

31st

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2010**

SHREE BHAWANI 
PAPER MILLS LIMITED

SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS

Shri Badri Vishal Tandon
Shri C.M. Krishna
Shri Murari Lal Jalan
Brig. (Retd.) R.L. Singh SC
Shri K. A. Pai
Shri Girish Tandon, Managing Director
Shri Alankar Tandon, Executive Director

COMPANY SECRETARY

Smt. Babita Jain

AUDITORS

M/s P.L. Gupta & Co.
Chartered Accountants

BANKERS

Bank of Baroda
Indian Bank

REGISTERED & ADMINISTRATIVE OFFICE

33, Dayanand Marg, Allahabad -211 002

MILLS

Industrial Area No. 1, Sultanpur Road,
Rae Bareli—229 010

REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.
D-153 A, Okhla Industrial Area,
Phase - I
New Delhi 110 020

SHREE BHAWANI PAPER MILLS LIMITED

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SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Conference Hall, Hotel Elchico, 24, M.G. Marg, Civil Lines, Allahabad-211002, on Monday, the 27th September, 2010 at 11.30 A.M. to transact the following Business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Brig. (Retd) Shri Rajeev Lochan Singh SC, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Murari Lal Jalan, who retires by rotation, and being eligible, offered himself for re-appointment.
4. To appoint Auditors for the year and in this connection, to consider, and if thought fit, to pass, with or without modification(s), the following Resolution as **Ordinary Resolution**:

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

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including statutory modifications or re-enactment thereof for the time being in force and pursuant to Article 92 of Articles of Association of the Company, Consent of the Company be and is hereby accorded to the re-appointment of Shri Girish Tandon as Managing Director of the Company for a period of three years with effect from 1st April, 2010 on a remuneration of Rs.1,40,000/- (Rupees one lac forty thousand only) per month with the authority to Board of Directors to increase it from time to time upto an amount not exceeding Rs.2,50,000/- (Rupees two lac fifty thousand only) per month and other benefits, as detailed in the Explanatory Statement attached hereto for performing the functions of Managing Director or any other functions as may be assigned to him from time to time by the Board of Directors of the Company.

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

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

“RESOLVED THAT in accordance with the provisions of Section 81(1), 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force and enabling provisions of Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with Stock Exchanges where the shares of the Company are to be listed and subject to approval of the Securities & Exchange Board of India (SEBI), and all other concerned authorities, if any, and to the extent necessary and subject to such conditions and modifications as may be

SHREE BHAWANI PAPER MILLS LIMITED

prescribed and imposed by any of them for granting such approvals as may be agreed to by the Board, the Consent of Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred as 'the Board' which term shall deem to include any Committee of Directors which the Board may have constituted or hereafter constitute to exercise its powers conferred by this Resolution) to create, offer, issue and allot Equity Shares for an aggregate amount not exceeding Rs.5 crores (Rupees five cores only) to such other persons/entities as may be considered to be in the best interest of the Company and whether or not such Investors are members of the Company on private placement basis, at such time or times, in such tranche or tranches, at such price or prices, at a discount or premium to market price, in such manner as may be decided or considered appropriate by the Board.

RESOLVED FURTHER THAT the Equity Shares to be allotted pursuant to this Resolution shall rank pari-passu in all respects except the dividend which shall be for entire financial year in which allotment is made as may be decided by the Board in accordance with the terms of offerings.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to make on its own accord or to accept such amendments, modifications, variations and alterations as SEBI and/or Stock Exchanges and/or any other authority may stipulate in that behalf and to amend, modify, vary or alter all or any of the terms of the Issue.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to take all such actions and give all such directions as may be necessary or desirable and also to settle any questions, difficulties or doubts that may arise in regard to the creation, offer, issue and allotment of Equity Shares and utilization of issue proceeds as it may in its absolute discretion deem fit without being required to seek any further approval/consent of members or otherwise and further to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in connection with the issue of Equity Shares."

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 14TH AUGUST, 2010

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NOTES

1. A Member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself. Such proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 22nd September, 2010 to 27th September, 2010. (both days inclusive).
3. Members are requested to intimate change, if any, in their addresses.
4. The Unclaimed Dividend for Financial Years 2004-05, 2005-06 and 2006-07 are held in separate accounts for each year.

Pursuant to provisions of Section 205-C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. It may be noted that no claim shall lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.

Those Members who have so far not encashed their dividend warrants for the year 2004-05, 2005-06 and 2006-07 may immediately approach the Company with their dividend warrants for encashment.

5. Under the provisions of the Companies Act, 1956, facility for making nominations is now available to the shareholders and fixed deposit holders in respect of the shares or deposits held by them. Nomination form can be obtained from Registered Office of the Company at Allahabad.
6. Shareholders who are still holding physical share certificates are advised to dematerialise their shareholdings to avail the benefits of dematerialisation which includes easy liquidity through electronic transfer, saving in stamp duty and prevention of forgery.
7. The Company has paid annual listing fee to the Bombay Stock Exchange Ltd., Mumbai where the Company's equity shares are listed, for the financial year 2010-11.
8. Details of the Directors seeking re-appointment at this Annual General Meeting: (Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai):
 1. Brig. (Retd.) Shri Rajeev Lochan Singh SC, aged about 60 years, have Master's Degree in Management from Osmania University, Hyderabad. He has joined the Army in June 1970. He was awarded 'Shaurya Chakra' by the President of India for outstanding gallantry in counter insurgency operations. He has vast experience of management of Medium and Large body of personnel in the Army. He has been a Director of the Company since 2008 and also member of Remuneration Committee of the Company.
Details of other Directorship/Committee Membership held by him: NIL
 2. Shri Murari Lal Jalan, aged about 46 years, is Graduate & non resident Indian, has spread business all over Russia, Brazil, UAE and India. He has been a Director of the Company since 2008 and also a member of Audit Committee of the Company.
Details of other Directorship/Committee Membership held by him:
 1. Foto Exim FZE, Dubai – Managing Director
 2. Agio Paper & Industries Ltd.
 3. Arrow Syntex Pvt.Ltd.
 4. Orion I.T.Parks Pvt.Ltd.
 5. Orion Complex Pvt.Ltd.

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6. Orion Enclave Pvt.Ltd
 7. Orion Nirman Pvt.Ltd.
 8. Orion Promoters Pvt.Ltd.
 9. Orion Abasan Pvt.Ltd
3. Shri Girish Tandon, aged about 59 years, is MBA from Allahabad University and has more than 33 years experience with the Industry. He started his carrier in publication business and promoted Shree Bhawani Paper Mills Ltd. He has been a Director of the Company since its inception i.e 1979. He is also a member of Investor's Grievance Committee of the Company.

Details of other Directorship/Committee Membership held by him:

1. Electra Logistics Pvt.Ltd., Allahabad
2. Alankar Udyog Pvt. Ltd., Allahabad

SHREE BHAWANI PAPER MILLS LIMITED

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

ITEM NO. 5

a) Background Details

Shri Girish Tandon was appointed as Joint Managing Director of the Company for a period of five years with effect from 1st April, 2005 at a remuneration of Rs.70,000/- (Rupees seventy thousand only) per month, with the authority to Board of Directors to increase it from time to time upto an amount not exceeding Rs.1,50,000/- along with other benefits as approved by the shareholders at the Annual General Meeting held on 24th June, 2005. Shri Tandon was further redesignated as Managing Director of the Company by the Board of Directors at their Meeting held on 28th April, 2008 on same terms and conditions. The present term of his office was expired on 31st March, 2010.

b) Past Remuneration

Shri Girish Tandon had drawn a remuneration of Rs.22.35 lacs during the financial year 2009-10 as Managing Director of the Company.

c) Job Profile and suitability of the Appointee

Shri Girish Tandon is the Promoter of the Company. He has been the Joint Managing Director of the Company since 2nd October, 1979 to 28th April, 2008 and was further designated as Managing Director thus completing a period of more than 30 years. Your Directors feel, that, the Company requires the services of Shri Girish Tandon, as Managing Director in view of his long association with the Company and rich and diversified experience in Paper Industry. The Board of Directors of the Company at their Meeting held on 29th May, 2010 approved the re-appointment of Shri Girish Tandon as Managing Director, for a further period of three years with effect from 1st April, 2010 subject to approval of the Members of the Company at the General Meeting on increased remuneration and fresh terms and conditions as recommended by Remuneration Committee of the Company.

d) Principal terms of re-appointment

1. Salary: Rs.1,40,000/ – Rs. 2, 50,000/- per month.
Annual increment as may be approved by the Board subject to recommendation of Remuneration Committee
2. Commission: Commission @ 1% be paid in addition to the above salary and other perquisites calculated with reference to the net profits of the Company at the end of each financial year subject to overall ceiling stipulated under Section 198 & 309 of the Companies Act, 1956.
3. Perquisites:
 - (i) House Rent Allowance @ 50% of Basic Salary per month.
 - (ii) Medical Benefits for self and family-Reimbursement of expenses actually incurred for self and family, subject to ceiling of one months' salary in a year or three months salary in a block of three years.
 - (iii) Personal Mediciam/Accidental Insurance-Annual Premium for coverage of personal mediclaim and accidental insurance be paid by the Company and premium thereof not to exceed Rs.30,000/- per annum
 - (iv) Encashment of leave at the end of the tenure as per the Rules of the Company.
 - (v) Gratuity payable at the rate not exceeding half month's salary for each completed year of service as per the Company's Rules.
 - (vi) No sitting fee shall be paid for attending the Meeting of Board of Directors or Committee thereof.
 - (vii) Any other benefits, facilities allowance and expenses as may be allowed under Company's Rules/Schemes.

