

# 25th

**DIRECTORS' REPORT  
AND ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31ST MARCH, 2004**

**SHREE BHAWANI**   
**PAPER MILLS LIMITED**

**DIRECTORS**

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

**COMPANY SECRETARY**

Smt. Babita Jain

**AUDITORS**

M/s B. Chhawchharia & 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.  
123, Vinoba Puri,  
Lajpat Nagar-II  
New Delhi 110 024

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## **NOTICE**

NOTICE is hereby given that the 25th Annual General Meeting of SHREE BHAWANI PAPER MILLS LIMITED will be held at the Registered Office of the Company at 33, Dayanand Marg, Allahabad- 211 002, on Monday, the 27<sup>th</sup> September, 2004 at 1.00 P.M. to transact the following Business :-

### **ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended 31<sup>st</sup> March, 2004, the Report of the Auditors and the Report of the Directors, thereon.
2. To appoint a Director in place of Shri C M Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Sushil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors for the year and in this connection, to consider, and if thought fit, to pass, with or without modification(s), the following Resolution as Ordinary Resolution :

"RESOLVED THAT M/s P.L. Gupta & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of M/s. B. Chhawchharia & Co., Chartered Accountants, the retiring Auditors, to hold office until the conclusion of next Annual General Meeting at a remuneration of Rs. 55,000/- (Rupees fifty five thousand only) plus service tax, as applicable, and travelling and other out of pocket expenses."

REGISTERED OFFICE :  
33, DAYANAND MARG  
ALLAHABAD - 211 002

DATED : 31<sup>ST</sup> JULY, 2004

BY ORDER OF THE BOARD

BABITA JAIN  
COMPANY SECRETARY

**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 relevant explanatory statement pursuant to Item No.4 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 15<sup>th</sup> September, 2004 to 27<sup>th</sup> September, 2004 (both days inclusive).
4. Members are requested to intimate change, if any, in their addresses.
5. 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 1995-96 has been transferred to Investor Education and Protection Fund in the month of October, 2003.**

**The Unclaimed Dividend for Financial Years 1996-97, 1997-98, 1998-99, 2001-2002 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 1996-97, 1997-98, 1998-99 & 2001-2002 may immediately approach the Company with their dividend warrants for encashment.

6. 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.
7. **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.**
8. The Company has paid annual Listing Fee to the Stock Exchange, Mumbai where the Company's equity shares are listed, for the financial year 2004-2005.
9. Details of the Directors seeking re-appointment at this Annual General Meeting :  
(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)
  - (i) Shri C M Krishna, aged about 68 years, is MA (Economics), LLB and has more than 40 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.  
Details of other Directorship/Committee Membership held by him : NIL
  - (ii) Shri Sushil Khanna, aged about 53 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 the Audit Committee and Remuneration Committee of the Company.  
Details of other Directorship/Committee Membership held by him : NIL

**EXPLANATORY STATEMENT**

**ITEM NO. 4**

M/s. B. Chhawchharia & Co., Chartered Accountants, Retiring Auditors of the Company, have expressed their inability to continue as Statutory Auditors of the Company. Your Directors recommend the appointment of M/s. P.L. Gupta & Co., Chartered Accountants, as Statutory Auditors of the Company for the period ending with the conclusion of next Annual General Meeting.

M/s. P.L. Gupta & Co., Chartered Accountants, have confirmed that their appointment as Statutory Auditors of the Company, if made, will be within the prescribed limits specified in Section 224 (I-B) of the Companies Act, 1956.

None of the Directors of the Company is interested in the said Resolution.

REGISTERED OFFICE:  
33, DAYANAND MARG  
ALLAHABAD - 211 002

BY ORDER OF THE BOARD

BABITA JAIN  
COMPANY SECRETARY

DATED : 31<sup>ST</sup> JULY, 2004

## DIRECTORS' REPORT

We have pleasure in presenting our 25<sup>th</sup> Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2004.

### PERFORMANCE

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

	<b>Year ended 31.03.2004</b>	<b>Year ended 31.03.2003</b>
Production (Tonnes)	<b>19611</b>	<b>18062</b>
Sales	<b>Rs. 5008 Lacs</b>	<b>Rs. 4472 Lacs</b>
Gross Profit	<b>460</b>	<b>537</b>
Less : Interest	<b>255</b>	<b>256</b>
Depreciation for the year	<b>173</b>	<b>168</b>
Profit for the year before tax	<b>32</b>	<b>113</b>
Less : Provision for taxation	<b>14</b>	<b>51</b>
	<b>18</b>	<b>62</b>
Profit brought forward from last year	<b>62</b>	<b>59</b>
Less : Deferred tax liability of prior year	<b>-</b>	<b>59</b>
Surplus carried to Balance Sheet	<b>80</b>	<b>62</b>

The Company could achieve record production during the year under review, mainly on account of benefits accruing from modification in MF Paper Machine undertaken in the previous year.

Despite increase in production, profit is lower. Adverse impact of availability and high cost of raw materials and husk fuel due to severe drought of 2002, was partially felt during the year under review. Excise duty burden increased due to withdrawal of nil levy earlier applicable on initial despatch of 3,500 tonnes of paper. Paper market condition remained weak. Your Directors are skipping dividend due to paucity of adequate profits.

### DEFERRED TAX LIABILITY

Suitable provisions have been made for deferred tax liability as per Accounting Standard for Taxes on income, as explained in Schedule 18, that is, Notes forming part of the Accounts.

### AUDITOR'S REPORT

Referring to remark in para 4 (IV) of the Auditor's Report, the Board of Directors wish to state that the Company is complying with the requirements of AS-2. 'Valuation of inventories'. Inventories are valued at cost or net realisable value whichever is lower.

## **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 31<sup>st</sup> March, 2004, fixed deposits from the public and shareholders aggregated to Rs. 331.55 lacs. There has been no unpaid/unclaimed/overdue deposit as on date.

