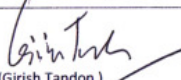

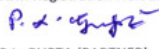
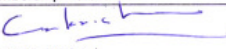


FORM B

(Clause 31 (a) of the Listing Agreement)

1	Name of the Company	SHREE BHAWANI PAPER MILLS LIMITED
2	CIN No.	L21015UP1979PLC004783
3	Annual Financial Statements for the year ended	31 st March, 2014
4	Type of Audit qualification	Qualified
5	Frequency qualification	Repetitive
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	Auditors' Report and Refer Note Nos. 41, 42 and 29 of Financial Statements Management response Refer to Heading Auditor's Qualification/Remarks of Director's Report
	Additional comments from the Board/ Audit Committee chair	As per disclosures made in the Annual Report
6	To be signed by-	
	<ul style="list-style-type: none"> CEO/ Managing Director 	 (Girish Tandon) DIN No.109528
	<ul style="list-style-type: none"> CFO 	 (Roop Mani Pandey) Chartered Accountant Membership No 075678
	<ul style="list-style-type: none"> Auditors of the Company 	For P.L. Gupta & Co. Chartered Accountants Firm Registration No.011575C  P.L. GUPTA (PARTNER) Membership No.009444
	<ul style="list-style-type: none"> Audit Committee Chairman 	 (Shri C.M. Krishna) DIN No.109574

35th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE FIFTEEN MONTHS
PERIOD ENDED
31ST MARCH, 2014**

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

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

SHREE BHAWANI PAPER MILLS LIMITED

CIN : L21015UP1979PLC004783

REGISTERED OFFICE : 33, DAYANAND MARG, ALLAHABAD 211 002

Website : www.shbhawani.com

Email : info@shbhawani.com

NOTICE

NOTICE is hereby given that the 35th 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 26th September, 2014 at 11.30 A.M. to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the financial statements of the Company for 15 months period ended 31st March, 2014 including Balance Sheet as at 31st March, 2014 and Profit & Loss Account for 15 months period ended on that date, the Report of the Directors and the Report of the Auditors, thereon.
2. To appoint a Director in place of Shri Badri Vishal Tandon (DIN: 0108408) 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 (Registration No: 011575C), the retiring Auditors, be and are hereby re-appointed as Auditors of the Company, to hold Office from the conclusion of this meeting till 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:
Re-appointment of Shri Saran Vinod (DIN: 06548248) as an Independent Director of the Company.
"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri Saran Vinod (DIN No.06548248), who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term with effect from 26th September, 2014."
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
Re- appointment of Shri Atul Seth (DIN: 01083740) as an Independent Director of the Company.
"RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri Atul Seth (DIN No.01083740), who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term with effect from 26th September, 2014."

SHREE BHAWANI PAPER MILLS LIMITED

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
Re- appointment of Shri C.M. Krishna (DIN:109574) as an Independent Director of the Company.
“RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri C.M. Krishna (DIN No.0109574), who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term with effect from 26th September, 2014.”
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution:
Re- appointment of Brig (Retd) Shri Rajeev Lochan Singh SC (DIN: 02237679) as an Independent Director of the Company.
“RESOLVED THAT pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Brig (Retd) Shri Rajeev Lochan Singh (DIN No.02237679), who was appointed as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years for a term with effect from 26th September, 2014.”
8. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
Approval of Increase in the Borrowing Powers of the Company beyond paid up share capital and free reserves under Section 180 (1) (c) of the Companies Act, 2013.
“RESOLVED THAT in supersession of the Ordinary Resolution No. 5 adopted at the 30th Annual General Meeting of the Company held on 30th July, 2009 under the provisions of Section 293 (1) (d) of the Companies Act, 1956 and pursuant to Section 180 (1) (c) and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the Consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/ to be obtained from the Company’s Bankers in the ordinary course of business, shall not be in excess of Rs. 400 crores (Rupees four hundred crores only) over and above the aggregate of the paid up share capital and free reserves of the Company from time to time.
RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and also to delegate all or any of the above powers to such Committee of Directors or the Managing Director or the Director or the Key Managerial Personnel of the Company and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this Resolution.”
9. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
Creation of mortgage and/ or charge on property(ies) of the Company to secure the borrowings under Section 180 (1) (a) of the Companies Act, 2013.
“RESOLVED THAT in supersession of the Ordinary Resolution No. 6 adopted at the 30th Annual General Meeting

SHREE BHAWANI PAPER MILLS LIMITED

of the Company held on 30th July, 2009 under the provisions of Section 293 (1) (a) of the Companies Act, 1956 and pursuant to Section 180 (1) (a) of the Companies Act, 2013 and the rules made there under (including statutory modification (s) or re-enactment thereof for the time being in force) and all other applicable provisions, if any, the Consent of the members of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof) to create mortgage, hypothecation and/ or charge, assign receivables, in addition to the mortgages, hypothecations and/ or charges created/ to be created, receivables assigned by the Company, in such form and manner for such time and on such terms as the Board may determine, all or any of the movable and/ or immovable, tangible and/ or intangible properties of the Company, both present and future and/ or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the lender(s), agent(s), trustee(s) for securing the borrowings of the Company subject to the limits approved under Section 180 (1) (c) of the Companies Act, 2013, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premium on pre-payment, remuneration of agent(s)/trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/ revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/ to be entered into between the Company and the lender (s)/ agent(s)/ trustees, in respect of the said loans/ borrowings/ debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s)/ agent (s)/ trustee(s).

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board is authorised to finalise, settle and execute such documents/ deeds/ writings/ papers/ agreements as may be required and to do all acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage/ charge as aforesaid and also to delegate all or any of the above powers to a Committee of Directors or the Managing Director or the Director or the key managerial person of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedients or incidental for the purpose of giving effect to the aforesaid Resolution."

10. To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2015 and in this regard to consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

Ratification of remuneration of the Cost Auditors for the financial year ending March 31, 2015 as recommended by Audit Committee and approved by the Board

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), remuneration of Rs. 25,000/- plus out of pocket expenses, as recommended by the Audit Committee and as approved by the Board of Directors of the Company, be paid to Mr. Rakesh Misra, the Cost Auditors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be and is hereby ratified and confirmed".

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211002

DATED : 14TH AUGUST, 2014

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY
FCS 3824

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 the letterhead of the Company, signed by one of the Directors or Company Secretary or any other authorized signatory, authorising their representatives to attend and vote on their behalf at the Meeting.
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. The Register of Members and the Share Transfer Books of the Company shall remain closed from 19th September, 2014 to 26th September, 2014 (both days inclusive).
6. Members are requested to intimate change, if any, in their addresses.
7. Brief resume of Directors including those proposed to be appointed/ re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, shareholding and relationships between Directors *inter-se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, are provided in the Corporate Governance Report forming part of the Annual Report.
8. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
9. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
10. Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year upto 2005-06 from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 28th June, 2013 (date of last Annual General Meeting) on the website of the Company (www.shbhawani.com), as also on the website of the Ministry of Corporate Affairs.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Skyline Financial Services Pvt. Ltd., Registrar and Share Transfer Agent of the Company.
12. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.
13. 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.

SHREE BHAWANI PAPER MILLS LIMITED

14. 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 2014-15.
15. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays between 11.00 a.m. to 4.00 p.m. up to the date of declaration of the result of the 35th Annual General Meeting of the Company.

Voting through electronic means

- I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and the Listing Agreement with the Bombay Stock Exchange, the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the items of business as detailed in this Notice may be transacted through e-voting services provided by National Securities Depository Limited (NSDL).

The instructions for e-voting are as under:

- A. In case a Member receive an email from NSDL (for members whose e-mail addresses are registered with the Company/ Depository Participant(s):
 - i) Open the e-mail and also open the attached PDF file namely "e-Voting.pdf" with your Client ID (in case you are holding shares in demat mode) or Folio No.(in case you are holding shares in physical mode) as password. The said PDF file contains your "User ID" and "Password" for e-voting. Please note that the password is an initial password.
 - ii) Launch internet browser by typing the URL- <https://www.evoting.nsdl.com/>
 - iii) Click on "Shareholder – Login".
 - iv) If you are already registered with NSDL for e-voting then you can use your existing User ID and password and click Login.
 - v) If you are logging in for the first time, please enter the User ID and password as initial password noted in step (i) above and click Login.
 - vi) Password Change Menu appears. Change the password with a new password of your choice with minimum 8 digits/ characters or combination thereof. Please keep a note of the new Password. It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.
 - vii) Home page of "e-Voting" opens. Click on e-Voting- Active Voting Cycles.
 - viii) Select "EVEN" (Electronic Voting Event Number) of Shree Bhawani Paper Mills Limited.
 - ix) Now you are ready for e-Voting as "Cast Vote" page opens.
 - x) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm", when prompted.
 - xi) Upon confirmation, the message "Vote Cast Successfully" will be displayed.
 - xii) Once you have voted on the Resolution, you will not be allowed to change/ modify your vote.
 - xiii) Institutional Shareholders (ie, other than Individuals, HUF, NRI etc) are also required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority Letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the scrutiniser through email to with a copy marked to evoting@nsdl.co.in.
- B. In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/ Depository Participant(s):

SHREE BHAWANI PAPER MILLS LIMITED

- i) Initial password is provided in the enclosed 'Instruction for e-voting' form for the AGM

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD / PIN
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- ii) Please follow all steps from Sl.No. (ii) to Sl.No. (xiii) above, to cast vote.
- II. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for shareholders and e-voting user manual for shareholders, available at the download section of <https://www.evoting.nsdl.com>.
- III. The e-voting period commences on Sunday, September 21, 2014 (9.00 A.M.) and ends on Monday, September 22, 2014 (6.00 P.M.) During this period, Shareholders of the Company, holding shares either in physical form or in dematerialised form, as on the relevant date of September 19, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a Resolution is cast by the Shareholders, the Shareholders shall not be allowed to change it subsequently.
- IV. The voting rights of the shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the relevant date of September 19, 2014.
- V. Shri Anil Kumar, Practising Company Secretary (Membership No. FCS 5693 and Certificate of Practice No. 5592) email Id: purswanianil@gmail.com has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner.
- VI. The Scrutiniser shall, at least 2 working day from the conclusion of the e-voting period, unblock the votes in the presence of at least 2 witnesses not in the employment of the Company and make a Scrutiniser's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- VII. The Result shall be declared on or after the Annual General Meeting. The Result declared along with the Scrutiniser's Report shall be placed on the Company's website www.shbhawani.com and on the website of NSDL within 2 days of the passing of the Resolutions at the Annual General Meeting of the Company and communicated to the Bombay Stock Exchange, where the shares of the Company are listed.