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Minimum Remuneration

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

4. The above appointment will be subject to termination by three months notice in writing on either side.
5. As required under Section 302 of the Companies Act, 1956, an abstract of the terms and conditions of the said re-appointment and Memorandum of Interest were already sent to members of the Company.
6. Memorandum of Interest

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

- e) Comparative remuneration profile with respect to the industry, size of the company, profile of the position and person

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

- f) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personal, if any

Except the proposed remuneration, Shri Girish Tandon does not have any pecuniary relationship with the Company or with any managerial personnel except as shareholder of the Company.

Additional Information pursuant to Schedule XIII of the Companies Act, 1956.

1) GENERAL INFORMATION

a) Nature of Industry

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

b) Date or expected date of commencement of commercial production

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

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

Not applicable

d) Export performance and Net foreign exchange collaborations

During the financial year 2009-10, the Company has incurred Rs.15.20 crores in Foreign Exchange towards import of capital goods, raw materials and travelling and earned Rs. 2.71 crores of Foreign Exchange on account of export of goods and sale of CERs

e) Foreign Investment or collaborators: Nil

2) OTHER INFORMATION

During the year 2009-10, the Company manufactured 45548 tons of paper and registered a net sale of Rs. 126 crores. This was higher by 10% in terms of production and Rs.8.9 crores in net sales. Production could have been still higher but for adverse market conditions.

The Company would not have suffered any loss but for the demurrage and detention paid on the imported consignments during the year under review. The main reason for this demurrage/detention was strike at container handling depot in Kanpur leading to piling of containers.

The Company proposes to implement the Capital Expenditure Scheme of Chemical Recovery Plant and

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upgradation of MF paper machine along with increased use of own pulp. This will reduce the cost of production and increase sales realisation and result in higher operating profits. The paper market for the current year appears to be good and there will be better demand and price realization or newsprint and other varieties of paper.

The copy of the Resolution, approved by the Board of Directors of the Company, is available for inspection during business hours on any working day at Registered Office of the Company.

Your Directors recommended the Resolutions for your approval.

ITEM NO.6

The Company proposes to set up a Chemical Recovery Plant to recover Soda ash from Effluent and to increase its agro pulping capacity. This would give the benefit of improved quality and higher production at lower costs. With a view to meet out part finance requirements of the Company for aforesaid Capital Expenditure approved by Indian Bank Consortium, the Company proposes to raise the funds by way of issue of Equity shares to any of the members, public, or such other person, entities as may be deemed fit to be in best interest of the Company and whether or not such investors are member of the Company in accordance with SEBI guidelines, as applicable. Since the shares may or may not be issued to existing members of the Company, it requires the approval of members in general meeting pursuant to provisions of Section 81(1A) of the Companies Act, 1956.

Your Directors recommend the Resolution for your approval.

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of allotment to be made to them, their relatives and to the companies in which they are interested.

REGISTERED OFFICE :
33, DAYANAND MARG
ALLAHABAD - 211 002

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

DATED : 14TH AUGUST, 2010

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DIRECTORS' REPORT

We have the pleasure of presenting the 31st Annual Report together with the audited accounts of the Company for the year ending 31st March, 2010.

PERFORMANCE

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

	Year ended 31.03.2010	Year ended 31.03.2009
Production (Tonnes)	45548	41641
	Rs. In Lacs	Rs. In Lacs
Sales	12592	11705
Other Income	212	8
	12804	11713
Gross Profit/(Loss)	1117	571
Less : Interest	1171	957
Depreciation for the year	593	558
Profit for the year before tax	-647	-944
Less : Provision for taxation	-183	-195
Profit / (Loss) after taxation	-464	-749
Profit / (Loss) brought forward from last year	-1188	-439
Transfer from General Reserve	838	-
Loss carried to Balance Sheet	-814	-1188

Salient features in operations of the year under review :

1. Market condition was adverse and prices of News Print fell by more than 40%, with a glut in News Print market. Those manufacturers who could switch from news print manufacturing to writing printing did so, which resulted in increased supply of writing printing paper also. This depressed the price and demand of writing printing paper for most of the year.
2. The Company was compelled to take forced shut due to increase in finished goods inventory. This led to short fall in production by nearly 9,000 tons and in turn over by Rs. 27 crores.
3. There was a strike in Kanpur ICD resulting in piling up of containers due to poor infrastructure during April – July 2009. Your Company had to pay huge demurrage and detention charges on its imports due to above factor.
4. Imported waste paper price increased by nearly 30 to 40% and availability has gone down due to reduced paper consumption in developed countries. Shipping charges to India have also increased abnormally due to lack of availability of containers for India. This factor has led to increase in imported raw material cost substantially. Import is a compulsion because domestic waste paper has to be supported by imported raw material to maintain the quality.

There is a good demand of agro waste paper manufactured by the Company and recently, the international market for writing/printing paper also improved along with increase in demand of news print during the current year. On the whole, paper prices and market appear to be much better for the current year.

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CAPITAL EXPENDITURE SCHEME

A Capital Expenditure Scheme of Rs. 20 crores is under implementation. Under this, a Chemical Recovery Plant to recover Soda Ash from effluent and increase in agro pulping is planned. Along with this, the two old paper machines will be up graded for better quality paper manufacturing at lower cost. The Scheme is being financed by Term loan from Banks, internal accrual and preferential allotment of Equity Shares to Promoters and associates.

CAPITAL

The Company proposes to issue Preferential Equity Capital totalling Rs.5 crores to Promoters and Associates to finance the Capital Expenditure under implementation.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

During the year under review, the Company received 23780 units of CERs for our contribution to reduce carbon emissions from first & second Rice Husk Based Cogeneration Power Project for activity from 1st September, 2008 to 31st August, 2009. We realized a sum of Rs.197 lacs net of expenses from sale of these CERs.

We expect to receive further 29045 CERs for activities undertaken during financial year 2009-10 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

DISCLOSURE OF PARTICULARS UNDER SECTION 217 (1) (e)

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

PUBLIC DEPOSIT UNDER SECTION 58-A

During the year, the Company has accepted fixed deposits from public and shareholders and as on 31st March, 2010, fixed deposits from the public and shareholders aggregated to Rs. 484.77 lacs. The renewal/repayment of two deposits amounting to Rs.0.67 lacs could not be made for want of instruction thereof from the depositors up to 31st March, 2010 which has since been renewed till the date of this report.

DIRECTORS

Shri Murari Jalan & Brig.(Rtd.) R.L.Singh SC, Directors of the Company, are retiring by rotation and being eligible for re-election, have given their consent for the same.

Your Directors recommend the re-appointment of Shri Girish Tandon, Managing Director, for a further period of three years with effect from 1st April, 2010.

AUDITORS

M/s P. L. Gupta & Co., Chartered Accountants, Auditors of the Company, retire from their Office. They are, however, eligible for re-appointment and have furnished certificate to the effect that their appointment, if made, will be in accordance with the limits specified in Sub-section (I-B) of Section 224 of the Companies Act, 1956. Your Directors recommend their re-appointment for the accounting year 2010-11.

PARTICULARS OF EMPLOYEES

None of the Employee of the Company was in receipt of total remuneration of Rs.24,00,000/- during the financial year under review or Rs.2,00,000/- per month. Hence, the information Under Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be furnished.

CORPORATE GOVERNANCE CODE

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

SHREE BHAWANI PAPER MILLS LIMITED

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) that, in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that, the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that, the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that, the Directors had prepared the accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their thanks to the Banks for their co-operation and assistance from time to time. The Directors would also like to record their appreciation to the members of staff and workers, who in spite of constraints have been working hard for the Company and are maintaining cordial relations.

