

34th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE PERIOD ENDED
31ST DECEMBER, 2012**

SHREE BHAWANI 
PAPER MILLS LIMITED

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS

Shri Badri Vishal Tandon
Shri C.M. Krishna
Brig. (Retd.) Shri Rajeev Lochan Singh SC
Shri Saran Vinod
Shri Atul Seth
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

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SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 34th Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Registered office of the Company at 33, Dayanand Marg, Allahabad-211002, on Friday, the 28th June, 2013 at 11.30 am to transact the following Business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st December, 2012 and Profit & Loss Account for the nine months period ended 31st December, 2012, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Shri Badri Vishal Tandon, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint 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.1,50,000/- (Rupees one lac fifty thousand only) plus service tax, as applicable, and travelling and other out of pocket expenses.”

SPECIAL BUSINESS

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

Appointment of Shri Saran Vinod as a Director of the Company, liable to retire by rotation

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Saran Vinod who was appointed by the Board of Directors of the Company as an Additional Director and who holds the Office upto the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Shri Saran Vinod for the Office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

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

Appointment of Shri Atul Seth as a Director of the Company, liable to retire by rotation

“RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Atul Seth who was appointed by the Board of Directors of the Company as an Additional Director and who holds the Office upto the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Shri Atul Seth for the Office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

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

Re-appointment of Shri Girish Tandon as Managing Director of the Company

“RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactment thereof for the time being in force and pursuant to Articles of Association of the Company and subject to requisite permission of Central Government if so required, Consent of the Company be and is hereby accorded to the re-appointment of Shri Girish Tandon as Managing Director of the Company for a period of three years with effect from 1st April, 2013 on a remuneration of Rs.2,00,000/- (Rupees two lacs only) per month with the authority to Board of Directors to increase it from time to time upto an amount not exceeding Rs.3,50,000/- (Rupees three lac fifty thousand only) per month and other benefits, as detailed in the Explanatory Statement attached hereto for performing the functions of Managing Director or any other functions as may be assigned to him from time to time by the Board of Directors of the Company.

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

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

Re-appointment of Shri Alankar Tandon as Executive Director of the Company

“RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactment thereof for the time being in force and pursuant to Articles of Association of the Company and subject to requisite permission of Central Government if so required, Consent of the Company be and is hereby accorded to the re-appointment of Shri Alankar Tandon as Executive Director of the Company for a period of five years with effect from 1st April, 2013 on a remuneration of Rs.1,00,000/- (Rupee one lacs only) per month with the authority to Board of Directors to increase it from time to time upto an amount not exceeding Rs.2,00,000/- (Rupees two lacs only) per month and other benefits, as detailed in the Explanatory Statement attached hereto for performing the functions of Executive Director or any other functions as may be assigned to him from time to time by Managing Director and the Board of Directors of the Company.

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

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 15TH MAY, 2013

SHREE BHAWANI PAPER MILLS LIMITED

NOTES

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

Proxies in order to be valid must be received by the Company not later than 48 hours before the commencement of the Meeting. The relevant proxy form is enclosed 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.
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 25th June, 2013 to 28th June, 2013. (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 2013-14.

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12. Details of the Directors seeking re-appointment /appointment at this Annual General Meeting: (Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai):
- (a) Shri Badri Vishal Tandon, aged about 64 years, is a Law Graduate and has more than 40 years of experience as Advocate High Court, Allahabad. He has special expertise in tax matters. He has been a Director of the Company since inception and is also a member of Audit Committee and Investors Grievance Committee of the Company.
Details of other Directorship/Committee Membership held by him:
Director in Sahitya Bhawan Pvt.Ltd., Allahabad.
- b) Shri Saran Vinod, aged about 63 years, is graduate from Lucknow University and has wide and varied experience in Sugar Industry. He is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship/Committee Membership held by him: Nil
- c) Shri Atul Seth, aged about 52 years, is Law Graduate and more than 28 years experience in the Manufacturing Sector. He is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship/Committee Membership held by him:
Director in Sterling Hosiery Industry (P) Limited, Kolkata
- d) Shri Girish Tandon, aged about 62 years, is MBA from Allahabad University and has more than 35 years experience with the Paper Industry. He started his carrier in publication business and promoted Shree Bhawani Paper Mills Ltd. He has been a Director of the Company since its inception i.e 1979. He is also a member of Investor's Grievance Committee of the Company.
Details of other Directorship/Committee Membership held by him:
Director in Alankar Udyog Pvt. Ltd., Allahabad
- e) Shri Alankar Tandon, aged about 42 years, is Commerce graduate and having more than 14 years experience in capital market and finance business and 5 years experience in paper industry. He has been Executive Director of the Company since 2008. He is also a member of Investor's Grievance Committee of the Company.
Details of other Directorship/Committee Membership held by him:
Alankar Udyog Pvt. Ltd., Allahabad
Sahitya Bhawan Pvt Ltd, Allahabad

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

ITEM NO. 4 & 5

Shri Saran Vinod and Shri Atul Seth were appointed as Additional Directors of the Company pursuant to provisions of Section 260 of the Companies Act, 1956 by the Board of Directors at their Meeting held on 18th March, 2013 with effect there from and holds the Office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing along with requisite deposit Under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose the appointment of Shri Saran Vinod and Shri Atul Seth as Directors of the Company. The Board considered it beneficial and in the interest of the Company to continue to have the advice of Shri Saran Vinod and Shri Atul Seth and accordingly, recommend their appointment as Directors of the Company.

Except Shri Saran Vinod and Shri Atul Seth, none of the Directors of the Company is in any way concerned or interested.

ITEM NO.6

1) Background Details

Shri Girish Tandon was appointed as Managing Director of the Company for a period of three years with effect from 1st April, 2010 at a remuneration of Rs. 1,40,000/- (Rupees one lac forty thousand only) per month, with the authority to Board of Directors to increase it from time to time upto an amount not exceeding Rs.2,50,000/- (Rupees two lacs fifty thousand only) along with other benefits as approved by the shareholders at the Annual General Meeting held on 27th September, 2010. The present term of his office was expired on 31st March, 2013.

2) Past Remuneration

Shri Girish Tandon had drawn a remuneration of Rs. 33.17 lacs during the financial year 2012-13 as Managing Director of the Company.

3) Job Profile and suitability of the Appointee

Shri Girish Tandon, aged about 62 years, is MBA from Allahabad University and is the Promoter Director of the Company. He has been the Joint Managing Director of the Company since 2nd October, 1979 to 28th April, 2008 and was further designated as Managing Director thus completing a period of more than 33 years. Your Directors in accordance with the recommendations of Remuneration Committee, and having regard to his long association with the Company and more than 35 years rich and diversified experience in paper industry, considered beneficial and in the interest of the Company, approved, at their Meeting held on 18th March, 2013, the re-appointment of Shri Girish Tandon as Managing Director, for a further period of three years with effect from 1st April, 2013 subject to approval of Central Government and the Members of the Company at the General Meeting on increased remuneration and fresh terms and conditions.

The Board of Directors has not given the enhancement of increment, in the interest of the Company, in the previous appointment which Shri Tandon had kindly consented for the same.

4) The remuneration approved by Board as per ceilings as set out in Part II Section II of the Schedule XIII to the Companies Act, 1956, thus payment of remuneration as per above scale does not require approval of the Central Government. However, in view of the delay in repayment to bank dues pending restructuring of bank loans still existing as on 31st March, 2013, in terms of provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, approval of the Central Government would be required for payment of the said remuneration to Shri Girish Tandon.

5) Shri Girish Tandon is Director in Alankar Udyog Pvt. Ltd., Allahabad and is also member of Investor's Grievance Committee of the Company.

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6) The Principal terms of re-appointment of Shri Girish Tandon are as follows:

- i) **Basic Salary** : Rs. 2,00,000/- - Rs. 3,50,000/- per month.
Annual increment as may be approved by the Board subject to recommendation of Remuneration Committee
- ii) **Commission** : Commission @ 1% be paid in addition to the above salary and other perquisites calculated with reference to the net profits of the Company at the end of each financial year subject to overall ceiling stipulated under Section 198 & 309 of the Companies Act, 1956.
- iii) **Perquisites:**
 - a) House Rent Allowance @ 50% of Basic Salary per month.
 - b) Medical Benefits for self and family: Reimbursement of expenses actually incurred for self and family, subject to ceiling of one months' salary in a year or three months salary in a block of three years.
 - c) Personal Mediciam/Accidental Insurance - Annual Premium for coverage of personal mediclaim and accidental insurance be paid by the Company and premium thereof not to exceed Rs.35,000/- per annum
 - d) Encashment of leave at the end of the tenure as per the Rules of the Company.
 - e) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rules.
 - f) No sitting fee shall be paid for attending the Meeting of Board of Directors or Committee thereof.
 - g) Any other benefits, facilities, allowances and expenses as may be allowed under Company's Rules/ Schemes.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained wherein any financial year, Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary as minimum remuneration and in addition there to the perquisites not exceeding the limits specified under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

iv) The above appointment shall be subject to termination by three months notice in writing on either side.

7) Memorandum of Interest

None of the Directors except Shri Girish Tandon and Shri Badri Vishal Tandon, elder brother of Shri Girish Tandon, may be considered as interested in the Resolution recommended for adoption.

- 8) As required under Section 302 of the Companies Act, 1956, this is treated as an abstract of the terms and conditions of the said re-appointment and Memorandum of Interest to the members.
- 9) Comparative remuneration profile with respect to the industry, size of the company, profile of the position and person:

The proposed remuneration payable to Shri Girish Tandon is justified as compared to remuneration paid in the industry and the size of the Company.

