



# 13th Annual Report 2009-2010



## BOARD OF DIRECTORS

J K Khaitan, Chairman & Managing Director  
Justice (Retd) S S Sodhi  
D C Mehandru  
U K Khaitan  
Yashovardhan Saboo  
D S Sandhawalia  
Ashutosh Khaitan  
Pavan Khaitan, Managing Director

## SENIOR EXECUTIVES

Sushobhan Mahalanobis, President (Tech)  
T Kathirvelu, President (Production)  
Roshan Garg, Vice President (Finance) & CFO  
P K Garg, Vice President (Commercial)  
Somesh Jawa, Vice President (Marketing)  
Col (Retd) Manohar Singh Birring, Sr GM (HR & Admn)

## COMPANY SECRETARY

Vivek Trehan

## AUDITORS

M/s V Sahai Tripathi & Co  
Chartered Accountants  
New Delhi

## PRINCIPAL BANKERS

State Bank of India  
State Bank of Patiala  
State Bank of Bikaner and Jaipur  
Punjab National Bank

## REGISTERED OFFICE

M-2, Akarshan Bhawan,  
4754/23, Ansari Road, Darya Ganj,  
New Delhi - 110 002

## HEAD OFFICE

SCO 18-19, First Floor,  
Sector 8-C, Madhya Marg,  
Chandigarh - 160 009

## WORKS

Saila Khurd 144 529  
Distt Hoshiarpur (Punjab)

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## NOTICE

NOTICE is hereby given that the 13<sup>th</sup> Annual General Meeting of the members of ABC Paper Limited will be held at National Cooperative Union of India (NCUI) Auditorium, 3, Siri Institutional Area, August Kranti Marg, New Delhi-110 016 on Friday, the 24<sup>th</sup> September, 2010 at 11.30 am to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2010 and the Profit & Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To declare dividend on the Equity Shares and Preference Shares.
3. To appoint a Director in place of Shri Ashutosh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s B S R & Co., Chartered Accountants, Chandigarh, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting in place of M/s V. Sahai Tripathi & Co., New Delhi and to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that in partial Modification of the earlier resolution passed by the shareholders in their meeting held on 26<sup>th</sup> September 2007, Shri Pavan Khaitan, Managing Director shall not be liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that Justice S. S. Sodhi (Retd.), who was appointed by the Board as Additional Director w.e.f. 3<sup>rd</sup> August, 2010 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that Shri. Umesh Kumar Khaitan, who

was appointed by the Board as Additional Director w.e.f. 3<sup>rd</sup> August, 2010 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that Shri D.C. Mehandru, who was appointed by the Board as Additional Director w.e.f. 3<sup>rd</sup> August, 2010 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
9. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that Shri D.S. Sandhawalia, who was appointed by the Board as Additional Director w.e.f. 3<sup>rd</sup> August, 2010 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."
10. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION :  

**"RESOLVED** that pursuant to the provisions of Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such other approvals, if any, as may be required, the consent and approval of the Company be and is hereby accorded to the appointment of Shri J.K.Khaitan as Chairman & Managing Director of the Company w.e.f. 17<sup>th</sup> July, 2010 for a period of five years on the remuneration and other terms & conditions, as set out in the Explanatory Statement annexed hereto.

**RESOLVED FURTHER** that pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956, the remuneration by way of salary and perquisites as set out in the annexed Explanatory Statement be paid as minimum remuneration to Shri J.K.Khaitan or such minimum remuneration as permissible in Schedule XIII to the Companies Act,

1956 notwithstanding that in any financial year of the Company during his tenure as chairman & Managing Director, the Company has made no profits or profits are inadequate.

RESOLVED FURTHER that the Board of Directors/ Remuneration Committee be and are hereby authorised to alter or vary the terms of appointment of Shri J.K.Khaitan, including relating to remuneration, as it may, at its discretion, deem fit from time to time, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto.

11. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:

“RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors/Finance Committee of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company, wheresoever situate, present or future and the whole or substantially the whole of the undertaking of the Company together with the power to enter upon and take possession of certain assets of the Company in certain events of default in favour of Punjab National Bank (PNB), State Bank of India(SBI), State Bank of Patiala (SBOP) and State Bank of Bikaner & Jaipur(SBBJ) to secure the Term Loan/Corporate Loan and/or other borrowings lent and advanced by the PNB, SBI, SBOP and SBBJ to the Company aggregating to Rs. 8,300 lacs (i.e. Term Loan/Corporate Loan of Rs. 3,300 lacs from SBI, SBOP and SBBJ and working capital of Rs. 5,000 lacs from PNB and SBOP ) together with interest, additional interest, compound interest, liquidated damages/penal interest, premia on prepayment or

on redemption, costs, charges, expenses and all other monies payable by the Company to secure the said financial assistance/borrowings availed/to be availed by the Company from PNB, SBI, SBOP and SBBJ.

RESOLVED FURTHER that the mortgage/charges created/to be created and/or all agreements/ documents executed/to be executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified.

RESOLVED FURTHER that the Board of Directors/ Finance Committee of Directors be and is hereby authorized to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgages/charges in favour of PNB, SBI, SBOP and SBBJ.

RESOLVED FURTHER that the Board of Directors/ Finance Committee of Directors of the Company be and is hereby authorized to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such things, deeds, matters as may be necessary, desirable, expedient for giving effect to the above resolution.”

By Order of the Board  
For **ABC PAPER LTD**

**Vivek Trehan**  
Company Secretary

**Regd Office**  
M-2, Akarshan Bhawan,  
4754/23, Ansari Road,  
Darya Ganj, New Delhi - 110002

Dated : August 13, 2010



## NOTES:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DEPOSITED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. Information required under Clause 49 IVG(i) of the Listing Agreement (relating to Corporate Governance) with respect to the Directors retiring by rotation and, being eligible, seeking re-appointment is given in the Corporate Governance Report annexed to this Annual Report.
4. The Registers of Members and Share Transfer Books of the Company will remain closed from 15<sup>th</sup> September 2010 to 24<sup>th</sup> September, 2010 (both days inclusive).
5. The dividend for the year 2009-10 on the equity and preference shares will be paid to those members whose names appear in the Registers of Members of the Company as on 24<sup>th</sup> September 2010. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership position as at the end of the day on 14<sup>th</sup> September, 2010 as per data to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Shareholders who have not encashed their dividend warrant(s) for the years 2006-07, 2007-08 and 2008-09 are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.
7. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, **MAS Services Limited**, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph: 011-26387281/ 82/ 83 Fax: 011-26387384 quoting registered Folio No. (a) details of their bank account/change in bank account, if any, to enable the Company to print these details on the dividend warrants; and (b) change in their address, if any, with pin code number. The following information to be incorporated on the dividend warrants may be furnished:
  - i) Name of Sole/First joint holder and the folio number.
  - ii) Particulars of Bank Account, viz.
    - (a) Name of the Bank
    - (b) Name of the Branch
    - (c) Complete address of the Bank with Pin Code number
    - (d) Bank Account Number allotted by the Bank and nature of the Account (Savings/Current etc.)
8. In terms of Section 109A of the Companies Act, 1956, the shareholders of the Company may nominate a person on whom the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit nomination in Form 2B.
9. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to Vice-President (Finance), by 13<sup>th</sup> September, 2010.
10. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
11. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrar and Share Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.
12. It may please be noted that pursuant to amendment to the Listing Agreement- Clause 11 vide SEBI's Circular dated May, 20, 2009, it has now become mandatory for the transferee(s) to furnish copy of their PAN card to the Company/RTAs for registration of transfer of shares in physical form.
13. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on all working days upto the date of the meeting.

14. The Statutory Auditors M/s V. Sahai Tripathi & Co., Chartered Accountants, New Delhi have expressed their unwillingness to be reappointed as Statutory Auditors at the forthcoming Annual General Meeting. No representation from the retiring auditors referred to under section 225(3) has been received. It is proposed to appoint M/s B S R & Co., Chartered Accountants, Chandigarh, as the Statutory Auditors for the financial year 2010-11. The company has received a certificate under section 224 (1-B) of the Companies Act, 1956 from M/s B S R & Co., confirming that, if appointed, their appointment will be within the limits prescribed in sub-section (1-B) of section 224 of the Companies Act, 1956.

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

##### **Item No. 5**

**Shri Pavan Khaitan, Managing Director** was, in the meeting of shareholders, held on 26<sup>th</sup> September 2007, was appointed as a director liable to retire by rotation. Now the Board of Directors have decided that he shall not be liable to retire by rotation.

None of the Directors of the Company, except Shri Pavan Khaitan and Shri J.K.Khaitan being related to Shri Pavan Khaitan, are concerned or interested in the resolution.

##### **Item No. 6**

**Justice S. S. Sodhi (Retd.)** was appointed as Additional Director on 3<sup>rd</sup> August, 2010 by the Board of Directors of the Company. Brief profile of Justice S.S. Sodhi (Retd.) is given hereunder:

Justice S. S. Sodhi (Retd.) was District and Sessions Judge from 1968 to 1982 at various places besides holding posts of Registrar of the High Court, Chandigarh and Deputy Registrar (Research) at the Supreme Court of India. Thereafter he was Judge, High Court of Punjab and Haryana for about 12 years. He was then elevated as Chief Justice of the High Court of Allahabad where he remained for 2 years. Thereafter he was Lokpal Punjab during 1995-1996. Justice Sodhi was then the Chairman of the Telecom Regulatory Authority of India from 1997 to 2000. Presently he is the Trustee of the Tribune group of Newspapers, Director at Fortis Healthcare Limited and Director, Board of Trustees of Fidelity Fund Management Co. Pvt. Ltd. He is also the author of a famous book 'The other side of Justice'.

According to the provisions of Section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company, Justice S. S. Sodhi (Retd.) holds office as Director of the Company up to the date of this Annual General Meeting.

The Board of Directors feels that the experience and knowledge of Justice S. S. Sodhi (Retd.) will be of immense value to the Company in pursuing its growth plans and, therefore, recommends his appointment.

Notice is hereby given to the Members that notice u/s 257 of the Companies Act, 1956 has been received from a member along with a deposit of Rs.500/- intending to propose the name of Justice S. S. Sodhi (Retd.) as Director of the Company at this Annual General Meeting who shall be liable to retire by rotation.

None of the Directors of the Company, except Justice S. S. Sodhi (Retd.), is concerned or interested in the resolution.