SHREE BHAWANI PAPER MILLS LIMITED

STATEMENT PURSUANT TO SECTION 102 (1) OF THE COMPANIES ACT, 2013

The following statement sets out all material facts relating to Special Business mentioned in the Notice:

ITEM NO. 4 TO 7

In accordance with the relevant provisions of the Article of Association of the Company and the erstwhile provisions of the Companies Act, 1956, Shri C.M. Krishna, Brig (Retd) Shri Rajeev Lochan Singh SC, Shri Atul Seth and Shri Saran Vinod, Independent Directors, were appointed/ re-appointed by the Members of the Company in the 33rd Annual General Meeting held on 28th September, 2012 and 34th Annual General Meeting held on 28th June, 2013. The provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors have come into effect. As per the said provisions, the Independent Directors shall be appointed for not more than two terms of five years each and shall not be liable to retire by rotation at every AGM.

The Board of Directors of the Company has decided to adopt the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the amended Listing Agreement. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Shri C.M. Krishna, Brig (Retd) Shri Rajeev Lochan Singh SC, Shri Atul Seth and Shri Saran Vinod, as Independent Directors of the Company up to 5 (five) consecutive years for a term with effect from 26th September, 2014. The Company has also received notice from a member proposing the appointment of aforesaid Independent Directors.

Brief profiles along with other details of the Independent Directors are as follows:

Name of the Director	Shri C M Krishna
DIN No.	0109574
Date of joining the Board	22.08.1998
Profile of the Director	Shri C M Krishna, aged about 77 years, MA (Economics), LLB and has more than 42 years working experience in various corporate at higher managerial level. Presently, he is working as Consultant with the Industries. He has been a Director of the Company since 1998 and is also a member of Audit Committee, Stakeholders Relationship Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL

Name of the Director	Brig (Retd) Shri Rajeev Lochan Singh SC
DIN No.	02237679
Date of joining the Board	21.06.2008
Profile of the Director	Brig (Retd) Shri Rajeev Lochan Singh SC, aged about 65 years, has master's Degree in Management from Osmania University, Hyderabad. He has joined the Army in June, 1970. He was awarded 'Shaurya Chakra' by the President of India for outstanding gallantry in counter insurgency operations. He has vast experience of management of Medium and Large body of personnel in the Army. He has been a Director of the Company since 2008 and also member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL

SHREE BHAWANI PAPER MILLS LIMITED

Name of the Director	Shri Atul Seth
DIN No	01083740
Date of joining the Board	18.03.2014
Profile of the Director	Shri Atul Seth, aged about 54 years, is Law Graduate and more than 28 years experience in the Manufacturing Sector. He is also a member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	Director in Sterling Hosiery Industry (P) Limited, Kolkata

Name of the Director	Shri Saran Vinod
DIN No	06548248
Date of joining the Board	18.03.2014
Profile of the Director	Shri Saran Vinod, aged about 64 years, is graduate from Lucknow University and has wide and varied experience in Sugar Industry. He is also a member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL

In the opinion of the Board, the Independent Directors fulfil the conditions specified in Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2013 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Directors are independent of the management. Further, all the aforesaid Independent Directors have given a declaration to the Board of Directors to the effect that they meet the criteria of independence as provided in Section 149 (6) of the Companies Act, 2013.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail their services as Independent Director. Accordingly, the Board recommends the Resolutions in relation to their appointment as Independent Director, for the approval by the Members of the Company.

Except Shri Saran Vinod, Shri Atul Seth, Shri C.M. Krishna and Brig (Retd) Shri Rajeev Lochan Singh SC, being appointee, none of the Directors and/or Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 4 to 7 of the Notice.

ITEM NO. 8

The Members in its 30th Annual General Meeting held on 30th July, 2009 had authorised the Board of Directors of the Company to borrow up to Rs.250 crores (Rupees two hundred fifty crores only) under the provisions of Section 293 (1) (d) of the Companies Act, 1956.

Section 180 (1) (c) of the Companies Act, 2013 effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of the Company's paid up share capital and free reserves, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, except with the consent of the Company accorded by way of a Special Resolution.

It is, therefore, necessary for the Members to pass a Special Resolution under Section 180 (1) (c) and other applicable

SHREE BHAWANI PAPER MILLS LIMITED

provisions of the Companies Act, 2013, as set out at Item No. 8 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money up to Rs. 400 crores (Rupees four hundred crores only) in excess of the aggregate of the paid up share capital and free reserves of the Company.

Accordingly, the Board recommends the proposed Resolution set out at Item No. 8 for approval of members by way of a Special Resolution.

None of the Directors and Key Managerial Personnel of the Company and their relatives is in any way interested or concerned in the said Resolution.

ITEM NO. 9

The members in its 30th Annual General Meeting held on 30th July, 2009 had authorised the Board of Directors of the Company to create mortgage and/ or charge on its movable and/ or immovable properties and/ or the whole or any part of the undertaking (s) of the Company in favour of the lenders, regarded as disposal of the Company's undertaking(s) within the meaning of Section 293 (1) (a) of the Companies Act, 1956.

Pursuant to the provisions of Section 180 (1) (a) of the Companies Act, 2013, a Company can not sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking or undertakings of the Company without the consent of the members. Hence, the existing approval will require revalidation under the Companies Act, 2013 by way of a Special Resolution.

It is, therefore, proposed to seek Member's approval for creating charge/ mortgage/ hypothecation etc. on the assets of the Company (both present and future) including sale of undertakings in favour of the Bank(s)/ Financial Institution(s)/ other persons.

Being in the interest of the Company, the Board recommends the proposed Resolution set out at Item No. 9 for approval of Members by way of a Special Resolution.

None of the Directors and key Managerial Personnel of the Company and their relatives is in any way interested or concerned in the said Resolution.

ITEM NO. 10

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditor, Shri Rakesh Misra to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015 at a remuneration of Rs.25000/- (Rupees twenty five thousand only) plus out of pocket expenses.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No.10 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2015.

None of the Directors/ Key Managerial Personnel of the Company/ their relatives is, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No.10 of the Notice.

The Board commends the Ordinary Resolution set out at Item No.10 of the Notice for approval by the Members.

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211002

DATED : 14TH AUGUST, 2014

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY
FCS-3824

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS' REPORT

We have pleasure in presenting our 35th Annual Report together with the audited accounts of the Company for the fifteen months period ended 31st March, 2014.

PERFORMANCE

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

	15 Months Ended 31.03.2014	9 Months Ended 31.12.2012
	Rs. in Lacs	Rs. in Lacs
Production (Tonnes)	32886	28479
Sales	11961	9526
Other Income	235	56
	12196	9582
Gross Profit/(Loss)	-1986	-1711
Less : Interest	2406	1385
Depreciation for the year	949	491
Profit Before Exceptional Items and Tax	-5341	-3587
Exceptional Items	1468	506
Profit for the year before Tax	-6809	-4093
Less : Provision for taxation	-	-
Profit / (Loss) after taxation	-6809	-4093
Profit / (Loss) brought forward from last year	-7654	-3561
Loss carried to Balance Sheet	-14463	-7654

OPERATIONS & REASON FOR LOSSES

During the period under review, the Company has manufactured 32886 tons of paper with net sale of Rs.119.61 crores. Your Company could not arrest its losses due to stalemate of finalization and approval of the Draft Rehabilitation Scheme as per orders of Hon'ble BIFR. This has prevented the Company from raising any funds for Working Capital which has resulted to below 50% capacity utilization. Paper industry is a continuous process Industry, it can only generate profits at high capacity utilization. More than Rs. 40 crores investment in Chemical Recovery Plant and balancing equipments is lying idle and desired Production could not be achieved due to pending No Objection Certificate of Central Pollution Control Board for Agro Pulp Mill.

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

Due to continuous losses, the net worth of the Company was completely eroded as per the Audited Balance Sheet as at 31.12.2012 and the Company has filed a Reference application under Section 15 (1) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) with Hon'ble BIFR seeking registration of the unit as a Sick Industrial Company

SHREE BHAWANI PAPER MILLS LIMITED

and requesting for appropriate measures to revival of the Company in interest of all stakeholders and public at large. The said reference was registered as Case No.29/2013.

In the hearing held on 26.09.2013, the Hon'ble BIFR declared the Company as 'Sick' under Section 3 (1) (o) of SICA and appointed Bank of Baroda as the Operating Agency (OA) under Section 17 (3) of the Act to prepare a Rehabilitation Scheme for the Company. The Company has submitted the Draft Rehabilitation Scheme (DRS) to Bank of Baroda (OA) and other stakeholders with a Copy to Hon'ble BIFR

In accordance with the Direction of Hon'ble BIFR, meeting of all stake holders of the Company was held on 26th March, 2014. Despite of order of Hon'ble BIFR to finalise the DRS, no progress could be made due to negative strategy adopted by Indian Bank. Indian Bank has also sold its loan to M/s J. M .Financial Assets Reconstruction Pvt. Ltd., Mumbai. The next date of hearing was to be held on 24th April, 2014, was postponed sin die.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

During the period under review, the Company has received 41504 CERs for prior period activity up to 31st December, 2012 from Cogeneration Power Project I and Project II which has been transferred to the Belgian State, proceeds thereof of Rs 347.71 lacs has been received.