- 10) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personal, if any
Except the proposed remuneration, Shri Girish Tandon does not have any pecuniary relationship with the Company or with any managerial personnel except as shareholder of the Company.

The Board recommends the Resolution for approval of shareholders in view of above.

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Additional Information required under the provisions Para C of Section II of Schedule XIII of the Companies Act, 1956.

1) General Information

a) Nature of industry:

The Company is engaged in manufacture and sale of Printing, Writing and Newsprint Paper.

b) Date or expected date of commencement of commercial production:

The Company was incorporated on 6th July, 1979 as a Public Limited Company. The commercial production was started in the year 1983 with an installed capacity of 9400 MT per annum and over the years installed capacity has reached to 72000 MT per annum.

c) Expected date of commencement of activities as per project approved by financial institutions:

Not applicable

d) Financial Performance: The key performance indicators of the Company during the previous three years as given below :

(Rs in Lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2012	Nine months ended 31.12.2012
Production (Tonnes)	42773	30767	28479
Sales & other income	12508	9696	9582
Gross profit/ loss	834	(-) 887	(-)1734
Profit/loss after taxation	(-)1048	(-)1699	(-)4093

e) Export performance and net foreign exchange collaborations:

During the nine months period ended 31st December, 2012, the Company has incurred Rs 10.72 Crores in Foreign Exchange towards import of raw materials, stores and spares.

f) Foreign Investment or collaborators:

Nil

2) Other Information

Reasons of losses incurred by the Company

1. During 2007-2008, the Company had undertaken further capacity expansion by installing most modern new equipments for manufacturing paper, thereby increasing their manufacturing capacity from 21000 MT to 72000 MT per annum. Post implementation of the same, the Company faced certain initial hurdles with respect to de-inking plant that affected the quality of the pulp and gave lower yield, forcing higher expenditure on trial runs to the extent of approx. Rs. 12-14 cr. Although it was rectified later, the Company could not achieve the desired production levels post commissioning as planned in FY 2009 and FY 2010 leading to depressed sales and profitability in that period. However, unfortunately at that time, due to collapse of Lehman Brothers, the global economy fell into the severe recession trap which drastically affected the Newsprint Market and paper industry thereby leading the Company also into severe economic crisis. Due to these unforeseen circumstances, the project completion of the Company got delayed as a result of which the Company incurred heavy losses.
2. In April 2010, due to Pollution Control Board (PCB) directives, the Company could not continue to operate the agro pulp mill without installing the Chemical Recovery Plant (hereinafter referred to as "CRP"). Resultantly, the Company

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had to shut down operations of its existing 50 Tonnes Per Day agro pulp mill. Due to this, the overall production in FY11, FY12 and FY13 also suffered adversely impacting the financial and operational performance of the Company. As per the PCB directives, a Chemical Recovery Plant (120 TPD) was successfully installed in July, 2012 however, CRP could not run on commercial basis due to power shortage after June 2012. Subsequent Power Grid failure in July/August 2012 further worsened the production of the Company. Further, during the year 2012, the implementation of the CRP necessitated periodic shutdowns of existing plant for synchronizing with the new equipments, which has adversely affected the capacity utilization and production at the plant in that year. However, the CRP has now been implemented and is ready to commence operations.

3. In 2005-06, the Capital Expansion Plan of the Company which included setting up of Waste paper based Pulp Mill and New Paper Machine i.e. PM-3 was financed by Indian Bank & Bank of Baroda (Consortium) via Term Loan of Rs. 24 crores each at a rate of interest @ 10% p.a. on the basis of which the appraisal was undertaken by the banks. However, over the years, by 2011-12, the banks revised the said interest rate to 14.5% p.a. thereby burdening the Company with an additional 4.5% interest cost.
4. In May 2011, in order to stabilize the finances of the Company, the Promoters divested 50% of their stake to the new co-promoters i.e. Shri O.P.Goenka & others and infused Rs. 25 crores in the form of equity and debt. However, due to high interest rates charged by the banks, substantial amount of the said infused money was used in paying up the accumulated dues of the Banks. Thereafter, in June 2011, the Company submitted its proposal to the Banks for infusion of fresh capital which, after many efforts from the management of the Company, was cleared by the banks in mid January 2012 i.e. after 6 months delay. Due to this delay, during the intervening period of June 2011 to January 2012, the production of the Company dropped significantly to less than 900 tons per month in November – December 2011. In last 4 years, on all proposals submitted by the Company, the banks have delayed beyond reasonable time in appraisal and sanction, resulting huge losses to the Company. All these delays have resulted in lower capacity utilization of the Company and huge cash losses.
5. The promoters are fully committed towards the Company and have shown their conviction by bringing in funds in the form of equity and long term unsecured funds over the past 4 years amounting to approx. Rs. 54 crores approx.
6. One of the external factors responsible for loss is that in the past four years, the value of Rupee has depreciated from Rs. 42/- per dollar in 2008 to Rs. 57/- per dollar in August 2012. This depreciation in rupee lead to higher import costs of waste paper. The Company uses imported waste paper in a mix with domestic paper for producing higher quality of paper like newsprint (front page), writing and printing paper and special grade paper.
7. Due to continuous liquidity constraints over recent past, the Company is unable to have timely release of its imported waste paper at the container terminal, leading to additional burden of detention and demurrage charges, affecting Company's profitability. The Company has paid about Rs. 10 cr. over the past 3 years towards these charges.
8. SBPML has been caught in a vicious business cycle of Global meltdown coupled with higher import, falling rupee vis-à-vis U.S. dollar. This has been compounded by very high Interest rate regime.

Steps taken or proposed to be taken for improvement

1. The Company has submitted a request of restructuring of Loans to the Consortium bankers viz Indian Bank & Bank of Baroda on 27th September, 2012. A detailed proposal was submitted to the banks on 2nd November 2012 that requested as under:
 - a) To consider realignment of the outstanding debt obligations, by undertaking a comprehensive debt restructuring of the Company as per the restructuring scheme submitted to them.
 - b) To permit holding-on-operations till the final resolution is obtained in the form of approval of final proposal for debt realignment. This will enable the Company to conserve cash flows and to sustain its level of operations.
2. The Company has undertaken enhancement of its agro-pulp mill capacity from 50 TPD to 100 TPD, which will mitigate the risk of high dependency on waste paper for its pulp requirements.

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3. The Company has commissioned the Chemical Recovery Plant which will increase its capacity to manufacture own pulp and reduce dependence of imported raw-material.
4. The Company has filed a Reference in Form A with Board for Industrial and Financial Reconstruction (BIFR) in accordance with the provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).
5. The copy of the Resolution, approved by the Board of Directors of the Company, is available for inspection during business hours on any working day at Registered Office of the Company.

ITEM NO.7

1. Shri Alankar Tandon was appointed as the Executive Director by the Members of the Company at the Annual General Meeting held on 30th September, 2008 for a period of five years at a remuneration of Rs.50,000/- per month in the scale of Rs. 50,000/- to Rs 80,000/- along with other benefits as detailed in the aforesaid Resolution.
2. Shri Alankar Tandon, aged about 42 years, is Commerce graduate and having more than 14 years experience in capital market and finance business and 5 years experience in paper industry. He is also a member of Investor's Grievance Committee of the Company.
3. Shri Alankar Tandon is also Director in Alankar Udyog Pvt. Ltd., Allahabad and Sahitya Bhawan Pvt Ltd, Allahabad.
4. In accordance with the recommendations of Remuneration Committee, the Board of Directors of the Company, has at their Meeting held on 18th March, 2013, approved the re-appointment of Shri Alankar Tandon as Executive Director, for a further period of five years with effect from 1st April, 2013 subject to approval of Central Government and the Members of the Company at the General Meeting on increased remuneration and fresh terms and conditions.
5. The remuneration as approved by Board as per ceilings as set out in Part II Section II of the Schedule XIII to the Companies Act, 1956, thus payment of remuneration as per above scale does not require approval of the Central Government. However, in view of the delay in repayment to bank dues pending restructuring of bank loans still existing as on 31st March, 2013, in terms of provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956, approval of the Central Government would be required for payment of the said remuneration to Shri Alankar Tandon.
6. The Principal terms of appointment of Shri Alankar Tandon are as follows:
 - i) **Basic Salary** : Rs.1, 00,000/- - Rs. 2, 00,000/- per month
Annual increment is approved by the Board subject to recommendation of Remuneration Committee.
 - ii) **Commission** : Commission @ 1% be paid in addition to the above salary and other perquisites calculated with reference to the net profits of the Company at the end of each financial year subject to overall ceiling stipulated under Section 198 & 309 of the Companies Act, 1956.
 - iii) **Perquisites:**
 - a) House rent Allowance @ Rs 40000/- (Rupees Forty Thousand only) per month.
 - b) Medical Benefits for self and family: Reimbursement of the expenses actually incurred for self and family, subject to Ceiling of one month's salary in a year or three months salary in a block of three years.
 - c) Personal Accident/ Mediciam Insurance: Annual Premium for coverage of personal mediclaim and accidental insurance is paid by the Company and premium thereof not to exceed Rs. 25,000/- per annum.
 - d) Encashment of leave at the end of tenure as per Company's rules.
 - e) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's rule.
 - f) No sitting fee shall be paid for attending the Meeting of Board of Directors or Committee thereof.

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g) Any other benefits, facilities, allowance and expenses as may be allowed under Company's Rules/Schemes.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained wherein any financial year, Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary as minimum remuneration and in addition there to the perquisites not exceeding the limits specified under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

7. The above appointment will be subject to termination by three months notice in writing on either side.

8. Memorandum of Interest

None of the Directors except Shri Alankar Tandon and Shri Badri Vishal Tandon, Father of Shri Alankar Tandon, may be considered as interested in the Resolution.