##### **Item No. 7**

**Shri Umesh Kumar Khaitan** was appointed as Additional Director on 3<sup>rd</sup> August, 2010 by the Board of Directors of the Company. Brief profile of Shri Umesh Kumar Khaitan is given hereunder:

Shri Umesh Kumar Khaitan is the managing partner in Khaitan, Jayakar, Sud & Vohra (KJSV) and heads the Delhi office. He has nearly 35 years of legal experience dealing with all aspects of corporate law. He was admitted to the Bar in 1972, and earned his solicitor's degree in the same year. He founded KJSV in 1996, after having spent 24 years as a partner in one of India's leading law firms. His prominent clients have included major players in the pharmaceutical and petrochemical sectors, India's largest brewery, numerous processed food giants, leading hoteliers, infrastructure development corporations, banks and financial institutions as well as leading information technology and telecom companies. In addition to his vast legal practice, Mr. Khaitan has been entrusted with the directorships of many large corporate groups and also with the trusteeship of a few select organizations. Besides this, he is also member of many Professional Bodies and Honour Societies.

According to the provisions of Section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company, Shri Umesh Kumar Khaitan holds office as Director of the Company up to the date of this Annual General Meeting.

The Board of Directors feels that the experience and knowledge of Shri Umesh Kumar Khaitan will be of immense value to the Company in pursuing its growth plans and, therefore, recommends his appointment.

Notice is hereby given to the Members that notice u/s 257 of the Companies Act, 1956 has been received from a member along with a deposit of Rs.500/- intending to propose the name of Shri Umesh Kumar Khaitan as Director of the Company at this Annual General Meeting who shall be liable to retire by rotation.



None of the Directors of the Company, except Shri Umesh Kumar Khaitan, and Shri J.K. Khaitan and Shri Ashutosh Khaitan being related to Shri Umesh Kumar Khaitan, are concerned or interested in the resolution.

#### Item No. 8

**Shri D.C. Mehandru** was appointed as Additional Director on 3<sup>rd</sup> August, 2010 by the Board of Directors of the Company. Brief profile of Shri D.C. Mehandru is given hereunder:

Shri D.C. Mehandru has a wide ranging experience for more than 35 years in finance and industrial Development. He, after working on many senior positions, retired as Additional Managing Director from Punjab State Industrial Development Corporation (PSIDC), Chandigarh in the year 1996 and thereafter worked as whole time director (Finance) in a large Telecommunication Cables Manufacturing Company till 2004. Presently independent Director on a few companies including Punjab Alkalies and Chemicals Ltd.

According to the provisions of Section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company, Shri D.C. Mehandru holds office as Director of the Company up to the date of this Annual General Meeting.

The Board of Directors feels that the experience and knowledge of Shri D.C. Mehandru will be of immense value to the Company in pursuing its growth plans and, therefore, recommends his appointment.

Notice is hereby given to the Members that notice u/s 257 of the Companies Act, 1956 has been received from a member along with a deposit of Rs.500/- intending to propose the name of Shri D.C. Mehandru as Director of the Company at this Annual General Meeting who shall be liable to retire by rotation.

None of the Directors of the Company, except Shri D. C. Mehandru, is concerned or interested in the resolution.

#### Item No. 9

**Shri D. S. Sandhawalia** was appointed as Additional Director on 3<sup>rd</sup> August, 2010 by the Board of Directors of the Company. Brief profile of Shri D. S. Sandhawalia is given hereunder:

Shri D. S. Sandhawalia is a graduate in Science and has been associated with Corporate entities in designing and implementing of a customized ERP package and Management Information System besides other consultancy work. He has studied special course in Information Technology at the University of London(U.K.).

According to the provisions of Section 260 of the Companies Act, 1956 and Article 89 of the Articles of Association of the Company, Shri D. S. Sandhawalia holds

office as Director of the Company up to the date of this Annual General Meeting.

The Board of Directors feels that the experience and knowledge of Shri D. S. Sandhawalia will be of immense value to the Company in pursuing its growth plans and, therefore, recommends his appointment.

Notice is hereby given to the Members that notice u/s 257 of the Companies Act, 1956 has been received from a member along with a deposit of Rs.500/- intending to propose the name of Shri D. S. Sandhawalia as Director of the Company at this Annual General Meeting who shall be liable to retire by rotation.

None of the Directors of the Company, except Shri D. S. Sandhawalia, is concerned or interested in the resolution.

#### Item No. 10

In accordance with the provisions of the Companies Act, 1956, the companies can, on their own, appoint and remunerate its managerial personnel (i.e. managing director, whole time director, manager) within the laid-down parameters without going to the Central Government for approval so long as the requirements prescribed in Schedule XIII of the Companies Act, 1956 are fulfilled. The profit making companies can fix remuneration of its managerial personnel within the ceiling of 5% of its net profit where there is only one managerial personnel and upto 10% of its net profit where the managerial personnel are more than one. In the case of the company which has no profit or the profits are inadequate, graded remuneration has been prescribed in Schedule XIII. Based on the audited accounts of the Company for the financial year 2009-10, the remuneration of the wholetime Directors are well within the ceiling of 10% of the net profit for the year 2009-10.

Accordingly, it is proposed to appoint Shri J.K.Khaitan as Chairman & Managing Director of the Company with effect from 17<sup>th</sup> July 2010 on the remuneration and other terms and conditions as given hereunder. After approval of the Board, requisite approval of the shareholders is being obtained at the Annual General Meeting of the Company in accordance with the provisions of the Companies Act, 1956.

#### (1) Salary

Name and designation	Salary p.m. (Rs.)	Pay-scale (Rs.)
Shri J.K.Khaitan, Chairman & Managing Director	2,20,000/-	2,20,000-15,000- 3,00,000

#### (2) Perquisites and allowances

- The Chairman & Managing Director shall also be entitled to perquisites and allowances like furnished accommodation or house rent

allowance in lieu thereof subject to a ceiling of 60% of the salary, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, medical reimbursement for self and dependent family, medical accident/Keyman Insurance, leave travel concession for self and family, club membership subject to maximum of two clubs; such perquisites and allowances will be restricted to an amount equal to their annual salary.

- ii) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites and allowances shall be evaluated at actual cost.
- iii) Provision for use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling. Personal long distance calls on telephone and use of car for personal purposes shall be billed by the Company.
- iv) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

**(3) Commission**

Such remuneration by way of commission in addition to the salary, perquisites and allowances subject to a ceiling of 50% of the annual salary calculated with reference to the net profit of the Company in a particular financial year as may be determined by the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in the Sections 198 and 309 of the Companies Act, 1956.

- (4) Shri J.K.Khaitan will not be entitled to sitting fee for attending meetings of the Board or Committee(s) thereof.
- (5) Shri J.K.Khaitan will not be liable to retire by rotation. The ordinary resolution set out in Item No.10 is intended to obtain approval of the members to the appointment and payment of remuneration to Shri

J.K.Khaitan as Chairman & Managing Director and the Board recommends the same.

The explanatory statement and the resolutions at Item No. 10 of the Notice are and may be treated as an abstract of the terms and memorandum of interest pursuant to the provisions of Section 302 of the Companies Act, 1956.

Shri J.K.Khaitan is interested or concerned in the proposed resolution. Shri Umesh Kumar Khaitan and Shri Pavan Khaitan, being related to Shri J.K.Khaitan, may also be deemed to be interested in the said resolution. None of the other Directors of the Company is concerned or interested in the resolutions.

**Item No. 11**

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Ltd. Company shall not, except with the consent of the members in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole of each such undertaking.

Punjab National Bank (PNB), State Bank of India(SBI), State Bank of Patiala (SBOP) and State Bank of Bikaner & Jaipur(SBBJ) have sanctioned Term Loan/Corporate Loan and working capital to the Company aggregating to Rs. 8,300 lacs (Term Loan/Corporate Loan of Rs. 3,300 lacs from SBI, SBOP and SBBJ and working capital of Rs. 5,000 lacs from PNB and SBOP).

The creation of mortgage/charge for the above Term loan/Corporate loan and working capital to the Company requires approval of the members under section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board  
For **ABC PAPER LTD**

**Vivek Trehan**  
Company Secretary

**Regd Office**

M-2, Akarshan Bhawan,  
4754/23, Ansari Road,  
Darya Ganj, New Delhi - 110002  
Dated : August 13, 2010



## DIRECTORS' REPORT

### To the Members,

Your Directors take pleasure in presenting the 13<sup>th</sup> Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31<sup>st</sup> March, 2010.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2009-10 are given hereunder.

	(Rs. in lacs)	
	2009-10	2008-09
Sales & other income	22,134.04	21,000.63
Operating Profit	3,851.93	3,935.10
Interest	1,709.09	1,040.72
Gross Profit	2,142.84	2,894.38
Depreciation	1,205.96	793.91
Profit before tax	936.88	2,100.47
Provision for		
- Current Tax (incl FBT)	159.45	249.57
- Deferred Tax	2,188.92	575.72
- MAT credit entitlement	159.17	100.43
Profit after tax	(1,252.32)	1,375.61
Balance b/f from previous year	2,441.08	1,537.09
Profit available for appropriations	1,188.76	2,912.70
<b>Appropriations</b>		
- Proposed Dividend on		
(a) Equity shares @	87.26	218.16
Rs. 1.00 Per share		
(b) Preference Shares @	12.23	14.00
Rs. 0.70 Per share		
(c) Tax on dividend	16.91	39.46
(d) Capital Redemption	50.00	-
Reserve		
(e) General Reserve	100.00	200.00
Balance carried to Balance Sheet	922.36	2,441.08

### DIVIDEND

Your Directors are pleased to recommend Rs. 0.70 per share (7%) on the Preference Shares of Rs.10/- each, on the preference share capital of Rs. 1,50,00,000/- and Rs. 1.00 per share (10%) on the Equity Shares of Rs.10/- each, on the equity share capital of Rs. 8,72,63,630/- for the year ended 31<sup>st</sup> March, 2010 aggregating to Rs. 99,48,966/- and to pay a dividend tax of Rs. 16,90,827/-.

### OPERATIONS

The production of paper during the year under review was 60,553 tonnes as against 54,277 tonnes in the previous year. The figures given in the Financial Highlights for the

current year under review show the following trends over the previous year;

Gross sales turnover is up by 5.40%, operating profit is lower by 1.34%, Profit before Tax is down by 5.79%, and Net loss after providing for Deferred Tax Liability provision showing a variance of 191.05% compared to operations in the previous year.

