATERIALS, STORES & SPARES

	2011-2012		2010-2011	
	Rupees	%	Rupees	%
<b>i) RAW MATERIALS</b>				
Imported	242608060	45.51	270322506	49.50
Indigenous	290424708	54.49	275775069	50.50
<b>ii) STORES &amp; SPARES</b>				
Imported	107415	0.60	3195514	1.31
Indigenous	17871694	99.40	239927437	98.69
<b>c) CIF VALUE OF IMPORTS</b>				
i) Capital Goods	18711078		2231672	
ii) Raw Materials	147194493		182677326	
iii) Stores & Spares	461933		826164	
<b>d) EARNINGS IN FOREIGN CURRENCY</b>				
i) Certified Emission Reductions	19821830		23886016	
ii) On Export of Goods (FOB Basis)	624256		5901989	
<b>e) EXPENDITURE IN FOREIGN CURRENCY</b>				
Travelling	35664		33139	

**NOTE 35 :** The financial statements for the year ended 31<sup>st</sup> March, 2011 had been prepared as per then applicable, pre revised Schedule VI to the Companies Act, 1956 consequent to the notification under the Companies Act, 1956 the financial statement for the year ended 31<sup>st</sup> March, 2012 are prepared under revised Schedule VI. Accordingly, the previous year's figure have also been reclassified to conform to this year's classification.

## **ANNEXURE - I**

### **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.



---

## SHREE BHAWANI PAPER MILLS LIMITED

---

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.

**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 are 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.

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 Third Annual General Meeting of the Company to be held on 28th September, 2012 and at any adjournment thereof.
hand/hands this .....
..... day
of ..... 2012
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 33rd Annual General Meeting held at Conference Hall, Hotel Elchico Restaurant at 24, M. G. Marg, Allahabad 211002 on Friday, the 28th September, 2012 at 11.30 a.m.
Full Name of the Member (in block letters) Signature
Folio No.: ..... DP ID No.\* ..... Client ID No.\* .....
\* Applicable for Members holding shares in electronic form.
Full Name of the proxy (in block letters) Signature

NOTES :

- 1. You are requested to sign and hand this over at the entrance.
2. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy form must be deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad 211002 not less than 48 hours before the time for holding the Meeting.
3. If you are attending the Meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you/your proxy for reference at the Meeting.

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

**BOOK POST  
UNDER CERTIFICATE OF POSTING**

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