9. As required under Section 302 of the Companies Act, 1956, this is treated as an abstract of the terms and conditions of the said re-appointment and Memorandum of Interest to the members.

The Board recommends the Resolution for approval of shareholders.

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 15TH MAY, 2013

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

We have pleasure in presenting our 34th Annual Report together with the audited accounts of the Company for the year ended 31st December, 2012.

PERFORMANCE

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

	Nine Months Ended	Year ended
	31.12.2012	31.03.2012
	Rs. in Lacs	Rs. in Lacs
Production (Tonnes)	28479	30767
Sales	9526	9448
Other Income	56	248
	9582	9696
Gross Profit/(Loss)	-1711	-887
Less : Interest	1385	1592
Depreciation for the year	491	620
Profit Before Exceptional Items and Tax	-3587	-3099
Exceptional Items	506	-
Profit for the year before Tax	-4093	-3099
Less : Provision for taxation	-	-1400
Profit / (Loss) after taxation	-4093	-1699
Profit / (Loss) brought forward from last year	-3561	-1862
Loss carried to Balance Sheet	-7654	-3561

During the period under review, the Company has manufactured 28479 tons of paper with a gross sale of Rs.104.02 crores as compared to 19992 tons of paper with gross sale of Rs.70.35 crores during the corresponding period in previous year. The main reason for losses is high interest, under utilization of plant capacity because of working capital constraint and implementation of CRP Capex I, which has necessitated periodic shut down of existing plant for synchronizing with the new equipments. Your company is facing severe cash crunch from last several years because of high interest rates charged by the banks and repayment of loans. During the period under review, the Company has paid Rs.13.85 crores towards interest and Rs. 3.81 crores towards installments to the Banks. Power failure in July/ August, 2012 further worsened the production of the Company.

The promoters have brought in funds in the form of equity and long term unsecured funds amounting to approx. Rs. 54 crores approx and paid Rs 83 crores approx to the banks towards interest and repayment of Loans over the past 4 years.

The market condition for writing, printing paper is stable and the industry is looking forward to see a better promising growth. The Company is actively involved in Government tender and education sector printing paper supplies. There is good demand of newsprint and other cultural varieties of paper in addition to writing printing segment. The Company is maintaining very low finished goods inventory.

CAPITAL EXPENDITURE SCHEME

The Capital expenditure scheme for Chemical Recovery Plant (CRP) 120 PD was successfully installed, however, CRP could not run on commercial basis due to power shortage because of grid failure in July/August, 2012, is now ready to commence operations.

Capex II will be implemented on stabilization of the operation of the Company at the earliest.

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

Your Directors, at their meeting held on 18th March, 2013, took a note of the fact that the net worth of the Company has become negative by virtue of which Company has become sick in terms of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The Board unanimously, decided to close the financial year on 31.12.2012 for nine months period. Thereafter, Reference in Form A was filed with Board for Industrial and Financial Reconstruction (BIFR) pursuant to provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 for speedy determination by the Board of experts of the preventive, ameliorative, remedial and other measures which need to be taken with respect to sickness of the Company in interest of all stakeholders and public at large.

The main reasons for sickness are briefed as under:

1. During 2007-2008, the Company had undertaken further capacity expansion by installing most modern new equipments for manufacturing paper, thereby increasing their manufacturing capacity from 21000 MT to 72000 MT per annum. Post implementation of the same, the Company faced certain initial hurdles with respect to deinking plant that affected the quality of the pulp and gave lower yield, forcing higher expenditure on trial runs to the extent of approx. Rs.12-14 cr. Although it was rectified later, the Company could not achieve the desired production levels post commissioning as planned in FY 2009 and FY 2010 leading to depressed sales and profitability in that period. However, unfortunately at that time, due to collapse of Lehman Brothers, the global economy fell into the severe recession trap which drastically affected the Newsprint Market and paper industry thereby leading the Company also into severe economic crisis. Due to these unforeseen circumstances, the project completion of the Company got delayed as a result of which the Company incurred heavy losses.
2. In April 2010, due to Pollution Control Board (PCB) directives, the Company could not continue to operate the agro pulp mill without installing the Chemical Recovery Plant (hereinafter referred to as "CRP"). Resultantly, the Company had to shut down operations of its existing 50 Tonnes Per Day agro pulp mill. Due to this, the overall production in FY11, FY12 and FY13 also suffered adversely impacting the financial and operational performance of the Company. As per the PCB directives, a Chemical Recovery Plant (120 TPD) was successfully installed in July, 2012 however, CRP could not run on commercial basis due to power shortage after June 2012. Subsequent Power Grid failure in July/August 2012 further worsened the production of the Company. Further, during the year 2012, the implementation of the CRP necessitated periodic shutdowns of existing plant for synchronizing with the new equipments, which has adversely affected the capacity utilization and production at the plant in that year. However, the CRP has now been implemented and is ready to commence operations.
3. In 2005-06, the Capital Expansion Plan of the Company which included setting up of Waste paper based Pulp Mill and New Paper Machine i.e. PM-3 was financed by Indian Bank & Bank of Baroda (Consortium) via Term Loan of Rs. 24 crores each at a rate of interest @ 10% p.a. on the basis of which the appraisal was undertaken by the banks. However, over the years, by 2011-12, the banks revised the said interest rate to 14.5% p.a. thereby burdening the Company with an additional 4.5% interest cost.
4. In May 2011, in order to stabilize the finances of the Company, the Promoters divested 50% of their stake to the new co-promoters i.e. Shri O.P.Goenka & others and infused Rs. 25 crores in the form of equity and debt. However, due to high interest rates charged by the banks, substantial amount of the said infused money was used in paying up the accumulated dues of the Banks. Thereafter, in June 2011, the Company submitted its proposal to the Banks for infusion of fresh capital which, after many efforts of management of the Company, was cleared by the banks in mid January 2012 i.e. after 6 months delay. Due to this delay, during the intervening period of June 2011 to January 2012, the production of the Company dropped significantly to less than 900 tons

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per month in November – December 2011. In last 4 years, on all proposals submitted by the Company, the banks have delayed beyond reasonable time in appraisal and sanction, resulting huge losses to the Company. All these delays have resulted in lower capacity utilization of the Company and huge cash losses.

5. The promoters are fully committed towards the Company and have shown their conviction by bringing in funds in the form of equity and long term unsecured funds over the past 4 years amounting to Rs. 54 crores approx.
6. One of the external factors responsible for loss is that in the past four years, the value of Rupee has depreciated from Rs. 42/- per dollar in 2008 to Rs. 57/- per dollar in August 2012. This depreciation in rupee lead to higher import costs of waste paper. The Company uses imported waste paper in a mix with domestic paper for producing higher quality of paper like newsprint (front page), writing and printing paper and special grade paper.
7. Due to continuous liquidity constraints over recent past, the Company is unable to have timely release of its imported waste paper at the container terminal, leading to additional burden of detention and demurrage charges, affecting Company's profitability. The Company has paid about Rs. 10 cr. over the past 3 years towards these charges.
8. SBPML has been caught in a vicious business cycle of Global meltdown coupled with higher import, falling rupee vis-à-vis U.S. dollar. This has been compounded by very high Interest rate regime.
9. The Company manufactures news print, which is import substitution. In the last 4 years, it has saved more than Rs. 300 crores in foreign exchange by its news print production at a nominal cost of imported raw-material. Demand of news print is increasing.
10. SBPML has commissioned the Chemical Recovery Plant which will increase its capacity to manufacture own pulp and reduce dependence of imported raw-material.

The Company has submitted a request of restructuring of Loans to the Consortium bankers viz Indian Bank & Bank of Baroda on 27th September, 2012. A detailed proposal was submitted to the banks on 2nd November 2012 that requested as under:

- a) To consider realignment of the outstanding debt obligations, by undertaking a comprehensive debt restructuring of the Company as per the restructuring scheme submitted to them.
- b) To permit holding-on-operations till the final resolution is obtained in the form of approval of final proposal for debt realignment. This will enable the Company to conserve cash flows and to sustain its level of operations.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

During the year under review, the Company has received 13264 CERs for an activity from 1st January, 2010 to 31st December, 2010 from Cogeneration Power Project I and 11509 CERs from Cogeneration Power Project II under verification and is likely to be finalised.

We expect to receive further 26855 CERs for an activity up to 31st December, 2012 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

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

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is enclosed as per Annexure-I.

PUBLIC DEPOSIT UNDER SECTION 58-A

During the year, because of continuous losses, the Company has not accepted/ renewed fixed deposits from public and shareholders and as on 31st December, 2012, fixed deposits received from the public and shareholders as on 31.12.2012 stood at Rs.93.62 lacs.

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DIRECTORS

Shri Badri Vishal Tandon, Director, is retiring by rotation, being eligible for re-election, has given his consent for the same.

Shri Murari Lal Jalan resigned from Directorship of the Company and ceased to be Director with effect from 10th November, 2012. Your Directors expressed their deep appreciation for his valuation association and contributions to the Company.

Under the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Atul Seth and Shri Saran Vinod were appointed as Additional Directors of the Company on 18th March, 2013 to hold the office until the conclusion of ensuing Annual General Meeting.

The Company has received a notice in writing along with requisite deposit under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose the appointment of Shri Saran Vinod and Shri Atul Seth as Directors of the Company. Accordingly, the Resolutions proposing the appointment of Shri Saran Vinod and Shri Atul Seth shall be placed before the shareholders for their approval at the ensuing Annual General Meeting.

Your Directors recommend the re-appointment of Shri Girish Tandon as Managing Director, for a further period of three years and Shri Alankar Tandon as Executive Director, for further period of five years on revised terms subject to requisite approvals.