The impact of slowdown and recessionary trends in the industrial activity had its effect during the first half of the current year and it was only in the 2<sup>nd</sup> half that the demand and the prices picked up. Your company has recorded higher turnover under the difficult times during the year under review. The operating profit stood at the similar level. During the year, the Govt. continued with the concessional excise duty of 4% to the paper industry to stimulate demand.

The members are aware that the company had been implementing Mill Expansion Plan comprising mainly of putting up an additional Paper Machine (PM-4) alongwith pulp street to enhance the manufacturing capacity of paper from the existing capacity of 50,000 MTPA to over 1,00,000 MTPA; and the Chemical Recovery Plant and the Co-generation plant have already been commissioned in the previous year towards cost reduction initiatives in the manufacturing of paper, as part of the Mill Expansion Plan. The directors are pleased to report that PM-4 has been commissioned during the year under review. It took longer time than envisaged to stabilize operations thereby affecting the operational performance. The incidence of depreciation and interest is higher during the year consequent to the commissioning and capitalization of PM-4 which has had its effect on the profitability. With the implementation and commissioning of these projects, the company is heading towards achieving the benchmark of one of the most cost competitive paper units and will make your company one of the large paper manufacturers in the industry. Further it will enable the manufacturing of premium quality paper, which is placed in maplitho paper category, competing with quality specifications of other large paper mills. The results of enhanced capacity operations will be visible in the current financial year 2010-11.

The implementation of pulp street; the remaining project, of the Mill Expansion Plan is at advanced stage and will be commissioned during current year. The members were informed last year that the cost of the projects has undergone a revision from Rs. 157 crores to Rs. 197 crores.

The increased cost was funded by way of term loans of Rs. 28 crores by the Banks and the balance amount was contributed by way of internal accruals and unsecured loans by promoters.

The detailed performance of Company's operations for the year ended 31<sup>st</sup> March, 2010 has been stated in the Management Discussion & Analysis which appears as a separate statement in the Annual Report.

## **FINANCE**

### **(a) Project finance**

State Bank of India in consortium with State Bank of Patiala and State Bank of Bikaner and Jaipur had sanctioned further Term Loan of Rs. 2800 lacs, for the revised cost of the Mill Expansion Plan of the Company and the same has been disbursed during the year under review.

### **(b) Working capital**

The enhanced working capital limits amounting to Rs. 5,000 lacs (fund based Rs. 3,000 lacs & non-fund based Rs. 2,000 lacs) were sanctioned by the consortium of bankers, comprising of Punjab National Bank and State Bank of Patiala.

### **(c) Fixed Deposits**

As on 31st March, 2010, your Company had Fixed Deposits of Rs. 717.23 lacs. There were no overdue deposits as on 31st March, 2010; nor there was any failure in making repayment of the fixed deposits on maturity, including interest due thereon, in terms of the conditions of your Company's Fixed Deposits Scheme.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure which forms part of this Report.

## **PERSONNEL**

Cordial employee relations were maintained throughout the year in the Company. The Directors express their appreciation for the contribution made by the employees to the operations of the Company during the year.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are to be set out in the Annexure

which forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. This statement shall be made available for inspection by any member during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining such particulars may write to the Vice-President (Finance)/ Company Secretary at the Registered Office of the Company.

## **DIRECTORS**

Sh. N.K. Bajaj, Chairman & Managing Director, Sh. G.N. Mehra, Sh. K.R. Ramamoorthy, Sh. Mohit Satyanand, Sh. Ravindra Gupta, Sh. A.K. Bajaj, Sh. V.K. Bajaj, and Sh. J.C. Rana, Directors resigned from the Board of Directors of the Company on 16<sup>th</sup> July 2010. The Board places on record its appreciation of the valuable contribution made by the directors during their tenure. Justice S.S. Sodhi (Retd.), Sh. D.C. Mehandru, Sh. U.K. Khaitan and Sh. D.S. Sandhawalia were appointed as Additional Directors in the meeting of Board of Directors held on 3<sup>rd</sup> August, 2010. These directors retire at the ensuing annual general meeting of the Company and being eligible offers themselves for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Ashutosh Khaitan retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

The vacancy created upon the resignation of Sh. Lalit Chainwala, an independent director, on 26.02.2009 was filled with the induction of Sh. Ravindra Gupta on 29.09.2009 due to non-availability of a suitable director in the interim period.

## **AUDITORS**

The Statutory Auditors M/s V. Sahai Tripathi & Co., Chartered Accountants, New Delhi have expressed their unwillingness to be reappointed as Statutory Auditors at the forthcoming Annual General Meeting. No representation from the retiring auditors referred to under section 225(3) has been received. It is proposed to appoint M/s B S R & Co., Chartered Accountants, Chandigarh, as the Statutory Auditors for the financial year 2010-11. The company has received a certificate under section 224 (1-B) of the Companies Act, 1956 from M/s B S R & Co., confirming that, if appointed, their appointment will be within the limits prescribed in sub-section (1-B) of section 224 of the Companies Act, 1956.



## **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the accounting policies selected and applied are consistent and the judgments and estimates made are 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 of the company for that period;
- (iii) that proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis.

## **CORPORATE GOVERNANCE**

A Report on Corporate Governance along with a Certificate from the Statutory Auditors of the Company

regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the listing agreement with stock exchanges is annexed and forms part of the Annual Report.

## **ACKNOWLEDGEMENT**

Your Directors convey their sincere thanks to the various agencies of the Central Government, State Governments, Banks and other concerned agencies for all the help and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the vendors, suppliers, dealers, customers, shareholders and investors have placed in the Company. Your Directors also record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

Chandigarh  
August 13, 2010

**J.K. Khaitan**  
*Chairman & Managing Director*

## ANNEXURE

### STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

#### 1. CONSERVATION OF ENERGY

- (a) Energy conservation is continued to be an important thrust area for the Company and is continuously monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting by installing CFLs and better use of natural lighting, (ii) reduction of energy loss by installing capacitors, (iii) replacement of outdated energy intensive equipments; and (iv) revamping of steam lines to reduce leakages. The pulp mill is being automated by installing state of the art instruments for better control of process thereby making it energy efficient. Further, the commissioning of Co-generation plant has removed the inefficiencies and bottlenecks of external sourcing power thereby increasing substantially the operational efficiencies.
- (b) The Company has devised a system of regular energy audit. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.
- (c) The adoption of energy conservation measures has helped the Company in reduction of cost.
- (d) Total energy consumption and energy consumption per unit of Production of paper for the year 2009-10 is given in the table below.

#### POWER & FUEL CONSUMPTION

	2009-10	2008-09
<b>1 ELECTRICITY</b>		
(a) Purchased		
Units (lacs KWH)	112.09	225.88
Total amount (Rs. lacs)	590.27	932.12
Rate/Unit (Rs./KWH)	5.27	4.13
(b) Own generation		
Through Steam Turbine/Generator		
Units (lacs KWH)	633.31	351.05
Cost/Unit (Rs./KWH)	3.43	4.84
<b>2 COAL (for Boiler)</b>		
Quantity (Tonnes)	34,802	7,594
Total cost (Rs. lacs)	1,354.19	287.96
Average rate (Rs.)	3,891	3,924
<b>3 OTHERS</b>		
(a) Rice Husk (for Boiler)		
Quantity (Tonnes)	74,528	50,965
Total cost (Rs. lacs)	2,554.44	1,745.62
Rate/Unit (Rs. MT)	3,427	3,425

#### 4 CONSUMPTION/TONNE OF PRODUCTION

Production (Tonnes)	60,553	54,277
Electricity/Tonnes (KWH)	1,231	1,063
Furnace Oil/tonne (KL)	0.006	0.008
Coal/Tonne (MT)	0.575	0.517
Others Rice husk (MT)	1.231	1.307

#### II. TECHNOLOGY ABSORPTION

##### Research and Development

Specific areas in which R&D efforts have been put up by the company are:

- (a) Identification of alternate raw materials. The Company continues to carry out research and development in several areas including raw material & process developments towards efficiency improvements, quality improvements, waste reduction etc. Apart from process improvements, the research and development also aims at finding equivalent substitutes of various inputs to have cost savings to further supplement the quality.
- (b) Preservation of agro raw material for longer duration by specially designed storage tools to minimize degradation of agro material resulting in better yield and strength properties of pulp.
- (c) During the year, conducted wheat straw de-dusting trials and fine fraction diverted to boiler house for use as fuel. This resulted in improved pulp yield.
- (d) The Company has derived benefits of product diversification, cost optimization as well as cost reduction and better quality as a result of the ongoing efforts.
- (e) The research and development is an on-going exercise and efforts will continue to be made in future.
- (f) The expenditure on R & D has been as follows:

	(Rs. in lacs)	
	2009-10	2008-09
(i) Capital	7.49	-
(ii) Recurring	40.14	35.05
(iii) Total	47.63	35.05
(iv) Total R&D expenditure as a percentage of turnover	0.22%	0.17%

##### Technology absorption, adaptation and innovation

The Company has not imported any technology for its products.

#### III. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars with regard to foreign exchange earnings & outgo appear on page 47 of the Annual Report.

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. An overview of the Economy and Business Environment

The world economy is gradually recovering from the economic meltdown. The strong and vibrant economic performance put up by the Asian economies is aiding the positive trend.

IMF's April 2010 forecast also suggests that the global recovery is poised for a stronger growth. Even though, the global economy is expanding and conditions have improved markedly, the pace and shape of the recovery remains uncertain and the economic activity remain far below pre crisis level.

Indian economy too is riding on a wave of optimism. Overall growth figures indicate that the recovery made is encouraging. As per the revised estimates of Central Statistical Organization (CSO), real Gross Domestic Product (GDP) is estimated to be at 7.4% in 2009-10 as compared to 6.7% in 2008-09. Industry and the service sector, barring agriculture, have recovered due to the Govt's stimulus package and its resolve to accelerate the reforms process. Owing to the prudent watch on key policy issues by RBI, the liquidity situation in the country is now comfortable. However, high inflation rate seems to be a major dampener which is being closely monitored by RBI and the Government.

### 2. Industry structure and Development

Paper and paperboard demand is expected to grow at 6.8 per cent CAGR, from 8.86 million tonnes to 10.7 million tonnes over the period 2009-10 to 2013-14. Demand for writing and printing paper would grow at 6.5 per cent CAGR, driven by the government's thrust on education and growth in the overall economy. To a large extent, growth in demand for paper depends on population growth, level of literacy, public and private spending on education, level of business activity and growth in the printing industry.