## **DIRECTORS**

Shri C M Krishna and Shri Sushil Khanna, Directors of the Company, are retiring by rotation and are eligible for re-election.

## **AUDITORS**

M/s B. Chhawchharia & Co., Chartered Accountants, retiring Auditors of the Company, have informed that they are unable to continue as Statutory Auditors of the Company. Your Directors would like to place their deep appreciation for the professional and dedicated services rendered for more than two decades by M/s. B. Chhawchharia & Company, the retiring Auditors. Your Directors recommend the appointment of M/s. P.L. Gupta & Co., Chartered Accountants, as Statutory Auditors of the Company for accounting year 2004-05. They are eligible for 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.

## **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 the part of the Directors' Report is enclosed as Annexure-II.

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

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2004, 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 31<sup>st</sup> March, 2004 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 of 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**

**SUDHIRTANDON  
MANAGING DIRECTOR**

**GIRISHTANDON  
JOINT MANAGING DIRECTOR**

**PLACE: ALLAHABAD**

**DATED: 31<sup>ST</sup> JULY, 2004**

**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) The modification in the press section of the MF machine has improved efficiency as well as quality in terms of sheet dryness and flatness. The steam consumption in the dryers have reduced.
- (b) More efficient boiler furnace cleaning equipment have been installed for efficient heat transfer and reduction in down time of boiler.
- (c) Power Generation from steam turbine was further improved during the year.
- (d) 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**

	<u>Current year</u>	<u>Previous year</u>
a) Through Diesel Generators		
Units (KWH in lacs)	5.88	10.30
Units per litre of diesel oil	4.18	3.26
Diesel (Rs./Litre)	17.63	14.73
Rate/Unit (Rs.)	4.44	4.64
b) Through Steam Turbine		
Units (KWH in lacs)	222.14	200.15
Units per Tonne of Fuel	529	603
Rate /Unit (Rs.)	2.17	1.69

**2. PADDY HUSK**

Quantity (Tonnes)	49384	42298
Total Cost (Rs. in lacs)	482.48	347.52
Average Rate (Rs./Tonne)	977	822

**3. COAL**

Quantity (Tonnes)	1019	533
Total Cost (Rs. in lacs)	17.19	6.37
Average Rate (Rs/Tonne)	1686	1195

**B. CONSUMPTION PER UNIT PRODUCTION**

Production (Tonnes)	19611	18062
Electricity* (Units/Tonne)	1163	1165
Paddy Husk** (Tonnes/Tonne)	2.52	2.34
Coal (Tonnes/Tonne)	0.05	0.03

*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.
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   | : | Nil   |
| (b) Recurring   | : | Expenses incurred are charged to the respective heads and not allocated separately. |
| (c) Total   | : | --  |
| (d) Total R&D Expenditure as a percentage of total turnover | : | Not applicable in view of (b) above.  |

## TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

### 1. Efforts

The press section of the MF Paper machine was modified with higher diameter rolls for higher nip pressure.

### 2. Benefits

There has been improvement in the machine's efficiency by reducing the load on steam dryers on account of improved dryness. The quality of paper has improved especially the flatness and appearance with slight reduction in finishing losses.

### 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 was about Rs. 11.00 lacs and total foreign exchange outgo during the year amounted to about Rs. 16 lacs on account of travelling and import of raw materials and spares.

**ANNEXURE II**

**CORPORATE GOVERNANCE REPORT**

**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Your Company continues to believe that good corporate governance is a pre-requisite for enhancing the shareholder's long term value. It has been the endeavour of the Company to achieve the highest levels of transparency, accountability, independent monitoring and full disclosures within the framework of legal provisions. It is committed to enhance the Shareholder's value over a sustained period of time and accountable to its shareholders, employees, financial institutions, bankers, lenders and government at large. It is the Company's policy that in addition to the matters statutorily requiring Board approval, all major decision on capital expenditure, investments etc. are regularly considered by the Board. Your Company is committed to follow good corporate governance practices and improve upon them from year after year.

**BOARD OF DIRECTORS**

The composition of the Board, attendance of the Board Meetings 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.
				held	Attended	
Shri Sudhir Tandon Managing Director	Promoter Executive	2	1	4	4	Yes
Shri Girish Tandon Jt. Managing Director	Promoter Executive	2	1	4	3	Yes
Shri Badri Vishal Tandon	Promoter Non Executive	3	2	4	4	Yes
Shri J S Matharu	Independent Non Executive	-	2	4	4	Yes
Shri C M Krishna	Independent Non Executive	-	-	4	2	No
Shri Om Nath Kapoor	Independent Non Executive	-	-	4	2	No
Shri K A Pai	Independent Non Executive	-	1	4	3	No
Shri Sushil Khanna	Independent Non Executive	-	2	4	3	No

It is clear from the 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 number of independent Directors are also more than half of the total strength.

The day to day operation of the Company are entrusted with Managing & Joint Managing Directors of the Company subject to superintendence, control and direction of the Board of Directors. Four Board Meetings were held during the year on 29.04.2003, 28.07.2003, 28.10.2003 and 29.01 2004.

Shri C.M. Krishna and Shri Sushil Khanna are liable to retire by rotation and being eligible and offers themselves for re-appointment. Your Directors recommend their re-appointment at the forth-coming Annual General Meeting. 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 three Non-Executive Directors out of which two are independent. The composition of Audit Committee and record of attendance during the year under review is given below :

<b>Name of Director</b>	<b>No. of Meetings held</b>	<b>No. of Meetings attended</b>
Shri J S Matharu, Chairman	4	4
Shri Sushil Khanna	4	3
Shri Badri Vishal Tandon	4	4

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

- Oversight of the Company's Financial Reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Review of accounting policies and practices.
- Review with the management, internal auditors and external auditors the adequacy of internal control system.
- Reviewing the Company's financial and risk management policies.