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.

DIRECTORS

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

Shri C.M. Krishna, Brig (Retd) Shri Rajeev Lochan Singh SC, Shri Atul Seth and Shri Saran Vinod, are the Independent Directors of the Company who are liable to retire by rotation under the provisions of the Companies Act, 1956.

Your Directors have decided to adopt the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement with Bombay Stock Exchange. The necessary Resolutions for their appointment as Independent Director under Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement to hold the office for a term of 5 (five) consecutive years up to for a term with effect from 26th September, 2014.

AUDITOR'S QUALIFICATION/ REMARKS

1. With regard to qualifications/ remarks in Auditor's report and Annexure thereto, with respect to qualification (a) as mentioned in Note No.41 of financial statements, the balances of some of the trade receivables, trade payables, lender and loans and advances are subject to confirmation/ reconciliation and subsequent adjustments, if any. The Management is of the view that there is no material adjustment in this regard.
2. With respect to qualification (b) as mentioned in Note No .42 of financial statement, the Company became a sick industrial company within the meaning of Section 3 (1) (O) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), due to erosion of its entire net worth and the Company was declared a Sick Industrial Company by Hon'ble BIFR on 26th September, 2013. The Company has submitted the Draft Rehabilitation Scheme (DRS) to operating agency, Bank of Baroda. The Company has provided interest on Term Loan and other loans of Indian Bank and Bank of Baroda @ 10.50% with effect from 1st January, 2013 in accordance with Guidelines and Checklist for preparation of Draft Rehabilitation Scheme as provided by Hon'ble BIFR.

SHREE BHAWANI PAPER MILLS LIMITED

3. With respect to qualification (c) as mentioned in Note No. 29 of financial statements, the Company has not recognized additional net Deferred Tax Asset during the year. Net Deferred Tax Assets of Rs.14 crores was recognized for the year ended 31.03.2012 based on the future profitability projections by the management. The financial statement has been drawn upon 'going concern' assumption.
4. Regarding the over dues of Statutory Liabilities of Rs. 190 Lacs approx., the Directors have to inform, that, the same has accrued due to shortage of working capital caused by non finalization of DRS by Banks. All efforts are being made to liquidate the same at the earliest.

COST AUDIT

Pursuant to Section 233-B of the Companies Act, 1956 and Company Law Board Order No.52/165/CAB-92 dated 14.09.1992 directing Cost Audit, the Company carries out an audit of cost accounts relating to paper every year. Shri Rakesh Mishra, Cost Accountant, was appointed as Cost Auditor for the year 2013-14. The Cost Audit Report for the year 2013-14 will be submitted to the Central Government before the due date.

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 under Section 139 of the Companies Act, 2013. Your Directors recommend their re-appointment for the accounting year 2014-15.

PARTICULARS OF EMPLOYEES

None of the Employee of the Company was in receipt of total remuneration of Rs. 60,00,000/- during the financial year under review or Rs.5,00,000/- per month. Hence, the information under Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be furnished.

CORPORATE GOVERNANCE CODE

Your Company has complied with all the mandatory requirements of Corporate Governance. A detailed Report on Corporate Governance and Management Discussion and Analysis forming part of the Directors' Report is enclosed as Annexure II.

The Statutory Auditors of the Company have examined the Company's compliance to the Code of Corporate Governance and have certified the same, as required under SEBI guidelines. The certificate is reproduced with Corporate Governance Report to the Members.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the fifteen months period ended 31st March, 2014, 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

SHREE BHAWANI PAPER MILLS LIMITED

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 fifteen months period ended 31st March, 2014 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their thanks to the Bank of Baroda for its 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: 14TH AUGUST, 2014

SHREE BHAWANI PAPER MILLS LIMITED

ANNEXURE I

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

I. CONSERVATION OF ENERGY

- (a) More efficient boiler furnace cleaning equipment has been installed for efficient heat transfer and reduction in down time of boiler.
- (b) Soot blower has been installed in the new high pressure boiler resulting in reduced down time of boiler.
- (c) Variable frequency drives have been installed on some higher rating motors to economise the power consumption.
- (d) Ceramic drainage element have been installed on the higher capacity paper machine, which has reduced load & there by power consumption.
- (e) To reduce steam consumption, thermo compressor has been installed. Steam audit is being carried out to plug the leakages.
- (f) The Company is augmenting pulp from Waste Paper Deinking plant which will further reduce the power consumption per unit of production.
- (g) The required data as per Form A of the Annexure to the aforesaid Rules is furnished below:

A. POWER AND FUEL CONSUMPTION

1. Electricity

	Current Period Fifteen Months Ended 31.03.2014	Previous year Nine Months Ended 31.12.2012
a) Purchased Units	139.95	94.31
Total Amount	1055.09	543.89
Rate/Unit	7.54	5.77
b) Own Generation		
Through Diesel Generators :		
Units (KWH in lacs)	0.05	0.01
Units per litre of diesel oil	3.00	3.00
Diesel (Rs./Litre)	51.42	39.50
Rate/Unit (Rs.)	17.14	13.17
Through Steam Turbine :		
Units (KWH in lacs)	234.47	203.26
Units per Tonne of Fuel	376	476
Rate / Unit (Rs.)	10.01	6.74
2. Paddy Husk		
Quantity (Tonnes)	56924	40240
Total Cost (Rs. in lacs)	1822.57	1139.43
Average Rate (Rs./Tonne)	3202	2832

SHREE BHAWANI PAPER MILLS LIMITED

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	32886	28479
Electricity* (Units/Tonne)	1139	1045
Paddy Husk** (Tonnes/Tonne)	2.36	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 on utilisation of optimum capacity.

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. 149.51 lacs (Previous Period Rs. NIL) and total foreign exchange outgo during the year amounted to about Rs. 1163.68 lacs (Previous Period 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 systems processes of the Company for the year ended 31st March, 2014 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 31.03.2014 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	5	5	Yes
Shri Alankar Tandon Executive Director	Promoter Executive	2	1	5	5	Yes
Shri Badri Vishal Tandon	Non-Independent Non-Executive	1	2	5	5	Yes
Shri C M Krishna	Independent Non-Executive	-	3	5	1	No
Brig. (Retd.) Shri Rajeev Lochan Singh SC	Independent Non-Executive	-	2	5	1	No
Shri Atul Seth	Independent Non-Executive	1	2	5	3	No
Shri Saran Vinod	Independent Non-Executive	-	2	5	5	No

SHREE BHAWANI PAPER MILLS LIMITED

It is clear from above, that, the Board of Directors of the Company have an optimum combination of executive and non-executive Directors and Independent Directors who are eminent persons with professional expertise and valuable experience in their respective areas of specialization and bring wide range of skills and experience to the Board. The non-executive Directors constitute more than half of the total numbers of Directors and the numbers of Independent Directors are also more than half of the total strength.

Five Board Meetings were held during the year i.e. on 15th May, 2013, 13th August, 2013, 21st September, 2013, 13th November, 2013 & 14th February, 2014.

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.

Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Shri C.M. Krishna, Brig (Retd) Shri Rajeev Lochan Singh SC, Shri Atul Seth and Shri Saran Vinod, as Independent Directors of the Company up to 5 (five) consecutive years for a term with effect from 26st September, 2014. The Company has also received notice pursuant to Section 160 of the Companies Act, 2013 from a member proposing the appointment of aforesaid Independent Directors.

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

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	Nos.of Meetings attended
Shri Badri Vishal Tandon	4	4
Brig. (Retd.) Shri Rajeev Lochan Singh SC	4	1
Shri C M Krishna	4	1
Shri Atul Seth	4	3
Shri Saran Vinod	4	4

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

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

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

SHREE BHAWANI PAPER MILLS LIMITED

- 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	1	0
Brig. (Retd.) Shri Rajeev Lochan Singh SC	1	0
Shri Saran Vinod	1	1
Shri Atul Seth	1	1

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

SHREE BHAWANI PAPER MILLS LIMITED

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 advice 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, 2013 to 31st March, 2014 to Shri Girish Tandon, Managing Director, Rs. 20.70 lacs and Shri Alankar Tandon, Executive Director is Rs. 20.73 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, 2013 to 31st March, 2014 is given below:

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	53,000/-
2.	Shri C. M. Krishna	8,500/-
3.	Brig. (Retd.) Shri Rajeev Lochan Singh SC	8,500/-
4.	Shri Saran Vinod	42,500/-
5.	Shri Atul Seth	29,000/-

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 keep 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 to attend the share transfer formalities thrice a month to expedite the process of share transfer and transmission, etc in compliance of Clause 49 (IV) G of the Listing Agreement with Bombay stock Exchange. They meet quite often to expedite all the matter relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2014 - NIL

The number of share transfer pending as on 31st March, 2014 - NIL.

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

SHREE BHAWANI PAPER MILLS LIMITED

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.03.2013

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 Saran Vinod	NIL
7.	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
2010-11 AGM	Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad	21.09.2011	11.30 AM
2011-12 AGM	Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad	28.09.2012	11.30 AM
2012-13 AGM	Regd. Off : 33, Dayanand Marg, Allahabad - 211 002	28.06.2013	11.30 AM
2013-14 AGM	Regd. Off : 33, Dayanand Marg, Allahabad - 211 002	26.09.2014	11.30 AM

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

BOOK CLOSURE

19th September, 2014 to 26th September, 2014 (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 2013-14. 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, 2014.

Place : Allahabad

Dated : 30th May, 2014.