Of the total paper demand, writing & printing paper accounts for about 30 per cent, industrial paper accounts for about 47 per cent, newsprint accounts for about 20 per cent and speciality paper accounts for 3 per cent.

Writing & printing paper consumption grew at a healthy rate in the past. In India the per capita consumption of paper is low at 8.3 kg; but it is

gradually increasing and directly linked to economic growth, industrial production, print media expenditure, population growth, decline in dropout rates in educational institutions and literacy levels. The futuristic view is that growth in paper consumption by one kg per capita would lead to an increase in demand of 1 million tonnes. Additions of 1-1.5 million tonnes will take place over 2009-10 to 2011-12, a major proportion of which are going to take place in the writing and printing paper segment.

The demand/capacity ratio in the global paper and paperboard industry would increase by 2013. During the period, the incremental capacity of paper and paperboard (estimated at 25 million tonnes) is likely to be lower than the incremental demand (estimated at 38 million tonnes). In 2009, the demand/capacity ratio had remained low for the industry, due to a slowdown in demand. It is expected that global demand will increase over the next five years as economies revive, and developing countries will lead the demand growth.

The demand for paper and paperboard grew at 6 per cent in 2009-10, lower than the 6.7 per cent CAGR witnessed over 2007 to 2009. This is because of paper demand growing at a slower pace in 2009, as the economy started slowing down during the end of 2008. However, the second half of 2009-10 has seen the economy improving, which translates into higher growth in demand over the next few years.

Part of the additional capacities have become operational during the year under review. Further capacities of 1.5-2.0 million tonnes are likely to be operational in the current year. Currently the supply exceeds the demand, and it will take a few years for the market to absorb the entire increase in capacity. Operating rates are expected to gradually recover over 2009-10 to 2012-13. A few large mills have recently announced capacity expansion which will become operational in 2011-12.

Focussed efforts being made by the Government to promote literacy rates and education level will result in a steady growth in the writing and printing paper segment. Around 2,00,000 new schools are expected to be established in the country by 2015, as an outcome of the Indian Government's Right to Education Act (RTE) initiative. In 2009, Government had passed the RTE to stimulate growth and

development of education in the country. The expected growth in education would translate into a steady growth for writing & printing paper, the variety that is mostly used in school textbooks in India.

### 3. Opportunities and Threats

The envisaged growth in the value-added printing & writing paper segment in India presents an invaluable opportunity, and your company plans to leverage it by tapping its institutional strength in distribution, cost competitiveness and reinforced premium quality paper alongwith its brand image. The year 2009-10 has seen additional capacities being added, resulting in imbalance in demand and supply, thereby affecting sales realizations. Further capacities will become operational in the current year which will further distort the balance of demand and supply.

Paper exports are expected to increase by 7.5 per cent CAGR, from 0.5 million tonnes to 0.8 million tonnes during the period. Paper exports from India are confined to neighbouring countries.

With the commissioning of Paper Machine (PM-4) during the year under review, the manufacturing capacity of paper stands increased from the existing capacity of 50,000 MTPA to over 1,00,000 MTPA. Having already implemented and commissioned the Chemical Recovery Plant and the Co-generation plant towards cost reduction initiatives in the manufacturing of paper in the previous year, the company is heading towards achieving the benchmark of one of the most cost competitive paper units and will make your company one of the large paper manufacturers in the industry. Further it will enable the manufacturing of premium quality paper, including copier and coated paper, which is placed in the higher value paper category, competing with quality specifications of other large paper mills. Demand for maplitho is expected to increase by 5-6 per cent and that for copier paper by 15 per cent.

The demand for coated paper in India is below 10% of the writing & printing paper demand compared to 45% to 50% in the developed countries. The copier segment is the fastest growing segment in the industry. The demand for writing & printing paper is driven by the Govt.'s continued commitment to education sector, GDP growth and the increasing presence of modern retail formats and convenience stores. The commissioning of PM-4 will benefit the

company by improved product quality, enhanced product range, increased production capacity, higher operational efficiencies coupled with economies of scale, and cost reduction measures initiated by the company in the past.

Raw material imports are expected to increase to 28-30 per cent of total domestic production in the coming years as more players are focusing on manufacturing higher quality paper, causing demand for imported pulp to increase. Pulp prices increased by 30-40 per cent in 2010 due to the increase in demand and a decline in total pulp availability on account of some plant shutdowns globally. In 2011, global raw material prices are further expected to increase by 6-8 per cent.

The domestic prices of paper are expected to increase in the short term, but not to the extent of rise in raw material prices. The mills would find it difficult to pass on the entire increase in raw material prices because of market forces.

### 4. Risks and Management Perception

The paper industry is labour intensive, power intensive as well as capital intensive and is exposed to several risks i.e. changes in the government policies, duties and taxes, technological obsolescence and external economic factors.

Your Company adopts a comprehensive and integrated risk appraisal and mitigation thereof as part of the management process in risk management. Proper risk management measures have been formulated which are documented, followed, reviewed and revised to conform to the requirements.

The company uses agro waste materials as basic raw materials to manufacture paper. The availability of raw materials is dependent upon reasonably good monsoon. The agro residue material is there at hand, but the availability may be constraint as free accessibility is getting limited as a result of capacity growth in the paper mills in the area. This may not be able to sustain the future material requirements taking into account the needs of higher end premium quality paper, and the environmental issues involved. Moreover, materials like bagasse are increasingly being used by sugar mills and power plants for co-generation of power and are no longer available to the paper mills as raw material for manufacturing of paper. The continuous increase in prices of raw material, imported pulp and other inputs continues

to be a matter of concern for the industry. Locational advantage of your Company's paper mill provides an access to the major raw material sources and insulates it, to some extent on this front.

Cost of fuel i.e. coal, rice husk and other bio mass fuels is increasing and prospect of availability of good quality fuel is diminishing. The electricity board has also increased rates and power purchased from the grid has become more expensive. However, the company has got itself registered with Coal India and has been meeting part of its requirements in co-generation plant, thus mitigating the cost affect to some extent.

India's wood resources are limited; therefore cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favouring industrial plantation, securing future wood supplies will be Industry's biggest challenge. To this end, your company is endeavoring to make good the shortfall in the supply of raw material resources, by implementing the creation of a Nursery at the Mill. There at the Nursery, we are preparing clonal varieties of fast growing hard wood trees, whose pulp aids in good quality of paper. We are also putting efforts to propagate plantations in the area on a wide scale by touching base with the farming community and making them aware of the benefits attached to farm forestry.

Your Company continued its efforts at proper raw material mix, cost reductions, optimization & control and product mix optimization. The chemical recovery and co-generation plant commissioned by the company has significantly increased its cost competitiveness and PM-4 commissioning will further strengthen it due to its higher operational efficiencies coupled with economies of scale.

Availability of adequate good quality agro raw materials at cost effective prices, higher capital outlay, and stringent environment regulations are the major entry barriers for the greenfield projects.

## 5. Outlook

The Indian paper and paperboard industry has the potential and the capabilities to service the demand in domestic and international market; and also to create huge employment avenues in rural India through agro production and forestry; provided the competitiveness of the value chain is encouraged by the government.

The growth for paper and paperboards is expected to be lower over the next two years due to new capacities becoming operational in 2010-11 by large and medium scale paper mills. Although, not all varieties of paper will be affected by this slowdown, certain varieties which have close relationship with industrial production will register lower growth. It is expected that overall paper demand to grow at a CAGR of 6.5 per cent and demand for newsprint to grow at a CAGR of 7.0 per cent. However in the interim two years, demand growth will be slower in the paper and paperboard segment. With the expected easing in the economic scenario, demand for both paper and paperboard and newsprint is expected to pick-up. Steps taken by your company in the previous years to continue up-gradation of technology, improve working parameters and to reduce its operational costs and add value to its products for its customers will enable the company to face challenges in the coming times.

## 6. Company's Financial Performance & Analysis

The production of paper during the year under review was 60,553 tonnes as against 54,277 tonnes in the previous year. The company recorded gross sales turnover of Rs. 22,048.61 lacs as against Rs. 20,917.92 lacs in the previous year and operating profit of Rs. 3,851.93 lacs as against Rs. 3,935.10 lacs in the previous year. The company registered a profit before tax of Rs. 936.88 lacs compared to Rs. 2,100.47 lacs in the previous year. The profit after tax has been negative at Rs. 1,252.92 lacs during the year after providing for deferred tax liability of Rs. 2,188.92 lacs owing to capitalization of expansion projects compared to net profit after tax of Rs. 1,375.61 lacs in the previous year.

The impact of slowdown and recessionary trends in the industrial activity has had its effect during the first half of the current year and it was only in the 2<sup>nd</sup> half that the demand and the prices picked up. Your company has recorded higher turnover under the difficult times during the year under review. The operating profit stood at the similar level. During the year, the Govt continued with the concessional excise duty of 4% to the paper industry to stimulate demand.

PM-4 has been commissioned during the year under review enhancing the manufacturing capacity of paper from the existing capacity of 50,000 MTPA to over 1,00,000 MTPA. The Chemical Recovery Plant



and the Co-generation plant set up towards cost reduction initiatives in the manufacturing of paper, as part of the Mill Expansion Plan, has already been commissioned in the previous year. The stabilization of PM-4, took longer time than envisaged to stabilize operations thereby affecting the operational performance for the year under review. The incidence of depreciation and interest is higher during the year consequent to the commissioning and capitalization of PM-4; which has also had its effect on the profitability. With the implementation and commissioning of these projects, the company is heading towards achieving the benchmark of one of the most cost competitive paper units and will make your company one of the large paper manufacturers in the industry. Further it will enable the manufacturing of premium quality paper, which is placed in maplitho paper category, competing with quality specifications of other large paper mills. The results of enhanced capacity operations will be visible in the current financial year 2010-11. The implementation of pulp street; the remaining project, of the Mill Expansion Plan is at advanced stage and will be commissioned during the current year.

#### **7. Internal Control Systems**

Your Company maintains internal control systems to provide reasonable assurance that the assets are safeguarded and transactions are properly authorized, recorded and correctly reported. The internal control systems are supplemented by regular management reviews and periodical reviews by the independent firm of chartered accountants, which evaluate the functioning and quality of internal controls and checks; and provides assurance of its adequacy and effectiveness. The scope of internal audit covers a wide variety of operational

methods and ensures compliance with specified standards with regard to availability and suitability of policies, practices and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The reports of internal audit are placed before Audit Committee of the Directors for review.