**MANAGERIAL REMUNERATION****REMUNERATION COMMITTEE**

The remuneration committee of the Company is presently comprising of three independent non-Executive Directors.  
Shri J S Matharu, Chairman

Shri K A Pai

Shri Sushil Khanna

The Remuneration Committee met once during the Financial year 2003-2004. All the Directors were present in this Meeting.

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.

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 2003-2004 to Shri Sudhir Tandon, Managing Director, Rs. 1002512/- and Shri Girish Tandon, Joint Managing Director, Rs. 1026189/-.

# SHREE BHAWANI PAPER MILLS LIMITED

## SITTING FEE PAID TO NON EXECUTIVE DIRECTORS

Remuneration by way of sitting fee for attending the Meeting of the Board/Committees thereof during the financial year 2003-04 is given below :

Sl. No.	Name of Directors	Amount (Rs.)
1.	Shri Badri Vishal Tandon	45,500/-
2.	Shri J. S. Matharu	31,500/-
3.	Shri C. M. Krishna	7,000/-
4.	Shri Om Nath Kapoor	7,000/-
5.	Shri K A Pai	14,000/-
6.	Shri Sushil Khanna	24,500/-

## 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 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 quiet often to expedite all the matters relating to transfer of shares etc.

Outstanding complaints as on 31<sup>st</sup> March, 2004 - NIL

The number of share transfer pending as on 31<sup>st</sup> March, 2004 - NIL

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

## GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2000-2001	Regd. Office of the Company at 33, Dayanand Marg, Allahabad	27.09.2001	1.00 PM
2001-2002	- do -	21.08.2002	1.00 PM
2002-2003	- do -	18.09.2003	1.00 PM
2003-2004*	- do -	27.09.2004	1.00 PM

\*Forth coming Annual General Meeting.

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

## BOOK CLOSURE

15<sup>th</sup> September, 2004 to 27<sup>th</sup> September, 2004 (Both days inclusive)

## 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 18 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 Stock Exchanges, 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 quarterly results of the Company were published in Economic Times, Nav Bharat Times, New Delhi and Amar Ujala, Allahabad (Vernacular Daily). The Annual Results are posted to all the share holders of the Company.

### **GENERAL SHAREHOLDERS INFORMATION**

#### **Annual General Meeting**

Date & Time : September 27, 2004 at 1.00 PM  
Venue : Regd. Office of the Company at Allahabad

### **LISTING**

The Stock Exchange, Mumbai  
Phiroze JeeJee Bhoy Tower,  
Dalal Street, Mumbai

The Listing Fee for the financial year 2004-2005 have been paid to the Stock Exchange, Mumbai.

During the year under review, the equity shares of the Company have been delisted from the Stock Exchanges at Delhi & Kanpur in accordance with the approval granted by the shareholders. However, the Company's equity share will continue to be listed at the Stock Exchange, Mumbai having nation wide trading terminals.

### **ISIN NUMBER FOR NSDL & CDSL**

ISIN INE 688 C 01010

### **REGISTRAR & SHARE TRANSFER AGENT**

Skyline Financial Services Pvt. Ltd.  
123, Vinoba puri, Lajpat Nagar II,  
New Delhi  
Phone: 011 - 30940462/30950999/29833777  
Fax : 011 - 29848352

### **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.

### **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  
Raebareli 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.  
123, Vinobapuri  
Lajpat Nagar II  
New Delhi

Tel : 011 - 30940462/30950999/29833777  
Fax : 011 - 29848352

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

Tel : 0532 - 2607958/2607959  
Fax : 0532 - 2607957



**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

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

We have examined the compliance of conditions of Corporate Governance by **Shree Bhawani Paper Mills Limited**, for the year ended on 31<sup>st</sup> March, 2004, 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 a review of procedures and implementation thereof, adopted by the Company for ensuring the 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, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month as at 31<sup>st</sup> March, 2004 against the Company as per the records maintained by the Investors Grievance Redressal Committee.

We further 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 B. CHHAWCHHARIA & CO.  
CHARTERED ACCOUNTANTS**

**(S.K. CHHAWCHHARIA)  
PARTNER**

**Membership No. 008482**

**NEW DELHI  
JUNE 26, 2004**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE & DEVELOPMENT

The Paper Industry is one of the core sectors of the Indian Economy. The Indian Paper Industry has an installed capacity of about 5 million tonnes. The growth rate of Paper Industry in financial year 2003-2004 is around 5% and this rate of growth is expected to continue in the coming decade. The domestic paper industry is divided into two segments in accordance with the raw materials consumed i.e. wood based and non wood based. While wood based produce around 38% of the total paper production balance contributed by non wood based Paper Mills. Our Mill is based on unconventional raw-material like rice straw, wheat straw, bagasse, jute waste, waste paper etc. The agro based Paper Mills help the country to reduce the dependence on scarce forest resources and also converting "Waste into Wealth". The agro based Paper Mills provide additional income to farmers for the agri residues which used to be wasted by them earlier.

### OPPORTUNITIES AND THREATS

Due to demand and supply gap in our country, the Company is assured of a stable market for its products. The Company has continued its focus in reducing cost of production and maintaining the competitiveness through productivity improvement, better energy management and increased usage of agri residues.

### PRODUCT WISE PERFORMANCE

During the year, the Company achieved a capacity utilization of 93%. The production of MG & MF varieties of paper during the year under review is 19611 MT as compared 18062 MT during the previous year. It could occur because of the benefits of modification in IIIrd press section of MF Machine undertaken in past year and the favourable product mix. The Company procured large orders for MF paper from the Government Departments.

### OUTLOOK

Having regard to the on going process of modification and modernisation of manufacturing facilities, better energy management, better product mix, the management is optimistic about the future outlook of the Company in long term.

During the year 2004, international paper shows good start to the first quarter followed by a pickup in demand and pricing, rest of the year.