FOR AND ON BEHALF OF THE BOARD

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED: 14TH AUGUST, 2010**

SHREE BHAWANI PAPER MILLS LIMITED

ANNEXURE I

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

I. CONSERVATION OF ENERGY

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

A. POWER AND FUEL CONSUMPTION

1. Electricity

	<u>Current year</u>	<u>Previous year</u>
a) Purchased Units	110.70	92.83
Total Amount	443	376.98
Rate/Unit	4.00	4.06
b) Own Generation		
i) Through Diesel Generators :		
Units (KWH in lacs)	0.02	0.04
Units per litre of diesel oil	3.20	5.35
Diesel (Rs./Litre)	28.96	28.96
Rate/Unit (Rs.)	11.43	11.19
ii) Through Steam Turbine :		
Units (KWH in lacs)	369.50	363.54
Units per Tonne of Fuel	461	498
Rate / Unit (Rs.)	4.61	4.43

2. Paddy Husk

Quantity (Tonnes)	90324	83607
Total Cost (Rs. in lacs)	1706.58	1644.57
Average Rate (Rs./Tonne)	1889	1967

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B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	45549	41641
Electricity* (Units/Tonne)	1054	1096
Paddy Husk** (Tonnes/Tonne)	1.98	2.01

* Inclusive of consumption for operation of Power House.

** Paddy Husk is used as fuel for producing steam which is used for Paper manufacturing and Power Generation.

II. TECHNOLOGY ABSORPTION

The required particulars in Form-B with respect to technology absorption are as under :

Research and Development (R & D)

1. R&D activities are carried out on continuous basis to improve process parameters, to save cost and/or better productivity.
2. For future, it is planned to carry out R&D in various areas of Mills to further improve the working.

Expenditure on R&D

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

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

Power consumption reduced. There has been significant reduction in the chemical consumption also.

3. Imported technology (Imported during the last 5 years) : NIL

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. We are exporting paper to Nepal, Middle East countries and actively exploring export market for MG Paper.
2. Foreign Exchange earnings and outgo
Foreign exchange earnings on account of exports of goods and sale of CERs were Rs.271.37 lacs and total foreign exchange outgo during the year amounted to about Rs.1520.20 lacs on account of import of capital goods, raw materials, stores, spares and travelling.

ANNEXURE II

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government, lenders and the society. Your Company is committed to attain highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvements of internal controls and sound investor relations.

The Company adheres to good corporate practices and is constantly striving to better them and adopt the best practices. It is believed that adherence to business ethics and commitment to corporate social responsibility would help the Company to achieve its goal of maximizing value for all its stakeholders.

BOARD OF DIRECTORS

The composition of the Board, attendance of the Board Meeting held during the year and at the last Annual General Meeting, number of Directorships in other Companies and Committees as on 31.03.2010 are given below :

Name of the Director	Category	Nos. of outside Directorship held	Nos. of Committee Membership held	No. of Board Meetings		Attended Last A.G.M.
				Held	Attended	
Shri Girish Tandon Managing Director	Promoter Executive	2	1	5	5	Yes
Shri Alankar Tandon Executive Director	Promoter Executive	3	1	5	5	Yes
Shri Badri Vishal Tandon	Non-Independent Non Executive	1	2	5	5	Yes
Shri C M Krishna	Independent Non Executive	-	3	5	5	Yes
Shri K A Pai	Independent Non Executive	-	2	5	2	No
Brig. (Retd.) R.L. Singh SC	Independent Non Executive	-	1	5	3	Yes
Shri Murari Lal Jalan	Independent Non Executive	9	1	5	-	No
* Shri Sushil Khanna	Independent Non Executive	3	-	2	1	No

* Ceased to be the Director of the Company with effect from 30th July, 2009.

SHREE BHAWANI PAPER MILLS LIMITED

It is clear from above, that, the Board of Directors of the Company have an optimum combination of executive and non-executive Directors. The non-executive Directors constitute more than half of the total numbers of Directors and the numbers of Independent Directors are also more than half of the total strength.

Five Board Meetings were held during the year on 22.05.2009, 27.06.2009, 30.07.2009, 27.10.2009 and 30.01.2010.

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 Murari Lal Jalan and Brig. (Rtd.) Shri R.L. Singh SC, Directors, are liable to retire by rotation and being eligible for re-election and have given their consent for the same.

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

AUDIT COMMITTEE

The Audit Committee of the Company is presently comprising of four non-executive Directors out of which three are independent. The composition of Audit Committee and record of attendance during the year under review is given below:

Name of the Director	No.of Meetings held	No.of Meetings attended
Shri Badri Vishal Tandon	4	4
Shri C M Krishna	4	4
Shri K A Pai	4	1
Shri Murari Lal Jalan	4	-

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

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

SHREE BHAWANI PAPER MILLS LIMITED

6. Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of Internal Audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors, any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
12. To review the functioning of the Whistle Blower mechanism.
- 12a. Approval of appointment of CFO (i.e the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidates.
13. Carrying out any other function as referred by the Board from time to time.
14. The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company to provide any clarification on matters relating to audit sought by the members of the Company.
15. The Audit Committee shall mandatorily review the following information:
 1. Management discussion and analysis of financial condition and results of operations;
 2. Statement of significant related party transactions submitted by the Management;
 3. Management letter/letters of internal control weaknesses issued by the Statutory Auditors;
 4. Internal audit reports relating to internal control weaknesses; and
 5. The appointment, removal and terms of remuneration of the Internal Auditor shall be subject to review by the Audit Committee.

MANAGERIAL REMUNERATION

REMUNERATION COMMITTEE

The Remuneration Committee of the Company is presently comprising of three Independent Non-Executive Directors. The composition of Remuneration Committee and record of attendance during the year under review is given below:

Name of the Director	No. of Meetings held	No. of Meetings attended
Shri K A Pai	2	2
Shri C M Krishna	2	2
Brig. (Retd.) R L Singh SC	2	1

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

SHREE BHAWANI PAPER MILLS LIMITED

At present, no remuneration is paid to Non-Executive Directors except sitting fees for attending the Meetings of the Board or Committee thereof. The remuneration paid to Executive Directors is decided by the Board of Directors within the limits laid down under the provisions of the Companies Act, 1956 subject to approval of the Members, in General Meeting.

DETAILS OF REMUNERATION PAID TO EXECUTIVE DIRECTORS

The aggregate value of salary and perquisites paid during the financial year 2009-10 to Shri Girish Tandon, Managing Director, Rs.22,35,884/- and Shri Alankar Tandon, Executive Director, Rs. 8,53,824/-.

SITTING FEE PAID TO NON EXECUTIVE DIRECTORS

Remuneration by way of sitting fee for attending the Meeting of the Board/Committee's thereof during the financial year 2009-10 is given below

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	53,000/-
2.	Shri C. M. Krishna	46,000/-
3.	Shri K A Pai	20,500/-
4.	Prof. Sushil Khanna	5,000/-
5.	Shri Murari Lal Jalan	—
6.	Brig. (Retd.) R L Singh SC	18,500/-

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

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

Shri Badri Vishal Tandon, Chairman

Shri C M Krishna

Shri Girish Tandon

Shri Alankar Tandon

The Committee keep a watch on the performance of the share transfer work and recommends measures to improve the investors services. The Committee look into the redressal of investors' complaint like share transfer, non receipt of Annual Report and dividend payment, issue of duplicate shares, transmission of shares and all other allied transactions. The Committee had delegated the power of share transfer to Smt. Babita Jain, Company Secretary, who is also designated as the Compliance Officer and M/s Skyline Financial Services Pvt. Ltd., Registrar and Share Transfer Agent of the Company with a view to expedite the process of share transfer and transmission etc. They meet quite often to expedite all the matter relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2010 - NIL

The number of share transfer pending as on 31st March, 2010 - NIL.

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

SHREE BHAWANI PAPER MILLS LIMITED

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.3.2010

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

* Shri Girish Tandon, Managing Director, has pledged his shares in favour of bankers of the Company as collateral security for securing term loans to the Company.

GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2006-07 AGM	Hotel Elchico, Conference Hall, M.G. Marg, Civil Lines, Allahabad	24.09.2007	11.30 AM
2007-08 AGM	- do -	30.09.2008	11.30 AM
2008-09 AGM	- do -	30.07.2009	11.30 AM
2009-10* AGM	- do -	27.09.2010	11.30 AM

*Forthcoming Annual General Meeting.

