
SHREE BHAWANI PAPER MILLS LIMITED

DIRECTORS

Shri Badri Vishal Tandon
Shri Om Nath Kapoor
Shri C.M. Krishna
Shri K. A. Pai
Prof. Sushil Khanna
Shri Sudhir Tandon, Managing Director
Shri Girish Tandon, Joint Managing Director

COMPANY SECRETARY

Smt. Babita Jain

AUDITORS

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

BANKERS

Bank of Baroda
Indian Bank
Standard Chartered 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.
246, Sant Nagar
East of Kailash
ISKON Temple Road,
New Delhi 110 065

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SHREE BHAWANI PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the 28th 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- 211 002, on Monday, the 24th September, 2007 at 11.30 A.M. to transact the following Business :-

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended 31st March, 2007, the Report of the Auditors and the Report of the Directors, thereon.
2. To declare Dividend on Equity Shares for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Shri C M Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Prof. Sushil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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. 80,000/- (Rupees eighty thousand only) plus service tax, as applicable, and travelling and other out of pocket expenses.”

MILLS:
INDUSTRIAL AREA 1,
SULTANPUR ROAD,
RAE BARELI - 229010

DATED : 27TH JULY, 2007

BY ORDER OF THE BOARD

BABITA JAIN
COMPANY SECRETARY

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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 18th September, 2007 to 24th September, 2007 (both days inclusive).
3. Members are requested to intimate change, if any, in their addresses.
4. Pursuant to Section 205-A of the Companies Act, 1956, the following information is furnished:
In terms of Section 205-C of the Companies Act, 1956, the unclaimed Dividend for the financial year 1998-99 has been transferred to Investor Education and Protection Fund in the month of October, 2006. The Unclaimed Dividend for Financial Years 2001-02, 2004-05 and 2005-06 are held in separate accounts for each year.
Consequent upon amendment in Section 205-A of the Companies Act, 1956, and introduction of Section 205-C, by the Companies (Amendment) Act, 1999, now 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 claims 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 **2001-02, 2004-05 and 2005-06** 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. Dividend, if any, declared in the Meeting will be payable to the shareholders whose names appears :
 - a) as beneficial owners as at the end of 17th September, 2007 as per the list to be furnished by the Depositories in respect of the shares held in electronic form and
 - b) as members in the Register of Members of the Company as on 24th September, 2007 after giving effect to all valid share transfers in physical form which are lodged with the Company on or before 17th September, 2007.
7. **Dividend, if any, declared in the meeting will not be mailed to the Shareholders of partly paid shares until the arrears of call money are paid in full together with overdue interest.**
8. 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.
9. 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 2007-08.
10. Details of the Directors seeking re-appointment at this Annual General Meeting :

(Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Mumbai) :

 - i) Shri C M Krishna, aged about 71 years, is MA (Economics) LLB and has more than 42 years working experience in various corporates at higher managerial level. Presently, he is working as Consultant with the Industries. He has been a Director of the Company since 1998 and is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship / Committee Membership held by him : NIL
 - ii) Prof. Sushil Khanna, aged about 56 years, is fellow (Ph.D), PGDM (MBA) from Indian Institute of Management, Calcutta. He is a Professor, teaching in the same Institute and has expertise in financial and managerial matters. He has been a Director of the Company from 2002 and is also a member of Audit Committee and Remuneration Committee of the Company.
Details of other Directorship / Committee Membership held by him:
NICCO Internet Ventures Ltd., The Information Company Pvt. Ltd., and Kerala Financial Corporation.

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DIRECTORS' REPORT

We have pleasure in presenting our 28th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2007.

PERFORMANCE

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

	<u>Year ended</u> <u>31.03.2007</u>	<u>Year ended</u> <u>31.03.2006</u>
Production (Tonnes)	<u>18840</u>	<u>19370</u>
Sales	<u>Rs. 5545 Lacs</u>	<u>Rs. 5450 Lacs</u>
Other Income	<u>489</u>	<u>4</u>
	<u>6034</u>	<u>5454</u>
Gross Profit	<u>772</u>	<u>611</u>
Less : Interest	<u>116</u>	<u>176</u>
Depreciation for the year	<u>180</u>	<u>175</u>
Profit for the year before tax	<u>476</u>	<u>260</u>
Less : Provision for taxation	<u>189</u>	<u>- 7</u>
	<u>287</u>	<u>267</u>
Profit brought forward from last year	<u>101</u>	<u>81</u>
Amount available for appropriation	<u>388</u>	<u>348</u>
Appropriations:		
Proposed Dividend on Equity Shares	<u>132</u>	<u>41</u>
Tax on proposed Dividend	<u>22</u>	<u>6</u>
General Reserve	<u>100</u>	<u>200</u>
Surplus carried to Balance Sheet	<u>134</u>	<u>101</u>
	<u>388</u>	<u>348</u>

There was slight decline in production during the year under review mainly on account of shift in product mix of the MF Paper Machine towards lower grammage, as also additional shut down for interlinking old plant facilities with the plant & machinery under the expansion scheme.

Other income comprises mainly of receipts of sales of CERs. There was substantial increase in the cost of energy due to steep increase of about 50% in the price of Paddy Husk fuel.

CAPITAL EXPENDITURE SCHEME

More than Rs. 56 Crores had been incurred on the Capital Expenditure Scheme till March, 2007. The Power Plant having capacity of 3MW was commissioned in March, 2007. Almost all plant and machinery has been installed in the Pulp Mill and Paper Machine Section. Paper was reeled on 7th July, 2007 during the trial runs of the paper machine. However, entire scheme is expected to be completed by August, 2007, with a delay of five months.

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The Company has been sanctioned 2500 KVA of power supply from UPPCL. The supply will be made available through an independent feeder of 33 KV. The total cost of drawing this line along with related facilities will be around Rs. 150 lacs including initial Security Deposit. Along with 6 MW of Captive Power Generation, total available power supply of 8.5 MW, will enable the Company to produce about 170 Tons per day of saleable paper. Of course, the Company would install another co-generation plant in the future to circumvent any dependence upon grid power.

DIVIDEND

The Funds of the Rights Issue were fully deployed in expansion scheme and benefit of production and profitability will start accruing in the next financial year. However, your Directors are pleased to recommend the payment of Dividend on 16424000 Equity Shares @ 8% amounting to Rs. 1,31,39,200/- on enhanced capital.

Dividend will not be mailed to the shareholders of partly paid shares until the arrears of call money are paid in full together with overdue interest.