### RISK AND CONCERNS

- The Company faces competition from cheap imports from Russia, Indonesia, South East European Countries.
- The availability of chief raw material namely, bagasse, wheat straw, paddy straw and paddy husk fuel are mainly seasonal and dependent upon the crop.
- The Government has imposed the excise duty of 16% equivalent to conventional wood based Paper Mills which produce better quality paper. The Government has also withdrawn the total exemption of excise duty for the first clearances of 3500 tonnes and imposed the excise duty of 8.125% advalorem during the year.
- The price movement has shown an upward trend in the international market by the end of 2003, with the result, the process in the domestic market have also started improving and the industry is looking better times ahead.

### FINANCIAL PERFORMANCE

The Company's gross turnover for the year ended 31<sup>st</sup> March, 2004 has gone up from Rs. 44.72 crores to 50.08 crores resulting growth of 12%. The improvement has also taken place in operational efficiency of the plant because of the

modification in 3rd press Section of MF paper machine and replaced Head box. Continuing with the change in product mix during the year, Company able to achieve 93% of capacity utilization.

However, the overall performance of the Company during the year ended 31<sup>st</sup> March, 2004 has not been satisfactory due to several factors like imposition of 8% excise duty against NIL on first clearances of 3500 MT, the freight & forwarding expenses increased mainly due to increase in price of fuel. Paddy husk is the main fuel used in the 24 TPH high pressure high temperature boiler for Turbo power Generator. Normally it is available in abundance from November-February period when the stocking is done for full year consumption. There was severe drought prevailing in the region during the last procurement period of 2002-03, the Company had to make procurement of paddy husk and other agri-residues at much higher rate. Further, in the season of April to October, 2003 the prices of agri-residues increased to much higher level.

## **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 unauthorised 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 system and procedures followed by the Company for conducting its business efficiently. 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 31<sup>st</sup> March, 2004, 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, 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, *except AS-2, 'Valuation of Inventories' which requires the inventories to be valued at lower of cost and net realisable value.*
  - (v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2004 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 31<sup>st</sup> March, 2004;
    - 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 B. CHHAWCHHARIA & CO.,  
CHARTERED ACCOUNTANTS**

**NEW DELHI  
JUNE 26, 2004**

**(S.K. CHHAWCHHARIA)  
PARTNER  
Membership No. 008482**

## **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) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
- II. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) The Company is maintaining proper records of inventory. We are informed that the discrepancies identified on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- III. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- V. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.  
  
(b) According to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.
- 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 of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- VIII. We have broadly reviewed the books of accounts 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

# SHREE BHAWANI PAPER MILLS LIMITED

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provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth 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 31<sup>st</sup> March, 2004 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 are no dues of income-tax, wealth-tax, sales-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- X. The Company does not have any accumulated losses at the end of the financial year and has not incurred 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 share, 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. In our opinion and according to the information and explanations given to us, term loans availed by the Company were, prima-facie, applied by the Company during the year for the purposes for which the loans were obtained other than temporary deployment pending application.
- 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 issues 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 B. CHHAWCHHARIA & CO,  
CHARTERED ACCOUNTANTS**

**NEW DELHI  
JUNE 26, 2004**

**(S.K. CHHAWCHHARIA)  
PARTNER  
Membership No. 008482**

# SHREE BHAWANI PAPER MILLS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2004

	SCHEDULE		As at 31-03-2004 Rupees	As at 31-03-2003 Rupees
<b>I. SOURCES OF FUNDS :</b>				
<b>1. SHAREHOLDERS' FUNDS</b>				
(a) Share Capital	1	41060000	41060000	
(b) Reserves & Surplus	2	59400195	57622079	98682079
<b>2. LOAN FUNDS</b>				
(a) Secured Loans	3	124508902	145118066	
(b) Unsecured Loans	4	54385887	43086875	188204941
<b>3. DEFERRED TAX LIABILITY</b>				
(Refer Note 8, Schedule 18)			36614377	35479739
<b>TOTAL</b>			<b>315969361</b>	<b>322366759</b>
<b>II. APPLICATION OF FUNDS :</b>				
<b>1. FIXED ASSETS</b>				
(a) Gross Block	5	385959592	370858906	
(b) Less : Depreciation		170254839	152916564	
(c) Net Block		215704753	217942342	
(d) Capital Work-in-Progress		130058	5969217	223911559
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
(a) Inventories	6	98683123	84344390	
(b) Sundry Debtors	7	37132637	43844684	
(c) Cash & Bank Balances	8	6498657	3892268	
(d) Loans & Advances	9	5121779	6577092	
		147436196	138658434	
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>				
(a) Current Liabilities	10	44451081	38005690	
(b) Provisions	11	2850565	2197544	
		47301646	40203234	
<b>NET CURRENT ASSETS</b>			<b>100134550</b>	<b>98455200</b>
<b>TOTAL</b>			<b>315969361</b>	<b>322366759</b>

NOTES FORMING PART OF THE ACCOUNTS 18  
As per our report of even date.

**FOR B. CHHAWCHHARIA & CO.,  
CHARTERED ACCOUNTANTS**

**(S.K. CHHAWCHHARIA)  
PARTNER**

**SUDHIRTANDON  
MANAGING DIRECTOR**

**GIRISH TANDON  
JOINT MANAGING DIRECTOR**

**PLACE : NEW DELHI  
DATED : 26<sup>TH</sup> JUNE, 2004**

**BABITA JAIN  
COMPANY SECRETARY**

**BADRI VISHAL TANDON  
J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR  
K.A. PAI** } **DIRECTORS**

# SHREE BHAWANI PAPER MILLS LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	SCHEDULE	2003-2004 Rupees		2002-2003 Rupees
<b>INCOME</b>				
Sales	12	500821049		447245574
Less : Excise Duty		64993525		52209349
		435827524		395036225
Other Income	13	631250		808346
		436458774		395844571
<b>EXPENDITURE</b>				
Materials	14	252035078		226027919
Payments & Benefits to Employees	15	56762414		48840357
Power & Fuel		52843072		40447537
Cost of Borrowings	16	25514653		25579610
Other Expenses	17	28783357		26837399
		415938574		367732822
Profit before depreciation & taxation		20520200		28111749
Depreciation		17357446		16823429
Profit before taxation		3162754		11288320
Provision for taxation				
Current tax		250000	900000	
Deferred tax		1134638	4148458	5048458
Profit after taxation		1778116		6239862
Balance brought forward from last year	6239862		5975644	
Less : Deferred Tax liability of prior year	-	6239862	5975644	-
Balance carried to Balance Sheet		8017978		6239862
Basic/Diluted Earnings per Share (Rs.) (Refer Note 9, Schedule 18)		0.43		1.52

NOTES FORMING PART OF THE ACCOUNTS 18

As per our report of even date.