#### **8. Human Resources**

Human resources are invaluable assets of the company and the Company's endeavor has always been to retain the best professional and technical talent. The company lays great emphasis on proper management of human resources and believes that this is the most important ingredient for achieving excellence in performance and sustainable growth. The management has process driven approach that invests in training and development needs of the employees on regular basis through succession planning, on the job training and training workshops etc.

#### **9. Cautionary Statement**

Statements in this "Management's Discussions and Analysis" are describing the Company's "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and abroad and other factors such as litigation, industrial relations and other unforeseen events.

For and on behalf of the Board

Chandigarh  
August 13, 2010

**J.K. Khaitan**  
*Chairman & Managing Director*

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy on Corporate Governance

The principles of Corporate Governance and the Code of Business Conduct & Ethics are the cornerstones of your Company. Your Company has consistently striven to implement best corporate governance practices reflecting its strong value system and ethical business conduct. The Company's philosophy on Corporate Governance envisages attainment of highest level of transparency, accountability and integrity in the functioning of the Company with a view to create value that can be sustained continuously for the benefit of its stakeholders. All employees are bound by a Code of Conduct that sets forth Company's policies on important issues including our relationship with consumers, shareholders and Government.

### 2. Board of Directors

The Board of Directors consisted of 12 directors as on 31<sup>st</sup> March, 2010. The Board has a healthy blend of executive and non-executive directors which ensures the desired level of independence in functioning and decision making. The Board comprised of a Chairman & Managing Director, a Managing Director and ten non-Executive Directors. Out of ten, six non-Executive Directors were independent directors as on 31<sup>st</sup> March, 2010. All the independent directors are eminent professionals and bring in wealth of expertise and experience for advising the management of the Company.

#### (a) Composition of the Board

Name of Director (S/Shri)	Category	No. of Board Meetings attended during 2009-10		Whether attended the last AGM	No. of directorships in other public limited companies	No of Committee positions held in other Companies	
		Held	Attended			Chairman	Member
N.K.Bajaj, (Chairman & Managing Director)	Promoter/ Executive	6	6	Yes	7	3	1
J.K.Khaitan, (Vice-Chairman)	Promoter/ Non-Executive	6	5	No	5	1	3
A.K.Bajaj	- do -	6	6	Yes	4	-	1
V.K.Bajaj	- do -	6	5	No	5	-	2
Ashutosh Khaitan	- do -	6	4	Yes	2	-	-
G.N.Mehra	Independent, Non-Executive	6	5	Yes	6	4	4
K.R. Ramamoorthy	- do -	6	6	Yes	8	2	7
Ravindra Gupta*	- do -	6	3	No	2	-	-
Mohit Satyanand	- do -	6	5	Yes	3	-	3
Yashovardhan Saboo	- do -	6	-	No	10	-	2
J.C.Rana	- do -	6	6	Yes	-	-	-
Pavan Khaitan (Managing Director)	Promoter/ Executive	6	6	Yes	2	-	-

\* Appointed as Director on 29.09.2009

(b) During the financial year 2009-10, six (6) Board Meetings were held on 27<sup>th</sup> April 2009, 30<sup>th</sup> July 2009, 25<sup>th</sup> September 2009, 28<sup>th</sup> October 2009, 27<sup>th</sup> January 2010 and 23<sup>rd</sup> February 2010. The maximum interval between any two meetings was not more than 4 months.

#### (c) Information supplied to the Board

Information regularly provided to the Board inter-alia include:

- Annual operating plans, budgets & updates;
- Production, sales and financial performance data;
- Expansion/capital expenditure plans & updates;
- Quarterly financial results with segment-wise information;
- Minutes of the meetings of the Audit and other committees as well as circular resolutions passed;
- Staff matters, including senior management personnel appointments and significant developments relating to labour relations and human resource relations;
- Materially important legal proceedings by or against the Company;
- Share transfer and dematerialization compliances;
- Fatal or serious accidents or dangerous occurrences and materially significant effluents or pollution problems;
- Materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Non-compliances of any regulatory or statutory provision or listing requirement on non-payment of dividend or delay in share transfers;
- Insider trading related disclosure procedures and such other matters;
- Details of any joint-venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;

- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business;
- Details of foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.

**(d) Materially significant related party transactions**

There have been no materially significant related party transactions, pecuniary transactions or relationship between ABC Paper Limited and its directors during the year 2009-10 that may have potential conflict with the interests of the Company.

**(e) Details of remuneration paid to the directors during the financial year 2009-10**

(Amount in Rs.)

Name of Director (S/Shri)	Relationship with other Directors	Basic Salary	Perks+ contribution to PF/other Funds	Commission	Sitting Fee	Total
N.K.Bajaj	Father of Shri A.K.Bajaj & Shri V.K.Bajaj	44,16,000	5,63,692	6,93,557	-	56,73,249
J.K.Khaitan	Father of Shri Pavan Khaitan	-	-	-	4,50,000	4,50,000
A.K.Bajaj	Son of Shri N.K.Bajaj and brother of Shri V.K. Bajaj	-	-	-	1,05,000	1,05,000
V.K.Bajaj	Son of Shri N.K.Bajaj and brother of Shri A.K. Bajaj	-	-	-	75,000	75,000
Ashutosh Khaitan	-	-	-	-	45,000	45,000
G.N.Mehra	-	-	-	-	1,35,000	1,35,000
K.R. Ramamoorthy	-	-	-	-	1,65,000	1,65,000
Ravindra Gupta	-	-	-	-	45,000	45,000
Yashovardhan Saboo	-	-	-	-	15,000	15,000
Mohit Satyanand	-	-	-	-	75,000	75,000
J.C.Rana	-	-	-	-	1,80,000	1,80,000
Pavan Khaitan	Son of Sh. J.K.Khaitan	30,72,000	4,01,009	4,82,474	-	39,55,483

**Shares held by the non-executive Directors in the company as on 31.03.2010**

Name of the Director	No. of shares
Shri J.K. Khaitan	54,336
Shri G.N. Mehra	4,750
Shri K.R. Ramamoorthy	250
Shri Ravindra Gupta	Nil
Shri Mohit Satyanand	Nil
Shri Yashovardhan Saboo	Nil
Shri A.K. Bajaj	1,39,478
Shri V.K. Bajaj	1,28,476
Shri Ashutosh Khaitan	21,001
Shri J.C. Rana	Nil

**1. Committees of the Board**

**(a) Audit Committee**

The constitution and terms of reference of the Audit Committee conforms to the requirements of Clause 49 and Section 292A of the Companies Act, 1956. The following functions are performed by the Audit Committee:

- Overseeing the Company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment /removal of external auditors, fixing audit fees and approving payments for any other service;
- Reviewing with management the annual financial statements before submission to the Board;
- Reviewing with the management Quarterly/ Half-yearly and other financial statements before submission to the Board for approval;
- Reviewing with the management, external and internal auditor, the adequacy of internal control systems and recommending improvements to the management;
- Reviewing the adequacy of internal audit function;
- Discussing with internal auditors of any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigation by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of the internal control systems of a material nature and reporting the matter to the Board;
- Discussing with the external auditors before the audit commences on the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies; and
- Initiating investigations into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.

The Company continues to derive immense benefit from the deliberations of the Audit Committee. The Audit Committee, as on 31.03.2010, comprised of the following five directors of the Company – three non-executive & independent and two executive & non-independent:

Shri G.N.Mehra	Chairman	Independent, Non-Executive Director
Shri N.K.Bajaj	Member	Non-independent, Executive Director
Shri K.R.Ramamoorthy	Member	Independent, Non-Executive Director
Shri J.C.Rana	Member	Independent, Non-Executive Director
Shri Pavan Khaitan	Member	Non-independent, Executive Director

During the financial year 2009-10, Audit Committee met 5 times and the attendance of the Directors on the above meetings was as follows:

Director	No. of meetings held	No. of meetings attended
Shri G N Mehra	5	4
Shri N K Bajaj	5	5
Shri K R Ramamoorthy	5	5
Shri Pavan Khaitan	5	5
Shri J C Rana	5	5

The Vice President (Finance) and other senior executives (when required) are invited in the meetings. Representatives of the statutory auditors, cost auditors and internal auditors are also invited to the meetings, when required. All the meetings are attended by the statutory auditors.

The Company Secretary acts as Secretary of the committee.

All the members of the Audit Committee were present at the last AGM held on 25<sup>th</sup> September, 2009.

#### (b) Remuneration Committee

The broad terms of reference of the Committee are to determine and recommend to the Board, compensation payable to the Managing Directors/Executive Directors.

The remuneration of the working directors is decided by the Board based on the recommendation of the

Remuneration Committee within the ceiling prescribed under the Companies Act, 1956. The remuneration to non-executive directors comprised of the sitting fee only.

The Remuneration Committee, as on 31.03.2010, comprised of the following directors of the Company:

Shri Yashovardhan Saboo	Chairman	Independent, Non-Executive Director
Shri G.N.Mehra	Member	Independent, Non-Executive Director
Shri Mohit Satyanand	Member	Independent, Non-Executive Director

#### (c) Shareholders/Investors' Grievance Committee

The company has constituted Shareholders'/Investors' Grievance Committee for speedy disposal of all grievances/complaints relating to shareholders/investors. The Committee specifically looks into redressal of investors' complaints and requests such as transfer of shares, non-receipt of annual report, non-receipt of declared dividend etc. In addition, the Committee advises on matters which can facilitate better investor services/relations. The Shareholders/Investors' Grievance Committee, as on 31.3.2010, comprised of the following directors:

Shri J.K Khaitan	Member	Non-Independent, Non-Executive Director
Shri A.K. Bajaj	Member	Non-independent, Non-Executive Director
Shri J.C. Rana	Member	Independent, Non-Executive Director

During the financial year 2009-10, Shareholders'/Investors' Grievance Committee met once and the attendance of the Directors on the above meeting was as follows:

Director	No. of meetings held	No. of meetings attended
Shri J.K.Khaitan	1	1
Shri A.K.Bajaj	1	-
Shri J.C.Rana	1	1

Shri Vivek Trehan, the Company Secretary is the Compliance Officer of the Company.

During the year, the Company received 2 complaints which were replied/resolved to the satisfaction of the investors. As on 31<sup>st</sup> March, 2010, no complaints

and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2009-10 have been acted upon by the Company and no transfer was pending.