RIGHTS ISSUE

During the year, the Company has issued 1,23,18,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 2/50p on Rights basis to the existing shareholders of the Company in the ratio of three equity shares for every one equity share held, in May, 2006. The Issue was subscribed by about 1.37 times. The basis of allotment was finalized in consultation with Bombay Stock Exchange Ltd. Equity shares were listed on Bombay Stock Exchange Ltd. in June, 2006. An amount of Rs. 6/25p per share consisting of Rs. 5/- towards face value and Rs. 1/25p towards premium was paid on application and allotment. The Call for balance payment of Rs. 6/25p was made in November, 2006.

CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

During the year under review, the Company has received Rs. 4.78 Crores from sale of 57,469 Certified Emission Reductions (CERs) generated during December, 2001 to December, 2005 from the existing 3 MW power Plant. This power plant is expected to generate future credits of about 14,700 CERs annually from January, 2006 to December 2011.

The second Rice Husk based Cogeneration Power Project of the Company, at Rae Bareli has also been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC) on 15th January, 2007. This power plant is expected to generate additional credits of about 14,000 CERs annually for a period of ten years.

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, 2007, fixed deposits from the public and shareholders aggregated to Rs. 302.69 lacs. The renewal/repayment of two deposits each of Rs. 30,000/- could not be made for want of instruction there of from the depositors upto 31st March, 2007 which has since been renewed/paid till the date of this report.

DIRECTORS

Shri C M Krishna and Prof. Sushil Khanna, Directors of the Company, are retiring by rotation, and being eligible for re-election, have given their consent for the same.

AUDITORS

M/s P.L. Gupta & Co., Chartered Accountants, Auditors of the Company, retire from their Office. They are, however, eligible

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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 reappointment for the accounting year 2007-08.

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.

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, 2007, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) That, the Directors had selected such accounting policies and applied them consistently and made judgements 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, 2007 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their thanks to the Financial Institutions and 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 inspite of constraints have been working hard for the Company and are maintaining cordial relations.

FOR AND ON BEHALF OF THE BOARD

**SUDHIR TANDON
MANAGING DIRECTOR**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

PLACE : RAE BARELI

DATED: 27TH JULY, 2007

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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) Paddy Husk fuel consumption has been economized.
- (c) The required data as per Form-A of the Annexure to the aforesaid Rules is furnished below :

A. POWER AND FUEL CONSUMPTION

1. ELECTRICITY

Own Generation	Current year	Previous year
a) Through Diesel Generators		
Units (KWH in lacs)	6.07	6.54
Units per litre of Diesel	4.27	3.10
Diesel (Rs./Litre)	28.31	25.24
Rate/Unit (Rs.)	6.83	8.33
b) Through Steam Turbine		
Units (KWH in lacs)	219.74	219.78
Units per Tonne of Fuel	503	494
Rate /Unit (Rs.)	2.94	2.03
2. PADDY HUSK		
Quantity (Tonnes)	50960	53810
Total Cost (Rs. in lacs)	659.96	434.07
Average Rate (Rs./Tonne)	1295	807

B. CONSUMPTION PER UNIT PRODUCTION

Production (Tonnes)	18840	19370
Electricity* (Units/Tonne)	1199	1168
Paddy Husk** (Tonnes/Tonne)	2.70	2.78

* 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 as well as to find out suitable alternative raw materials for use in paper manufacturing.

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2. As a result of above, alternative raw materials have been introduced and process cost have been cut down, resulting in better profitability.
3. 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 Rs. NIL)
(b) Recurring	:	Rs. 150531/- (Previous Year 35671/-)
(c) Total	:	Rs. 150531/- (Previous Year 35671/-)
(d) Total R&D Expenditure as a percentage of total turnover	:	0.03% (Previous Year 0.01%)

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts

Suitable steps are being taken to upgrade the Pulp Mill to reduce chemicals and energy consumption, and improve quality of finished products.

2. Benefits

There has been significant reduction in the power consumption as well as in the consumption of chlorine, used for bleached pulp.

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 exploring the possibility of exporting to other countries also.
2. Foreign Exchange earnings and outgo :
Foreign exchange earnings on account of exports of goods and CERs was Rs. 554.67 lacs and total foreign exchange outgo during the year amounting to about Rs. 690.34 lacs on account of import of capital goods, raw material, stores, spares and travelling.

ANNEXURE II

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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. We strongly believe that sound principles of Corporate Governance are important keys to success, as these enhance the ability to secure the confidence of its stakeholders and facilitate effective management and control of business.

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. Our Corporate Governance Philosophy stems from our belief that the business strategy and plans should be consistent with the welfare of all stakeholders and should be in line with National Economic policies of the Government of India.

The Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success.

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 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.	No. of Shares held in the Company
				Held	Attended		
Shri Sudhir Tandon Managing Director	Promoter Executive	2	1	5	5	Yes	958148
Shri Girish Tandon Jt. Managing Director	Promoter Executive	2	1	5	5	Yes	598899
Shri Badri Vishal Tandon	Non-Independent Non Executive	3	2	5	5	Yes	1644844
Shri C M Krishna	Independent Non Executive	-	2	5	5	Yes	1000
*Shri J S Matharu	Independent Non Executive	-	2	2	-	No	NIL
Shri Om Nath Kapoor	Independent Non Executive	-	-	5	4	No	800
Shri K A Pai	Independent Non Executive	-	2	5	4	Yes	NIL
Prof. Sushil Khanna	Independent Non Executive	3	2	5	4	No	2000

* Retired on 31st July, 2006

It is clear from the above, that 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 number of Directors and the number of Independent Directors are also more than half of the total strength.

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The day to day operations of the Company are entrusted with Managing & Joint Managing Directors of the Company subject to superintendence, control and direction of the Board of Directors. Five Board Meetings were held during the year on 20.04.2006, 02.06.2006, 31.07.2006, 24.10.2006 and 27.01.2007.

Sri C M Krishna and Prof. Sushil Khanna are liable to retire by rotation and being eligible, offer themselves for reappointment. 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 Director	No. of Meetings held	No. of Meetings attended
Prof. Sushil Khanna	5	4
*Shri J S Matharu	2	NIL
Shri Badri Vishal Tandon	5	5
Shri C M Krishna	5	5
Shri K A Pai	2	2

* Retired on 31st July, 2006

The Audit Committee has been mandated with the same terms of reference as specified in amended Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd. 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 statements are correct, sufficient and credible.
2. Appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fee.
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 judgement 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.

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

MANAGERIAL REMUNERATION

REMUNERATION COMMITTEE

The Remuneration Committee of the Company 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 Director	No. of Meetings held	No. of Meetings attended
Prof. Sushil Khanna	1	1
Shri K A Pai	1	1
*Shri J S Matharu	1	NIL
Shri C M Krishna	NIL	NIL

* Retired on 31st July, 2006

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

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At present, no remuneration is paid to non-Executive Directors except sitting fee 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 Members, in General Meeting.