AUDITOR'S QUALIFICATION/ REMARKS

With regard to qualification/remarks in the Auditor's Report and Annexure thereto, your Directors wish to state that with respect to the qualification of Auditors in Point No. 2 (e) of the Report regarding the Liability for gratuity and leave encashment has been made on the basis of liability determined by the Management, the Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year. As the Company has changed current accounting year from 1st April, 2012 to 31st December, 2012 whereas the previous accounting year was for twelve months ended 31st March, 2012. The Company has not received any advice of premium amount payable to Life Insurance Corporation of India for nine months period ended 31st December, 2012. Gratuity liability amounting to Rs.16,03,306/- has been provided for the period on estimated basis. Actuarial report for compensated Absence (PL) Plan valuation for the period ended 31st December, 2012 could not be obtained, hence the liability for leave encashment amounting to Rs. 14,50,000/- has been provided for the period ended 31st December, 2012 on estimated basis.

AUDITORS

M/s. P.L.Gupta & Co., Chartered Accountants, Statutory Auditors of the Company, retire from their Office at the conclusion of ensuing Annual General Meeting. They are, however, eligible for re-appointment and have furnished certificate to the effect that their appointment, if made, will be in accordance with the limits specified in Sub- Section (I-B) of Section 224 of the Companies Act, 1956. Your Directors recommend their re-appointment for the accounting year 2013-14.

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.

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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 nine months period ended 31st December, 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 period and of the profit or loss of the Company for the period 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 nine months period ended 31st December, 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: 15TH MAY, 2013

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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

	Nine Months Ended 31.12.2012	Previous year 31.03.2012
a) Purchased Units	94.31	101.49
Total Amount	543.89	484.47
Rate/Unit	5.77	4.77
b) Own Generation		
Through Diesel Generators :		
Units (KWH in lacs)	0.01	0.15
Units per litre of diesel oil	3.00	3.00
Diesel (Rs./Litre)	39.50	28.96
Rate/Unit (Rs.)	13.17	9.99
Through Steam Turbine :		
Units (KWH in lacs)	203.26	243.00
Units per Tonne of Fuel	476	460
Rate / Unit (Rs.)	6.74	5.86

2. Paddy Husk

Quantity (Tonnes)	40240	49549
Total Cost (Rs. in lacs)	1139.43	1095.42
Average Rate (Rs./Tonne)	2832	2211

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B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	28479	30767
Electricity* (Units/Tonne)	1045	1123
Paddy Husk** (Tonnes/Tonne)	1.97	1.97

* 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 during the period were Rs. Nil and total foreign exchange outgo during the year amounted to about Rs. 1071.52 lacs on account of import of raw materials, stores & spares.

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 31.03.2013 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	1	1	4	4	Yes
Shri Alankar Tandon Executive Director	Promoter Executive	2	1	4	4	Yes
Shri Badri Vishal Tandon	Non-Independent Non-Executive	1	2	4	4	Yes
Shri C M Krishna	Independent Non-Executive	-	3	4	4	No
Brig. (Retd.) Shri Rajeev Lochan Singh SC	Independent Non-Executive	-	2	4	1	No
*Shri Murari Lal Jalan	Independent Non-Executive	9	1	3	0	No
**Shri Atul Seth	Independent Non-Executive	1	2	1	-	NA
**Shri Saran Vinod	Independent Non-Executive	-	2	1	1	NA

*Ceased to be Director of the Company with effect from 10.11.2012

** Appointed as Director of the Company on 18.03.2013

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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.

Four Board Meetings were held during the year i.e. on 30.05.2012, 14.08.2012, 10.11.2012 and 18.03.2013.

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

Shri Badri Vishal Tandon, Director of the Company, is retiring by rotation and has given his consent for the same.

Shri Murari Lal Jalan resigned from Directorship of the Company and ceased to be Director with effect from 10th November, 2012.

Under the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Shri Atul Seth & Shri Saran Vinod were appointed as Additional Directors of the Company on 18th March, 2013 to hold the office until the conclusion of ensuing Annual General Meeting.

The Board of Directors, at their meeting held on 18th March, 2013, approved the re-appointment of Shri Girish Tandon as Managing Director, for a further period of three years and Shri Alankar Tandon as Executive Director, for further period of five years on revised terms subject to requisite approvals.

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 five non-executive Directors out of which four 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
Brig. (Retd.) Shri Rajeev Lochan Singh SC	1	0
Shri C M Krishna	4	4
Shri Atul Seth	1	0
Shri Saran Vinod	1	1
*Shri Murari Lal Jalan	3	0

*Ceased to be Director of the Company with effect from 10.11.2012

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 Bombay Stock Exchange. The Committee reviews various areas of Audit and Accounts. All important financial statements such as periodical unaudited/audited results, operating statements are reviewed/ approved by the committee before submission to the Board. It lays down internal audit schedules, reviews internal audit reports and follow up actions thereon. Brief terms of reference of the Audit Committee are as follows:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Appointment and, if required, the replacement or removal of the Statutory Auditor and fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by the Management.

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- d. Significant adjustments made in the financial statements arising out of audit findings.
- e. Compliance with listing and other legal requirements relating to financial statements.
- f. Disclosure of any related party transactions.
- g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to Board for approval.
6. Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of Internal Audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors, any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
12. To review the functioning of the Whistle Blower mechanism.
- 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:
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions submitted by the Management;
 - c. Management letter/letters of internal control weaknesses issued by the Statutory Auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the Internal Auditor shall be subject to review by the Audit Committee.

MANAGERIAL REMUNERATION REMUNERATION COMMITTEE

The Remuneration Committee of the Company presently comprises of four 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 C M Krishna	2	2
Brig. (Retd.) Shri Rajeev Lochan Singh SC	2	1
Shri Saran Vinod	1	1
Shri Atul Seth	1	0

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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.

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 from 1st April, 2012 to 31st March, 2013 to Shri Girish Tandon, Managing Director, Rs.33.17 lacs and Shri Alankar Tandon, Executive Director is Rs. 12.53 lacs.

SITTING FEE PAID TO NON EXECUTIVE DIRECTORS

Remuneration by way of sitting fees for attending the Meeting of the Board/Committee's thereof from 1st April, 2012 to 31st March, 2013 is given below:

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	48,000/-
2.	Shri C. M. Krishna	41,000/-
3.	Brig. (Retd.) Shri Rajeev Lochan Singh SC	8,500/-
4.	Shri Saran Vinod	12,000/-

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 31st March, 2013 - NIL

The number of share transfer pending as on 31st March, 2013 - NIL.

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

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DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.03.2013

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	NIL
5.	Brig. (Retd.) Shri Rajeev Lochan Singh SC	NIL
6.	Shri Murari Lal Jalan	NIL
7.	Shri Saran Vinod	NIL
8.	Shri Atul Seth	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 three Annual General Meetings held :

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

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

BOOK CLOSURE

25th June, 2013 to 28th June, 2013 (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 2012-2013. 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 31st March, 2013.

Place : Allahabad

Dated : 15th May, 2013.

Sd/-

Girish Tandon
Managing Director

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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, the Company has not entered into any transaction of material nature with the Promoters, Directors & Management, their subsidiaries or relatives etc, that may have potential conflict with the interest of the Company.
2. The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India and other Statutory Authorities relating to capital markets during the last three years. They have imposed no penalties or strictures on the Company.
3. The Company follows the accounting standards and guidelines laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements. No material financial and commercial transactions were reported by the management to the Board, in which the management had any personal interest that either had or could have had a material conflict with the interest of the Company at large. There were no transactions with the Directors or Management, their associates or their relatives etc. that either had or could have had a conflict with the interest of the Company at large.
4. The Board of Directors is apprised about Risk Management framework, methodology for categorization of risk and mitigation plan.
5. The whole time Director and Chief Financial officer of the Company have issued necessary certificate pursuant to Clause 49 of the Listing Agreement and the same is reproduced and forms the part of the Annual Report.

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 prominent daily newspapers.

Shareholding pattern, quarterly results and annual report are sent to the Bombay Stock Exchange, where the securities of the Company are listed, within stipulated time. These are also displayed on the website of the Company www.shbhawani.com

GENERAL SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING

Date & Time : 28th June, 2013, 11.30 AM
Venue : Regd. Office : 33, Dayanand Marg, Allahabad - 211002

LISTING

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

The Listing Fee for the financial year 2013-14 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

SHREE BHAWANI PAPER MILLS LIMITED

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.

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2013

No. of Shares	No. of Shareholders	%age	No. of Shares	%age
Up to 500	2170	68.28	425079	1.22
501-1000	434	13.66	362041	1.04
1001-5000	404	12.71	930309	2.67
5001-10000	66	2.08	451576	1.30
10001 & above	104	3.27	32658219	93.77
	3178	100.00	34827224	100.00

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	24181381	69.43
Institutional Investors	1400	0.01
Private Corporate	3848816	11.04
NRIs	12459	0.04
Indian Public	6783168	19.48
	34827224	100.00

DEMATERIALIZATION OF SHARES

As on 31.3.2013, 99.03% i.e., 34499223 Equity Shares of Company's share capital are dematerialised and balance of 328001 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.

BOOKS OF ACCOUNTS

The books of accounts of the Company with respect to items mentioned in clause (a) to (d) of Sub section (1) of Section 209 of the Companies Act, 1956 are kept at the Mills office at Raebareli.

OUTSTANDING ADRs, GDRs, WARRANTs OR ANY CONVERTIBLE INSTRUMENTS ETC.