Sd/-

Girish Tandon
Managing Director

SHREE BHAWANI PAPER MILLS LIMITED

DISCLOSURES

1. The details of the related party transactions during the year in terms of Accounting Standard AS-18 have been set out under Note 31 of the Notes forming part of financial statements. However, the Company has not entered into any transaction of material nature with the Promoters, Directors and 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. The Company is in receipt of Adjudication order No ASK/RGA/AO/38/2014-15 dated 31st July, 2014 under Rule 4 of SEBI (Procedure for Holding Enquiry and Imposing Penalties by Adjudication Officer) Rules, 1995 from Securities and Exchange Board of India which relates to 5 days & 2 days delay in submitting annual return under Rule 8(3) of SAST Regulations, 1997 in the year 1998 & 2001, Imposed the penalty of Rs. 25,000/-.
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 Executive 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 : 26th September, 2014, 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 2014-15 has been paid to the Bombay Stock Exchange Ltd., Mumbai.

SCRIP CODE WITH BSE

502563

SHREE BHAWANI PAPER MILLS LIMITED

ISIN NUMBER FOR NSDL & CDSL

ISIN INE 688 C 01010

UNCLAIMED DIVIDED

Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year up to 2005-06 from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the Provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 26th June, 2013 (date of last Annual General Meeting) on the website of the Company (www.shbhawani.com), as also on the website of the Ministry of Corporate Affairs.

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 31.03.2014

No. of Shares	No. of Shareholders	%age	No. of Shares	%age
Up to 500	2160	68.31	423694	1.22
501-1000	433	13.69	361676	1.04
1001-5000	400	12.65	922941	2.65
5001-10000	67	2.12	459169	1.32
10001 & above	102	3.23	32659744	93.77
	3162	100.00	34827224	100.00

SHAREHOLDING PATTERN OF EQUITY SHARES AS ON 31.03.2014

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	24181381	69.43
Institutional Investors	1400	0.01
Private Corporate	3839226	11.02
NRIs	12226	0.04
Indian Public	6792991	19.50
	34827224	100.00

SHREE BHAWANI PAPER MILLS LIMITED

TOP TEN SHAREHOLDERS AS ON 31.03.2014 IN OTHERS CEATEGORY

Sl. No.	Name of the Shareholder	No.of Shares held	% of Total Equity
1	Ganges Leasing & Finance Company Pvt Ltd	1500000	4.31
2	Competent Financial Services Pvt Ltd	1450000	4.16
3	Bina Chaturvedi	650000	1.87
4	Mohit Chaturvedi	650000	1.87
5	Sangeetha S	612935	1.76
6	Vinod Chandra Mansukhlal Parekh	364499	1.05
7	S Sathya	309690	0.89
8	B M Chaturvedi Financial & Strategic Services Pvt Limited	250000	0.72
9	Ketan H Mehta	208650	0.60
10	Culair (India) Pvt Limited	180265	0.52

DEMATERIALISATION OF SHARES

As on 31.03.2014, 99.03% i.e., 34520957 Equity Shares of Company's share capital are dematerialised and balance of 306267 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

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 / 30857575 (10 Lines)
Fax : 011 - 30857562

SHREE BHAWANI PAPER MILLS LIMITED

For 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

BRIEF PROFILE OF BOARD OF DIRECTORS

Brief profiles along with other details of the Board of Directors are as follows :

Name of the Director	Shri Girish Tandon, Managing Director
DIN No.	109528
Date of joining the Board	06.07.1979
Profile of the Director	Shri Girish Tandon, aged about 64 years, is MBA from Allahabad University and has more than 36 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 Stakeholders Relationship Committee of the Company.
No of Shares held in the Company	284600
Directorship and Committee Membership in other Companies	Director in Alankar Udyog Pvt. Ltd., Allahabad
Relationship with other Directors	Brother of Shri Badri Vishal Tandon, Non Executive Director and Shareholder of the Company

Name of the Director	Shri Alankar Tandon, Executive Director
DIN No.	110512
Date of joining the Board	28.04.2008
Profile of the Director	Shri Alankar Tandon, aged about 43 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 Stakeholders Relationship Committee of the Company.
No of Shares held in the Company	248000
Directorship and Committee Membership in other Companies	Director in Alankar Udyog Pvt. Ltd., Allahabad and Sahitya Bhawan Pvt Ltd, Allahabad
Relationship with other Directors	Son of Shri Badri Vishal Tandon, Non Executive Director and Shareholder of the Company

SHREE BHAWANI PAPER MILLS LIMITED

Name of the Director	Shri Badri Vishal Tandon
DIN No.	108408
Date of joining the Board	06.07.1979
Profile of the Director	Shri Badri Vishal Tandon, aged about 65 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 Stakeholders Relationship Committee of the Company.
No of Shares held in the Company	246998
Directorship and Committee Membership in other Companies	Director in Sahitya Bhawan Pvt.Ltd., Allahabad
Relationship with other Directors	Elder Brother of Shri Girish Tandon and Father of Shri Alankar Tandon, Promoter Director and Shareholder of the Company

Name of the Director	Shri C M Krishna
DIN No.	0109574
Date of joining the Board	22.08.1998
Profile of the Director	Shri C M Krishna, aged about 77 years, MA (Economics), LLB and has more than 42 years working experience in various corporate at higher managerial level. Presently, he is working as Consultant with the Industries. He has been a Director of the Company since 1998 and is also a member of Audit Committee, Stakeholders Relationship Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL
Relationship with other Directors	NIL

Name of the Director	Brig. (Retd) Shri Rajeev Lochan Singh SC
DIN No.	02237679
Date of joining the Board	21.06.2008
Profile of the Director	Brig (Retd) Shri Rajeev Lochan Singh SC, aged about 65 years, has master's Degree in Management from Osmania University, Hyderabad. He has joined the Army in June, 1970. He was awarded 'Shaurya Chakra' by the President of India for outstanding gallantry in counter insurgency operations. He has vast experience of management of Medium and Large body of personnel in the Army. He has been a Director of the Company since 2008 and also member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL
Relationship with other Directors	NIL

SHREE BHAWANI PAPER MILLS LIMITED

Name of the Director	Shri Atul Seth
DIN No.	01083740
Date of joining the Board	18.03.2014
Profile of the Director	Atul Seth, aged about 54 years, is Law Graduate and more than 28 years experience in the manufacturing Sector. He is also a member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	Director in Sterling Hosiery Industry (P) Limited, Kolkata.
Relationship with other Directors	NIL

Name of the Director	Shri Saran Vinod
DIN No.	6548248
Date of joining the Board	18.03.2014
Profile of the Director	Saran Vinod, aged about 64 years, is graduate from Lucknow University and has wide and varied experience in Sugar Industry. He is also a member of Audit Committee and Nomination & Remuneration Committee of the Company.
No of Shares held in the Company	NIL
Directorship and Committee Membership in other Companies	NIL
Relationship with other Directors	NIL

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 15 months period ended 31st March, 2014 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
CHIEF FINANCIAL OFFICER**

**PLACE : ALLAHABAD
DATED: 30TH MAY, 2014**

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, 2014 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.

**PLACE : ALLAHABAD
DATE : 14th AUGUST, 2014**

**FOR P.L. GUPTA & CO.,
CHARTERED ACCOUNTANTS
(P.L. GUPTA)
PARTNER
Membership No. 9444
Registration No. 011575C**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL ECONOMIC OVERVIEW

The Global economy grew at 3% in 2013 as global activity and world trade picked up in the second half of 2013. The momentum is expected to continue with expected growth rates of 3.7% in 2014 and 3.9% in 2015. The United Kingdom and Japan both are experiencing a rapid recovery. The US economy is projected to grow at 2.8% in 2014 as against 1.9% in 2013. Overall growth in emerging market and developing economies is expected to increase to 5.1 percent in 2014 and to 5.4 percent in 2015.

India's economy expanded at 4.7 percent in the entire 2013-14 financial year, marking a second straight year of below 5 percent growth. The expansion was slower than an official estimate of 4.9 percent and higher than 4.5 percent growth a year earlier. This is the second consecutive year of below five percent growth in the last 25 years. The new Government has given an encouraging outlook and its actions will definitely have a positive impact on the investment sentiment.

Paper Industry has a very prominent role in the World Economy. Annual revenue from this Sector exceeds US \$ 500 billions. World consumption of paper and boards grew from 169 million tonnes in 1981 to 253 million tonnes in 1993 and to 352 million tonnes in 2005. Current consumption is of the order of 400 million tones. The global pulp and paper industry is dominated by North America (US and Canada), Northern Europe (Finland, Sweden and North-West Russia) and Asia (China, Indonesia, Japan and South Korea).

The paper industry in India is more than a century old. 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. India's pulp and paper industry accounts for just around 1.6 percent of the world's production of paper and paper board. Besides, India's per capita consumption of paper is around 10 Kg. In contrast, China's per capita consumption of paper is approximately 60 kg and some of the developed countries' per capita consumption is approximately 300 kg. India's paper industry continues to be an unorganized sector of the economy, and it is difficult to know the exact size of the India paper market. According to the production figures released by the Government, India's annual paper production is 12 million tons, but the estimated production is around 16 million ton. A small increase of 1 kg in per capita consumption of paper lead to an increase of 1.2 million tons of paper. India's paper and paper board industry thus has unlimited scope for further growth.

Paper is of significant importance to the society. Its contribution in the areas of education, dissemination of information and knowledge, hygiene and packaging cannot be matched. Use of paper dates back to the early second century A.D. and despite the rise of electronic media, computers and the internet, humankind has not lost its love for this versatile material. Paper is interwoven with human life in hundreds of ways. It is a bio-degradable product and has a benign footprint at the end of its life cycle. Despite the predictions that digital age would render paper obsolete, paper industry has been growing year after year.

Production of paper and paper board entails enormous challenge – ranging from procurement of raw materials, energy and water to facing the harsh criticism coming from environmental group and observing a number of complex laws.