**FOR B. CHHAWCHHARIA & CO.,**  
**CHARTERED ACCOUNTANTS**  
**(S.K. CHHAWCHHARIA)**  
**PARTNER**

**SUDHIRTANDON**  
**MANAGING DIRECTOR**

**GIRISH TANDON**  
**JOINT MANAGING DIRECTOR**

**PLACE : NEW DELHI**  
**DATED : 26<sup>TH</sup> JUNE, 2004**

**BABITA JAIN**  
**COMPANY SECRETARY**

**BADRI VISHAL TANDON**  
**J.S. MATHARU**  
**C.M. KRISHNA**  
**SUSHIL KHANNA**  
**OM NATH KAPOOR**  
**K.A. PAI**

} **DIRECTORS**



# SHREE BHAWANI PAPER MILLS LIMITED

## SCHEDULE 1 : SHARE CAPITAL

<b>AUTHORISED</b>	<b>As at 31-03-2004 Rupees</b>	<b>As at 31-03-2003 Rupees</b>
15000000 Equity Shares of Rs. 10/- each	150000000	150000000
25000 - 13.5% Cumulative Redeemable Preference Shares of Rs.100/- each	2500000	2500000
	<b>152500000</b>	<b>152500000</b>
 <b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
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)	41060000	41060000
	<b>41060000</b>	<b>41060000</b>

## SCHEDULE 2 : RESERVES AND SURPLUS

<b>Capital Reserve</b>			
As per last account	1568875		1568875
<b>Capital Redemption Reserve</b>			
As per last account	1000000		1000000
<b>General Reserve</b>			
As per last account	48813342	67455134	
Less : Cumulative Deferred Tax adjustments	-	18641792	48813342
	<b>8017978</b>		<b>6239862</b>
<b>Profit &amp; Loss Account</b>			
	<b>59400195</b>		<b>57622079</b>

## SCHEDULE 3 : SECURED LOANS

### I. TERM LOANS

Industrial Development Bank of India	-	3750000
The IFCI Limited	32000000	43999000
Indian Bank	25000000	25000000
Bank of Baroda	25000000	25000000
	<b>82000000</b>	<b>97749000</b>

- (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. Out of the Term Loans, Rs. 320 Lacs from the IFCI Ltd. and Rs. 200 Lacs from Indian Bank are additionally secured by pledge of equity shares held by the Promoters in the Company.
- (ii) Instalments of principal loan falling due within one year Rs.205 Lacs (Previous Year Rs. 257.49 Lacs).

# SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2004 Rupees	As at 31-03-2003 Rupees
<b>II. OTHER LOANS &amp; ADVANCES</b>		
<b>(a) From Banks</b>	<b>42425283</b>	46952345
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.		
All the above loans are guaranteed by the Managing Director and Joint Managing Director of the Company.		
<b>(b) From Others :</b>		
Hire Purchase Finance	<b>83619</b>	416721
Secured by hypothecation of specific asset.		
	<b>124508902</b>	145118066

## SCHEDULE 4 : UNSECURED LOANS

Fixed Deposits*	<b>33155256</b>	26488574
Security Deposits	<b>21230631</b>	16598301
* Includes Rs. 2440000/- from Directors (Previous Year Rs. 500000/-)	<b>54385887</b>	43086875

## SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2003 Rs.	Addi- tions Rs.	Deduc- tions Rs.	As at 31.03.2004 Rs.	As at 31.03.2003 Rs.	Deductions/ For the Year Rs.	Up to Adjustment Rs.	31.03.2004 Rs.	As at 31.03.2003 Rs.	As at 31.03.2003 Rs.
Lease Hold Land	887530	—	—	<b>887530</b>	216948	9861	—	<b>226809</b>	<b>660721</b>	670582
Buildings	44432750	9320729	—	<b>53753479</b>	14186946	1569571	—	<b>15756517</b>	<b>37996962</b>	30245804
Plant & Machinery	307844466	5511525	—	<b>313355991</b>	127289556	14278357	—	<b>141567913</b>	<b>171788078</b>	180554910
Vehicles	11641761	—	—	<b>11641761</b>	7356319	1128099	—	<b>8484418</b>	<b>3157343</b>	4285442
Furniture, Fixture & Other Equipments	6052399	293320	24888	<b>6320831</b>	3866795	371558	19171	<b>4219182</b>	<b>2101649</b>	2185604
	<b>370858906</b>	<b>15125574</b>	<b>24888</b>	<b>385959592</b>	<b>152916564</b>	<b>17357446</b>	<b>19171</b>	<b>170254839</b>	<b>215704753</b>	<b>217942342</b>
Previous Year	356715113	15292858	1149065	370858906	136930551	16823429	837416	152916564	217942342	
Capital Work in Progress									<b>130058</b>	5969217

**Note :** Capital Work in Progress includes Rs. 70000/- (Previous Year Rs. 27013/-) on account of advance against Capital Expenditure.