NIL

SHREE BHAWANI PAPER MILLS LIMITED

PLANT LOCATION

The Paper Plant of the Company is situated at
Industrial Area I,
Sultanpur Road
Rae Bareli 229010

REGISTERED OFFICE

33, Dayanand Marg
Allahabad 211002

ADDRESS FOR CORRESPONDENCE

To contact R&TA for all matters
relating to Shares, Dividends, Annual Report

: Skyline Financial Services Pvt. Ltd.
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 31st March, 2013, 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**

(P.L. GUPTA)

PARTNER

Membership No. 9444

Registration No. 011575C

PLACE : ALLAHABAD

DATE : 15th MAY, 2013

CEO and CFO Certificate

To The Board of Directors of Shree Bhawani Paper Mills Ltd.

- a. We have reviewed the financial statements and the cash flow statement of **Shree Bhawani Paper Mills Ltd.** (the Company) for the nine months period ended 31st December, 2012 to the best of our knowledge and belief:
 - I. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - II. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, significant deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee:
 - I. significant changes in internal control over financial reporting during the period;
 - II. significant changes in accounting policies during the period, if any, and that the same have been disclosed in the notes to the financial statements; and
 - III. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**R.M. PANDEY
DGM (ACCOUNTS)**

PLACE : ALLAHABAD

DATED: 15TH MAY, 2013

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL ECONOMIC OVERVIEW

Indian economy is growing steadily, despite the economic crisis that engulfed the world. According to a report by CRISIL, the Indian economy is estimated to grow at a higher rate of 6.7 per cent in 2013-14 due to revival in consumption. India's GDP growth in 2013-14 will be supported by the revival of private sector consumption growth aided by higher growth in agriculture, high government spending and lower interest rates. India is expected to be the second largest manufacturing Country in the next five years, followed by Brazil as the third ranked Country, according to Deloitte.

The Economic Survey 2012-13 predicts that the global economy is also likely to recover in 2013 and various government measures will help in improving the Indian economy's outlook for 2013-14.

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 paper industry in India is a major branch of Indian manufacturing that plays a critical role in growth and development of the Country. At present, there are over 850 paper mills manufacturing a wide variety of items required by the consumers. These paper mills are manufacturing industrial grades, cultural grades and other specialty papers. The paper industry in India could be classified into three categories according to the raw material consumed i.e. Wood based, Agro based & Waste paper based. While the number of wood based mills is around 14 and balance 836 mills are based on non-conventional raw materials agro-residues and recycled fiber - waste paper.

India is rated one of the fastest growing market for paper globally. The demand of paper has been growing at around 8% for some time and so far, the growth of paper industry has mirrored the growth in GDP. However, paper consumption is poised for a big leap forward in sync with the economic growth and would overtake GDP growth rate has happened in other economies at a similar point in their growth trajectory. Paper Industry in India is moving up with a strong demand push and is in expansion mode to meet the projected demand of 20 Million tonnes by 2020. Thus, paper industry in India is on the growth trajectory and is expected to touch 8.5% GDP in the coming years. Therefore, the growth of Industry will out span the present growth rate of 6.5%.

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 the 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.

The industry is looking forward to another 365 days hoping to see a better promising growth which it always expect.

OPPORTUNITIES AND THREATS

The Indian paper and paper board industry has potential and also capabilities to service the growing demand in domestic and international market and also to create huge employment avenues in the rural India through agro/production forestry.

Paper manufacturers had to cope with several pressures including the depreciating rupee, high inflation, rising input prices, short supply of grid power, low liquidity, high interest rates, low demand growth and global recessionary trends.

The major challenge for industry is the 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 Increased competition in paper industry may adversely affect the business of the Company. The Company faces competition from cheap imports from Russia, Indonesia and South East European Countries.

PRODUCTWISE PERFORMANCE

During the period under review for nine months ended 31st December, 2012, the Company manufactured 28479 tons of printing, writing & newsprint paper. The main reasons for under capacity utilization and low production are working capital constraint and implementation of CRP Capex I, which has necessitated periodic shut down of existing plant for synchronizing with the new equipments. Power failure in July/ August, 2012 further worsened the production of the Company.

OUTLOOK

Growth drivers of paper industry in India:

- Strong Economic Growth : Demand grew at ~1.1x GDP growth; expecting higher multiple
- Increasing literacy Rate : More books, publications
- Population growth : 1.5 % absolute growth
- Changing demographics : Higher urbanization (2.5% growth)
- Living standards: Consumerism; increasing disposable incomes and aspirations.
- Niche sector magazines : Demand for high-quality magazines
- Governmental incentives: Printing publishing outsourcing

These developments are expected to give a significant boost to the growth of paper industry in India which is all set to achieve the next level of growth going forward.

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.

RISK AND CONCERNS

Though annual availability of agro residues is large, this may not be able to sustain the future growth of the Industry, taking due account of quality of paper required, environmental issues involved, etc. Moreover, bagasse is increasingly used by sugar mills for power co-generation and no more easily available to the paper mills as raw material.

Recovered fiber consumption is going up globally. In India about 850,000-1,000,000 tons of waste paper is being currently recovered annually. The recovery rate works out to about 20% which is much lower in comparison with 65% recovery achieved by many global players. Low recovery is on account of alternate use of paper in wrapping, packing etc. The utilization rate of recovered fiber is only 47%. Paper mills are heavily dependent on imported waste paper which commands exorbitant price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization recyclable waste paper to contain imports.

The Company has diversified product mix. It produces high value added 25 gsm MG poster paper, tissue paper and newsprint. Its MF colour printing, newsprint and duplicating paper is well accepted in the market.

The Company has installed state-of-art manufacturing facilities at the plant (nearly 75% of the total net block is brand new) including the De-inking plant, co-generation plant, CRP and the newly installed paper mill.

The Company has commissioned the Chemical Recovery Plant which will increase its capacity to manufacture own pulp and reduce dependence of imported raw-material. New Chemical Recovery Plant could earn additional income for the Company by sale of the by-product - soda ash.

FINANCIAL PERFORMANCE

During the period under review, the Company has manufactured 28479 tons of paper with a gross sale of Rs.104.02 crores as compared to 19992 tons of paper with gross sale of Rs.70.35 crores during the corresponding period in previous year. The main reason for losses are high interest, under utilization of plant capacity because of working capital constraint and implementation of CRP Capex I, which has necessitated periodic shut down of existing plant for synchronizing with the new equipments. Your Company is facing severe cash crunch from last several years because of high interest rates charged by the banks and repayment of loans. During the period under review, the Company has

SHREE BHAWANI PAPER MILLS LIMITED

paid Rs.13.85 crores towards interest and Rs.3.81 crores towards installments to the Banks. Power failure in July/ August, 2012 further worsened the production of the Company.

The promoters have brought in funds in the form of equity and long term unsecured funds amounting to Rs. 54 crores approx. and paid Rs 83 crores approx to the banks towards interest and repayment of Loans over the past 4 years.

The market condition for writing, printing paper is stable and the industry is looking forward to see a better promising growth. The Company is actively involved in Government tender and Education sector printing paper supplies. There is good demand of Newsprint and other cultural varieties of paper in addition to writing printing segment. The Company is maintaining very low finished goods inventory.

During the year under review, the Company has received 13264 CERs for an activity from 1st January, 2010 to 31st December, 2010 from Cogeneration Power Project I and 11509 CERs from Cogeneration Power Project II are under verification and is likely to be finalized.

We expect to receive further 26855 CERs for an activity up to 31st December, 2012 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Shree Bhawani Paper Mills Limited**, which comprise the Balance Sheet as at 31st December, 2012, and the Statement of Profit and Loss and Cash Flow Statement for the period of nine month ended on that date, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statement that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956, 'The Act'. The responsibility includes the design, Implementation and maintenance of Internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 December 31, 2012;
- (b) In case of the Profit & Loss A/c of the loss for the period ended on that date, and
- (c) in case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditors Report) Order, 2003 ('The Order') issued by the Central Government of India in terms of Sub section (4A) of Section 227 of the Act, we give in the annexure a statement on the matters specified in paragraphs 4 & 5 of the Order.
2. As required by Section 227 (3) of the Act, we report that.
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) 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.

SHREE BHAWANI PAPER MILLS LIMITED

- (c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statements dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except for comment in para (e) below.
- (e) Note No. 36 & 37- The liability for gratuity and leave encashment has been made on the basis of liability determined by the management.
- (f) Without qualifying our opinion, attention is drawn to the following notes:
 - i. Regarding net deferred tax assets of Rs.14 crore recognized in the accounts for the year ended 31.03.2012 based on the future profitability projections made by the management. We are unable to express any opinion on the said projections and their consequential effects, if any.
 - ii. Note No 40- As at the balance sheet date, the accumulated losses of the Company stand at Rs. 765412542/- which is in excess of the shareholder's fund of Rs. 381437871/- as on that date. Based on the business plan and profitability estimates of the Company, the financial statements for the period have been drawn up by the management as per the going concern assumptions.
- (g) On the basis of written representations received from the Directors as on December 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2012 from being appointed as a Director in terms of clause (g) of Sub section (1) of Section 274 of the Companies Act, 1956.
- (h) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**FOR P.L. GUPTA & CO.,
CHARTERED ACCOUNTANTS
REGISTRATION NO. 011575C**

**PLACE : NEW DELHI
DATE : 18TH MARCH, 2013**

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

ANNEXURE TO THE AUDITORS' REPORT

RE: SHREE BHAWANI PAPER MILLS LIMITED

Referred to in paragraph 1 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 program 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. 4.20 Lacs were outstanding in case of 6 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 4.60 Lacs.
(c) The rate of interest and other terms and conditions of the fixed deposits were prima-facie not prejudicial to the interest of the Company.
(d) The payment of principal amount and interest on the aforesaid Fixed Deposits were regular.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- V. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been entered.
(b) According to the information and explanations given to us, there is no transaction (excluding the loans reported in para (iii)(b) above) in respect of any party and hence the question of reasonable prices in respect of such transactions with regard to the prevailing market price does not arise.
- VI. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

SHREE BHAWANI PAPER MILLS LIMITED

VIII. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.