DETAILS OF REMUNERATION PAID TO EXECUTIVE DIRECTORS

The aggregate value of salary and perquisites paid during the financial year 2006-2007 to Shri Sudhir Tandon, Managing Director, Rs. 17,90,240/- and Shri Girish Tandon, Joint Managing Director, Rs. 18,17,706/-. Besides, based on Financial Year 2006-07 performance, commission payable to each of the Managing and Joint Managing Director is Rs. 5,16,289/-.

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 2006-07 is given below :

Sl. No.	Name of Director	Amount (Rs.)
1.	Shri Badri Vishal Tandon	53,500/-
2.	Shri C. M. Krishna	39,500/-
3.	Shri Om Nath Kapoor	17,000/-
4.	Shri K A Pai	29,000/-
5.	Prof. Sushil Khanna	34,500/-

SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

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

Shri Badri Vishal Tandon, Chairman

Shri Sudhir Tandon

Shri Girish 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 investor's complaint like share transfer, non receipt of Annual Report, 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 matters relating to transfer of shares etc.

Outstanding complaints as on 31st March, 2007 - NIL

The number of share transfer pending as on 31st March, 2007 - NIL

During the year, the Investor's Grievance Committee had four Meetings. All the members were present in the Meetings.

DETAILS OF SHAREHOLDING OF DIRECTORS AS ON 31.3.2007

Sl. No.	Name of Director	No. of Shares held
1.	Shri Sudhir Tandon	9,58,148
2.	Shri Girish Tandon	5,98,899
3.	Shri Badri Vishal Tandon	16,44,844
4.	Shri C M Krishna	1,000
5.	Shri K A Pai	NIL
6.	Shri Om Nath Kapoor	800
7.	Prof. Sushil Khanna	2,000

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GENERAL BODY MEETINGS

Location and time for the last four Annual General & Extra Ordinary General Meetings were :

Year	Location	Date	Time
2003-04 AGM	Regd. Office of the Company at 33, Dayanand Marg, Allahabad	07.09.2004	01.00 PM
2004-05 AGM	- do -	24.06.2005	01.00 PM
EGM	Hotel Elchico Restaurant Conference Hall, M.G. Marg, Civil Lines, Allahabad	06.08.2005	04.00 PM
2005-06 AGM	- do -	31.07.2006	11.30 AM
2006-07* AGM	- do -	24.09.2007	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

18th September, 2007 to 24th September, 2007 (Both days inclusive)

DIVIDEND PAYMENT DATE

28th September, 2007 tentatively

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, i.e. www.shbhawani.com

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 2006-2007.

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 11 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 Bombay Stock Exchange Ltd., Securities and Exchange Board of India and other Statutory Authority relating to capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

MEANS OF COMMUNICATION

The Company regularly intimates unaudited, as well as audited financial results to the Stock Exchanges immediately after these are taken on record by the Board. These financial results are normally published in the Business Standard / Economic Times & Amar Ujala, Allahabad and are displayed on the website of the Company www.shbhawani.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, <http://www.sebi.gov.in>.

GENERAL SHAREHOLDERS INFORMATION

Annual General Meeting

Date & Time : September 24, 2007 at 11.30 AM

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

SHREE BHAWANI PAPER MILLS LIMITED

LISTING

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

The Listing Fee for the financial year 2007-2008 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.

246, Sant Nagar, East of Kailash,
ISKON Temple Road
NEW DELHI - 110 065
Phone No. 011 26292682-83
Fax No. : 011 26292681

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 Registrars are empowered to approve the transfer of shares. Grievances received from members and other miscellaneous correspondence on change of address, mandates etc are processed by Registrar within 10 to 15 days.

DISTRIBUTION OF SHAREHOLDING AS ON 31.3.2007

No. of Shares	No. of Shareholders	%age	No. of shares	%age
Up to 500	2474	59.99	527986	3.22
501-1000	631	15.30	520701	3.17
1001-5000	757	18.35	1758079	10.70
5001-10000	124	3.01	931350	5.67
10001 & above	138	3.35	12685884	77.24
	4124	100.00	16424000	100.00

Category	No. of Shares	% age of Shareholding
Promoters' Holding (Including person acting in concert)	9405024	57.27
Institutional Investors	1400	0.01
Private Corporate Bodies	997693	6.07
NRIs	12004	0.07
Indian Public	6007879	36.58
	16424000	100.00

SHREE BHAWANI PAPER MILLS LIMITED

DEMATERIALISATION OF SHARES

As on 31.3.2007, 97.38% ie., 15994248 Equity Shares of Company's share capital are dematerialised and balance of 429752 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, WARRANT 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.**
246, Sant Nagar,
East of Kailash,
ISKON Temple Road,
New Delhi - 110 065
Email : admin@skylinerta.com
Tel : 011 - 26292682-83
Fax : 011 - 26292681

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 - 2607958/2607959
Fax : 0532 - 2607957

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, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

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

PLACE : RAE BARELI

DATED : 27TH JULY, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian Economy has been growing at upwards of 8% per year for the last four years and gained further momentum during the year under review with estimated growth around 9%. India's economic development has brought tremendous success for the country with a better global image. The infrastructure related problems as a threat to the country's economic development is being solved to some extent through public, private, domestic and foreign investments. Productivity scenario of our economy is experiencing a faster rate of growth today.

The recent development like tight money supply, hardening of interest rates and strengthening of rupee etc. are primarily aimed at keeping inflation in check. While these measures may have the potential of slowing down the economy temporarily, but, there is no doubt the economy is well set for a consistent growth of at least 8% to 9% for the next few years.

India has witnessed phenomenal development in the field of education both in quantitative and qualitative terms, since independence. However, the national goals of universal elementary education and total eradication of illiteracy still remain elusive. The Government is committed to achieving these national goals and has been steadily increasing the budgetary allocation for education. The production of paper is a key economic activity accounting in value terms for about 2.5% of the world's industrial production and 2% of world trade. Paper products are important for education, communications, packaging and health care. Worldwide, pulp and paper is the fifth largest industrial consumer of energy, accounting for four percent of the world's energy use.

The new millennium is going to be the millennium of the knowledge. So demand for paper would go on increasing in times to come. In view of paper industry's strategic role for the society and also for the overall industrial growth it is necessary that the paper industry performs well.

Fitch maintains a stable outlook for the paper industry in India and demand is expected to grow at a steady rate of 6%-7% per annum in the medium term, supported by India's firm economic growth. Capacity utilization in the industry is currently running at around 90% coupled with the cost push factors, this has contributed to an upward price trend across various segments of the paper industry which is likely to continue.