#### 4. General Body Meetings

The particulars of last three Annual General Meetings of the Company are as under:

Financial Year	Date	Time	Place
2006-07	26.09.2007	12.30 p.m.	FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110 001
2007-08	25.09.2008	11.30 a.m.	Sirifort Auditorium, August Kranti Marg, New Delhi-110 049
2008-09	25.09.2009	11.30 a.m.	NCUI Auditorium, August Kranti Marg, New Delhi-110 016

#### 5. Disclosures

- There were no transactions of material nature with the directors or the management or their subsidiaries or relatives etc. during the year that had potential conflict with the interests of the Company at large.
- The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and in conformity, in all material respects, with the generally accepted accounting principles and standards in India. The estimates/judgements made in preparation of these financial statements are consistent, reasonable and on prudent basis so as to reflect true and fair view of the state of affairs and results/operations of the Company.
- The Company has well defined Risk Management Policies for its business, which are periodically reviewed to ensure that the executive management controls risk by means of a properly defined framework.
- The Company has not raised any funds from the capital market (public/rights/preferential issues etc.) during the financial year under review.
- There was no instance of non-compliance of any matter relating to the capital markets by the Company. No penalties or strictures have been imposed on the company by the stock exchanges, SEBI or any other statutory authorities on any matter relating to the capital market since the listing of the Company.

- The Company is complying with all mandatory requirements of clause 49 of the listing agreements. Non-mandatory requirement relating to Remuneration Committee has been adopted by the Company.

#### 6. Means of Communications

The Quarterly, Half Yearly and Annual Financial Results are communicated to all stock exchanges where the Company's shares are listed as soon as they are approved and taken on record by the Board of Directors of the Company. Further, the Quarterly and Half Yearly results are published in leading newspapers such as Financial Express & Business Standard (English) and Jansatta (Hindi). The results are not sent individually to the shareholders.

The investors can register their grievances at Company's e-mail id i.e. [abccorp@abcpaper.in](mailto:abccorp@abcpaper.in)

The Management Discussion and Analysis forms part of the Directors' Report.

#### 7. Code of Conduct

The Board of Directors of the Company have adopted Code of Business Conduct & Ethics. This Code is based on three fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary conduct; and is applicable to all the Directors and senior management personnel.

All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31<sup>st</sup> March, 2010 and a declaration to that effect signed by the Chairman & Managing Director is attached and forms part of this report.

#### 8. Code of Conduct for prevention of Insider Trading

The Company has a Code of Conduct for prevention of Insider Trading in the shares and securities of the Company. This Code, inter alia, prohibits purchase/sale of shares of the Company by Directors and Employees while in possession of unpublished price sensitive information in relation to the Company.

#### 9. CEO/CFO Certification

The Certificate required under Clause 49(V) of the Listing Agreement duly signed by CEO/CFO was placed before the Board and the same is annexed to this report.

## 10. Disclosures regarding appointment/ reappointment of Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Ashutosh Khaitan retires by rotation and is eligible for reappointment.

**The Profile of the abovesaid Director is as under:**

Name of Director	Age	Qualification	Date of Appointment	No. of the shares held in the Company	Expertise	Other Directorships in Public Companies & membership of committees as on 31.03.2010
Sh Ashutosh Khaitan	35 years	Advocate	10.07.2007	21001	Advocate and Partner of a law firm, M/s Khaitan Jayakar, Sud & Vohra, New Delhi and has extensive law experience in various fields.	Ghaziabad Investment Ltd, Combine Accurate Financial Services India Ltd.

## 11. Auditors' Certificate on Corporate Governance

A certificate has been obtained from the Auditors of the Company regarding compliance with the provisions relating to Corporate Governance laid down in Clause 49 of the listing agreement with the stock exchanges. The same is annexed to this report.

### Declaration regarding compliance of Code of Conduct

I, Jagesh Kumar Khaitan, Chairman & Managing Director of ABC Paper Ltd., hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance of the Code of Conduct for the year ended 31<sup>st</sup> March, 2010.

Place: Chandigarh

**J.K. Khaitan**

Date: August 13, 2010 Chairman & Managing Director



## GENERAL SHAREHOLDERS INFORMATION

### • Annual General Meeting

<b>Date</b>	24 <sup>th</sup> September, 2010
<b>Time</b>	11.30 am
<b>Venue</b>	National Cooperative Union of India (NCUI) Auditorium, 3, Siri Institutional Area, August Kranti Marg, New Delhi- 110 016

### • Financial Calendar 2010-11 (Tentative)

#### Board Meetings to take on record

Financial Results for Quarter ended 30.06.2010	13.08.2010
Financial Results for Quarter ended 30.09.2010	First week of November, 2010
Financial Results for Quarter ended 31.12.2010	First week of February, 2011
Financial Results for Quarter ended 31.03.2011	First week of May, 2011
Book Closure Date	15.09.2010 to 24.09.2010 ( both days inclusive)

### • Dividend Payable Date

Dividend, if any, declared in the forthcoming AGM will be paid on or after 24<sup>th</sup> September, 2010 but before the statutory time limit of 30 days from the date of declaration.

### • Listing

Sl. No.	Name & address of stock exchanges
1	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
2	The Uttar Pradesh Stock Exchange Association Ltd, “Padam Towers”, 14/113, Civil Lines, Kanpur-208 001

The Company has already paid annual listing fee for the year 2010-11 to both the stock exchanges.

### • Stock Code

- Bombay Stock Exchange : 532937
- The Uttar Pradesh : A00087  
Stock Exchange Assn Ltd
- Demat ISIN in NSDL and : INE 529I01013  
CDSL for equity Shares

### • Market Price Data

The monthly high/low quotation of the equity shares traded at Bombay Stock Exchange and BSE Sensex during the financial year 2009-10 are given below.

Month	ABC Paper Share Price (Rs.)		BSE Sensex	
	High	Low	High	Low
April 2009	42.00	28.70	11,492.10	9,546.29
May 2009	48.50	36.35	14,930.54	11,621.30
June 2009	56.90	37.25	15,600.30	14,016.95

Month	ABC Paper Share Price (Rs.)		BSE Sensex	
	High	Low	High	Low
July 2009	51.00	44.00	15,732.81	13,219.99
August 2009	68.95	55.65	16,002.46	14,684.45
September 2009	86.00	58.10	17,142.52	15,356.72
October 2009	80.90	65.30	17,493.17	15,805.20
November 2009	73.00	59.20	17,290.48	15,330.56
December 2009	87.00	62.20	17,530.94	16,577.78
January 2010	101.00	69.55	17,790.33	15,982.08
February 2010	77.95	60.00	16,669.25	15,651.99
March 2010	69.50	57.00	17,793.01	16,438.45

### • Share Transfer Agent and Demat Registrar

The Company has appointed M/s MAS Services Ltd., New Delhi as the Registrar & Share Transfer Agent for handling both physical share registry and demat share registry work having their office at:

#### M/s MAS Services Ltd.

T-34, 2nd Floor, Okhla Industrial Area,  
Phase - II,

New Delhi - 110 020

Ph: 011-26387281/82/83

Fax: 011-26387384

email: info@masserv.com

website : www.masserv.com

### • Share Transfer System

The transfers are normally processed within a period of 15-20 days from the date of receipt if the documents are complete in all respects. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories i.e. NSDL and CDSL within 15 days. The connectivity with NSDL and CDSL is maintained through M/s MAS Services Ltd. The Shareholders have the option to open account with any of the depository participants registered with NSDL and CDSL.

Pursuant to amendment to the Listing Agreement- Clause 11 vide SEBI's Circular dated May, 20, 2009, it has now become mandatory for the transferee(s) to furnish copy of their PAN card to the Company/ RTAs for registration of transfer of shares in physical form.

- Distribution of Equity Shareholding**

**(a) Shareholding Pattern as on 31<sup>st</sup> March, 2010**

Sl. No	Description	No. of equity shares held	Shareholding %
1.	Promoters <ul style="list-style-type: none"> <li>Individuals</li> <li>Bodied Corporate</li> </ul>	10,59,780 54,44,893	12.14% 62.40%
2.	Institutional Investors <ul style="list-style-type: none"> <li>Mutual Funds</li> <li>UTI /Banks/Financial Institutions</li> <li>Insurance Companies</li> <li>FIs</li> </ul>	250 924 1,49,161 -	0.00% 0.01% 1.71% -
3.	Others <ul style="list-style-type: none"> <li>Private Bodies Corporate</li> <li>Indian Public</li> <li>NRIs/OBCs/Pak shareholders</li> </ul>	8,10,212 12,17,430 43,713	9.28% 13.96% 0.50%
	<b>Total</b>	<b>87,26,363</b>	<b>100.00%</b>

**(b) Distribution of shareholding as on 31<sup>st</sup> March, 2010**

Range of holding	No. of shareholders	%age of shareholders	No. of shares	%age of holding
1 to 5,000	19,856	98.27	6,03,198	6.91
5,001 to 10,000	140	0.69	1,07,765	1.24
10,001 to 20,000	79	0.39	1,18,888	1.36
20,001 to 30,000	21	0.10	53,322	0.61
30,001 to 40,000	16	0.08	57,671	0.66
40,001 to 50,000	9	0.05	43,937	0.50
50,001 to 1,00,000	29	0.14	2,09,746	2.41
1,00,001 and above	57	0.28	75,31,836	86.31
<b>Total</b>	<b>20,207</b>	<b>100.00</b>	<b>87,26,363</b>	<b>100.00</b>

- De-materialization of Shares**

The Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL) to offer depository Services to the shareholders. As on March 31, 2010, approximately 22.29% of the shares of the Company have been dematerialized.

- Secretarial Audit**

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The Secretarial Audit Report confirms that the total issued/ paid up capital is in agreement with the total no. of shares in physical form and the total no. of dematerialized shares held with NSDL and CDSL.