IX. 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. Though there has been some delays in some cases. Further, Rs. 6539973/- of such dues which were outstanding as on balance sheet date are as follows:

Nature of Statute	Period to which Amount relate	Amount	Remarks
Employees State Insurance	Nov. 12 to Dec.12	463749	Not yet deposited
Employees Provi. Fund	Aug. 12 to Dec.12	3915064	Not yet deposited
Income Tax (TDS)	July 12 to Dec. 12	2161160*	Not yet deposited
Total		6539973	

* Including Rs. 102726/- outstanding for more than six months as on balance sheet date.

- X. The accumulated losses of the Company at the end of the period are more than of its net worth. It has incurred cash losses, both in the financial year under report and the immediately preceding financial year.
- XI. On the basis of the records and as per the information and explanation given by the management, the Company has delayed in repayments of dues of Term Loans to the banks during the period ended 31.12.2012. Further Rs. 96327807/- of such dues were in arrears as on 31st December 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 not made any preferential allotment of shares during the period.
- XIX. The Company has not issued any debentures during the period.
- XX. The Company has not raised any money by public issue during the period.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

**FOR P. L. GUPTA & CO.,
CHARTERED ACCOUNTANTS
REGISTRATION NO. 011575C**

**PLACE : NEW DELHI
DATE : 18TH MARCH, 2013**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2012

		AS AT 31 ST DECEMBER, 2012	(Rupees) AS AT 31 ST MARCH, 2012
I. EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	348113645	348076875
(b) Reserves and Surplus	2	-732088316	-322769338
2. NON-CURRENT LIABILITIES			
(a) Long Term Borrowings	3	1536795131	1399806332
(b) Long Term provisions	4	3232579	3233818
3. CURRENT LIABILITIES			
(a) Short Term Borrowings	5	587109214	390827387
(b) Trade Payables	6	187706886	181112362
(c) Other Current Liabilities	7	172412060	107145717
(d) Short Term Provisions	8	683983	721100
TOTAL		2103965182	2108154253
II. ASSETS :			
1. NON-CURRENT ASSETS			
(A) FIXED ASSETS			
(i) Tangible Assets	9	823233378	867225837
(ii) Intangible Assets	9	13084548	-
(iii) Capital Work-in-Progress	9	394544177	264739451
(iv) Intangible Assets Under Dev.	9	0	15406000
(B) Non-Current Investments	10	294840	294840
(C) Deferred Tax Assets (Net)	29	140000000	140000000
(D) Long-Term Loans and Advances	11	10355603	4486845
2. CURRENT ASSETS			
(A) Inventories	12	354975972	425541448
(B) Trade Receivables	13	200771896	219064931
(C) Cash and Cash Equivalents	14	25850759	35727605
(D) Short-Term Loans and Advances	15	140854009	135667296
TOTAL		2103965182	2108154253
Significant Accounting Policies	42		
Notes on Financial Statements	1 to 42		

The accompanying notes are an integral part of financial statements.

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**

} **DIRECTORS**

**PLACE : NEW DELHI
DATED : 18TH MARCH, 2013**

**R.M. PANDEY
DGM (ACCOUNTS)**

SHREE BHAWANI PAPER MILLS LIMITED

STATEMENT OF PROFIT & LOSS FOR THE NINE MONTHS PERIOD FROM 1ST APRIL, 2012 TO 31ST DECEMBER, 2012

(Rupees)

PARTICULARS	NOTE NO.	PERIOD ENDED 31 ST DECEMBER, 2012	YEAR ENDED 31 ST MARCH, 2012
I. REVENUE FROM OPERATIONS (GROSS)	16	982597769	976144432
Less : Excise Duty		<u>29986635</u>	<u>31359772</u>
REVENUE FROM OPERATIONS (NET)		952611134	944784660
II. OTHER INCOME	17	5593864	24825534
III. TOTAL REVENUE (I+II)		958204998	<u>969610194</u>
IV. EXPENSES			
(a) Cost of Material Consumed	18	568252938	533032768
(b) Changes in inventories of finished Goods, Work-in-Progress and Stock-in-Trade	19	29755231	-16863040
(c) Employee Benefits Expense	20	75289484	81108643
(d) Finance Costs	21	144345454	166440937
(e) Depreciation and amortization Expense	9	49150410	62014129
(f) Other Expenses	22	450123147	453827491
TOTAL EXPENSES		1316916664	<u>1279560928</u>
V PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)		-358711666	-309950734
VI Exceptional Items	39	50616504	-
VII PROFIT BEFORE TAX (V-VI)		-409328170	-309950734
VIII LESS : TAX EXPENSES			
(a) Current Tax		-	-
(b) Deferred Tax		-	-140000000
IX PROFIT FOR THE YEAR		-409328170	<u>-169950734</u>
X Earning per Equity Share (of Rs. 10/-each)	30		
(a) Basic		-11.75	-5.50
(b) Diluted		-11.75	-5.50
Significant Accounting Policies	42		
Notes on Financial Statements	1 to 42		

The accompanying notes are an integral part of financial statements.

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**

} **DIRECTORS**

**PLACE : NEW DELHI
DATED : 18TH MARCH, 2013**

**R.M. PANDEY
DGM (ACCOUNTS)**

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2012

	Period Ended 31.12.2012	Year Ended 31.03.2012
(RUPEES)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	-409328170.00	-309950734.00
Adjustment for :		
Income Tax Refund	-	-
Depreciation	49150410.00	62014129.00
Interest Expenses	138464461.00	159238445.00
Interest Income	- 545403.00	- 667786.00
Dividend Income	- 24300.00	- 24300.00
(Profit)/Loss on Sale of Fixed Assets	-	-36593.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-222283002.00	-89426839.00
Adjustment for:		
Trade & Other receivables	-3524886.00	-195067722.00
Inventories	70565476.00	-24648448.00
Trade payable and other liabilities	82720469.00	39851794.00 -179864376.00
CASH GENERATED FROM OPERATIONS	-72521943.00	-269291215.00
Direct taxes Paid/Refund	-	-237951.00
CASH FLOW BEFORE EXTRAORDINARY ITEMS	-72521943.00	-269529166.00
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES ...A	-72521943.00	-269529166.00
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-132641225.00	-137758240.00
Sale of Fixed Assets	-	94125.00
Purchase of Investments	-	-
Dividend received	24300.00	24300.00
Interest received	531855.00	618766.00
NET CASH USED IN INVESTING ACTIVITIES ...B	- 132085070.00	- 137021049.00
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital (calls in arrears received in current period)	45962.00	134032240.00
Proceeds from Long Term Borrowings	81928664.00	137253984.00
Repayment of Long Term Borrowings	-50537318.00	110447223.00
Net Increase/(Decrease) in Cash Credit Utilisation	196729301.00	22334615.00
Deposits	41947172.00	179199583.00
Hire Purchase	-	449314.00
Interest paid	-75261654.00	-159424276.00
Dividend paid	-121960.00	-5017.00
NET CASH FROM FINANCING ACTIVITIES ...C	194730167.00	424287666.00

SHREE BHAWANI PAPER MILLS LIMITED

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>-9876846.00</u>	<u>17737451.00</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	35727605.00	17990154.00
CASH AND CASH EQUIVALENTS (Closing Balance)	25850759.00	35727605.00

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** } **DIRECTORS**

**PLACE : NEW DELHI
DATED : 18TH MARCH, 2013**

**R.M. PANDEY
DGM (ACCOUNTS)**

SHREE BHAWANI PAPER MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

NOTE 1 : SHARE CAPITAL	As at 31st December, 2012	(Rupees) As at 31st March, 2012
(1) AUTHORISED		
EQUITY SHARES : RS. 10/- PAR VALUE 350,00,000 Equity Shares	350000000	350000000
PREFERENCE SHARES : RS. 10/- PAR VALUE 2,50,000 Preference Shares	2500000	2500000
	352500000	352500000
(2) ISSUED, SUBSCRIBED AND PAID-UP		
EQUITY SHARES : RS. 10/- PAR VALUE 34827224* (34827224) Equity Shares fully paid up	348272240	348272240
Less : Calls unpaid		
By others	158595	195365
Total	348113645	348076875

*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 shareholders in the ensuing 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 31st December, 2012 is set out below -

Name of the Shareholder	No of Shares	% held as at December 31, 2012	No of Shares	% held as at March 31, 2012
Om Prakash Goenka	4693224	13.48	4693224	13.48
Badri Vishal Tandon (Karta of Ram Mohan Das Tandon [HUF])	3661347	10.51	3661347	10.51

The reconciliation of the number of shares outstanding at the the end of the reporting period	As at 31 st December 2012 No. of shares	As at 31 st March 2012 No. of shares
Equity shares at the beginning of the year	34827224	16424000
Add : Issued during the year	NIL	18403224
Equity shares at the end of the year	34827224	34827224

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 2 : RESERVES & SURPLUS

A. CAPITAL RESERVE	1568875	1568875
AS PER LAST BALANCE SHEET		
B. SECURITIES PREMIUM RESERVE	30795000	30795000
AS PER LAST BALANCE SHEET	39649	48841
LESS : CALLS UNPAID BY OTHERS	30755351	30746159
C. CAPITAL REDEMPTION RESERVE		
AS PER LAST BALANCE SHEET	1000000	1000000
D. PROFIT & LOSS ACCOUNT		
AS PER LAST BALANCE SHEET	-356084372	-186133638
ADD : LOSS FOR THE YEAR	-409328170	-169950734
	-765412542	-356084372
Total	-732088316	-322769338