There are at present, about 594 units engaged in the manufacturing of paper, paperboards and newsprint in India producing nearly 5.5 million tons annually against the capacity of around 7.4 million tons. Paper consumption in India is expected to reach 9.0 million tons by the year 2010 and 13.0 million tons by 2015. In the past few years, imports have increased substantially from 1,02,000 tons in 1996-97 to 8,75,400 tons in 2004-05 leading to increased pressure on domestic production margins. Among the various sub-segments, paperboard is expected to grow above the industry average growth rate leading to an increase in its share within the paper industry.

OPPORTUNITIES AND THREATS

- The paper industry's performance depends on macro-economic factors and the demand supply situation. The industry is highly diverse, technical and capital intensive. Further, norms such as in chlorine free operations and tighter effluent treatment / discharge parameters have restricted expansion of capacities.

SHREE BHAWANI PAPER MILLS LIMITED

- The Company is an early entrant in expanding capacities, so it is likely to gain market share.
- In India, the per capita consumption of paper is 5.6 kg against ASIAN average of 45kg and world average of 60 kg. Hence, there is a potential demand for paper. There has been steep increase in the allocation of funds to the educational sector in the recent budget in the form of education cess and higher education cess which will increase the consumption of Paper.
- The main strength of the Company lies in its ability to sustain in the leaner period. Through innovation and continuous upgradation in efficiency & improvement in the health of the plant, the Company has been able to increase its production capacity substantially over the years.
- The Company has installed Waste Paper Deinking Line Pulp Street of about 60000 TPA which will mitigate the risks of agri-residue raw materials as well as take care of the environment protection issues on a long term basis.
- Any change in custom duty structure on Import of Waste Paper will affect the profitability of the Company.

PRODUCTWISE PERFORMANCE

During the year, the Company achieved a capacity utilization of about 90%. The production of MG & MF varieties of Paper during the year under review is 18840 MT as compared to 19370 MT during the previous year.

OUTLOOK

In view of the ongoing expansion plan, the product mix of the Company will improve significantly resulting in higher realization. The incremental fixed cost for achieving enhanced production is low. The Company is now in a better position to face any competitions. The Management is optimistic about the future outlook of the Company in long term. The Company has a wide range of product mix and its quality is well established. Domestic demand for paper is expected to strengthen resulting in increase in paper price in the near term.

CAPITAL EXPENDITURE SCHEME

More than Rs. 56 Crores had been incurred on the Capital Expenditure Scheme till March, 2007. The Power Plant having capacity of 3MW was commissioned in March, 2007. Almost all plant and machinery has been installed in the Pulp Mill and Paper Machine Section. Paper was reeled on 7th July, 2007 during the trial runs of the paper machine. However, entire scheme is expected to be completed by August, 2007, with a delay of five months.

The Company has been sanctioned 2500 KVA of power supply from UPPCL. The supply will be made available through an independent feeder of 33 KV. The total cost of drawing this line along with related facilities will be around Rs. 150 lacs including initial Security Deposit. Along with 6 MW of Captive Power generation, total available power supply of 8.5 MW, will enable the Company to produce about 170 Tons per day of saleable paper. Of course, the Company would install another co-generation plant in the future to circumvent any dependence upon grid power.

RISK AND CONCERNS

- The cost of raw materials, chemicals and other inputs are continuing to increase.
- The Company faces competition from cheap imports from Russia, Indonesia, South East European Countries.
- Increased competition in paper industry may adversely affect the business of the Company.

FINANCIAL PERFORMANCE

The Company's gross turnover for the year ended 31st March, 2007 has gone up from Rs. 54.50 crores to Rs. 55.45 crores resulting growth of about 2% and the Company has been able to achieve pre tax cash profit of Rs. 656 lacs as against Rs. 435 lacs during the previous year.

The overall performance of the Company during the year ended 31st March, 2007 has been satisfactory. The capacity utilization of the plant is well maintained.

During the year under review, the Company has received Rs. 4.78 Crores from sale of 57,469 Certified Emission Reductions (CERs) generated during December, 2001 to December, 2005 from the existing 3 MW Power Plant. This power plant is expected to generate future credits of about 14,700 CERs annually from January, 2006 to December 2011.

The second Rice Husk based Cogeneration Power Project of the Company, at Rae Bareli has also been registered with the Executive Board at the United Nations Framework Convention on Climate Change (UNFCCC) on 15th January, 2007. This power plant is expected to generate additional credits of about 14,000 CERs annually for a period of ten years.

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.

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, 2007, the Profit & 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 (Auditors' 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 & 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 & 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, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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, 2007;
 - b. in the case of the Profit & Loss Account, of the profit 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**

**PLACE : RAE BARELI
DATE : 27th JULY, 2007**

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

ANNEXURE TO THE AUDITORS' REPORT

RE: SHREE BHAWANI PAPER MILLS LIMITED

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

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The Company has physically verified certain assets during the year in accordance with a programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) During the year, the Company has not disposed off a substantial part of its Fixed Assets.
- 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. 5.20 lacs were outstanding in case of 6 parties covered in the register maintained U/S 301 of the Companies Act, 1956, the maximum amount due during the year was Rs. 15.42 lacs.
(c) The rate of interest and other terms and conditions of the fixed deposits were prima-facie not prejudicial to the interest of the Company.
(d) The payment of principal amount and interest on the aforesaid Fixed Deposits were regular.
- IV. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- V. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been entered.
(b) According to the information and explanations given to us, there is no transaction (excluding the loans reported in para (iii) (b) above) in respect of any party and hence the question of reasonable prices in respect of such transactions with regard to the prevailing market price does not arise.
- VI. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 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, customs 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, sales tax, wealth tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there is no dues of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- X. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year and in the immediately preceding financial year.
- XI. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- 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 are 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. We have verified the end use of money raised by way of Rights Issue as disclosed in Note No. 7 of Schedule 20 on 'Notes on Accounts' forming part of the financial statements.
- 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**