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

BOOK CLOSURE

22nd September, 2010 to 27th September, 2010 (Both days inclusive)

CODE OF CONDUCT

The code of conduct for the Directors and the Senior Management of the Company has been laid down by the Board and the same is posted on the website of the Company.

The Company has obtained from all Board members and senior management affirmation that they have complied with the Code of Conduct for Directors and senior management of the Company for the year 2009-2010. A Declaration signed by Managing Director about affirmation of code of conduct by Board Members and Senior Management Personnel is follows :

DECLARATION BY THE MANAGING DIRECTOR

Sub: Code of Conduct - Declaration under Clause 49

This is to certify that :

1. In pursuance of the provisions of Clause 49 of the Listing Agreement, a Code of Conduct has been adopted by the Board of Directors of the Company.
2. The said Code of Conduct has been posted on the Website of the Company and has been circulated to all the Board members and the employees of the Company.
3. All board members and senior management personnel have affirmed compliance with the said Code of Conduct for the year ended 31st March, 2010.

Place : Allahabad

Dated : 14th August, 2010.

Sd/-

Girish Tandon
Managing Director

SHREE BHAWANI PAPER MILLS LIMITED

DISCLOSURES

1. The details of the related party transactions during the year in terms of Accounting Standard AS-18 have been set out under Note 10 of Schedule 20 annexed to Balance Sheet and Profit & Loss Account. However, these are not having potential conflict with the interest of the Company at large.
2. The Company has complied with various rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India and other Statutory Authorities relating to capital markets during the last three years. They have imposed no penalties or strictures on the Company.

MEANS OF COMMUNICATION

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchange immediately after these are taken on record by the Board. These financial results are normally published in the Business Standard/ Northern India Patrika / Amar Ujala, Allahabad, and are displayed on the website of the Company www.shbhawani.com

GENERAL SHAREHOLDERS INFORMATION

ANNUAL GENERAL MEETING

Date & Time : September 27, 2010 at 11.30 AM

Venue : Hotel Elchico Restaurant, Conference Hall, M.G. Marg, Civil Lines, Allahabad.

LISTING

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

The Listing Fee for the financial year 2010-11 have been paid to the Bombay Stock Exchange Ltd., Mumbai.

SCRIP CODE WITH BSE

502563

ISIN NUMBER FOR NSDL & CDSL

ISIN INE 688 C 01010

REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.

D-153 A, Okhla Industrial Area,
Phase - I,
NEW DELHI - 110 020

Phone No.: 011 26812682-83

Fax No. : 011 26812684

SHARE TRANSFER SYSTEM

Share transfer in physical form can be lodged with Skyline Financial Services Pvt. Ltd. at their above mentioned address. The transfers are normally processed within 15 days from the date of receipt, if the documents are complete in all respects. The Company Secretary and Registrar are empowered to approve the transfer of shares. Grievances received from members and other miscellaneous correspondence on change of address, mandates etc are processed by Registrar within 10 to 15 days.

SHREE BHAWANI PAPER MILLS LIMITED

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010

No. of Shares	No. of Shareholders	%age	No. of Shares	%age
Up to 500	2449	63.54	514126	3.13
501-1000	588	15.26	491552	2.99
1001-5000	593	15.38	1414041	8.61
5001-10000	90	2.34	658066	4.01
10001 & above	134	3.48	13346215	81.26
	3854	100.00	16424000	100.00

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	9403224	57.25
Institutional Investors	1400	0.01
Private Corporate Bodies	728947	4.44
NRIs	25870	0.16
Indian Public	6264559	38.14
	16424000	100.00

DEMATERIALIZATION OF SHARES

As on 31.3.2010, 97.78% ie., 16060080 Equity Shares of Company's share capital are dematerialised and balance of 363920 shares are held in physical form. In order to facilitate the investors to have an easy access to demat system, the Company has joined with both Depositories viz National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd., (CDSL) through the Company's Registrar & Share Transfer Agent, Skyline Financial Services Pvt. Ltd., New Delhi.

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

NIL

PLANT LOCATION

The Paper Plant of the Company is situated at

Industrial Area I,
Sultanpur Road, Rae Bareli 229010

REGISTERED OFFICE

33, Dayanand Marg, Allahabad 211002

ADDRESS FOR CORRESPONDENCE

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

: Skyline Financial Services Pvt. Ltd.
D-153 A, Okhala Industrial Area,
Phase - I,
New Delhi - 110 020
Tel : 011 - 26812682-83
Fax : 011 - 26812684

For fixed deposits and any other
general matters or in case of any
difficulties/grievances

: Company Secretary
Shree Bhawani Paper Mills Ltd.
33, Dayanand Marg,
Allahabad - 211 002
Email : babitajain@shbhawani.com
Tel : 0532 - 2548404 / 2548406
Fax : 0532 - 2548425

WEBSITE OF THE COMPANY

www.shbhawani.com

SHREE BHAWANI PAPER MILLS LIMITED

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF SHREE BHAWANI PAPER MILLS LIMITED.

We have examined the compliance of conditions of Corporate Governance by **Shree Bhawani Paper Mills Limited**, for the year ended on 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

**PLACE : ALLAHABAD
DATE : 14th AUGUST, 2010**

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

Indian paper industry is poised to grow and touch 11.5 million tonnes from 9.18 million tonnes to 2011-12 from 2009-10 at the rate of 8% per annum. Demand for upstream market of paper products like tissue paper, tea bags, filter paper, light weight online coated paper, medical grade coated paper etc. is growing up. Though per capita paper consumption in India is one of the lowest in the world but is increasing steadily. With stress on education and spending of education cess, the demand of writing, printing paper is also bound to go up.

There are, at present, about 700 units, mostly small and medium enterprises (SMEs), engaged in the manufacture of paper and paperboards and newsprint in India. The Indian paper industry is estimated to be worth Rs. 25,000 crore (USD 5.95 billion), which gives employment to around 1.3 million people directly and around 4 million people indirectly.

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

The Recent finance budget has placed a lot of emphasis on inclusive growth with development of infrastructure, education and health services as its main pillars. However, rising costs and inflation is a matter of concern and we hope that with normal monsoon predicted for this year and other actions being taken up by the Government, inflation should come down.

The recycled based paper industry has been increasing its share of contribution globally year after year on account of various inherent virtues and helps it in providing to maintain ecological balance. In a fibre deficit country like India, the paper mills are depending heavily on utilization of recycled fibres to meet ever increasing raw material requirements of paper industry. The recovery ratio of waste paper in India is only 30 percent which is very low. Because of no proper mechanism of utilization of waste paper. India is importing waste paper to the tune of 5 million tones approx per annum as raw material. The price of waste paper has been going up steadily in the international market also, due to shortage of recycled fibre and high pulp prices.

OPPORTUNITIES AND THREATS

The recent introduction of the Rights to Education Act is expected to give a tremendous boost to demand for paper. The on going national census and UID initiative are also expected to result in substantial demand for paper. Changes in life style and growth in IT sector will continue to drive increasing demand for tissue paper. Export markets will also present attractive opportunities at least in the near future. Therefore, we expect paper prices to gradually improve to more reasonable levels. However, further new capacities of nearly 400000 tons of writing & printing papers are expected to come on stream some time in 2010-11 which may keep prices under check.

The Company imports about 50% of the raw material which is prone to foreign exchange fluctuation. However, the Company is constantly trying to source cheaper furnish without compromising on quality of the finished product. Further, with the implementation of Capital Expenditure Scheme, reliance on imports will come down by nearly 50%.

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

The Company is actively pursuing export of its premium products like coloured printing and poster paper. During the current year, exports of these products are expected to grow manifold as these products have a niche market.

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

SHREE BHAWANI PAPER MILLS LIMITED

PRODUCTWISE PERFORMANCE

During the year 2009-10, the Company manufactured 45548 tons of printing, writing & newsprint paper which is higher by 10% of previous year. Production could have been still higher but for adverse market conditions.

OUTLOOK

The market condition since April 2010 has improved. The paper manufactured on old machine from agro pulp has good demand especially coloured printing and coloured poster. We are actively exploring the export market of MG papers. The international market for writing printing paper has also improved and there is higher demand and price realization for news print.

The Company proposes to implement the Capital Expenditure Scheme of Chemical Recovery Plant and up gradation of MF paper machine along with increased use of own pulp. This will reduce the cost of production and increase sales realisation and result in higher operating profits. Paper demand is expected to improve in the current year resulting in better price realisation.