NOTE 3 : LONG TERM BORROWINGS

A. SECURED		
TERM LOAN - FROM BANKS	1064099834	969058207
B. UNSECURED		
TERM LOAN - FROM OTHER PARTIES	9362114	19765667
LOANS & ADVANCES FROM RELATED PARTIES	114020000	42797137
DEPOSITS	80394067	107436628
OTHER LOANS & ADVANCES	268919116	260748693
Total	1536795131	1399806332

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

Nature of Security	Terms of Repayment
1. Term loan amounting to Rs. 1836.81 Lacs (March 31, 2012 Rs. 1898.65 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.75% p.a. (P.Y. 14.75% p.a.)
2. Term loan amounting to Rs. 191.38 Lacs (March 31, 2012 Rs. 197.46 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2013. Last installment due in March 2018. Rate of interest 15.25% p.a. (P.Y. 15.25 % p.a.)
3. Term loan amounting to Rs. 905.83 Lacs (March 31, 2012 Rs. 861.12 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2013. Last installment due in March 2021. Rate of interest 15.25% p.a. (P.Y. 15.25 % p.a.)
4. Term loan amounting to Rs. 2020.58 Lacs (March 31, 2012 Rs. 1924.04)	Repayment in 28 quarterly installments commencing from 30.06.2015. Last installment due in March 2022. Rate of interest 14.75% p.a. (P.Y. 14.75% p.a.)
5. Term loan amounting to Rs. 1063.43 Lacs (March 31, 2012 Rs. 1012.65) Lacs	Repayment in 8 quarterly installments commencing from 30.06.2013. Last installment due in March 2015. Rate of

SHREE BHAWANI PAPER MILLS LIMITED

6. Term loan amounting to Rs. 1836.89 Lacs (March 31, 2012 Rs. 1898.53 Lacs) interest 14.75% p.a. (P.Y. 14.75% p.a.)
Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.00% p.a. (P.Y. 14.00% p.a.)
7. Term loan amounting to Rs. 187.99 Lacs (March 31, 2012 Rs. 197.84 Lacs) Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.00% p.a. (P.Y. 14.00% p.a.)
8. Term loan amounting to Rs. 904.88 Lacs (March 31, 2012 Rs. 860.88 Lacs) Repayment in 32 quarterly installments commencing from 30.06.2010. Last installment due in March 2018. Rate of interest 14.25% p.a. (P.Y. 14.25% p.a.)
9. Term loan amounting to Rs. Nil (March 31, 2012 Rs. 50.67 Lacs) Repayment in 12 quarterly installments commencing from 30.06.2009. Last installment due in March 2012. Rate of interest 15.25% p.a. (P.Y. 15.25% p.a.)
10. Term loan amounting to Rs. 1693.21 Lacs (March 31, 2012 Rs. 788.74 Lacs) Repayment in 32 quarterly installments commencing from 30.06.2014. Last installment due in March 2022. Rate of interest 14.25% p.a. (P.Y. 14.25% p.a.)
- 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. 85937500/- (Previous year Rs. 66250000/-)
- C. The Company has yet to make repayment of installments of term loans to the banks aggregating Rs. 33125000/- which fell due upto 31st December, 2012. The Company has also yet to make payment of interest on term loans from banks aggregating Rs. 63202807/- which fell due upto 31st December, 2012.

NOTE 4 : LONG TERM PROVISIONS	AS AT 31ST DECEMBER, 2012	AS AT 31ST MARCH, 2012
PROVISION FOR EMPLOYEE BENEFITS	3232579	3233818

NOTE 5 : SHORT - TERM BORROWINGS

SECURED

WORKING CAPITAL LOAN

*FROM INDIAN BANK & BANK OF BARODA	552101916	355372615
**FROM IDBI BANK LTD	34320815	34350458
***FROM OTHER PARTIES	686483	1104314
	587109214	390827387

* 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 and Executive Director of the Company.

*** Secured by hypothecation of specified assets.

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 6 : TRADE PAYABLES

MICRO, SMALL & MEDIUM ENTERPRISES	10069715	10224266
OTHERS	177637171	170888096
	187706886	181112362

NOTE 7 : OTHER CURRENT LIABILITIES

A. ADVANCES FROM CUSTOMERS	19692301	30468299
B. CREDITORS FOR CAPEX SCHEME	12428715	6385601
C. OUTSTANDINGS LIABILITIES	11198345	11085548
D. INTEREST ACCRUED BUT NOT DUE ON LOANS	3120434	5326169
E. UNPAID DIVIDENDS	393023	514983
F. OTHERS	125579242	53365117
	172412060	107145717

NOTE 8 : SHORT-TERM PROVISIONS

INCOME TAX		
	683983	721100

NOTE 9 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTIZATION			NET BLOCK		
	As at 01.04.2012 Rs.	Addi- tions Rs.	Deduc- tions Rs.	As at 31.12.2012 Rs.	As at 31.03.2012 Rs.	For the Year	Deductions/ Adjustments	As at 31.12.2012 Rs.	As at 31.12.2012 Rs.	As at 31.03.2012 Rs.
1. TANGIBLE ASSETS										
Lease Hold Land	887529.61	-	-	887529.61	305696.76	7396	-	313092.76	574436.85	581832.85
Buildings	146373076.21	-	-	146373076.21	41799642.41	3528367	-	45328009.41	101045066.80	104573433.80
Plant & Machinery	1170234836.72	849056	-	1171083892.72	413929494.80	42175595	-	456105089.80	714978802.92	756305341.92
Vehicles*	10590068.98	993860	-	11583928.98	7896584.44	642843	-	8539427.44	3044501.54	2693484.54
Furniture & Fixture	11026965.22	939583	-	11966548.22	8017588.51	425771	-	8443359.51	3523188.71	3009376.71
Office Equipments	64614.00	54000	-	118614.00	2247.00	48986	-	51233.00	67381.00	62367.00
Total	1339177090.74	2836499	-1342013589.74	1339177090.74	471951253.92	46828958	-	518780211.92	823233377.82	867225836.82
Previous Year	1325219189.74	14347419	389518	1339177090.74	410273235.92	62014129	336111	471951253.92	867225836.82	
INTANGIBLE ASSETS	-	15406000	-	15406000	-	2321452	-	2321452	13084548	-
Capital Work in Progress	-	-	-	-	-	-	-	-	-394544177.43	264739451
Intangible Assets under Development	15406000	-	15406000	-	-	-	-	-	-	15406000

Note : * includes under hire purchase arrangement Rs. 16,00,000/-

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. 642006/- Previous Year Rs. 776628/-)	294840	294840

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 11 : LONG TERM LOANS AND ADVANCES

(UNSECURED & CONSIDERED GOOD)

SECURITY DEPOSITS	10355603	4486845
	10355603	4486845

NOTE 12 : INVENTORIES

A. RAW MATERIALS	168663658	260232601
B. RAW MATERIAL IN TRANSIT	75636585	17210443
C. FINISHED GOODS	8790057	22220340
D. STOCK IN PROCESS	1524643	17849591
E. STORES, CHEMICALS & PACKING MATERIALS	54595116	61485885
F. PADDY HUSK & COAL	40301545	44359361
G. OTHERS	5464368	2183227
	354975972	425541448

NOTE 13 : TRADE RECEIVABLES

DEBTS OUTSTANDING FOR MORE THAN SIX MONTHS		
UNSECURED & CONSIDERED GOOD	13018112	31317706
UNSECURED & CONSIDERED DOUBTFUL	21851504	-
OTHERS DEBTS		
UNSECURED & CONSIDERED GOOD	187753784	187747225
	222623400	219064931
LESS : PROVISION FOR DOUBTFUL DEBTS	21851504	-
(REFER NOTE 38)	200771896	219064931

NOTE 14 : CASH & CASH EQUIVALENTS

CASH IN HAND	2413532	3180322
BALANCE WITH BANKS	933526	10708070
FIXED DEPOSITS WITH BANKS	22503701	21839213
	25850759	35727605

NOTE 15 : SHORT TERM LOANS & ADVANCES

(UNSECURED & CONSIDERED GOOD)

BALANCE WITH CUSTOMS, CENTRAL EXCISE AUTHORITIES	2068919	2076258
OTHERS	138785090	133591038
	140854009	135667296

SHREE BHAWANI PAPER MILLS LIMITED

	Period Ended 31st December, 2012	(Rupees) Year Ended 31st March, 2012
NOTE 16 : REVENUE FROM OPERATIONS		
A. SALES	1007158690	1043500017
B. LESS: REBATE & DISCOUNT	24560921	67355585
NET REVENUE FROM OPERATIONS	982597769	976144432
NOTE 17 : OTHER INCOME		
INTEREST ON DEPOSITS WITH BANKS & OTHERS	545403	667786
DIVIDEND RECEIVED FROM NON-TRADE INVESTMENTS	24300	24300
PROFIT ON SALE OF FIXED ASSETS	-	36593
MISC. INCOME	5024161	4275025
CERTIFIED EMISSION REDUCTION SALE	-	19821830
	5593864	24825534
NOTE 18 : COST OF MATERIALS CONSUMED		
WASTE PAPER	525203330	478535835
WHEAT/RICE STRAW	26504861	38473837
OTHERS*	16544747	16023096
	568252938	533032768
*Others include Sarkanda, Raw Jute, Bagasse & etc. None of which individually account for more than 10% of the total consumption.		
NOTE 19 : CHANGES IN INVENTORIES OF FINISHED GOODS,		
WORK IN PROGRESS & STOCK IN TRADE OPENING STOCK		
FINISHED GOODS	22220340	4078760
STOCK IN PROCESS	17849591	19128131
	40069931	23206891
LESS: CLOSING STOCK		
FINISHED GOODS	8790057	22220340
STOCK IN PROCESS	1524643	17849591
	10314700	40069931
DECREASE IN INVENTORIES OF FINISHED GOODS & WORK IN PROGRESS	29755231	-16863040
NOTE 20 : EMPLOYEE BENEFITS EXPENSE		
SALARY AND WAGES	68742819	71072451
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	3510570	5091662
WORKERS AND STAFF WELFARE	3036095	4944530
	75289484	81108643
NOTE 21 : FINANCE COST		
A. INTEREST EXPENSE	138464461	159238445
B. OTHER BORROWING COSTS	5880993	7202492
	144345454	166440937