**PLACE : RAE BARELI
DATE : 27th JULY, 2007**

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

SHREE BHAWANI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

SCHEDULE	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
I. SOURCES OF FUNDS :		
1. SHAREHOLDERS' FUNDS		
(a) Share Capital	1 162641220	41060000
(b) Promoters Contribution towards Rights Issue	—	30000000
(c) Reserves & Surplus	2 130117766	86455880
	<u>292758986</u>	<u>157515880</u>
2. LOAN FUNDS		
(a) Secured Loans	3 434055270	119653663
(b) Unsecured Loans	4 49156817	49441280
	<u>483212087</u>	<u>169094943</u>
3. DEFERRED TAX LIABILITY (Refer Note 9, Schedule 20)		
	<u>44171212</u>	<u>31217441</u>
TOTAL	<u>820142285</u>	<u>357828264</u>
II. APPLICATION OF FUNDS :		
1. FIXED ASSETS		
(a) Gross Block	5 511251920	387417436
(b) Less : Depreciation	<u>216009287</u>	<u>199298870</u>
(c) Net Block	<u>295242633</u>	<u>188118566</u>
(d) Capital Work-in-Progress	6 381183115	66702712
	<u>676425748</u>	<u>254821278</u>
2. INVESTMENTS		
	7 294840	—
3. CURRENT ASSETS, LOANS & ADVANCES		
(a) Inventories	8 101816661	88174841
(b) Sundry Debtors	9 59730356	37427709
(c) Cash & Bank Balances	10 5637910	20689005
(d) Loans & Advances	11 39200481	5017037
	<u>206385408</u>	<u>151308592</u>
Less : Current Liabilities and Provisions		
(a) Current Liabilities	12 43760313	39622952
(b) Provisions	13 19203398	8678654
	<u>62963711</u>	<u>48301606</u>
NET CURRENT ASSETS	<u>143421697</u>	<u>103006986</u>
TOTAL	<u>820142285</u>	<u>357828264</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)
PROPRIETOR**

PLACE : RAE BARELI
DATED : 27TH JULY, 2007

**SUDHIR TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR**

} **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	Year Ended 31.03.2007 Rupees		Year Ended 31.03.2006 Rupees
INCOME				
Sales	14	554452719		544998226
Less : Excise Duty		59200781		58403024
		<u>495251938</u>		<u>486595202</u>
Other Income	15	48947359		422649
		<u>544199297</u>		<u>487017851</u>
EXPENDITURE				
Materials	16	316419954		290518752
Payments & Benefits to Employees	17	59167305		63185680
Power & Fuel		67058031		49483390
Cost of Borrowings	18	11634636		17550026
Other Expenses	19	24331295		22773749
		<u>478611221</u>		<u>443511597</u>
Profit before depreciation & taxation		65588076		43506254
Depreciation		18023979		17475930
Profit before taxation		47564097		26030324
Provision for taxation				
Current tax	5300000		2200000	
Deferred tax	12953771		-3515894	
Fringe Benefit Tax	671538	18925309	660004	-655890
Profit after taxation		<u>28638788</u>		<u>26686214</u>
Balance brought forward from last year		10073663		8069316
Amount available for appropriations		38712451		34755530
APPROPRIATIONS :				
General Reserve		10000000		20000000
Proposed Dividend		13139200		4106000
Tax on Proposed Dividend		2233007		575867
Surplus Carried to Balance Sheet		<u>13340244</u>		<u>10073663</u>
Basic/Diluted Earnings per Share (Rs.) (Refer Note 10 Schedule 20)		2.46		6.50

NOTES FORMING PART OF THE ACCOUNTS 20

As per our report of even date.

**FOR P. L. GUPTA & CO.,
CHARTERED ACCOUNTANTS
(P. L. GUPTA)
PROPRIETOR**

**SUDHIR TANDON
MANAGING DIRECTOR**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**PLACE : RAE BARELI
DATED : 27TH JULY, 2007**

**BABITA JAIN
COMPANY SECRETARY**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR**

} **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

		(RUPEES IN LACS)	
		Year Ended 31.03.2007	Year Ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		475.64	260.30
Adjustment for:			
Depreciation		180.24	174.76
Interest Expenses		116.35	175.50
Interest Income		- 5.50	- 2.39
(Profit)/Loss on Sale of Fixed Assets		- 4.38	- 0.36
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		762.35	607.81
Adjustment for:			
Trade & Other receivables	-566.28		41.81
Inventories	-136.42		28.44
Trade payable and other liabilities	22.59	-680.11	76.57
CASH GENERATED FROM OPERATIONS		82.24	684.38
Direct taxes paid		-71.03	-29.80
CASH FLOW BEFORE EXTRAORDINARY ITEMS		11.21	654.58
Extraordinary items		-	-
NET CASH FROM OPERATING ACTIVITIES	...A	11.21	654.58
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		- 4372.19	- 686.36
Sale of Fixed Assets		8.27	4.46
Purchase of Investments		-2.95	-
Interest received		6.93	3.15
NET CASH USED IN INVESTING ACTIVITIES	...B	- 4359.94	-678.75
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Share Capital		1219.76	300.00
Proceeds from Long Term Borrowings		3408.69	415.21
Repayment of Long Term Borrowings		- 205.00	- 205.00
Net Increase/decrease in Cash Credit Utilisation		- 72.79	- 64.69
Deposits		- 2.84	- 35.15
Hire Purchase		13.11	- 4.04
Interest paid		- 122.37	- 182.11
Dividend paid		- 40.34	- 40.12
NET CASH USED IN FINANCING ACTIVITIES	...C	4198.22	184.10

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2007	(RUPEES IN LACS) Year Ended 31.03.2006
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>-150.51</u>	<u>159.93</u>
CASH AND CASH EQUIVALENTS (Opening Balance)	206.89	46.96
CASH AND CASH EQUIVALENTS (Closing Balance)	56.38	206.89

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)
PROPRIETOR**

**PLACE : RAE BARELI
DATED : 27TH JULY, 2007**

**SUDHIR TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR** } **DIRECTORS**

SHREE BHAWANI PAPER MILLS LIMITED

SCHEDULE 1 : SHARE CAPITAL

	As at 31-03-2007 <u>Rupees</u>	As at 31-03-2006 <u>Rupees</u>
AUTHORISED		
35000000 Equity Shares of Rs. 10/- each	350000000	350000000
250000 Preference Shares of Rs. 10/- each	<u>2500000</u>	<u>2500000</u>
	352500000	352500000
 ISSUED, SUBSCRIBED AND PAID-UP		
16424000 (Previous Year 4106000) 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	41060000
Less : Calls in Arrears from others	<u>1598780</u>	<u>—</u>
	162641220	41060000

SCHEDULE 2 : RESERVES AND SURPLUS

Securities Premium Account			
Received during the year	30795000		—
Less : Calls in Arrears from others	<u>399695</u>	<u>30395305</u>	<u>—</u>
Capital Reserve			
As per last account	1568875		1568875
Capital Redemption Reserve			
As per last account	1000000		1000000
General Reserve			
As per last account	73813342	53813342	
Add : Transferred from Profit and Loss Account	<u>10000000</u>	<u>20000000</u>	<u>73813342</u>
Profit & Loss Account		<u>13340244</u>	<u>10073663</u>
		130117766	86455880

SCHEDULE 3 : SECURED LOANS

I. TERM LOANS

The IFCI Limited	8000000	16000000
Indian Bank	221627511	35259584
Bank of Baroda	<u>173262854</u>	<u>31261388</u>
	402890365	82520972

- (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.
- (ii) Instalments of Principal loan falling due within one year Rs.205 lacs (Previous Year Rs. 205 lacs).