On the positive side, demand for paper and paper board has been increasing, which has helped offset the rising cost of production. This spurt in demand for paper and paper board stems from India's all round industrial development and its rising literacy rate. Over the last five years, many paper companies went for major modernization and expansion. However, it may be mentioned that in the initial years of expansion, price of writing and printing paper went down and that it was in the recent past that the price of paper stabilized.

OPPORTUNITIES AND THREATS

The Indian paper and paperboards 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. The low per capita consumption of paper/ paper board in the Country bound to increase with the growth in GDP, rising income of middle class, increasing demand of computer stationery and spending by Government on education sector.

SHREE BHAWANI PAPER MILLS LIMITED

The following competitive weaknesses and threats confront the Industry:

- Inadequate availability of virgin fibre resulting in high cost of raw materials.
- Small and fragmented industry structure.
- Many non-competitive mills.
- Inconsistent multi-tiered quality of products.
- Environmental problems of most of the small pulp mills.
- High energy consumption and costs.
- Poor infrastructure.
- Likely closures, owing to increasingly stringent environmental regulations.
- With the bunched-up creation of about 16 lac tonnes of additional capacity (between 2008, 2009 and 2010), demand / supply mismatch will confront the domestic manufacturers, impacting capacity utilisation and margins.
- International Competitiveness is the key issue that is confronting the Indian Paper Industry today, especially in the context of Government's resolve to bring down import tariff every year and RTAs/ FTAs proposed to be entered into with ASEAN / SAARC countries, including China.
- 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.

PRODUCTWISE PERFORMANCE

During the period under review for fifteen months ended 31st March, 2014, the Company manufactured 32886 tons of printing, writing & newsprint paper. The main reasons for under capacity utilization and low production are working capital constraint and delay in finalisation of Draft Rehabilitation Scheme.

OUTLOOK

The paper industry is understood to be cyclical in nature and its performance depends on the global pulp and paper demand supply situation which is not encouraging at present. The industry is witnessing slowdown in demand from December, 2013.

The Company has well-diversified product base which partially insulates it from the cyclical impact. However, given the growth potential, outlook of paper industry is promising in long run.

India is the fastest growing paper market in the world with CAGR of 6 to 6.5% in next 5 years due to thrust on education, rise in organized retail, urbanization and growth in economy.

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

- Paper Industry is capital intensive and yields poor returns on investments.
- The paper industry is one of the 18 highly polluting categories of industries and the executives of the industry, Central and State Government Agencies, Pollution Control Boards and others have prepared a Charter on Corporate Responsibility for Environmental Protection (CREP). The Charter enlists time-bound action points to be implemented by the paper industry for progressive up-gradation of technologies and in-plant practices for reduction in effluents and emissions as well as improvement in waste management systems.
- The Company has commissioned the Chemical Recovery Plant which will increase its capacity to manufacture

SHREE BHAWANI PAPER MILLS LIMITED

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.

- Paper industry has been removed from Core sector for supply of Coal by subsidiaries of Coal India Limited.
- Undue fluctuation in the exchange rate between Indian Rupee and US Dollar will impact the margins of the Company.
- Rise in rate of inflation will impact the profitability of the Company, since there will be increase in prices of all inputs and cost of services, without matching increase in price for the Company's products.
- 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.
- 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.

FINANCIAL PERFORMANCE

During the period under review, the Company has manufactured 32886 tons of paper with net sale of Rs.119.61 crores. Your Company could not arrest its losses due to stalemate of finalization and approval of the Draft Rehabilitation Scheme as per orders of Hon'ble BIFR. This has prevented the Company from raising any funds for Working Capital which has resulted to below 50% capacity utilization. Paper industry is a continuous process Industry, it can only generate profits at high capacity utilization. More than Rs. 40 crores investment in Chemical Recovery Plant and balancing equipments is lying idle and desired Production could not be achieved due to pending No Objection Certificate of Central Pollution Control Board for Agro Pulp Mill.

During the period under review, the Company has received 41504 CERs for prior period activity up to 31st December, 2012 from Cogeneration Power Project I and Project II which has been transferred to the Belgian State, proceeds thereof of Rs 347.71 lacs has been received.

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.

INDEPENDENT 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**, ("the Company"), which comprise the Balance Sheet as at March 31, 2014 the Statement of Profit and Loss and Cash Flow Statement for fifteen months period then ended, 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") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This 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.

Auditor's 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 requirements 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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.

Basis of Qualified Opinion

- (a) As mentioned in Note No 41 of financial statements, the balances of some of the trade receivables, trade payables, lenders, and loans and advances are subject to confirmation / reconciliation and subsequent adjustments, if any. As such, we are unable to express any opinion as to the effect thereof on the financial statements for the year.
- (b) As mentioned in Note No. 42 of financial statements, the company became a sick industrial company within the meaning of Section 3 (1) (O) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) due to erosion of its entire net worth and the company was declared a sick Industrial company by BIFR on 26th September 2013. The Company has submitted the Draft Rehabilitation Scheme (DRS) to operating agency, Bank of Baroda. The Company has provided interest on Term Loan and other Bank Loans of Indian Bank and Bank of Baroda @ 10.50% with effect from 1st January 2013. Had the liability of interest been considered at the rate as sanctioned by the Banks the Loss for the year would have been Rs. 78,28,41,197/- as against the reported loss of Rs. 68,09,45,875/-.

SHREE BHAWANI PAPER MILLS LIMITED

- (c) As mentioned in Note No. 29 of financial statements, the company has not recognized additional net Deferred Tax Asset during the year. Net Deferred Tax Assets of Rs.14 Crores was recognized for the year ended 31.03.2012 based on the future profitability projections by the management. We are unable to express our opinion in this respect.

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 March 31, 2014,
(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 (Auditor's 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 and 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;
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow statement comply with the Accounting standards referred to Sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General circular 15/2013 dated 13th September 2013 of the Ministry of Corporate affairs in respect of Section 133 of the Companies Act, 2013 except for comment in para (e) below:
 - e. Note 33 the liability for Gratuity has been made on the basis of liability determined by the management.
 - f. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

**PLACE : ALLAHABAD
DATE : 30TH MAY, 2014**

**(P.L. GUPTA)
PARTNER
Membership No. 009444**

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 1 of our report of even date on accounts for the year ended 31st March, 2014 of Shree Bhawani Paper Mills Limited

- (I) (a). The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b). The Company has physically verified certain assets during the year in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c). Fixed assets disposed off during the year were not substantial and therefore do not effect the going concern status of the Company.
- (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. Consequently, the requirements of clauses (iii) (b), (c) and (d) of paragraph 4 of the Order are not applicable for the current year.
- (b). The company has taken loans from the companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Loans taken of Rs. 1287 lacs were outstanding in case of 3 parties. The maximum amount due during the year was Rs. 1287 lacs.
- (c). The rate of interest and other terms and conditions of the loans taken were prima facie not prejudicial to the interest of the company.
- (d). The payment of principal loan and interest are as per terms of the loans taken.
- (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) The Company has not accepted any deposits from the public during the year. 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 its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (I) (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 with a view to determine whether they are accurate or complete.

SHREE BHAWANI PAPER MILLS LIMITED

- (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 deposited with the appropriate authorities. Though there has been some delays in some cases. Further Rs. 1,90,75,604/- of such dues which were outstanding as on Balance Sheet date are as follows.

Nature of Statute	Period to which amount relate	Due Date	Amount (Rupees)	Remarks
Employees State Insurance	June 13 to March 14	July 13 to April 14	22,75,698	Not yet deposited
Employees Provident Fund	Aug. 12 to March 14	Sept.12 to April 14	1,29,68,484	Not yet deposited
Service Tax	Feb. 14 & March 14	March 14 to April 14	6,08,413	Rs. 75,128/- Not yet deposited
Income Tax (TDS)	Jan. 14 to March 14	Feb. 14 to April 14	32,23,009	Not yet deposited
		Total	1,90,75,604*	

* Including Rs. 88,20,784/- 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 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 March 31, 2014. Further Rs. 353507853/- of such dues were in arrears as on 31st March 2014.
- 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 bank of financial institutions.
- XVI. Based on our examination of records and information and explanations given to us, no fresh term loan has been obtained by the Company during the year.
- XVII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has used short term funds during the year for financing the operating losses of the Company.
- XVIII. The Company has not made any preferential allotment of shares during the year.
- XIX. The Company has not issued any secured debentures during the year.
- XX. The Company has not raised any money by a public issue during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order are not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

**PLACE : ALLAHABAD
DATE : 30TH MAY, 2014**

**(P.L. GUPTA)
PARTNER
Membership No. 009444**

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2014

		(Rupees)	
	NOTE NO.	AS AT 31ST MARCH, 2014	AS AT 31ST DECEMBER, 2012
I. EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	348113645	348113645
(b) Reserves and Surplus	2	-1413034191	-732088316
2. NON-CURRENT LIABILITIES			
(a) Long Term Borrowings	3	1718746386	1536795131
(b) Long Term provisions	4	3387580	3232579
3. CURRENT LIABILITIES			
(a) Short Term Borrowings	5	649020981	587109214
(b) Trade Payables	6	149951299	187706886
(c) Other Current Liabilities	7	118345521	172412060
(d) Short Term Provisions	8	453339	683983
TOTAL		1574984560	2103965182
II. ASSETS :			
1. NON-CURRENT ASSETS			
(A) FIXED ASSETS			
(i) Tangible Assets	9	1015614686	823233378
(ii) Intangible Assets	9	9243600	13084548
(iii) Capital Work-in-Progress	9	95457489	394544177
(B) Non-Current Investments	10	294840	294840
(C) Deferred Tax Assets (Net)	29	140000000	140000000
(D) Long-Term Loans and Advances	11	10451862	10355603
2. CURRENT ASSETS			
(A) Inventories	12	116605510	354975972
(B) Trade Receivables	13	77962018	200771896
(C) Cash and Cash Equivalents	14	1877613	25850759
(D) Short-Term Loans and Advances	15	107476942	140854009
TOTAL		1574984560	2103965182
Significant Accounting Policies	43		
Notes on Financial Statements	1 to 43		

The accompanying notes are an integral part of financial statements.