RISK AND CONCERNS

- The Indian Paper Industry faces shortage of quality raw material and constant increase in cost of raw materials, chemicals and other inputs.
- The availability of paddy husk fuel for Power Plant is mainly seasonal and dependant upon the monsoon for good crop.
- Increased competition in paper industry may adversely affect the business of the company.
- The Company faces competition from cheap imports from Russia, Indonesia and South East European Countries.
- Weakening of the Rupee will increase cost of waste paper and production cost.

FINANCIAL PERFORMANCE

During the year 2009-10, the Company manufactured 45548 tons of paper and registered a net sale of Rs.126 crores. This was higher by 10% in terms of production and Rs.8.9 crores in net sales. Production could have been still higher but for adverse market conditions. Salient features in operations of the year under review:

1. Market condition was adverse and prices of News Print fell by more than 40%, with a glut in News Print market. Those manufacturers who could switch from news print manufacturing to writing printing did so, which resulted in increased supply of writing printing paper also. This depressed the price and demand of writing printing paper for most of the year.
2. The Company was compelled to take forced shut due to increase in finished goods inventory. This lead to short fall in production by nearly 9,000 tons and in turn over by Rs. 27 crores.
3. There was a strike in Kanpur ICD resulting in piling up of containers due to poor infrastructure during April – July 2009. The Company had to pay huge demurrage and detention charges on its imports due to above factor.
4. Imported waste paper price increased by nearly 30 to 40% and availability has gone down due to reduced paper consumption in developed countries. Shipping charges to India have also increased abnormally due to lack of availability of containers for India. This factor has lead to increase in imported raw material cost substantially. Import is a compulsion because domestic waste paper has to be supported by imported raw material to maintain the quality.

There is a good demand of agro waste paper manufactured by the Company and recently, the international market for writing/printing paper also improved along with increase in demand of news print during the current year. On the whole, paper prices and market appear to be much better for the current year.

SHREE BHAWANI PAPER MILLS LIMITED

During the year under review, the Company received 23780 units of CERs for our contribution to reduce carbon emissions from first & second Rice Husk Based Cogeneration Power Project for activity from 1st September, 2008 to 31st August, 2009. We realized a sum of Rs.197 lacs net of expenses from sale of these CERs.

We expect to receive further 29045 CERs for activities undertaken during financial year 2009-10 from both Cogeneration Power Projects. However, revenue generated from sale of these CERs will be accounted on actual receipt.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an adequate system of Internal Control implemented by the management to ensure proper safeguarding of the assets and protection against loss from unauthorized use or disposition. The Internal Control System is devised to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining the accountability of assets.

In addition, the Internal Audit work is conducted by independent professional firm of Chartered Accountants. The Internal Auditors have consistently expressed their satisfaction about adequacy of internal control systems and procedures followed by the Company for conducting its business efficiency. All issues raised by Internal Auditors are being suitably dealt with and rectified under the close monitoring of the Audit Committee.

CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objective, projections, estimates, expectations or predictions may be 'forward looking statements' with in the meaning of applicable securities law or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could differ materially from those expressed or implied. Important factors that could made a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw materials cost and availability, change in government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or reverse any forward looking statements, on the basis of any subsequent developments, information or events.

AUDITORS' REPORT

TO THE MEMBERS OF SHREE BHAWANI PAPER MILLS LIMITED

1. We have audited the attached Balance Sheet of **Shree Bhawani Paper Mills Limited**, as at 31st March, 2010, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

**PLACE : ALLAHABAD
DATE : 29th MAY, 2010**

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

ANNEXURE TO THE AUDITORS' REPORT

RE: SHREE BHAWANI PAPER MILLS LIMITED

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

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The Company has physically verified certain assets during the year in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) During the year the Company has not disposed off substantial part of its Fixed Assets, so as to affect its going concern.
- II. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. We are informed that the discrepancies identified on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- III. (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
(b) The Company has not taken any loans from the companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Unsecured fixed deposits of Rs. 12.70 Lacs were outstanding in case of 15 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 72.95 Lacs.
(c) The rate of interest and other terms and conditions of the fixed deposits were prima-facie not prejudicial to the interest of the Company.
(d) The payment of principal amount and interest on the aforesaid Fixed Deposits were regular.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- V. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been entered.
(b) According to the information and explanations given to us, there is no transaction (excluding the loans reported in para (iii)(b) above) in respect of any party and hence the question of reasonable prices in respect of such transactions with regard to the prevailing market price does not arise.
- VI. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA or any other relevant provisions of the Act. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

SHREE BHAWANI PAPER MILLS LIMITED

- VIII. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such accounts and records.
- IX. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
- X. The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth. It has incurred cash losses, both in the financial year under report and the immediately preceding financial year.
- XI. According to the information and explanations given to us, the Company has been generally regular in repaying its dues to the banks except some delays due to the financial difficulties. Repayment of installments in respect of working capital term loan amounting to Rs. 60 Lacs, which became due on 31st March, 2010 has since been paid.
- XII. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- XVI. According to the information and explanations given to us, we have to state that the Company has applied the term loans for the purposes for which they were obtained.
- XVII. According to the information and explanations received, the Company has not applied short term borrowings for long term use and vice-versa, other than temporary deployment pending application.
- XVIII. The Company has not made any preferential allotment of shares during the year.
- XIX. The Company has not issued any debentures during the year.
- XX. The Company has not raised any money by public issue during the year.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

**PLACE : ALLAHABAD
DATE : 29th MAY, 2010**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
I. SOURCES OF FUNDS :		
1. SHAREHOLDERS' FUNDS		
(a) Share Capital	1 164044635	164044635
(b) Reserves & Surplus	2 33315034	117128376
	<u>197359669</u>	<u>281173011</u>
2. LOAN FUNDS		
(a) Secured Loans	3 923406654	819536990
(b) Unsecured Loans	4 185822222	162460818
	<u>1109228876</u>	<u>981997808</u>
3. DEFERRED TAX LIABILITY (Refer Note 8, Schedule 20)	7781036	26093669
TOTAL	<u>1314369581</u>	<u>1289264488</u>
II. APPLICATION OF FUNDS :		
1. FIXED ASSETS	5	
(a) Gross Block	1292714268	1231498982
(b) Less : Depreciation	353142153	294022957
(c) Net Block	939572115	937476025
(d) Capital Work-in-Progress	6 6454757	15512478
	<u>946026872</u>	<u>952988503</u>
2. INVESTMENTS	7 294840	294840
3. CURRENT ASSETS, LOANS & ADVANCES		
(a) Inventories	8 346827366	248213644
(b) Sundry Debtors	9 121107035	146680149
(c) Cash & Bank Balances	10 8325129	13386761
(d) Loans & Advances	11 33641428	32116762
	<u>509900958</u>	<u>440397316</u>
Less : CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities	12 219877014	219403111
(b) Provisions	13 3308791	3797272
	<u>223185805</u>	<u>223200383</u>
NET CURRENT ASSETS	286715153	217196933
4. PROFIT & LOSS ACCOUNT As per Profit & Loss Account	81332716	118784212
TOTAL	<u>1314369581</u>	<u>1289264488</u>

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

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

(P. L. GUPTA)
PARTNER

GIRISH TANDON
MANAGING DIRECTOR

ALANKAR TANDON
EXECUTIVE DIRECTOR

PLACE : ALLAHABAD
DATED : 29TH MAY, 2010

BABITA JAIN
COMPANY SECRETARY

ANUJ TANDON
FINANCE MANAGER

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

} DIRECTORS

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE	Year Ended 31.03.2010 Rupees	Year Ended 31.03.2009 Rupees
INCOME			
Sales	14	1298070540	1206834358
Less : Excise Duty		38901618	36357416
		1259168922	1170476942
Other Income	15	21238479	870406
		1280407401	1171347348
EXPENDITURE			
Materials	16	835282028	799120348
Payments & Benefits to Employees	17	78228173	73014540
Power & Fuel		203809482	204667596
Cost of Borrowings	18	117107249	95661209
Other Expenses	19	51304674	37428854
		1285731606	1209892547
Profit before depreciation & taxation		-5324205	-38545199
Depreciation		59383010	55795993
Profit before taxation		-64707215	-94341192
Provision for taxation			
Current tax		-	-
Deferred tax		-18312633	-20097879
Fringe Benefit Tax		-	620954
Tax Adjustment in respect of Earlier Year		-32736	-
Profit after taxation		-46361846	-74864267
Balance brought forward from last year		-118784212	-43919945
Transfer from General Reserve		83813342	-
Profit carried to Balance Sheet		-81332716	-118784212
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 20)		-2.82	-4.56

NOTES FORMING PART OF THE ACCOUNTS 20

As per our report of even date.