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
II. OTHER LOANS & ADVANCES		
(a) From Banks	29784970	37063766
<p>Secured by hypothecation of Stock of Raw Materials, Stores, Stock in process, finished goods, book debts, both present and 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 Joint Managing Director of the Company.</p>		
(b) From Others :		
Hire Purchase Finance	1379935	68925
Secured by hypothecation of specific asset.		
	434055270	119653663
SCHEDULE 4 : UNSECURED LOANS		
Fixed Deposits*	31569500	30188172
Security Deposits	17587317	19253108
* Includes Rs. 2 lacs from Director (Previous Year Rs. 2 lacs)	49156817	49441280

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31.03.2006 Rs.	Addi- tions Rs.	Deduc- tions Rs.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.	For the Year	Deductions/ Adjustments	As at 31.03.2007 Rs.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Lease Hold Land	887530	—	—	887530	246531	9861	—	256392	631138	640999
Buildings	54874927	12019338	—	66894265	19029773	1841358	—	20871131	46023134	35845154
Plant & Machinery	313789070	110105014	1225760	422668324	167210559	14352585	943308	180619836	242048488	146578511
Vehicles*	10686280	3030904	381671	13335513	8066788	1336383	275390	9127781	4207732	2619492
Furniture, Fixture & Other Equipments	7179629	381959	95300	7466288	4745219	483792	94864	5134147	2332141	2434410
	387417436	125537215	1702731	511251920	199298870	18023979	1313562	216009287	295242633	188118566
Previous Year	388334286	3362831	4279681	387417436	185693415	17475930	3870475	199298870	188118566	
Capital Work in Progress									381183115	66702712

Note : * includes under hire purchase arrangement Rs. 4117537/-

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
SCHEDULE 6 : CAPITAL WORK IN PROGRESS		
Building under Construction	26565530	8137176
Plant & Machinery under Erection	276885947	1334831
Advance against Capital Expenditure	46668644	47588926
	(A) 350120121	57060933
Pre-Operative Expenditure		
Expenditure incurred upto previous year	9641779	—
Salaries, Wages and other benefits	9910324	525114
Project Appraisal Fee	—	909682
Interest on Term Loans	17608900	1079752
Insurance	2205582	27550
Professional Fee	962925	1775367
Bank Charges	165925	1458114
Travelling Expenses	1216115	1082451
Printing and Stationery	23158	—
Miscellaneous Expenses	18810	—
Power and Fuel Expenses	3579048	—
Share Issue Expenses	1447044	2783749
	46779610	9641779
Less : Capitalised		
Plant and Machinery	11914082	—
Buildings	3802534	—
	15716616	—
Pre-Operative Expenditure (Net) - Pending Allocation	(B) 31062994	9641779
Total (A + B)	381183115	66702712

SCHEDULE 7 : INVESTMENTS

Long term Investments Non-Trade (Quoted)	294840	—
3240 Equity Shares of Rs. 10/- each of Indian Bank		
Market Value of Quoted Investments Rs. 292248/-		

SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2007 Rupees	As at 31-03-2006 Rupees
SCHEDULE 8 : INVENTORIES		
(Certified and valued by the Management)		
Raw Materials	38051606	32406861
Stores, Chemicals & Spare Parts	60827987	53557693
Finished Goods	799207	1170305
Stock in process	2137861	1039982
	101816661	88174841
SCHEDULE 9 : SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Other Debts	59730356	37427709
	59730356	37427709
SCHEDULE 10 : CASH & BANK BALANCES		
Cash in hand	884347	1055348
With Scheduled Banks :		
In Current Account	2413563	11789841
In Fixed Deposit Account	2340000	7843816
	5637910	20689005
SCHEDULE 11 : LOANS & ADVANCES		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	32840857	3818724
Balance with Central Excise Department	6118766	1044846
Sundry Deposits	240858	153467
	39200481	5017037
SCHEDULE 12 : CURRENT LIABILITIES		
Sundry Creditors (including Rs. 1221936/- due to Directors; 2005-2006, Rs. 456334/-) (Refer Note. 5, Schedule 20)	34600051	32439107
Advances from Customers	1038213	1744534
Creditors for Capex Scheme	2795094	—
Unclaimed Dividends	387436	315195
Other Liabilities	2285151	1868282
Interest accrued but not due on loans	2654368	3255834
There is no amount due to be transferred to Investor education and protection fund.		
	43760313	39622952
SCHEDULE 13 : PROVISIONS		
Income Tax (Net of Advances)	824456	1219941
Provision For Fringe Benefit Tax (Net of Advances)	18200	177335
Proposed Dividend	13139200	4106000
Corporate Tax on Proposed Dividend	2233007	575867
Leave Encashment	2988535	2599511
	19203398	8678654

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2007 Rupees	Year Ended 31.03.2006 Rupees
SCHEDULE 14: SALES		
SALES (Inclusive of Excise Duty)	575800589	568172379
Less : Rebate & Discounts	21347870	23174153
	554452719	544998226
SCHEDULE 15 : OTHER INCOME		
Certified Emission Reductions Sale	47783257	—
Interest - Deposits with Banks (Tax Deducted at Source Rs. 99637/-, 2005-2006 Rs. 4154/-)	540866	239068
Interest on Call Money	4146	—
Interest - Others	4897	37
Profit on Sale of Fixed Assets (Net)	437831	36294
Miscellaneous Receipts	176362	147250
	48947359	422649
SCHEDULE 16 : MATERIALS		
A. CONSUMPTION OF RAW MATERIALS		
Opening Stock	32406861	30478406
Add : Purchases	134287654	107338942
	166694515	137817348
Less : Closing Stock	38051606	32406861
	128642909	105410487
B. INCREASE/DECREASE IN STOCKS		
Opening Stock :		
Finished Goods	1170305	1456999
Stock in Process	1039982	1059156
	2210287	2516155
Less : Closing Stock :		
Finished Goods	799207	1170305
Stock in process	2137861	1039982
	2937068	2210287
	-726781	305868
C. EXCISE DUTY ON CLOSING STOCKS		
	104453	116492
D. CONSUMPTION OF STORES, CHEMICALS & SPARE PARTS		
	188399373	184685905
	316419954	290518752
SCHEDULE 17 : PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries, Wages, Bonus & Allowances	51632587	55831823
Workmen and Staff Welfare Expenses	3543726	3545013
Employer's Contribution to Provident & Other Funds	3990992	3808844
	59167305	63185680