As per our report of even date.

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

**(P. L. GUPTA)
PARTNER
MEMBERSHIP NO.009444**

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**BADRI VISHAL TANDON
C.M. KRISHNA
SARAN VINOD
ATUL SETH**

} DIRECTORS

**PLACE : ALLAHABAD
DATED : 30TH MAY, 2014**

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

SHREE BHAWANI PAPER MILLS LIMITED

STATEMENT OF PROFIT & LOSS FOR 15 MONTHS PERIOD FROM JANUARY 1, 2013 TO MARCH 31, 2014

(Rupees)

PARTICULARS	NOTE NO.	2013-2014 (15 MONTHS)	2012 (9 MONTHS)
I. REVENUE FROM OPERATIONS (GROSS)	16	1224158963	982597769
Less : Excise Duty		28062523	29986635
REVENUE FROM OPERATIONS (NET)		1196096440	952611134
II. OTHER INCOME	17	23500846	5593864
III. TOTAL REVENUE (I+II)		1219597286	958204998
IV. EXPENSES			
(a) Cost of Material Consumed	18	683655547	568252938
(b) Changes in inventories of finished Goods, Work-in-Progress and Stock-in-Trade	19	1862945	29755231
(c) Employee Benefits Expense	20	113055516	75289484
(d) Finance Costs	21	241669359	144345454
(e) Depreciation and amortization Expense	9	94947171	49150410
(f) Other Expenses	22	618560693	450123147
TOTAL EXPENSE		1753751231	1316916664
V PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (III-IV)		-534153945	-358711666
VI Exceptional Items	39	146791930	50616504
VII PROFIT BEFORE TAX (V-VI)		-680945875	-409328170
VIII LESS : TAX EXPENSE			
(a) Current Tax		-	-
(b) Deferred Tax		-	-
IX PROFIT FOR THE PERIOD		-680945875	-409328170
X Earning per Equity Share (of Rs. 10/-each)	30		
(a) Basic		-19.55	-11.75
(b) Diluted		-19.55	-11.75
Significant Accounting Policies	43		
Notes on Financial Statements	1 to 43		

The accompanying notes are an integral part of financial statements.

As per our report of even date.

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

(P. L. GUPTA)
PARTNER
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GIRISH TANDON
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ATUL SETH

} DIRECTORS

PLACE : ALLAHABAD
DATED : 30TH MAY, 2014

R.M. PANDEY
DGM (ACCOUNTS)

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR 15 MONTHS PERIOD FROM JANUARY 1, 2013 TO MARCH 31, 2014

		(RUPEES)	
		Period Ended 31.03.2014	Period Ended 31.12.2012
A. CASH FLOW FROM OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		-680945875	-409328170
Adjustment for :			
Income Tax Refund		-	-
Depreciation		94947171	49150410
Interest Expenses		240622846	138464461
Interest Income		- 2219518	- 545403
Dividend Income		- 31104	- 24300
Extraordinary items		30621300	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		-317005180	-222283002
Adjustment for:			
Trade & Other receivables	214010057		-3524886
Inventories	238370462		70565476
Trade payable and other liabilities	-91897769	360482750	82720469
			149761059
CASH GENERATED FROM OPERATIONS		43477570	-72521943
Direct taxes Paid/Refund		-	-
CASH FLOW BEFORE EXTRAORDINARY ITEMS		43477570	-72521943
Extraordinary items		-30621300	-
NET CASH FROM OPERATING ACTIVITIES	...A	12856270	-72521943
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		-28086965	- 132641225
Dividend received		31104	24300
Interest received		2205970	531855
NET CASH USED IN INVESTING ACTIVITIES	...B	- 25849891	- 132085070
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Share Capital (calls in arrears received)		-	45962
Proceeds from Long Term Borrowings		-	81928664
Repayment of Long Term Borrowings		-34876894	-50537318
Net Increase/(Decrease) in Cash Credit Utilisation		39784298	196729301
Deposits		11846859	41947172
Hire Purchase		-	-
Interest paid		-27733788	-75261654
Dividend paid		-	-121960
NET CASH FROM FINANCING ACTIVITIES	...C	-10979525	194730167

SHREE BHAWANI PAPER MILLS LIMITED

	Period Ended 31.03.2014	(RUPEES) Period Ended 31.12.2012
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>-23973146</u>	<u>-9876846</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	25850759	35727605
CASH AND CASH EQUIVALENTS (Closing Balance)	1877613	25850759

Note: Previous Year's figures have been regrouped, wherever necessary.

As per our report of even date.

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

**(P. L. GUPTA)
PARTNER
MEMBERSHIP NO.009444**

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

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SARAN VINOD
ATUL SETH**

} **DIRECTORS**

**PLACE : ALLAHABAD
DATED : 30TH MAY, 2014**

SHREE BHAWANI PAPER MILLS LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31st March, 2014	(RUPEES) As at 31st December, 2012
NOTE 1 : SHARE CAPITAL		
(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	158595
TOTAL	348113645	348113645

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

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

The Company declares & pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the share holders in the 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.

Share holders holding more than 5% of total Shares :-

Name of the Share holder	No of Shares	% held as at March 31, 2014	No of Shares	% held as at December 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

Reconciliation of No. of shares outstanding	As at 31 st March, 2014 No. of shares	As at 31 st December 2012 No. of shares
Equity shares		
Opening outstanding shares	34827224	34827224
Closing outstanding shares	34827224	34827224

SHREE BHAWANI PAPER MILLS LIMITED

	<u>As at 31st March, 2014</u>	<u>As at 31st December, 2012</u>
NOTE 2 : RESERVES & SURPLUS		
A. CAPITAL RESERVE		
AS PER LAST BALANCE SHEET	1568875	1568875
B. SECURITIES PREMIUM RESERVE		
AS PER LAST BALANCE SHEET	30755351	30795000
LESS : CALLS UNPAID BY OTHERS	-	39649
	30755351	30755351
C. CAPITAL REDEMPTION RESERVE		
AS PER LAST BALANCE SHEET	1000000	1000000
D. PROFIT & LOSS ACCOUNT		
AS PER LAST BALANCE SHEET	-765412542	-356084372
ADD : LOSS FOR THE YEAR	-680945875	-409328170
	-1446358417	-765412542
Total	-1413034191	-732088316
NOTE 3 : LONG TERM BORROWINGS		
A. SECURED		
TERM LOAN - FROM BANKS	1212217380	1064099834
B. UNSECURED		
TERM LOAN - FROM OTHER PARTIES	5678796	9362114
LOANS & ADVANCES FROM RELATED PARTIES	128694584	114020000
DEPOSITS	28934800	80394067
OTHER LOANS & ADVANCES	343220826	268919116
Total	1718746386	1536795131

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

Nature of Security	Terms of Repayment
1. Term loan amounting to Rs. 2092.49 Lacs (December 31, 2012 Rs. 1836.81 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. 218.02 Lacs (December 31, 2012 Rs. 191.38 Lacs)	Repayment in 32 quarterly installments commencing from 30.06.2010. 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. 1031.92 Lacs (December 31, 2012 Rs. 905.83 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. 2301.84 Lacs (December 31, 2012 Rs. 2020.58 Lacs)	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. 1211.45 Lacs (December 31, 2012 Rs. 1063.43) Lacs	Repayment in 8 quarterly installments commencing from 30.06.2013. Last installment due in March 2015. Rate of interest 14.75% p.a. (P.Y. 14.75% p.a.)

SHREE BHAWANI PAPER MILLS LIMITED

6. Term loan amounting to Rs. 2092.58 Lacs (December 31, 2012 Rs. 1836.89 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.)
7. Term loan amounting to Rs. 214.15 Lacs (December 31, 2012 Rs. 187.99 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. 1030.38 Lacs (December 31, 2012 Rs. 904.88 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. 1928.90 Lacs (December 31, 2012 Rs. 1693.21 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 a "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. 112500000/- (Previous year Rs. 85937500/-)
- C. The Company has yet to make repayment of installments of term loans to the banks aggregating Rs. 142187500/- (Previous Year Rs. 33125000/-) which fell due upto 31st March, 2014. The Company has also yet to make payment of interest on term loans from banks aggregating Rs. 211320353/- (Previous year Rs. 63202807/-) which fell due upto 31st March, 2014.

NOTE 4 : LONG TERM PROVISIONS	AS AT 31ST MARCH, 2014	AS AT 31ST DECEMBER, 2012
PROVISION FOR EMPLOYEE BENEFITS	3387580	3232579

NOTE 5 : SHORT - TERM BORROWINGS

SECURED

WORKING CAPITAL LOAN

*FROM INDIAN BANK & BANK OF BARODA	648890577	552101916
**FROM IDBI BANK LTD	-	34320815
***FROM OTHER PARTIES	130404	686483
	649020981	587109214

* 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

	As at 31st March, 2014	As at 31st December, 2012
NOTE 6 : TRADE PAYABLES		
MICRO, SMALL & MEDIUM ENTERPRISES	9295772	10069715
OTHERS	140655527	177637171
	149951299	187706886
NOTE 7 : OTHER CURRENT LIABILITIES		
A. ADVANCES FROM CUSTOMERS	16055621	19692301
B. CREDITORS FOR CAPEX SCHEME	9699424	12428715
C. STATUTORY DUES PAYABLE	23874169	6545041
D. INTEREST ACCRUED BUT NOT DUE ON LOANS	-	3120434
E. UNPAID DIVIDENDS	224928	393023
F. OTHERS	68491379	130232546
	118345521	172412060

There is no amount due and outstanding as on Balance Sheet date to be credited to Investor Education & Protection Fund.