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

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

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED : 29TH MAY, 2010**

**BABITA JAIN
COMPANY SECRETARY**

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

} **DIRECTORS**

**ANUJ TANDON
FINANCE MANAGER**

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010	Year Ended 31.03.2009
(RUPEES IN LACS)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	-647.07	-943.41
Adjustment for:		
Income Tax Refund	0.32	-
Depreciation	593.83	557.96
Interest Expenses	1171.07	956.61
Interest Income	- 6.84	- 2.62
Dividend Income	- 0.18	- 0.19
(Profit)/Loss on Sale of Fixed Assets	-	- 1.04
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1111.13	567.31
Adjustment for:		
Trade & Other receivables	239.02	-672.33
Inventories	-986.13	-1328.63
Trade payable and other liabilities	6.41	1463.67
CASH GENERATED FROM OPERATIONS	370.43	30.02
Direct taxes Paid/Refund	11.17	- 6.58
CASH FLOW BEFORE EXTRAORDINARY ITEMS	381.60	23.44
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES	...A 381.60	23.44
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	- 543.31	- 831.14
Sale of Fixed Assets	1.61	14.55
Purchase of Investments	-	-
Dividend received	0.18	0.19
Interest received	5.91	2.11
NET CASH USED IN INVESTING ACTIVITIES	...B - 535.61	- 814.29
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Capital	-	-
Proceeds from Long Term Borrowings	66.55	1275.77
Repayment of Long Term Borrowings	-	-
Net Increase/decrease in Cash Credit Utilisation	976.07	-277.82
Deposits	233.61	770.41
Hire Purchase	-3.91	5.40
Interest paid	-1167.99	-944.00
Dividend paid	-0.94	-0.12
NET CASH FROM FINANCING ACTIVITIES	...C 103.39	829.64

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2010	(RUPEES IN LACS) Year Ended 31.03.2009
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>-50.62</u>	<u>38.79</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	133.87	95.08
CASH AND CASH EQUIVALENTS (Closing Balance)	83.25	133.87

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

As per our report of even date.

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

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

**PLACE : ALLAHABAD
DATED : 29TH MAY, 2010**

**GIRISH TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**ANUJ TANDON
FINANCE MANAGER**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

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

} **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

SCHEDULE 1 : SHARE CAPITAL

	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
AUTHORISED		
35000000 Equity Shares of Rs. 10/- each	350000000	350000000
250000 Preference Shares of Rs. 10/- each	2500000	2500000
	352500000	352500000
ISSUED, SUBSCRIBED AND PAID-UP		
16424000 Equity Shares of Rs. 10/- each fully paid-up (including 326000 Equity Shares of Rs. 10/- each fully paid issued to Financial Institutions on conversion of part loan)	164240000	164240000
Less : Calls in Arrears from others	195365	195365
	164044635	164044635

SCHEDULE 2 : RESERVES AND SURPLUS

Securities Premium Account				
As per last account	30795000		30795000	
Less : Calls in Arrears from others	48841	30746159	48841	30746159
Capital Reserve				
As per last account		1568875		1568875
Capital Redemption Reserve				
As per last account		1000000		1000000
General Reserve				
As per last account	83813342		83813342	
Less : Transfer to Profit and Loss Account	83813342	-	-	83813342
		33315034		117128376

SCHEDULE 3 : SECURED LOANS

I. TERM LOANS

Indian Bank	313123146	312383503
Bank of Baroda	305736746	299821842
	618859892	612205345

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

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

(ii) Instalments of Principal loan falling due within one year Rs. 950.32 lacs (Previous Year Rs. 259 Lacs).

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
II. OTHER LOANS & ADVANCES		
(a) From Banks	304033884	206427330
<p>Secured by hypothecation of stock of Raw Materials, Stores, Stock in process, finished goods, book debts, both present & future and further secured by second mortgage and charge on immovable properties of the Company as by way of Collateral Security.</p> <p>All the above loans are guaranteed by the Managing Director and Executive Director of the Company.</p>		
(b) From Others :		
Hire Purchase Finance	512878	904315
Secured by hypothecation of specific asset.		
	923406654	819536990
SCHEDULE 4 : UNSECURED LOANS		
Fixed Deposits*	48477232	53522232
Security Deposits	76502397	54438586
Corporate Deposits - Crest Software	8149990	4500000
Other Loans & Advances	52692603	50000000
* Includes Rs. NIL from		
Directors (Previous Year Rs. 6.80 lacs)	185822222	162460818

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 31.03.2009 Rs.	Addi- tions Rs.	Deduc- tions Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.	For the Year	Deductions/ Adjustments	As at 31.03.2010 Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
Lease Hold Land	887530	—	—	887530	276114	9861	—	285975	601555	611416
Buildings	131322073	4750640	—	136072713	28345012	4301949	—	32646961	103425752	102977061
Plant & Machinery	1081486779	55779923	385228	1136881474	253190891	53604521	236845	306558567	830322907	828295888
Vehicles*	8849780	—	—	8849780	6131049	722546	—	6853595	1996185	2718731
Furniture, Fixture & other Equipments	8952820	1109517	39566	10022771	6079891	744133	26969	6797055	3225716	2872929
	1231498982	61640080	424794	1292714268	294022957	59383010	263814	353142153	939572115	937476025
Previous Year	1165799243	69856132	4156393	1231498982	241032405	55795993	2805441	294022957	937476025	
Capital Work in Progress									6454757	15512478

Note : * includes under hire purchase arrangement Rs. 1200000/-

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
SCHEDULE 6 : CAPITAL WORK IN PROGRESS		
Building under Construction	4365982	9804880
Plant & Machinery under Erection	57723557	57586508
Advance against Capital Expenditure	1288209	10497965
	(A) 63377748	77889353
Pre-Operative Expenditure		
Expenditure incurred upto previous year	79667	506250
Salaries, Wages and other benefits	1436776	3523661
Interest on Term Loans	2091129	722634
	(B) 3607572	4752545
Less : Capitalised		
Plant and Machinery	55779923	54414086
Buildings	4750640	12715334
	(C) 60530563	67129420
Pre-Operative Expenditure (Net) - Pending Allocation	6454757	15512478
Total (A + B) - (C)	6454757	15512478
SCHEDULE 7 : INVESTMENTS		
Long term Investments Non-Trade (Quoted)	294840	294840
3240 Equity Shares of Rs. 10/- each of Indian Bank		
Market Value of Quoted Investments Rs. 569592/- (Previous year Rs. 265550/-)		
SCHEDULE 8 : INVENTORIES (Certified and valued by the Management)		
Raw Materials	185947481	95717440
Stores, Chemicals & Spare Parts	84686418	98061674
Finished Goods	28275873	25140652
Stock in process	18255955	16861839
Stock in Transit (Waste Paper)	29661639	12432039
	346827366	248213644

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2010 Rupees	As at 31-03-2009 Rupees
SCHEDULE 9 : SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Due for more than 6 months	620428	-
Other Debts	120486607	146680149
	121107035	146680149
SCHEDULE 10 : CASH & BANK BALANCES		
Cash in hand	1651548	945166
With Scheduled Banks :		
In Current Account	3509581	4350595
In Fixed Deposit Account	3164000	8091000
	8325129	13386761
SCHEDULE 11 : LOANS & ADVANCES		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	13145184	11675913
Advance Income Tax (Net)	-	239571
Balance with Central Excise Department	17401752	17283543
Sundry Deposits	3094492	2917735
	33641428	32116762
SCHEDULE 12 : CURRENT LIABILITIES		
Sundry Creditors (including Rs. 187000/- due to Directors; 2008-2009, 191000/-) (Refer Note. 5, Schedule 20)	190247214	202610386
Advances from Customers	19814869	5611811
Creditors for Capex Scheme	-	1747986
Unpaid Dividends	519704	613942
Other Liabilities	4299638	4132051
Interest accrued but not due on loans	4995589	4686935
There is no amount due to be transferred to Investor Education and Protection Fund.		
	219877014	219403111
SCHEDULE 13 : PROVISIONS		
Income Tax (Net of Advances)	889454	-
Provision For Fringe Benefit Tax (Net of Advances)	-	11530
Leave Encashment	2419337	3785742
	3308791	3797272