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2007 Rupees	Year Ended 31.03.2006 Rupees
SCHEDULE 18 : COST OF BORROWINGS		
Interest		
Fixed Loans*	6905287	11131861
Bank Borrowings etc.	4729349	6418165
* Includes Rs. 22000/- paid to Directors (Previous Year Rs. 24752/-)	11634636	17550026
SCHEDULE 19 : OTHER EXPENSES		
Repairs & Maintenance:		
Buildings	515196	356224
Plant & Machinery	4178247	6521508
Others	63859	259360
	4757302	7137092
Advertisement & Publicity	809389	874841
Bad Debts/Irrecoverable Balance Written Off	—	354816
Bank Charges	1120651	505460
Directors' Fee	173500	192500
Directors' Travelling Expenses	150772	191722
Exchange Rate Fluctuation	95755	—
Freight, Forwarding & Other Selling Expenses	3470796	2649308
Insurance	1217086	566680
Legal Expenses & Professional Fee	649821	1077469
Postage, Telegram & Telephone	1281885	1168365
Printing & Stationery	476290	438041
Rates & Taxes	525195	633271
Rent	720000	480000
Selling Agents Commission	2135450	534248
Travelling & Conveyance	2602343	2374202
Auditors' Remuneration:		
(* Net of service tax)		
Audit Fee	80000*	80000
Tax Audit Fee	20000*	12500
Other Services	72000*	122000
Reimbursement of Expenses	14000	16000
	186000	230500
Cost Audit Fee	24000	24000
Internal Audit Fee (including service tax)	28060	28060
Vehicle Expenses	1518463	1461663
Research & Development Expenses	150531	35671
Miscellaneous Expenses	2238006	1815840
	24331295	22773749

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. Retirement Benefits :

Company's contribution to Provident Fund and other funds are charged to the Profit & Loss Account. The leave encashment benefit payable to employees is provided for in the accounts on the basis of actuarial valuation at the end of the financial year.

The Company has created an approved gratuity fund and has taken a Group Gratuity Insurance Policy with Life Insurance Corporation of India for future payment of gratuity to employees. The Company accounts for gratuity liability equivalent to the premium amount payable to Life Insurance Corporation of India every year.

H. Fixed Assets :

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

I. Borrowing Cost :

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

J. Provision and Contingencies :

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

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

SHREE BHAWANI PAPER MILLS LIMITED

K. Investments :

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

L. Foreign Currency Transactions :

- i) Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate at the date of the transaction.
- ii) Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expenses in the period in which they arise except in case of liabilities incurred for the purpose of acquiring the fixed assets from outside India in which case such exchange differences are adjusted in the carrying amount of fixed assets.

M. Lease :

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

N. Inventories :

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

O. Taxation :

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

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

P. Research and Development :

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

Q. Impairment of Assets :

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

2. Contingent liability not provided for:

Customers Cheques/Bills discounted **Rs. NIL** (Previous Year Rs. NIL)
Guarantees given by bank **Rs. 2 lacs** (Previous Year Rs. 31.55 lacs)
Outstanding Letter of Credit **Rs. 58.77 lacs** (Previous Year Rs. 447.65 lacs).

3. Estimated amount of capital contracts remaining to be executed and not provided for **Rs. 706 lacs** (Previous Year Rs. 3125 lacs).

4. The Income Tax assessments of the Company have been completed upto Assessment Year 2004-05.

SHREE BHAWANI PAPER MILLS LIMITED

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 Rs 2119515/- (Previous Year Rs. 1781256/-) due to Small Scale Industrial (SSI) undertakings to the extent such parties have been identified from the information available. Names of SSI's to whom amounts payable are outstanding for more than 30 days as at 31st March, 2007 are : M/s Amar Sulpha Chem Pvt. Ltd.; M/s Amar Alum & Allied Chemicals Pvt. Ltd., M/s Archana Minerals Industries, M/s Bindan Packs Pvt. Ltd., M/s GD Associates, M/s Golden Papier Mache Pvt. Ltd., M/s Hindustan Silicate Factory, M/s Krishna Agro, M/s Sakshi Packers Pvt. Ltd., M/s Shell Tubing Pvt. Ltd., M/s S.N. Pandey & Co. and M/s True Light Minerals & Chemicals.
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. 7.20 lacs (Previous Year Rs. 4.80 lacs).
7. The Company raised Rs. 1519.76 lacs through Rights issue of Equity Shares and the entire amount has been utilised till 31.03.2007 for project payments and balance amount remaining was Rs. NIL.

	2006-2007 Rupees	2005-2006 Rupees
8. Managing & Joint Managing Directors' remuneration		
Salary	2160000	1680000
Commission	1032578	311366
Perquisites	1136580	918247
	4329158	2909613

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

Statement showing computation of net profits in accordance with Section 198 read with Section 309 (5) of the Companies Act, 1956 :

	2006-2007 Rupees	2005-2006 Rupees
Profit before tax	47564097	26030324
Add : Managing & Joint Managing Directors' remuneration	4329158	2909613
Directors' Fee	173500	192500
	52066755	29132437
Less : Profit on Sale of Fixed Assets	437831	36294
Net Profit for the purpose of Directors' Commission	51628924	29096143
10% of above	5162892	2909614
Remuneration Paid	3296580	2598247
Balance	1866312 (i)	311367
1% of the Net Profit (for 2 Directors)	1032578 (ii)	581922
Lower of (i) and (ii) payable as commission	1032578	311367
Commission Payable to each of the Managing Director and Joint Managing Director.	516289	155683

SHREE BHAWANI PAPER MILLS LIMITED

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

	As at 01.04.2006	Charge during the year	As at 31.03.2007
Deferred Tax Liability :			
Depreciation	49747475	12953771	62701246
Deferred Tax Assets :			
Unabsorbed Depreciation	18530034	—	18530034
Net Deferred Tax Liability	31217441	12953771	44171212

10. Earnings Per share (EPS)- The numerators and denominators used to calculate Basic/Diluted Earnings Per Share:

	Year Ended 31.03.2007	Year Ended 31.03.2006
Profit attributable to the Equity Share holders (Rs.) (A)	28638788	26686214
Basic/Weighted average number of Equity Shares outstanding during the year (Nos) (B)	11661040	4106000
Nominal value of Equity Share (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) for the year (A/B)	2.46	6.50