# SHREE BHAWANI PAPER MILLS LIMITED

	As at 31-03-2004 Rupees	As at 31-03-2003 Rupees
<b>SCHEDULE 6 : INVENTORIES</b>		
<b>(Certified and valued by the Management)</b>		
Raw Materials	26264076	20569698
Stores, Chemicals & Spare Parts	60866008	49212798
Finished Goods	9028930	11914517
Stock in process	2524109	2647377
	<b>98683123</b>	<b>84344390</b>
<b>SCHEDULE 7 : SUNDRY DEBTORS</b>		
<b>(Unsecured - Considered Good)</b>		
Due for more than 6 months	239816	239816
Other Debts	36892821	43604868
	<b>37132637</b>	<b>43844684</b>
<b>SCHEDULE 8 : CASH &amp; BANK BALANCES</b>		
Cash in hand	2202382	697396
Cheque in hand :	443223	—
<b>With Scheduled Banks :</b>		
In Current Account	1115448	774719
In Fixed Deposit Account	2737604	2420153
	<b>6498657</b>	<b>3892268</b>
<b>SCHEDULE 9 : LOANS &amp; ADVANCES</b>		
<b>(Unsecured - Considered Good)</b>		
Advances recoverable in cash or in kind or for value to be received	4638731	5977737
Sundry Deposits	177656	200575
Balance with Central Excise Department	305392	398780
	<b>5121779</b>	<b>6577092</b>
<b>SCHEDULE 10 : CURRENT LIABILITIES</b>		
Sundry Creditors (including Rs. 110330/- due to Directors; 2002-2003, Rs. 106200/-)	36314946	30794071
Advances from Customers	2385794	1647426
Unclaimed Dividends	274004	327102
Other Liabilities	2121874	1947094
Interest accrued but not due on loans	3354463	3289997
	<b>44451081</b>	<b>38005690</b>
<b>SCHEDULE 11 : PROVISIONS</b>		
Leave Salary	2438002	2013816
Income Tax (Net of Advances)	412563	183728
	<b>2850565</b>	<b>2197544</b>

# SHREE BHAWANI PAPER MILLS LIMITED

	2003-2004 Rupees		2002-2003 Rupees
<b>SCHEDULE 12: SALES</b>			
SALES (Inclusive of Excise Duty)	515305940		462322963
Less : Rebate & Discounts	14484891	500821049	15077389
		500821049	447245574
<b>SCHEDULE 13 : OTHER INCOME</b>			
Interest - Deposits with Banks (Tax Deducted at Source Rs. 32617/-, 2002-2003 Rs. 26339/-)	222919		186364
Interest - Others	193276		6027
Insurance Claim	-		292399
Profit on Sale of Fixed Assets (Net)	-		211851
Miscellaneous Receipts	215055		111705
	631250		808346
<b>SCHEDULE 14 : MATERIALS</b>			
<b>A. CONSUMPTION OF RAW MATERIALS</b>			
Opening Stock	20569698		29291524
Add : Purchases	98397619		77155286
	118967317		106446810
Less : Closing Stock	26264076	92703241	20569698
			85877112
<b>B. INCREASE/DECREASE IN STOCKS</b>			
Opening Stock :			
Finished Goods	11914517		22423677
Stock in Process	2647377		1739969
	14561894		24163646
Less :			
Closing Stock :			
Finished Goods	9028930		11914517
Stock in process	2524109		2647377
	11553039	3008855	14561894
			9601752
<b>C. CONSUMPTION OF STORES, CHEMICALS &amp; SPARE PARTS</b>			
	156322982		130549055
	252035078		226027919
<b>SCHEDULE 15 : PAYMENTS &amp; BENEFITS TO EMPLOYEES</b>			
Salaries, Wages, Bonus & Allowances	49758337		42439436
Workmen and Staff Welfare Expenses	3558930		3167963
Employer's Contribution to Provident & Other Funds	3445147		3232958
	56762414		48840357

# SHREE BHAWANI PAPER MILLS LIMITED

	2003-2004 Rupees	2002-2003 Rupees
<b>SCHEDULE 16 : COST OF BORROWINGS</b>		
<b>Interest</b>		
Fixed Loans*	17522067	18722948
Bank Borrowings etc.	7992586	6856662
* Includes Rs. 206925/- paid to Directors (Previous Year Rs. 93913/-)	25514653	25579610

## SCHEDULE 17 : OTHER EXPENSES

### Repairs & Maintenance:

Buildings	161971	582868	
Plant & Machinery	5224812	5804203	
Others	420721	135467	6522538
Advertisement & Publicity	612645		606175
Bank Charges	996693		754260
Directors Fee & Commission	129500		129500
Directors' Travelling Expenses	117133		135848
Freight, Forwarding & Other Selling Expenses	6011254		3623439
Insurance	1191670		1646534
Legal Expenses & Professional Fee	427579		331420
Loss on Sale of Fixed Assets	2217		-
Postage, Telegram & Telephone	1249286		1376311
Printing & Stationery	325047		323637
Rates & Taxes	666012		487925
Rent	480000		480000
Selling Agents Commission	4665849		4795029
Travelling & Conveyance	2892214		2711757

### Auditors' Remuneration:

(including service tax, as applicable)

Audit Fee	59400	59400	
Tax Audit Fee	13500	13500	
Other Services	22140	18360	
Reimbursement of Expenses	14960	7500	98760
Cost Audit Fee (including service tax)	19440		19440
Internal Audit Fee (including service tax)	21600		21000
Vehicle Expenses	1067432		939138
Miscellaneous Expenses	1990282		1834688

28783357

26837399

**SCHEDULE 18 : 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. Recognition of Income and Expenditure :**

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

**C. Sales :**

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

**D. 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.

**E. 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.

**F. 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.

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.

**G. Fixed Assets :**

Fixed assets are stated at cost net of modvat/cenvat less accumulated depreciation. The expenditure incurred during the period of construction are charged to capital work-in-progress and on completion, the costs are allocated to the respective fixed assets.

**H. Borrowing Cost :**

Borrowing costs attributable to acquisition and construction of assets are capitalised as a part of the cost of such asset upto the date when such asset is ready for its use. Other borrowing costs are charged to Profit & Loss Account.