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2010 Rupees		Year Ended 31.03.2009 Rupees
SCHEDULE 14: SALES			
SALES (Inclusive of Excise Duty)	1374011341		1285007838
Less : Rebate & Discounts	75940801	1298070540	78173480
		<u>1298070540</u>	<u>1206834358</u>
SCHEDULE 15 : OTHER INCOME			
Certified Emission Reductions Sale	19762515		218724
Dividend from non-trade investments	17820		19440
Interest - Deposits with Banks (Tax Deducted at Source Rs. 65849/-, 2008-2009 Rs. 19197/-)	599048		260915
Interest - Others	85206		839
Insurance (Net)	618993		-
Profit on Sale of Fixed Assets (Net)	-		103748
Miscellaneous Receipts	154897		266740
		<u>21238479</u>	<u>870406</u>
SCHEDULE 16 : MATERIALS			
A. CONSUMPTION OF RAW MATERIALS			
Opening Stock	95717440		32449484
Add : Purchases	681102384		656900183
	<u>776819824</u>		<u>689349667</u>
Less : Closing Stock	185947481	590872343	95717440
			593632227
B. INCREASE/DECREASE IN STOCKS			
Opening Stock :			
Finished Goods	25140652		15997420
Stock in Process	16861839		6135491
	<u>42002491</u>		<u>22132911</u>
Less : Closing Stock :			
Finished Goods	28275873		25140652
Stock in process	18255955		16861839
	<u>46531828</u>	-4529337	42002491
			-19869580
C. EXCISE DUTY ON CLOSING STOCKS		30834	32327
D. CONSUMPTION OF STORES, CHEMICALS & SPARE PARTS		248908188	225325374
		<u>835282028</u>	<u>799120348</u>
SCHEDULE 17 : PAYMENTS & BENEFITS TO EMPLOYEES			
Salaries, Wages, Bonus & Allowances	69501717		64654784
Workmen and Staff Welfare Expenses	4272610		4211064
Employer's Contribution to Provident & Other Funds	4453846		4148692
		<u>78228173</u>	<u>73014540</u>

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2010 Rupees	Year Ended 31.03.2009 Rupees
SCHEDULE 18 : COST OF BORROWINGS		
Interest		
Fixed Loans*	80940533	61925657
Bank Borrowings etc.	36166716	33735552
* Includes Rs. 17266/- paid to Directors (Previous Year Rs. 85346/-)	117107249	95661209
SCHEDULE 19 : OTHER EXPENSES		
Repairs & Maintenance:		
Buildings	946330	354445
Plant & Machinery	13876415	13848588
Others	166692	515545
	14989437	14718578
Advertisement & Publicity	909135	1011098
Bank Charges	4717260	4404715
Directors' Fee	143000	171500
Directors' Travelling Expenses	119790	65580
Freight, Forwarding & Other Selling Expenses	9472716	3327978
Handling & Transportation Charges	3821273	-
Insurance	-	186824
Legal Expenses & Professional Fee	1670163	1645181
Loss on Sale of Fixed Assets	12931	-
Postage, Telegram & Telephone	1354681	1207332
Printing & Stationery	820981	754697
Rates & Taxes	517185	543379
Rent	630500	554417
Service Tax	177735	278548
Selling Agents Commission	2592039	-
Travelling & Conveyance	4847390	4313352
Auditors' Remuneration:		
(* Net of service tax)		
Audit Fee	100000*	80000*
Tax Audit Fee	20000*	20000*
Other Services	52000*	57000*
Reimbursement of Expenses	14000	14000
	186000	171000
Cost Audit Fee	31500	31500
Internal Audit Fee	40000	30000
Vehicle Expenses	1029297	1271769
Miscellaneous Expenses	3221661	2741406
	51304674	37428854

SHREE BHAWANI PAPER MILLS LIMITED

SCHEDULE 20 : NOTES FORMING PART OF THE ACCOUNTS

1. Significant Accounting Policies :

A. General :

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

B. Use of Estimates :

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

C. Recognition of Income and Expenditure :

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

D. Sales :

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

E. Excise Duty :

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

F. Depreciation :

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

G. Employee Benefits :

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

H. Fixed Assets :

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

I. Borrowing Cost :

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

J. Provision and Contingencies :

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

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

SHREE BHAWANI PAPER MILLS LIMITED

- K. Investments :**
Long term Investments are stated at cost. Provision for diminution in value of long term Investments is made only if such decline is other than temporary.
- L. Foreign Currency Transactions :**
- i) Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate on the date of the transaction.
 - ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expenses in the period in which they arise except in case of liabilities incurred for the purpose of acquiring the fixed assets from outside India in which case such exchange differences are adjusted in the carrying amount of fixed assets.
- M. Lease :**
Lease payments under an operating lease are recognised as expenses in the statement of Profit and Loss as per terms of lease agreement.
- N. Inventories :**
Raw materials, work-in-progress and finished goods are valued at lower of cost and net realisable value. However, materials held for use in the production of finished products are not written down below cost, if the finished products in which they will be incorporated are expected to be sold at or above cost. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Chemicals and Stores and Spare Parts are valued at or below cost. Cost of inventories is generally computed on weighted average/FIFO basis.
- O. Taxation :**
Current tax is determined as the amount of tax payable in respect of taxable income for the year. Tax on fringe benefits is measured at the specified rate on the value of fringe benefits in accordance with the provisions of Section 115WC of the Income Tax Act, 1961.
The deferred tax for timing difference between the book and tax profit for the year is accounted using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred Tax assets arising from the timing difference are recognised to the extent that there is reasonable certainty that sufficient future taxable income will be available.
- P. Research and Development :**
Revenue expenditure is charged as an expense in the year it is incurred. Expenditure which results in the creation of capital assets is taken as fixed assets and depreciation is provided on such assets as applicable.
- Q. Impairment of Assets :**
An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired.
- 2. Contingent liability not provided for:**
- Guarantees given by bank **Rs. 133.11 lacs** (Previous Year Rs. 88.97 lacs)
Outstanding Letter of Credit **Rs. 143.20 lacs** (Previous Year Rs. 725.91 lacs)
 3. Estimated amount of capital contracts remaining to be executed and not provided for **Rs. 17.66 lacs** (Previous Year Rs. 263.46 lacs).
 4. The Income Tax assessments of the Company have been completed upto Assessment Year 2007-08. The Income Tax authorities had disallowed certain concessions/allowances available to the Company. The Company has filed appeals against such disallowances before appropriate authorities. Pending decision, the provision for Income Tax already made in the past has been considered to be adequate enough to meet the liabilities, if any.
 5. Sundry creditors include principal amount Rs 46.33 lacs (2008-2009 Rs. 69.81 lacs) due to the suppliers covered by Micro and Small Enterprises Development Act, 2006.

SHREE BHAWANI PAPER MILLS LIMITED

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

Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2010 are as under :

Item No.	Particulars	2009-2010	2008-2009
(a)	(i) The Principal amount remaining unpaid at the end of the year	34.29	69.81
	(ii) The interest due on above	NIL	NIL
(b)	The amount of interest paid by the buyer along with amount of the payment made to the suppliers beyond the appointed date	NIL	NIL
(c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding interest specified under the Act.	NIL	NIL

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

6. The Company has operating lease for one of its premises, which is renewable on expiry. Rental expenses for operating lease charged to Profit & Loss Account for the year is Rs. 5.20 lacs (Previous Year Rs. 5.54 lacs).
7. Managing Director & Executive Directors' remuneration

	2009-2010 Rupees	2008-2009 Rupees
Salary	3000000	2097667
Perquisites	89708	1032525
Leave Encashment	—	339167
	3089708	3469359

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

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

	As at 31.03.2009	Charge during the Period	As at 31.03.2010
Deferred Tax Liability :			
Depreciation	112709851	14077072	126786923
Deferred Tax Assets :			
Unabsorbed Depreciation	86616182	32389705	119005887
Net Deferred Tax Liability	26093669	-18312633	7781036

9. Earnings Per share (EPS).

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

	Year Ended 31.03.2010	Year Ended 31.03.2009
Profit attributable to the Equity Shareholders (Rs.) (A)	- 46361846	- 74864267
Basic/Weighted average number of Equity Shares outstanding during the year (Nos) (B)	16424000	16424000
Nominal value of Equity Share (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) for the year (A/B)	-2.82	- 4.56

SHREE BHAWANI PAPER MILLS LIMITED

10. Related Party Disclosure as per Accounting Standard 18 :

List of related parties and relationships :