NOTE 8 : SHORT-TERM PROVISIONS		
INCOME TAX	453339	683983

NOTE 9 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK	
	As at 01.01.2013 Rupees	Addi- tions Rupees	Deduc- tions Rupees	As at 31.03.2014 Rupees	As at 01.01.2013 Rupees	For the Period	Deductions/ Adjustments	As at 31.03.2014 Rupees	As at 31.03.2014 Rupees	As at 31.12.2012 Rupees
1. TANGIBLE ASSETS										
Lease Hold Land	887530	-	-	887530	313093	12326	-	325419	562111	574437
Buildings	146373076	13169427	-	159542503	45328009	6304358	-	51632367	107910136	101045067
Plant & Equipment	1171083893	269401914	-	1440485807	456105090	82963347	-	539068437	901417370	714978803
Vehicles*	11583929	843252	1842720	10584461	8539427	1057487	1775156	7821758	2762703	3044502
Furniture & Fixtures	11966548	140501	-	12107049	8443360	757021	-	9200381	2906668	3523189
Office Equipments	118614	-	-	118614	51233	11684	-	62917	55697	67381
Total	1342013590	283555094	1842720	1623725964	518780212	91106223	1775156	608111279	1015614686	823233378
Previous Year	1339177091	2836499	-	1342013590	471951254	46828958	-	518780212	823233378	-
2. INTANGIBLE ASSETS	15406000	-	-	15406000	2321452	3840948	-	6162400	9243600	13084548
Previous Year	-	15406000	-	15406000	-	2321452	-	2321452	13084548	-
3. CAPITAL WORK IN PROGRESS	394544177	41797015	340883703	95457489	-	-	-	-	95457489	394544177
Previous year	264739451	145210726	15406000	394544177	-	-	-	-	394544177	-

*Note : * includes under hire purchase arrangement Rs. 10,00,000/-*

NOTE 10 : NON CURRENT INVESTMENT

LONG TERM INVESTMENTS

NON-TRADE (QUOTED)	294840	294840
3240 Equity Shares of Rs. 10/- each of Indian Bank (Market Value of Quoted Investment Rs. 372697/- Previous Year Rs. 642006/-)		

SHREE BHAWANI PAPER MILLS LIMITED

	<u>As at 31st March, 2014</u>	<u>As at 31st December, 2012</u>
NOTE 11 : LONG TERM LOANS AND ADVANCES		
(UNSECURED & CONSIDERED GOOD)		
SECURITY DEPOSITS	10451862	10355603
	<u>10451862</u>	<u>10355603</u>
NOTE 12 : INVENTORIES		
A. RAW MATERIALS	38597913	168663658
B. RAW MATERIAL IN TRANSIT	15014835	75636585
C. FINISHED GOODS	5665454	8790057
D. STOCK IN PROCESS	2786301	1524643
E. STORES, CHEMICALS & PACKING MATERIALS	48587042	54595116
F. PADDY HUSK & COAL	5796870	40301545
G. OTHERS	157095	5464368
	<u>116605510</u>	<u>354975972</u>
NOTE 13 : TRADE RECEIVABLES		
DEBTS OUTSTANDING FOR MORE THAN SIX MONTHS		
UNSECURED & CONSIDERED GOOD	14611955	13018112
UNSECURED & CONSIDERED DOUBTFUL	-	21851504
OTHERS DEBTS		
UNSECURED & CONSIDERED GOOD	63350063	187753784
	<u>77962018</u>	<u>222623400</u>
LESS : PROVISION FOR DOUBTFUL DEBTS	-	21851504
(REFER NOTE 38)	<u>77962018</u>	<u>200771896</u>
NOTE 14 : CASH & CASH EQUIVALENTS		
CASH IN HAND	512213	2413532
BALANCE WITH BANKS	663869	933526
FIXED DEPOSITS WITH BANKS	701531	22503701
	<u>1877613</u>	<u>25850759</u>
NOTE 15 : SHORT TERM LOANS & ADVANCES		
(UNSECURED & CONSIDERED GOOD)		
BALANCE WITH CUSTOMS, CENTRAL EXCISE AUTHORITIES	4628630	2068919
OTHERS	102848312	138785090
	<u>107476942</u>	<u>140854009</u>

SHREE BHAWANI PAPER MILLS LIMITED

	2013-2014 (15 Months)	(Rupees) 2012 (9 Months)
NOTE 16 : REVENUE FROM OPERATIONS		
A. SALES	1249225037	1007158690
B. LESS: REBATE & DISCOUNT	25066074	24560921
NET REVENUE FROM OPERATIONS	1224158963	982597769
NOTE 17 : OTHER INCOME		
INTEREST ON DEPOSITS WITH BANKS & OTHERS	2219518	545403
DIVIDEND RECEIVED FROM NON-TRADE INVESTMENTS	31104	24300
PROFIT ON SALE OF FIXED ASSETS	275544	-
MISC. INCOME	6023577	5024161
CERTIFIED EMISSION REDUCTION SALE	14951103	-
	23500846	5593864
NOTE 18 : COST OF MATERIALS CONSUMED		
WASTE PAPER	597368841	525203330
WHEAT/RICE STRAW	56124869	26504861
OTHERS*	30161837	16544747
	683655547	568252938
*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	8790057	22220340
STOCK IN PROCESS	1524643	17849591
	10314700	40069931
LESS: CLOSING STOCK		
FINISHED GOODS	5665454	8790057
STOCK IN PROCESS	2786301	1524643
	8451755	10314700
	1862945	29755231
DECREASE IN INVENTORIES OF FINISHED GOODS & WORK IN PROGRESS		
NOTE 20 : EMPLOYEE BENEFITS EXPENSE		
SALARY AND WAGES	103175366	68742819
CONTRIBUTION TO PROVIDENT AND OTHER FUNDS	7566708	3510570
WORKERS AND STAFF WELFARE	2313442	3036095
	113055516	75289484
NOTE 21 : FINANCE COST		
A. INTEREST EXPENSE	240622846	138464461
B. OTHER BORROWING COSTS	1046513	5880993
	241669359	144345454

SHREE BHAWANI PAPER MILLS LIMITED

	2013-2014	(Rupees)
	(15 Months)	2012
		(9 Months)
NOTE 22 : OTHER EXPENSES		
STORES, SPARE PARTS & CHEMICALS CONSUMED	173407915	170832343
PACKING MATERIAL CONSUMED	26778777	18507406
POWER & FUEL	332756937	220299015
REPAIRS TO BUILDING	544140	141872
REPAIRS TO MACHINERY	5040696	2861516
REPAIRS TO OTHERS	1436578	375299
EXCISE DUTY	336210	521634
RENT	1050000	720000
RATES & TAXES	1603690	977246
LOADING, TRANSPORTATION & OTHER CHARGES	12046566	8866585
COMMISSION ON SALES	10957649	6076730
ADVERTISEMENT	694175	125746
PRIOR PERIOD EXPENSES (NET)	30621300	-
MISC EXPENDITURE	20984060	19613867
PAYMENT TO AUDITORS		
AS AUDITORS	150000	100000
FOR TAXATION MATTERS	25000	25000
FOR OTHERS SERVICES	113000	64888
FOR REIMBURSEMENT OF EXPENSES	14000	14000
	618560693	450123147

NOTE 23 : Contingent liability not provided for:

Guarantees given by bank Rs. 4.00 lacs (Previous Year Rs. 305.25 lacs)
Outstanding Letter of Credit Rs. NIL lacs (Previous Year Rs. 783.08lacs)

NOTE 24 : Estimated amount of capital contracts remaining to be executed and not provided for Rs.2359638/- (Previous Year Rs. 21695084/-)

NOTE 25 : The Income Tax assessments of the Company have been completed upto Assessment Year 2011-12. 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.9295772/- (Previous Year Rs.10069715/-) due to the suppliers covered by Micro and Small Enterprises Development Act, 2006.

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

Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2014 are as under:

Item No.	Particulars	As at 31st	As at 31st
		March, 2014	December, 2014
(a)	(i) The Principal amount remaining unpaid at the end of the year	8627088	9447265
	(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.

SHREE BHAWANI PAPER MILLS LIMITED

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 one of its premises, which is renewable on expiry. Rental expenses for operating lease charged to Profit & Loss Account for the year is Rs. 1050000/- (Previous Year Rs. 720000/-).

NOTE 29 : During the year the Company has not recognised additional net Deferred Tax Asset. Net Deferred Tax Asset of Rs.14.00 Crore was recognised for the year ended 31.03.2012 based of the future profitability projections by the management. The financial statements for the year have been drawn up as per going concern assumptions.