**I. Inventories :**

Inventories of Goods-in-process and Finished Goods are stated 'at cost or net realisable value, whichever is lower'. Cost for own manufactured goods comprise of all cost of purchase, cost of

# SHREE BHAWANI PAPER MILLS LIMITED

conversion and other appropriate overheads. The inventories of Raw Materials, Chemicals, Stores and Spare Parts are valued at cost. The cost of Raw Materials, Chemicals, Stores, and Spare Parts is generally determined on weighted average basis.

**J. Taxation :**

Current tax is determined as the amount of Tax Payable in respect of taxable income for the year.

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

2. Contingent liability not provided for:  
Customers Cheques/Bills discounted Rs. 5.5 Lacs (Previous Year Rs. NIL).  
Guarantees given by bank Rs. 10.48 Lacs (Previous Year Rs. 23 56 Lacs)
3. Estimated amount of capital contracts remaining to be executed and not provided for Rs. 1.46 Lacs (Previous Year Rs. 40.72 Lacs).
4. The Income tax assessments of the Company have been completed upto Assessment Year 2001-02. 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 3176310/- (Previous Year Rs. 1787320) 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 31<sup>st</sup> March, 2004 are : M/s Amar Alum & Allies Chemicals Pvt. Ltd; M/s Amar Sulpha Chem (P) Ltd; M/s G D Associates; M/s Hi Tech Engineers; M/s Sievetech India (P) Ltd; M/s Singhania Bros; M/s S K Beri & Bros; M/s S N Pandey & Co.; M/s TFC Corporation; and M/s. V S Packers.
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. 4.80 Lacs (Previous Year Rs. 4.80 Lacs.)

7. Managing & Joint Managing Director's remuneration	<b>2003-2004</b>	2002-2003
	<b>Rupees</b>	Rupees
Salary	<b>1320000</b>	1200000
Perquisites	<b>708701</b>	689290
	<b>2028701</b>	1889290

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 Directors could not be included in the above.

# SHREE BHAWANI PAPER MILLS LIMITED

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

	As at 01.04.2003	Charge during the year	As at 31.03.2004
<b>Deferred Tax Liability :</b>			
Depreciation	53124285	2020126	55144411
<b>Deferred Tax Assets :</b>			
Unabsorbed Depreciation	17644546	885488	18530034
Net Deferred Tax Liability	35479739	1134638	36614377

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

	Year Ended 31.03.2004	Year Ended 31.03.2003
Profit attributable to the equity share holders (Rs.) (A)	1778116	6239862
Basic/Weighted average number of Equity Share outstanding during the year (Nos) (B)	4106000	4106000
Nominal value of Equity Share (Rs.)	10	10
Basic/Diluted Earnings Per Share (Rs.) (A/B)	0.43	1.52

10. 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. 96000 Rs. [96000]	Rs. 120000 Rs. [144000]
II. Interest on Fixed Deposits taken	Rs. 67200 Rs. [44042]	Rs. 390701 Rs. [201439]
III. Opening Balance of Fixed Deposits	Rs. 500000 Rs. [650000]	Rs. 1675000 Rs. [2895000]
Fixed Deposits received during the year	Rs. 1010000 Rs. [500000]	Rs. 6687800 Rs. [1575000]
Fixed Deposits repaid during the year	Rs. 500000 Rs. [650000]	Rs. 1625000 Rs. [2795000]
Closing Balance of Fixed Deposits	Rs. 1010000 Rs. [500000]	Rs. 6737800 Rs. [1675000]
IV. Interest accrued as on 31.03.2004	Rs. 31566 Rs. [23903]	Rs. 207820 Rs. [86099]
V. Managerial Remuneration	Rs. 2028701 Rs. [1889290]	Rs. 45500 Rs. [38500]
VI. Managerial remuneration payable as at 31.03.2004	Rs. 110330 Rs. [106200]	Rs. — Rs. —

### 11. Segment Information :

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

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

# SHREE BHAWANI PAPER MILLS LIMITED

	2003-2004	2002-2003		
<b>12.a) CAPACITIES AND PRODUCTION</b>				
<b>CAPACITIES</b>				
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		
<b>PRODUCTION</b>				
Finished Goods	19611 MT	18062 MT		
Printing, Writing & Wrapping Papers				
<b>b) SALES</b>				
Printing, Writing & Wrapping Papers	19747 MT Rs. 515305940	18562 MT Rs. 462322963		
<b>c) STOCK OF FINISHED GOODS</b>				
i) Closing Stock Printing, Writing & Wrapping Papers	390 MT Rs. 9028930	526 MT Rs. 11914517		
ii) Opening Stock Printing, Writing & Wrapping Papers	526 MT Rs. 11914517	1026 MT Rs. 22423677		
<b>d) RAW MATERIALS CONSUMED</b>				
	<b>Qty (MT)</b>	<b>Value (Rs)</b>	<b>Qty (MT)</b>	<b>Value (Rs)</b>
Wood Pulp	22	504562	147	3352508
Straw & Bagasse	61010	52145089	65556	44544624
Waste Paper	184	2336230	185	1979794
Jute, Waste & Hemp	3282	25616715	2382	18504490
Cotton Waste	1206	12100645	1765	17495696
		92703241		85877112
<b>e) CONSUMPTION OF RAW MATERIALS, STORES &amp; SPARES</b>				
	<b>2003-2004</b>	<b>%</b>	<b>2002-2003</b>	<b>%</b>
	<b>Rupees</b>		<b>Rupees</b>	
<b>i) RAW MATERIALS</b>				
Imported	536737	0.58	3352508	3.90
Indigenous	92166504	99.42	82524604	96.10
<b>ii) STORES &amp; SPARES</b>				
Imported	933033	0.60	649227	0.50
Indigenous	155389949	99.40	129899828	99.50
<b>f) CIF VALUE OF IMPORTS</b>				
i) Raw Materials	570464		1862507	
ii) Stores & Spares	794793		717854	
iii) Capital Goods	-		774022	
<b>g) EXPENDITURE IN FOREIGN CURRENCY</b>				
Travelling	211623		-	
<b>h) EARNINGS IN FOREIGN CURRENCY</b>				
On Export of Goods (FOB Basis)	1070427		285529	