A. Key Management Personnel

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

B. Relative of Key Management Personnel

1. Smt. Sulochini Devi Tandon
2. Shri Badri Vishal Tandon
3. Smt. Savita Seth
4. Smt. Meenu Tandon
5. Smt. Neera Tandon
6. Smt. Surabhi Mehra
7. Smt. Paridhi Tandon
8. Shri Gaurav Tandon
9. Shri Akshat Tandon
10. Smt. Chavi Tandon
11. Km. Damini Tandon
12. Master Aadi Tandon
13. 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. 50000 Rs. [12000]	Rs. 150000 Rs. [36000]	Rs. — Rs. —
II. Interest on Fixed Deposits taken	Rs. 17266 Rs. [163176]	Rs. 326256 Rs. [566628]	Rs. — Rs. —
III. Opening Balance of Fixed Deposits	Rs. 580000 Rs. [175000]	Rs. 5445000 Rs. [2400000]	Rs. — Rs. —
Fixed Deposits received during the period/year	Rs. — Rs. [330000]	Rs. 1270000 Rs. [3945000]	Rs. — Rs. —
Fixed Deposits repaid during the period/year	Rs. 580000 Rs. [1500000]	Rs. 5445000 Rs. [900000]	Rs. — Rs. —
Closing Balance of Fixed Deposits	Rs. — Rs. [580000]	Rs. 1270000 Rs. [5445000]	Rs. — Rs. —
IV. Interest accrued as on 31.03.2010	Rs. — Rs. —	Rs. 6018 Rs. [11350]	Rs. — Rs. —
V. Managerial Remuneration	Rs. 3089708 Rs. [3469359]	Rs. 1119800 Rs. [56500]	Rs. — Rs. —
VI. Managerial remuneration payable as at 31.03.2010	Rs. 187000 Rs. [191000]	Rs. 83000 Rs. —	Rs. — Rs. —
VII. Sale of Fixed Assets	Rs. — Rs. —	Rs. — Rs. —	Rs. — Rs. —

11. Employee Benefits :

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

Defined Contribution Plan

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

	2009-2010 Rupees	2008-2009 Rupees
Employers' Contribution to Provident and other Funds	5932742	5561469

Defined Benefit Plan

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

SHREE BHAWANI PAPER MILLS LIMITED

I Reconciliation of opening and closing balance of Defined Benefit obligation	Leave Encashment (Unfunded) 2009-2010	Leave Encashment (Unfunded) 2008-2009
Defined Benefit obligation at beginning of the year	3785742	3367442
Current Service Cost	1405348	2343962
Interest Cost	206158	258803
Actuarial (gain)/loss	-1886596	-1919661
Benefits Paid	-1228159	-264804
Defined Benefit obligation at the year end	2282493	3785742
II Reconciliation of fair value of assets and obligations	Leave Encashment (Unfunded) As at 31.03.2010	Leave Encashment (Unfunded) As at 31.03.2009
Fair value of plan assets	—	—
Present value of obligation	2282493	3785742
Amount recognised in Balance Sheet	2282493	3785742
III Expense recognised during the year (Under the head 'Payment to and Provisions for Employees' - Refer Schedule 17)	Leave Encashment (Unfunded) 2009-2010	Leave Encashment (Unfunded) 2008-2009
Current Service Cost	1405348	2343962
Interest Cost	206158	258803
Expected return on plan assets	—	—
Actuarial (gain)/loss	-1886596	-1919661
Net Cost	-275090	683104
IV Actuarial Assumptions	Leave Encashment (Unfunded) 2009-2010	Leave Encashment (Unfunded) 2008-2009
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	6.5%
Expected rate of return on plan assets (per annum)	—	—
Rate of escalation in salary (per annum)	3%	5%

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

12. Segment Information :

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

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

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2010	Year Ended 31.03.2009		
14.a) CAPACITIES AND PRODUCTION CAPACITIES				
i) Licenced Capacity (per annum) Printing, Writing & Newsprint Papers	NOT APPLICABLE	NOT APPLICABLE		
ii) Installed Capacity (per annum)* (*As certified by the Management and accepted by Auditors)	54000 MT	54000 MT		
PRODUCTION				
Finished Goods	45548 MT	41641 MT		
Printing, Writing & Newsprint Papers				
b) SALES				
Printing, Writing & Newsprint Papers	45623 MT Rs. 1374011341	41273 MT Rs. 1285007838		
c) STOCK OF FINISHED GOODS				
i) Closing Stock	857 MT	932 MT		
Printing, Writing & Newsprint Papers	Rs. 28275873	Rs. 25140652		
ii) Opening Stock	932 MT	564 MT		
Printing, Writing & Newsprint Papers	Rs. 25140652	Rs. 15997420		
d) CONSUMPTION OF RAW MATERIALS, STORES & SPARES				
	2009-2010		2008-2009	
	Rupees	%	Rupees	%
i) RAW MATERIALS				
Imported	446708323	75.60	268425947	45.22
Indigenous	144164020	24.40	325206280	54.78
ii) STORES & SPARES				
Imported	10821244	4.35	9901173	4.39
Indigenous	238086944	95.65	215424201	95.61
e) CIF VALUE OF IMPORTS				
i) Capital Goods	10940563		11232466	
ii) Raw Materials	309957072		213003397	
iii) Stores & Spares	1630565		1400637	
f) EARNINGS IN FOREIGN CURRENCY				
i) Certified Emission Reductions	22812550		2634000	
ii) On Export of Goods (FOB Basis)	4324288		1204192	
g) EXPENDITURE IN FOREIGN CURRENCY				
Travelling	563420		153679	

SHREE BHAWANI PAPER MILLS LIMITED

INFORMATION REQUIRED AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (AMOUNT IN RS. THOUSANDS)

(I) REGISTRATION DETAILS:

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

(II) CAPITAL RAISED DURING THE YEAR

Public Issue	Rights Issue
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>
Bonus Issue	Private Placement
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

(III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	Total Liabilities	Total Assets
	<input type="text" value="1537555"/>	<input type="text" value="1537555"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus
	<input type="text" value="164045"/>	<input type="text" value="33315"/>
	Deferred Tax Liability	Secured Loans
	<input type="text" value="7781"/>	<input type="text" value="923407"/>
		Unsecured Loans
		<input type="text" value="185822"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="946027"/>	<input type="text" value="295"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="286715"/>	<input type="text" value="81333"/>

(IV) PERFORMANCE OF COMPANY

	Turnover	Total Expenditure
	<input type="text" value="1280407"/>	<input type="text" value="1345115"/>
	Profit Before Tax	Profit After Tax
	<input type="text" value="-64708"/>	<input type="text" value="-46362"/>
Earning Per Share in Rs.	Dividend Rate	Dividend Rate
	<input type="text" value="-2.82"/>	<input type="text" value="NIL"/>

SHREE BHAWANI PAPER MILLS LIMITED

(V) GENERIC NAMES OF PRINCIPAL PRODUCTS OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code) : 48020000

Product Description : Uncoated Paper and Paper Board used for Writing and Printing purposes

Item Code No. (ITC Code) : 48010090

Product Description : Newsprint in Rolls or Sheets

Signatures to Schedules 1 to 20
As per our Report of even date.

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

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

**GIRISH TANDON
MANAGING DIRECTOR**

**ALANKAR TANDON
EXECUTIVE DIRECTOR**

**PLACE : ALLAHABAD
DATED : 29TH MAY, 2010**

**BABITA JAIN
COMPANY SECRETARY**

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

} **DIRECTORS**

**ANUJ TANDON
FINANCE MANAGER**

CUT HERE

SHREE BHAWANI PAPER MILLS LIMITED
33, DAYANAND MARG, ALLAHABAD 211 002

PROXY FORM

I/We
of
being a member/members of SHREE BHAWANI PAPER MILLS LIMITED hereby appoint
of
or failing him
of
or failing him
of
as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on 27th September, 2010 and at any adjournment thereof.
hand/hands this
..... day
of 2008
Signed by the said.....
Folio No.:.....DP ID No.*.....Client ID No.*.....

* Applicable for Members holding shares in electronic form.

30 Paise Revenue Stamp

NOTES :

- 1. The Proxy need not be a member.
2. The Proxy must be deposited at the Registered Office of the Company at 33, Dayanand Marg, Allahabad 211 002 not less than 48 hours before the time fixed for holding the Meeting.

SHREE BHAWANI PAPER MILLS LIMITED
33, DAYANAND MARG, ALLAHABAD 211002

ATTENDANCE SLIP

I/We hereby record my/our presence at the 31st Annual General Meeting held at Conference Hall, Hotel Elchico Restaurant at 24, M. G. Marg, Allahabad 211001 on Monday, the 27th September, 2010 at 11.30 a.m.

Full Name of the Member (in block letters) Signature

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

* Applicable for Members holding shares in electronic form.

Full Name of the proxy (in block letters) Signature

NOTES :

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

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33, Dayanand Marg,
Allahabad—211 002**