11. **Related Party Disclosure as per Accounting Standard 18 :**

List of related parties and relationships :

Key Management Personnel

1. Shri Sudhir Tandon - Managing Director
2. Shri Girish Tandon - Joint Managing Director

Relative of Key Management Personnel

1. Shri Hari Mohan Das Tandon
2. Smt. Sulochani Devi Tandon
3. Shri Badri Vishal Tandon
4. Shri Satish Tandon
5. Smt. Savita Seth
6. Smt. Indu Mehrotra
7. Smt. Shail Tandon
8. Smt. Neera Tandon
9. Smt. Surabhi Mehra
10. Shri Manas Tandon
11. Smt. Paridhi Tandon
12. Shri Akshat Tandon

SHREE BHAWANI PAPER MILLS LIMITED

Transactions with Related Parties :

Nature of Transactions	Key Management Personnel	Relative of Key Management Personnel
I. Rent for Office Premises	Rs. 144000 Rs. [96000]	Rs. 216000 Rs. [144000]
II. Interest on Fixed Deposits taken	Rs. — Rs. [24752]	Rs. 39029 Rs. [364295]
III. Opening Balance of Fixed Deposits	Rs. — Rs. [810000]	Rs. 902800 Rs. [6737800]
Fixed Deposits received during the period/year	Rs. — Rs. [400000]	Rs. — Rs. [2940000]
Fixed Deposits repaid during the period/year	Rs. — Rs. [1210000]	Rs. 902800 Rs. [2500000]
Closing Balance of Fixed Deposits	Rs. — Rs. —	Rs. — Rs. [7177800]
IV. Interest accrued as on 31.03.2007	Rs. — Rs. —	Rs. — Rs. [100267]
V. Managerial Remuneration	Rs. 4329158 Rs. [2909613]	Rs. 53500 Rs. [49000]
VI. Managerial remuneration payable as at 31.03.2007	Rs. 1221936 Rs. [456334]	Rs. — Rs. —

12. Segment Information :

The Company operates only in one business segment, that is, "Printing, Writing and Wrapping Papers".

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

SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31.03.2007	Year Ended 31.03.2006		
14.a) CAPACITIES AND PRODUCTION				
CAPACITIES				
i) Licenced Capacity (per annum) Printing, Writing & Wrapping Papers	NOT APPLICABLE	NOT APPLICABLE		
ii) Installed Capacity (per annum)* (*As certified by the Management and accepted by Auditors)	21000 MT	21000 MT		
PRODUCTION				
Finished Goods Printing, Writing & Wrapping Papers	18840 MT	19370 MT		
b) SALES				
Printing, Writing & Wrapping Papers	18860 MT Rs. 575800589	19388 MT Rs. 568172379		
c) STOCK OF FINISHED GOODS				
i) Closing Stock Printing, Writing & Wrapping Papers	28 MT Rs. 799207	48 MT Rs. 1170305		
ii) Opening Stock Printing, Writing & Wrapping Papers	48 MT Rs. 1170305	66 MT Rs. 1456999		
d) RAW MATERIALS CONSUMED				
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Straw & Bagasse	59414	83827885	52253	56311155
Waste Paper	4	52690	368	4559675
Jute, Waste & Hemp	2150	23771308	2667	26478323
Cotton Waste	1940	20991026	1829	18061334
		128642909		105410487
e) CONSUMPTION OF RAW MATERIALS, STORES & SPARES				
	2006-2007		2005-2006	
	Rupees	%	Rupees	%
i) RAW MATERIALS				
Imported	—	—	—	—
Indigenous	128642909	100.00	105410487	100.00
ii) STORES & SPARES				
Imported	548955	0.29	1035141	0.56
Indigenous	187850418	99.71	183650764	99.44
f) CIF VALUE OF IMPORTS				
i) Capital Goods	62881955		—	
ii) Raw Materials	5152374		—	
iii) Stores & Spares	526233		925381	
g) EARNINGS IN FOREIGN CURRENCY				
i) Certified Emission Reductions	52000365		—	
ii) On Export of Goods (FOB Basis)	3466983		—	
h) EXPENDITURE IN FOREIGN CURRENCY				
Travelling	473476		481578	

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:

Registration No : State Code :
 Balance Sheet Date :

(II) CAPITAL RAISED DURING THE YEAR

Public Issue	Rights Issue
<input type="text" value="NIL"/>	<input type="text" value="151976"/>
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="883106"/>	<input type="text" value="883106"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus
	<input type="text" value="162641"/>	<input type="text" value="130118"/>
	Deferred Tax Liability	Secured Loans
	<input type="text" value="44171"/>	<input type="text" value="434055"/>
		Unsecured Loans
		<input type="text" value="49157"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="676426"/>	<input type="text" value="295"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="143421"/>	<input type="text" value="NIL"/>

(IV) PERFORMANCE OF COMPANY

Turnover	Total Expenditure
<input type="text" value="544199"/>	<input type="text" value="496635"/>
Profit Before Tax	Profit After Tax
<input type="text" value="47564"/>	<input type="text" value="28639"/>
Earning Per Share in Rs.	Dividend Rate
<input type="text" value="2.46"/>	<input type="text" value="8%"/>

SHREE BHAWANI PAPER MILLS LIMITED

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

Item Code No. (ITC Code) :

48026009

Product Description :

Uncoated Paper and Paper Board used for Writing and Printing purposes 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)
PROPRIETOR**

**PLACE : RAE BARELI
DATED : 27TH JULY, 2007**

**SUDHIR TANDON
MANAGING DIRECTOR**

**BABITA JAIN
COMPANY SECRETARY**

**GIRISH TANDON
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON
C.M. KRISHNA
SUSHIL KHANNA
OM NATH KAPOOR** } **DIRECTORS**

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 Twenty Eight Annual General Meeting of the Company to be held on 24th September, 2007 and at any adjournment thereof.
hand/hands this
..... day
of 2007

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—211 002

ATTENDANCE SLIP

I/We hereby record my/our presence at the 28th Annual General Meeting held at Conference Hall, Hotel Elchico at 24, M. G. Marg, Allahabad—211 002 on Monday, the 24th September, 2007 at 11.30 a.m.

.....
Full Name of the Member (in block letters) Signature

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

* Applicable for Members holding shares in electronic form.

.....
Full Name of the proxy (in block letters) Signature

NOTES :

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

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

28th

**DIRECTORS' REPORT
AND ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31ST MARCH, 2007**

SHREE BHAWANI 
PAPER MILLS LIMITED

**BOOK POST
UNDER CERTIFICATE OF POSTING**

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