- Outstanding GDRs/ADRs/Warrants etc.**

Not applicable

- Plant Location**

Saila Khurd 144 529  
Distt: Hoshiarpur, Punjab

- Address for correspondence**

**(a) Registered Office:**

**ABC Paper Limited**  
M-2, Akarshan Bhawan,  
4754/23, Ansari Road, Darya Ganj,  
New Delhi - 110 002

**(b) Registrar & Share Transfer Agent**

**MAS Services Limited**  
T-34, 2nd Floor, Okhla Industrial Area, Phase - II,  
New Delhi - 110 020  
Ph: 011-26387281/82/83; Fax: 011-26387384  
email: info@masserv.com;  
website : www.masserv.com

**AUDITORS CERTIFICATE**

**To the Members of ABC Paper Ltd.  
New Delhi**

We have examined the compliance of the conditions of Corporate Governance by ABC Paper Limited for the year ended 31<sup>st</sup> March, 2010 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of 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 abovementioned Listing Agreement, except in case of one vacancy created by resignation of independent director which was filled up after a gap of seven months and accordingly the strength of independent directors remained below 50% upto that period. The same was to be filled with in 6 months from the date of vacancy created as per requirement of SEBI.

We state that in respect of investor grievances during the year ended 31<sup>st</sup> March, 2010 grievances were received & resolved by the Company. There were no grievances which were pending with the Company as at 31<sup>st</sup> March, 2010 as per records maintained by the Company.

We further state that 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 V. Sahai Tripathi & Co.**  
Chartered Accountants  
Firm Regn. No. 000262N

**Manish Mohan**  
Partner  
M.No. 0091607

Place: Chandigarh  
Date: August 7, 2010

## **CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

**The Board of Directors  
ABC PAPER LIMITED  
NEW DELHI**

We, Pavan Khaitan, Managing Director and Roshan Garg, Vice President (Finance) & CFO, of ABC Paper Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31<sup>st</sup> March, 2010 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations;
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31<sup>st</sup> March, 2010 which are fraudulent, illegal or violative of the Company's code of conduct;
4. Proper and sufficient care has been taken 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.
5. We further certify that:-
  - (a) There have been no significant changes in internal controls during the year;
  - (b) There have been no significant changes in accounting policies during the year;
  - (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having significant role in the Company's internal control systems.

**Roshan Garg**  
Vice President (Finance) & CFO

**Pavan Khaitan**  
Managing Director

Place : Chandigarh  
Date : 05.08.2010

## AUDITORS' REPORT

**The Members of  
ABC Paper Limited  
New Delhi**

1. We have audited the attached Balance Sheet of **ABC Paper Limited** as at 31<sup>st</sup> March, 2010, the Profit and Loss Account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Management of Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 misstatements. 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 statements 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 sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we set out in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purpose of our audit;
  - ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
  - v) Based on representations received from all the Directors of the company as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the Directors of the Company are disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) to section 274 of the Companies Act, 1956; and
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, read together with the significant accounting policies and other notes to accounts appearing in **Schedule O** and foot-notes appearing under other schedules, 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, 2010;
    - b) In the case of the Profit and Loss Account, of the Profit for the year ending March 31<sup>st</sup> 2010;
    - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date

For & on behalf of

**V Sahai Tripathi & Co.**

Chartered Accountants

Firm Registration No. 000262N

Place: Chandigarh  
Date: August 13, 2010

**Mahesh Sahai**  
Partner  
M.No. 006730

**Annexure referred to in paragraph (3) of Auditor's Report to the members of ABC Paper Limited on the financial statements for the year ended March 31, 2010**

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. In accordance with such programme, the management has physically verified its fixed assets during the year and no material discrepancies were noticed by them.
  - (c) During the year, there was no substantial disposal of fixed assets.
  2. (a) According to the information and explanations given to us, physical verification of inventories is conducted by the management at periodic intervals. These intervals are reasonable having regard to the size of the company and the nature of its inventories.
  - (b) The procedures followed by the company for physical verification of inventories 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 and no material discrepancies were noticed on physical verification as compared to book records.
  3. (a) The Company has not granted any loan secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, clauses (a) to (b) are not applicable and have therefore not been commented upon.
  - (c) To the best of our knowledge and according to the information and explanations given to us the Company has received/obtained unsecured loan & advances from six Parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year of such advances aggregates to Rs. 500 Lacs & amount outstanding as on 31st March 2010 is Rs. 95 lacs.
- Besides, an unsecured loan of Rs. 392.73 lacs was granted to the erstwhile Amrit Banaspati Company Ltd. (ABCL) by the then Amrit Enterprises Limited (now known as 'Amrit Banaspati Co. Ltd. '), a company covered under the register maintained u/s 301 of the Act under the Modified Rehabilitation Scheme (MRS) of ABCL sanctioned by the Hon'ble Board of Industrial & Financial Reconstruction (BIFR). Out of the said unsecured loan, a sum of Rs. 191.32 lacs has devolved on the company pursuant to the Scheme of Arrangement sanctioned by the

jurisdictional high Courts and becoming effective from 1st April, 2006.

- (d) The rate of interest and other terms and conditions of the loans taken during the year are not prejudicial to the interest of the Company. The MRS provided that the said unsecured loan of Rs.191.32 lacs would be subordinated to institutions/banks term loans and would be repaid after payment to all financial institutions/banks. Accordingly, the interest on the said loan has been fixed at 10% on annual basis and the loan will be repaid after 31.3.2010 by which time all the loans of the financial institutions/banks will be repaid as per MRS. In view of this, we are of the opinion that the rate of interest and other terms and conditions of the loan are not prejudicial to the interest of the company.
- (e) In our opinion the rate of interest and other terms and conditions of the unsecured loan taken by the company are prima facie not prejudicial to the interest of the company.
- (f) Payment of interest has been made regularly. The payment of the principal amount is payable on demand as per the terms stipulated or as rescheduled from time to time.
4. 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 for the purchase of inventory and fixed assets and for the sale of goods and services. There was no continuing failure to correct major weaknesses in internal controls noticed by us during the course of our audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rs. Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the Rules framed there-under, wherever applicable with regard to the deposits accepted during the year. In accordance with the information and explanations given to us, there were no orders passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other "Tribunal" which have not been complied with.

7. In our opinion the company has an internal audit system which is commensurate with the size and nature of its business.
8. Maintenance of cost records has been prescribed by the Central Govt. under clause (d) of sub section (1) of section 209 of the Act in respect of the present manufacturing activities of the company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained by the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, in our opinion the company is regular in depositing the undisputed statutory dues including provident fund, investor education & protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of the above dues which were outstanding as at 31st March, 2010 for a period of more than six months from the date of becoming payable.
- (b) According to the records of the company examined by us, the particulars of the dues outstanding of income tax, sale tax, wealth tax, service tax, custom duty, excise duty and cess as at 31st March, 2010 which have not been deposited on account of disputes, are as under:

Name of the statutes	Nature of dues	Amount (Rs. Lacs)	Forum where dispute is pending
Central Excise Act, 1944	- Classification of products	447.36	Commissioner
Central Excise Act, 1944	- Classification of products	181.90	CESTAT
Income Tax, 1961	- Disallowance of expenses	7.57	CIT (Appeals)

10. The company has no accumulated losses as at 31st March, 2010 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. The company during the year has not defaulted in the re-payment of dues to the bank. The company has no loans from financial institutions nor has it issued any debentures.
12. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause

4(xiv) of the order are not applicable.

15. The Company has given a corporate guarantee of Rs 720 Lacs in favour of the State Bank of India (SBI) in consideration of their granting a term loan & working capital facilities of Rs 720 Lacs to M/s Greencone Environs Private Limited for setting up of a "Lignin Precipitation Systems (LPS) Project" at the Paper unit, for which the Company is contingently liable.
- Besides no other guarantee has been given by the Company for loans taken by others from banks or financial institutions during the year which is outstanding at the end of the year.
16. Company has obtained term loan from banks during the year ending 31st March, 2010. According to the information and explanations given to us, the term loan has been applied for the purpose for which it was obtained.
17. There were no funds raised on a short term basis which has been used on a long term basis during the year ended March 31, 2010, except the unsecured loans of Rs 235 Lacs received from promoter's / associate companies during the previous year which have been used for part funding of the Mill Expansion Plan.
18. During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(xviii) of the order is not applicable.
19. The company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.
20. The company has not raised any money by way of public issue during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor we have been informed of such case by the management.

for & on behalf of  
**V Sahai Tripathi & Co.**  
 Chartered Accountants  
 Firm Registration No. 000262N

Place: Chandigarh  
 Date: August 13, 2010

**Mahesh Sahai**  
 Partner  
 M.No. 006730



## BALANCE SHEET AS AT MARCH 31, 2010

	Schedule	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>I. SOURCES OF FUNDS</b>			
(1) Shareholders' Funds			
(a) Capital	A	10,22,63,630	10,72,63,630
(b) Reserves and Surplus	B	34,30,42,338	46,98,99,730
(2) Loan Funds			
(a) Secured Loans	C	1,53,93,12,740	1,32,16,23,251
(b) Unsecured Loans	D	41,71,52,765	29,98,32,629
(3) Deferred tax liability		31,95,64,356	10,06,72,656
		<u>2,72,13,35,829</u>	<u>2,29,92,91,896</u>
<b>II. APPLICATION OF FUNDS</b>			
(1) Fixed Assets	E		
(a) Gross block		2,93,25,09,886	1,97,78,55,532
(b) Less: depreciation		74,43,59,386	62,37,63,105
(c) Net block		2,18,81,50,500	1,35,40,92,427
(d) Capital work-in-progress		11,35,01,070	69,46,11,738
		<u>2,30,16,51,570</u>	<u>2,04,87,04,165</u>
(2) Investments	F	-	1,29,83,000
(3) Current Assets, Loans & Advances	G		
(a) Inventories		31,23,04,364	14,67,06,970
(b) Sundry debtors		7,40,43,833	4,78,09,784
(c) Cash & bank balances		1,43,35,315	1,20,18,103
(d) Loans & advances		12,95,04,485	14,39,18,367
		<u>53,01,87,997</u>	<u>35,04,53,224</u>
Less : Current liabilities & provisions	H	<u>11,05,03,738</u>	<u>11,28,48,493</u>
<b>Net Current Assets</b>		<u>41,96,84,259</u>	<u>23,76,04,731</u>
		<u>2,72,13,35,829</u>	<u>2,29,92,91,896</u>
Notes to Accounts	O		

Schedules A to H & O annexed and significant Accounting Policies form part of this Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

For **V SAHAI TRIPATHI & Co**  
Chartered Accountants  
Firm Registration No. 000262N