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

Particulars		Period Ended 31.03.2014	Period Ended 31.12.2012
Net Profit after tax as per Statement of Profit & Loss attributable to the equity share holders (Rs)	(A)	-680945875	-409328170
Weighted average number of Equity Shares used as denominator for calculating EPS	(B)	34827224	34827224
Face Value per Equity Shares (Rs.)		10	10
Basic/Diluted Earnings Per Share (Rs.)	(A/B)	-19.55	-11.75

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 6. 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. 262500 Rs. [157500]	Rs. 787500 Rs. [472500]	— —
II. Interest on Fixed Deposits taken	Rs. - Rs. -	Rs. 34385 Rs. [42543]	— —
III. Opening Balance of Fixed Deposits	Rs. - Rs. -	Rs. 420000 Rs. [460000]	— —
Fixed Deposits received during the period/year	Rs. - Rs. -	Rs. - Rs. -	— —
Fixed Deposits repaid during the period/year	Rs. - Rs. -	Rs. 420000 Rs. [40000]	— —
Closing Balance of Fixed Deposits	Rs. - Rs. -	Rs. - Rs. [420000]	— —
IV. Interest accrued as on 31.03.2014	Rs. — Rs. —	Rs. - Rs. [39555]	— —
V. Managerial Remuneration	Rs. 5214205 Rs. [3419157]	Rs. 1713250 Rs. [1049216]	— —
VI. Managerial remuneration payable as at 31.03.2014	Rs. 109861 Rs. [491200]	Rs. 114045 Rs. [102220]	— —
VII. Sale of Fixed Assets	Rs. — Rs. —	Rs. — Rs. —	— —

NOTE 32 : Employee Benefits :

As per Accounting Standard 15 "Employee Benefits", the Defined contribution plan contribution to defined contribution plan recognised as expense for the year are as under :

	Period Ended 31.03.2014	Period Ended 31.12.2012
Employer's Contribution to Provident and Other Funds	7566708	3510570

Defined Benefit Plan

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

SHREE BHAWANI PAPER MILLS LIMITED

(Rupees)

Reconciliation of opening and closing balance of Defined Benefit obligation	Leave Encashment (Unfunded) 31.03.2014	Leave Encashment (Unfunded) 31.12.2012
Defined Benefit obligation at beginning of the year	2453220	-
Current Service Cost	2521353	-
Interest Cost	157629	-
Actuarial (gain)/loss	571	-
Benefits Paid	-1745193	-
Defined Benefit obligation at the year end	3387580	-
Reconciliation of fair value of assets and obligations		
	Leave Encashment (Unfunded) 31.03.2014	Leave Encashment (Unfunded) 31.12.2012
Fair value of plan assets	3387580	-
Present value of obligation	3387580	-
Amount recognised in Balance Sheet		
Expense recognised during the year (Under the head " Payment to and Provisions for Employees" - Fefer Schedule 17)		
	Leave Encashment (Unfunded) 31.03.2014	Leave Encashment (Unfunded) 31.12.2012
Current Service Cost	2521353	-
Interest Cost	157629	-
Expected return on plan assets	-	-
Actuarial (gain)/loss	571	-
Net Cost	2679553	-
Actuarial Assumptions		
	Leave Encashment (Unfunded) 31.03.2014	Leave Encashment (Unfunded) 31.12.2012
Mortality Table	1994-96	-
	(Ultimate)	(Ultimate)
Discount rate (per annum)	8.00%	-
Expected rate of return on plan assets (per annum)	-	-
Rate of escalation in salary (per annum)	3%	-

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

NOTE 33 : 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 January, 2013 to 31st March, 2014 where as the previous accounting year was for nine months ended 31st December, 2012. The Company has not received any advice of premium amount payable to Life Insurance Corporation of India for fifteen months period ended 31st March, 2014. Gratuity liability amounting to Rs. 20,50,666/- has been provided for the period on estimated basis.

NOTE 34 : **Segment Information :**
The Company operates only in one business segment, that is, "Printing, Writing and Newsprint Paper".

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 35 : (a) RAW MATERIALS CONSUMED

	Year Ended 31.03.2014		Period Ended 31.12.2012	
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Wheat Straw & Rice Straw	15860.655	56124869	8849	26504861
Waste Paper	34881.135	597368841	36709	525203330
Bagasse & Others	11683.304	30161837	7427	16544747
		683655547		568252938

(b) CONSUMPTION OF RAW MATERIALS, STORES & SPARES

	Year Ended 31.03.2014		Period Ended 31.12.2012	
	Rupees	%	Rupees	%
i) RAW MATERIALS				
Imported	165423425	19.37	146222454	25.73
Indigenous	518232122	75.80	422030484	74.27
ii) STORES & SPARES				
Imported	514689	2.63	136886	0.93
Indigenous	172893226	97.37	14562588	99.07
(c) CIF VALUE OF IMPORTS				
i) Capital Goods	-		-	
ii) Raw Materials	115853139		106853627	
iii) Stores & Spares	514689		298176	
(d) EARNINGS IN FOREIGN CURRENCY				
i) Certified Emission Reductions	14951103		-	
ii) On Export of Goods (FOB Basis)	-		-	
(e) EXPENDITURE IN FOREIGN CURRENCY				
Travelling	-		-	

NOTE 36 : The Company's current accounting year is from 1st January, 2013 to 31st March, 2014, whereas the previous accounting year was for nine months ended 31st December, 2012. Accordingly, the current year's figures being for fifteen months ended 31st March, 2014 are not comparable with those of the previous year.

NOTE 37 : Previous year's figures including those in brackets have been re-arranged / regrouped wherever considered necessary.

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 38 : Exceptional items :	Period Ended	Period Ended
PARTICULARS	31.03.2014	31.12.2012
Diminution in the value of Inventory of Raw Material	101793903	28765000
Diminution in the value of Inventory of Power & Fuel	35637205	-
Diminution in the value of Inventory of Stores	9360822	-
Bad & Doubtful debts	-	21851504
Total	146791930	50616504

NOTE 39 : Prior Period Income/Expenses :	Period Ended	Period Ended
PARTICULARS	31.03.2014	31.12.2012
Prior Period Income (Expenses) Represents :		
Debit relating to earlier years	-32547434	-
Credit relating to earlier years	1926134	-
Total	-30621300	-

NOTE 40 : As at the balance sheet date, the accumulated losses of the company stands at Rs.1446358417/- (Rs. 765412542/-) 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 : Balances of some of the Trade Receivables, Trade Payables, Lenders, Loans and Advances are subject to confirmation from respective parties and consequential adjustments arising from reconciliation, if any. The management is of the view that there will be no material adjustment in this regard.

COMPANY OVERVIEW

SHREE BHAWANI PAPER MILLS LIMITED, a Public Limited Company is primarily engaged in manufacture & sale of writing and printing paper. The Company presently has manufacturing facilities at Raebareli (U.P.).

NOTE 42 : The Company became a sick industrial company within the meaning of Section 3 (1) (o) of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) due to erosion of its entire net worth and the Company was declared a sick Industrial Company by BIFR on 26th September, 2013. The company has submitted the Draft Rehabilitation Scheme (DRS) to operating agency, Bank of Baroda. The company has provided interest on Term Loan and other Bank Loans of Indian Bank and Bank of Baroda @10.5% with effect from 1st January, 2013 instead of rate as sanctioned by the Banks.

SHREE BHAWANI PAPER MILLS LIMITED

NOTE 43 : Significant Accounting Policies

A. General

The financial statements are prepared on accrual basis under the historical cost convention in accordance with the normally accepted accounting principles and the provisions of the Companies Act, 1956. The Financial Statement comply with the requirements of the Accounting Standards notified under Companies (Accounting Standards) Rules 2006 (as amended).

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.

SHREE BHAWANI PAPER MILLS LIMITED

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.)



SHREE BHAWANI PAPER MILLS LIMITED
Registered Office : 33, Dayanand Marg, Allahabad 211 002 email : info@shbhawani.com
CIN : L21015UP1979PLC004783 Website : www.shbhawani.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s) :

Registered address :

E-mail ID :Folio No. / DP ID-Client ID.....

I/We, being the member (s) ofshares of the Shree Bhawani Paper Mills Ltd., hereby appoint:

1. Name : ofhaving an E-mail ID , failing him / her;

2. Name : ofhaving an E-mail ID , failing him / her;

3. Name : ofhaving an E-mail ID

whose signatures are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 35th Annual General Meeting of the Company, to be held on Friday, 26th September, 2014 at Registered Office of the Company at 33, Dayanand Marg, Allahabad - 211 002, at 11:30 am and at any adjournment thereof in respect of the Resolutions as indicated below :

Sl. No.	Resolution	For*	Against*
1.	Adoption of Financial Statements for the 15 months period ended March 31, 2014		
2.	Re-appointment of Shri Badri Vishal Tandon as Director, who retires by rotation.		
3.	Re-appointment of M/s P.L. Gupta & Co. Chartered Accounts, as Auditors and to fix their remuneration.		
4.	Appointment of Shri Saran Vinod as an Independent Director.		
5.	Appointment of Shri Atul Seth as an Independent Director.		
6.	Appointment of Shri C.M. Krishna as an Independent Director.		
7.	Appointment of Brig. (Retd.) Rajeev Lochan Singh as an Independent Director.		
8.	Borrowing of monies in excess of paid-up capital & free reserves.		
9.	Creation of Charge on the property (ies) of the Company in regard to the borrowing powers under Section 180 (1)(a) of the Companies Act, 2013		
10.	Ratification of remuneration of Shri Rakesh Misra, Cost Accountant as Cost Auditors for the year 2014-15		

Signed this..... Day of.....2014.
(Date) (Month)

Affix
Revenue
Stamp

Signature of Shareholder(s)

Signatures of :

.....
First Proxy Holder Second Proxy Holder Third Proxy Holder

Notes :

- *1. Please put a 'X' in the Box in the appropriate colum. If you leave 'For' or 'Against' column blank in respect of any or all of the Resolutions, your proxy will be entitled to vote in the matter as he/she thinks appropriate.
- 2. **Proxy need not to be a member of the Company. A person can act as proxy on behalf of for a maximum of fifty members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Provided that a member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.**
- 3. This form of proxy in order to be effective should be duly executed and deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad - 211 002 at least 48 hours before the time of the Meeting.

CUT HERE ✂ ----- ✂ ----- ✂ CUT HERE ----- CUT HERE

SHREE BHAWANI PAPER MILLS LIMITED
Registered Office : 33, Dayanand Marg, Allahabad 211 002 email : info@shbhawani.com
CIN : L21015UP1979PLC004783 Website : www.shbhawani.com

ATTENDANCE SLIP
35th Annual General Meeting
September 26, 2014

Folio No.
DP ID-Client ID.....

Full Name of the Shareholder / proxy attending the Meeting

.....
(First Name) (Second Name) (Surname)
FIRST HOLDER / JOINT HOLDER / PROXY (Strike out whichever is not applicable)

FULL NAME OF FIRST HOLDER.....
(If Joint Holder / Proxy attending) (First Name) (Second Name) (Surname)

Signature of the Shareholder / Proxy

Please note that no gifts will be given at the Meeting

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