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

### (III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	Total Liabilities	Total Assets
	<input type="text" value="363271"/>	<input type="text" value="363271"/>
Sources of Funds		
	Paid-up Capital	Reserves & Surplus
	<input type="text" value="41060"/>	<input type="text" value="59400"/>
	Secured Loans	Unsecured Loans
	<input type="text" value="124509"/>	<input type="text" value="54386"/>
	Deferred Tax Liability	
	<input type="text" value="36614"/>	
Application of Funds		
	Net Fixed Assets	Investments
	<input type="text" value="215835"/>	<input type="text" value="NIL"/>
	Net Current Assets	Accumulated Losses
	<input type="text" value="100134"/>	<input type="text" value="NIL"/>

### (IV) PERFORMANCE OF COMPANY

	Turnover	Total Expenditure
	<input type="text" value="436459"/>	<input type="text" value="433296"/>
	Profit Before Tax	Profit After Tax
	<input type="text" value="3163"/>	<input type="text" value="1778"/>
Earning Per Share in Rs.		Dividend Rate
	<input type="text" value="0.43"/>	<input type="text" value="NIL"/>

# SHREE BHAWANI PAPER MILLS LIMITED

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## (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 18

As per our Report of even date.

**FOR B. CHHAWCHHARIA & CO.,  
CHARTERED ACCOUNTANTS**

**(S.K. CHHAWCHHARIA)  
PARTNER**

**PLACE : NEW DELHI  
DATED : 26<sup>TH</sup> JUNE, 2004**

**SUDHIRTANDON  
MANAGING DIRECTOR**

**BABITA JAIN  
COMPANY SECRETARY**

**GIRISH TANDON  
JOINT MANAGING DIRECTOR**

**BADRI VISHAL TANDON  
J.S. MATHARU  
C.M. KRISHNA  
SUSHIL KHANNA  
OM NATH KAPOOR  
K.A. PAI**

**} DIRECTORS**

# SHREE BHAWANI PAPER MILLS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	<b>Year Ended 31-03-2004</b>	<b>(RUPEES IN LACS) Year Ended 31-03-2003</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	<b>31.63</b>	112.88
Adjustment for :		
Depreciation	173.57	168.23
Interest Expenses	255.15	255.80
Interest Income	-2.23	-1.86
(Profit)/Loss on Sale of Fixed Assets	0.02	-2.12
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>458.14</b>	532.93
Adjustments for :		
Trade & other receivables	83.42	-23.08
Inventories	-143.39	164.31
Trade payables and other liabilities	68.59	19.70
	<b>8.62</b>	160.93
<b>CASH GENERATED FROM OPERATIONS</b>	<b>466.76</b>	693.86
Direct taxes paid	-0.21	-18.36
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	<b>466.55</b>	675.50
Extraordinary items	—	—
<b>NET CASH FROM OPERATING ACTIVITIES</b> ... A	<b>466.55</b>	675.50
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-92.87	-201.62
Sale of Fixed Assets	0.05	5.24
Interest received	0.48	3.40
<b>NET CASH USED IN INVESTING ACTIVITIES</b> ... B	<b>-92.34</b>	-192.98

# SHREE BHAWANI PAPER MILLS LIMITED

	Year Ended 31-03-2004	Year Ended 31-03-2003
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	100.00	--
Repayment of Long Term Borrowings	-257.49	-103.32
Net Increase/decrease in Cash Credit utilisation	-45.27	-134.19
Deposits	112.99	43.46
Hire Purchase	-3.33	-2.22
Interest paid	-254.51	-249.71
Dividend paid	-0.53	-39.92
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-348.14</b>	<b>-485.90</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>26.07</b>	<b>-3.38</b>
<b>CASH AND CASH EQUIVALENTS</b> (Opening Balance)	<b>38.92</b>	42.30
<b>CASH AND CASH EQUIVALENTS</b> (Closing Balance)	<b>64.99</b>	38.92

Notes : (i) Figures in brackets represent outflows  
(ii) Previous year's figures have been regrouped, wherever necessary.

**BABITA JAIN**  
COMPANY SECRETARY

**SUDHIRTANDON**  
MANAGING DIRECTOR

**GIRISH TANDON**  
JOINT MANAGING DIRECTOR

PLACE : ALLAHABAD  
DATED : 26<sup>TH</sup> JUNE, 2004

**BADRI VISHAL TANDON**  
**J.S. MATHARU**  
**C.M. KRISHNA**  
**SUSHIL KHANNA**  
**OM NATH KAPOOR**  
**K.A. PAI** } DIRECTORS

### AUDITORS' CERTIFICATE

To,  
The Board of Directors,  
Shree Bhawani Paper Mills Limited

We have examined the above cash flow statement of Shree Bhawani Paper Mills Limited for the year ended 31<sup>st</sup> March, 2004. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of 26<sup>th</sup> June, 2004, to the Members of the Company.

**FOR B. CHHAWCHHARIA & CO.,**  
**CHARTERED ACCOUNTANTS**

PLACE : NEW DELHI  
DATED : 26<sup>TH</sup> JUNE, 2004.

(S.K. CHHAWCHHARIA)  
PARTNER

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

**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 Fifth Annual General Meeting of the Company to be held on 27<sup>th</sup> Sept., 2004 and at any adjournment thereof.  
hand/hands this .....  
..... day  
of ..... 2004

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 25<sup>th</sup> Annual General Meeting held at Registered Office of the Company at 33, Dayanand Marg, Allahabad—211 002 on Monday, the 27<sup>th</sup> September, 2004 at 1.00 p.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.

CUT HERE



**BOOK POST  
UNDER CERTIFICATE OF POSTING**

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