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 22 : OTHER EXPENSES

STORES, SPARE PARTS & CHEMICALS CONSUMED	170832343	201129569
PACKING MATERIAL CONSUMED	18507406	19195719
POWER & FUEL	220299015	193397406
REPAIRS TO BUILDING	141872	220089
REPAIRS TO MACHINERY	2861516	11628700
REPAIRS TO OTHERS	375299	388468
EXCISE DUTY	521634	1318636
RENT	720000	992000
RATES & TAXES	977246	1311501
LOADING, TRANSPORTATION & OTHER CHARGES	8866585	5735962
COMMISSION ON SALES	6076730	3935826
ADVERTISEMENT	125746	691086
MISC EXPENDITURE	19613867	13677529
PAYMENT TO AUDITORS		
AS AUDITORS	100000	100000
FOR TAXATION MATTERS	25000	25000
FOR OTHERS SERVICES	64888	66000
FOR REIMBURSEMENT OF EXPENSES	14000	14000
	450123147	453827491

NOTE 23 : Contingent liability not provided for:
Guarantees given by bank Rs. 305.25 lacs (Previous Year Rs. 304.25 lacs)
Outstanding Letter of Credit Rs. 783.08 lacs (Previous Year Rs. 1457.18 lacs)

NOTE 24 : Estimated amount of capital contracts remaining to be executed and not provided for Rs.21695084/- (Previous Year Rs. 19040362/-)

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.10069715/- (2011-2012 Rs.10224266/-) 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 December 31, 2012 are as under:

Item No.	Particulars	31.12.2012	31.03.2012
(a)	(i) The Principal amount remaining unpaid at the end of the year	9447265	10083656
	(ii) The interest due on above	NIL	NIL
(b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	NIL	NIL
(c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under the Act.	NIL	NIL

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

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. 720000/- (Previous Year Rs. 992000/-).

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 29 : The break-up of deferred tax assets and liabilities into major components at the year end is as below :

Particulars	As at 31.03.2012	Charge during the year	As at 31.12.2012
Deferred Tax Liability :			
Depreciation - Timing Difference	138031201	4541847	142573048
Deferred Tax Assets :			
Unabsorbed Depreciation	168077198	2702653	170779851
Unabsorbed Business Losses	114378882	1839194	116218076
	282456080	4541847	286997927
Net Deferred Tax Liability	144424879	-	144424879

During the period ended 31.12.2012, Deferred Tax Asset has been considered to the extent of amount of Deferred Tax Liability only.

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 was recognised.

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

Particulars		Period Ended 31.12.2012	Year Ended 31.03.2012
Net Profit after tax as per Statement of Profit & Loss attributable to the equity share holders (Rs)	(A)	-409328170	-169950734
Weighted average number of Equity Shares used as denominator for calculating EPS	(B)	34827224	30893413
Face Value per Equity Shares (Rs.)		10	10
Basic/Diluted Earnings Per Share (Rs.)	(A/B)	-11.75	-5.50

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. 157500 Rs. [210000]	Rs. 472500 Rs. [630000]	— —
II. Interest on Fixed Deposits taken	Rs. - Rs. -	Rs. 42543 Rs. [145663]	— —
III. Opening Balance of Fixed Deposits	Rs. - Rs. -	Rs. 460000 Rs. [1270000]	— —
Fixed Deposits received during the period/year	Rs. - Rs. -	Rs. - Rs. -	— —
Fixed Deposits repaid during the period/year	Rs. - Rs. -	Rs. 40000 Rs. [810000]	— —
Closing Balance of Fixed Deposits	Rs. - Rs. -	Rs. 420000 Rs. [460000]	— —
IV. Interest accrued as on 31.12.2012	Rs. — Rs. —	Rs. 39555 Rs. [13503]	— —
V. Managerial Remuneration	Rs. 3419157 Rs. [4003103]	Rs. 1049216 Rs. [988100]	— —
VI. Managerial remuneration payable as at 31.12.2012	Rs. 491200 Rs. [234200]	Rs. 102220 Rs. [83200]	— —
VII. Sale of Fixed Assets	Rs. — Rs. —	Rs. — Rs. —	— —

NOTE 32 : **Segment Information :**
The Company operates only in one business segment, that is, 'Printing, Writing & Newsprint Paper'.

NOTE 33 : (a) RAW MATERIALS CONSUMED

	Period Ended 31.12.2012		Year Ended 31.03.2012	
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Wheat Straw & Rice Straw	8849	26504861	13730	38473837
Waste Paper	36709	525203330	31616	478535835
Bagasse & Others	7427	16544747	9407	16023096
		568252938		533032768

SHREE BHAWANI PAPER MILLS LIMITED

(b) CONSUMPTION OF RAW MATERIALS, STORES & SPARES

	Period Ended		Year Ended	
	31.12.2012		31.03.2012	
	Rupees	%	Rupees	%
i) RAW MATERIALS				
Imported	146222454	25.73	242608060	45.51
Indigenous	422030484	74.27	290424708	54.49
ii) STORES & SPARES				
Imported	136886	0.93	107415	0.60
Indigenous	14562588	99.07	17871694	99.40
(c) CIF VALUE OF IMPORTS				
i) Capital Goods	-		18711078	
ii) Raw Materials	106853627		147194493	
iii) Stores & Spares	298176		461933	
(d) EARNINGS IN FOREIGN CURRENCY				
i) Certified Emission Reductions	-		19821830	
ii) On Export of Goods (FOB Basis)	-		624256	
(e) EXPENDITURE IN FOREIGN CURRENCY				
Travelling	-		35664	

NOTE 34 : The Company's current accounting year is from 1st April 2012 to 31st December 2012, whereas the previous accounting year was for twelve months ended 31st March, 2012. Accordingly, the current year's figures being for nine months ended 31st December 2012 are not comparable with those of the previous year.

NOTE 35 : Previous year's figures including those in brackets have been re-arranged / regrouped wherever considered necessary.

NOTE 36 : The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year. The Company has changed current accounting year from 1st April 2012 to 31st December 2012 where as the previous accounting year was for twelve months ended 31st March 2012. The company has not received any advice of premium amount payable to Life Insurance Corporation of India for nine months period ended 31st December 2012. Gratuity liability amounting to Rs. 16,03,306/- has been provided for the period on estimated basis.

NOTE 37 : Actuarial Report under (AS) 15 (revised 2005) for Compensated Absence (PL) Plan valuation for the period ended 31st December 2012 could not be obtained. Therefore, disclosure required under (AS) 15 can not be given. However, liability for leave encashment amounting to Rs. 1450000/- has been provided for the period ended 31st December 2012.

NOTE 38 : Out of Trade Receivables aggregating to Rs. 222623400/- towards sale of paper, Rs. 21851504/- are due for a long time and no recovery could be made their against inspite of follow up by the Company. Some of the dealers have raised claims on the Company towards alleged supply of defective materials and non settlement of turnover discounts etc. Although, the Company intend to take appropriate action in the matter, as a matter of prudence and abundant caution, provision of Rs. 21851504/- against the above trade receivables has been made in the accounts.

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NOTE 39 : Exceptional Items of Rs. 50616504/- represents provision of Rs. 21851504/- towards doubtful debts and diminution in the value of inventory of raw material Rs. 28765000/-.

NOTE 40 : As at the balance sheet date, the accumulated losses of the Company stands at Rs. 765412542/- (Rs. 356084372/-) and the shareholders' Fund amount to Rs. 381437871/- (Rs. 381391909/-).

The business plan and profitability estimates have been made by the Board of Directors. These projections reflects that the Company would be in a position to generate positive cash flows and operational surplus in the near future.

Considering the strategic plans and the future profitability projections, these financial statements have drawn up as per the going concern assumptions, which is appropriate in the opinion of the management.

NOTE 41 : The management is the process of reconciling outstanding balance sheet date with respect to certain major suppliers of raw materials and chemicals etc. The management does not expect any material impact on the financial statement on account of such reconciliation.

NOTE 42 : **Significant Accounting Policies**

A. General

The financial statements are prepared on accrual basis under the 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

I. Tangible 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.

Machinery spares which can be used only in connection with a particular item of fixed assets and the use of which is irregular, are capitalised at cost net of modvat / cenvat.

II. Intangible Assets (Software)

Intangibles representing software are amortised over their estimated useful life.

I. Borrowing Cost

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

J. Provision and Contingencies

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

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

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.

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.

R. Earning per Share

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares.)

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 Fourth Annual General Meeting of the Company to be held on 28th June, 2013 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 34th Annual General Meeting held at Registered Office of the Company at 33, Dayanand Marg, Allahabad 211002 on Friday, the 28th June, 2013 at 11.30 a.m.

Full Name of the Member (in block letters) Signature

Folio No.: DP ID No.* Client ID No.*

* Applicable for Members holding shares in electronic form.

Full Name of the proxy (in block letters) Signature

NOTES :

- 1. You are requested to sign and hand this over at the entrance.
2. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy form must be deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad 211 002 not less than 48 hours before the time for holding the Meeting.
3. If you are attending the Meeting in person or by proxy, your copy of the Balance Sheet may please be brought by you/your proxy for reference at the Meeting.

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