**J.K. Khaitan**  
Chairman & Managing Director

**Pavan Khaitan**  
Managing Director

**Mahesh Sahai**  
Partner  
M.No. 006730

**Roshan Garg**  
Vice President-Finance & CFO

**Vivek Trehan**  
Company Secretary

Place : Chandigarh  
Dated : August 13, 2010

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

	Schedule	Current Year (Rs.)	Previous Year (Rs.)
<b>INCOME</b>			
Gross Sales		2,20,48,61,030	2,09,17,91,898
Less : Excise duty		8,31,92,230	12,02,77,652
Net Sale		2,12,16,68,800	1,97,15,14,246
Increase/(decrease) in stocks	I	1,24,03,510	26,67,606
Other income	J	85,43,168	82,71,358
		<b>2,14,26,15,478</b>	<b>1,98,24,53,210</b>
<b>EXPENDITURE</b>			
Material consumed	K	61,03,11,773	35,96,69,132
Manufacturing expenses	L	88,58,26,750	1,00,10,92,363
Employees' emoluments	M	12,36,58,175	10,80,34,610
Other expenses	N	30,85,34,633	22,42,18,670
		<b>1,92,83,31,331</b>	<b>1,69,30,14,775</b>
Profit before Depreciation		21,42,84,147	28,94,38,435
Less : Depreciation		12,05,96,281	7,93,91,239
Profit before taxation		9,36,87,866	21,00,47,196
Less : Provision for current tax (Including Wealth Tax)		1,59,45,299	2,37,27,026
Less : Provision for Fringe Benefit Tax		-	12,30,322
Less : Deferred Tax Adjustment		21,88,91,700	5,75,71,950
Add: Mat Credit Entitlement		1,59,17,534	1,00,42,980
Profit/(loss) after taxation		<b>(12,52,31,599)</b>	<b>13,75,60,878</b>
		<b>(12,52,31,599)</b>	<b>13,75,60,878</b>
Add : Balance of Profit Brought Forward		24,41,07,964	15,37,08,537
Profit available for appropriations		<b>11,88,76,365</b>	<b>29,12,69,415</b>
<b>APPROPRIATIONS</b>			
a) Proposed Dividend on Equity Shares @ 10%		87,26,363	2,18,15,908
b) Preference Dividend @ 7%		12,22,603	14,00,000
c) Tax on dividend		16,90,827	39,45,543
d) Capital Redemption Reserve		50,00,000	-
d) General Reserve		1,00,00,000	2,00,00,000
Balance carried to Balance Sheet		<b>9,22,36,572</b>	<b>24,41,07,964</b>
Notes to Accounts	O		
Additional Information	P		

Schedules I to P annexed and significant Accounting Policies form part of this Profit & Loss Account.  
This is the Profit & Loss Account referred to in our report of even date.

For **V SAHAI TRIPATHI & Co**  
Chartered Accountants  
Firm Registration No. 000262N

**J.K. Khaitan**  
Chairman & Managing Director

**Pavan Khaitan**  
Managing Director

**Mahesh Sahai**  
Partner  
M.No. 006730

**Roshan Garg**  
Vice President-Finance & CFO

**Vivek Trehan**  
Company Secretary

Place : Chandigarh  
Dated : August 13, 2010

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

	2009-10	(Rs. lacs) 2008-09
<b>(A) Cash flow from operating activities</b>		
Profit before taxes	936.88	2,100.47
Add:		
Depreciation	1,205.96	793.91
Loss on sale of fixed assets	-	0.25
Profit on sale of fixed assets	-	(7.49)
Interest Paid	1,709.09	1,040.72
Dividend/interest	(16.08)	(14.61)
Operating profit before working capital	3,835.85	3,913.25
Adjustments for:		
Trade & Other receivables	(262.34)	(208.70)
Loans & Advances	170.96	(180.22)
Inventories	(1,655.97)	(69.83)
Trade Payables	131.77	132.87
	(1,615.58)	(325.88)
<b>Cash generated from operating activities</b>	<b>2,220.27</b>	<b>3,587.37</b>
Less :		
Direct Tax paid	(186.28)	(249.57)
MAT Credit	159.18	100.43
<b>Net Cash generation from operating activities</b>	<b>2,193.16</b>	<b>3,438.23</b>
<b>(B) Cash Flow from investing activities</b>		
Purchase of Investments	-	-
Dividend/interest income	16.08	14.61
Purchases of Fixed Assets including capital work in progress	(3,735.44)	(6,510.26)
Sale of Fixed Assets	-	9.84
Sale of Investments	-	-
<b>Net cash used in investing activities</b>	<b>(3,719.36)</b>	<b>(6,485.81)</b>
<b>(C) Cash flow from financing activities</b>		
Proceeds from share capital	-	-
Issue of preference share capital	-	-
Redemption of preference share capital	(50.00)	-
Impairment in Investment	129.83	-
Proceeds from capital subsidy	100.14	-
Proceeds from borrowing of working capital	1,522.83	(14.10)
Repayment of secured loans	(3,217.78)	(770.92)
Proceeds from secured loans	3,871.84	4,589.12
Proceeds from unsecured loans	1,173.20	624.07
Interest paid	(1,709.09)	(1,057.06)
Payment of dividend including corporate tax	(271.61)	(271.61)
<b>Net Cash used in financing activities</b>	<b>1,549.37</b>	<b>3,099.50</b>
<b>Net increase/(decrease) in cash &amp; cash equivalent</b>	<b>23.17</b>	<b>51.91</b>
<b>Cash &amp; cash equivalent as at the beginning of the year</b>	<b>120.18</b>	<b>68.27</b>
<b>Cash &amp; cash equivalent as at the end of the year</b>	<b>143.35</b>	<b>120.18</b>

**Notes:** Figures in minus represent cash outflow & vice versa

For **V SAHAI TRIPATHI & Co**  
Chartered Accountants  
Firm Registration No. 000262N

**Mahesh Sahai**  
Partner  
M.No. 006730

**J.K. Khaitan**  
Chairman & Managing Director

**Pavan Khaitan**  
Managing Director

Place : Chandigarh  
Dated : August 13, 2010

**Roshan Garg**  
Vice President-Finance & CFO

**Vivek Trehan**  
Company Secretary

## Schedule 'A' SHARE CAPITAL

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>Authorised</b>		
25,00,000 - (25,00,000) 7% Redeemable Preference Shares of Rs. 10/- each	2,50,00,000	2,50,00,000
1,75,00,000- (1,75,00,000) Equity Shares of Rs.10/- each	17,50,00,000	17,50,00,000
	<u>20,00,00,000</u>	<u>20,00,00,000</u>
<b>Issued, Subscribed &amp; Paid Up</b>		
15,00,000 - (20,00,000) 7% Redeemable Preference Shares of Rs.10/- each fully paid up	1,50,00,000	2,00,00,000
87,26,363 - (87,26,363) Equity Shares of Rs.10/- each fully paid up	8,72,63,630	8,72,63,630
	<u>10,22,63,630</u>	<u>10,72,63,630</u>

### Note:

- The preference shares are redeemable in 4 equal instalments of Rs. 50 Lacs each at the end of 3rd, 4th, 5th and 6th year from the date of allotment i.e 27.09.2006.
- Paid up equity share capital includes 64,26,463 equity shares of Rs. 10/- each issued and allotted as fully paid up to the shareholders of Amrit Banaspati Co. Ltd. on 24.07.2007 pursuant to the Scheme of Arrangement between Amrit Banaspati Company Ltd., ABC Paper Ltd. and Amrit Enterprises Ltd.

## Schedule 'B' RESERVES & SURPLUS

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>GENERAL RESERVE</b>		
Balance Brought Forward	22,57,91,766	20,57,91,766
Add: Transfer from Profit & Loss Account	1,00,00,000	2,00,00,000
	<u>23,57,91,766</u>	<u>22,57,91,766</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
Balance Brought Forward	-	-
Add: Transfer from Profit & Loss Account	50,00,000	-
<b>CAPITAL SUBSIDY</b>		
Capital Subsidy	1,00,14,000	-
<b>PROFIT &amp; LOSS ACCOUNT</b>		
	9,22,36,572	24,41,07,964
	<u>34,30,42,338</u>	<u>46,98,99,730</u>

## Schedule 'C' SECURED LOANS

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>(a) Term Loans from Scheduled Banks</b>		
Punjab National Bank -Term Loan	3,79,74,370	7,15,24,332
Punjab National Bank - WCTL	-	64,91,666
State Bank of Patiala -Term Loan- I	40,89,99,920	48,34,64,988
State Bank of Bikaner & Jaipur-Term Loan-I	9,81,82,362	12,00,00,000
State Bank of India-Term Loan-I	40,90,00,000	45,94,79,528
State Bank of Patiala- Corporate Loan I	-	2,48,00,000
State Bank of Patiala- Corporate Loan II	5,00,00,000	-
The Bank of Rajasthan Ltd -Corporate Loan	-	5,33,00,000
State Bank of India-Term Loan-II	12,00,00,000	-
State Bank of Bikaner & Jaipur-Term Loan-II	4,00,00,000	-
State Bank of Patiala -Term Loan- II	12,00,00,000	-
	<b>1,28,41,56,652</b>	<b>1,21,90,60,514</b>
<b>(b) Working Capital from Scheduled Banks</b>		
Punjab National Bank	15,08,51,004	7,84,51,085
State Bank of Patiala	9,97,47,767	1,98,64,187
	<b>25,05,98,771</b>	<b>9,83,15,272</b>
<b>(c) Vehicle Loans</b>	<b>45,57,317</b>	<b>42,47,465</b>
	<b>1,53,93,12,740</b>	<b>1,32,16,23,251</b>

### Notes

- The term loans of Banks are secured by a first mortgage of immovable properties of the company both present and future and a first charge by way of hypothecation over the machinery, machinery spares, tools and other movables both present and future ranking pari passu with charges created/ to be created subject to prior charge of the bankers for working capital on specified movables. The term loans of Punjab National Bank and State Bank of Patiala are also secured by second charge on the current assets of the company.
- The term loans are also secured by personal guarantees of Sh. N. K. Bajaj, J. K. Khaitan, A. K. Bajaj and Pavan Khaitan.
- Cash credit /working capital from banks is secured by hypothecation of all raw materials, stores, finished goods, stock-in-process, book-debts and personal guarantees of Sh. N.K. Bajaj, JK Khaitan, A.K. Bajaj and Pavan Khaitan and second charge on the fixed assets of the company.
- Vehicle Loans are secured by hypothecation of the vehicles purchased out of the said Loans.

## Schedule 'D' UNSECURED LOANS

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>Fixed Deposits</b>		
Payable within one year Rs.3,48,59,000/- (Rs.2,54,78,000/-)	7,17,23,000	4,39,66,000
<b>Others</b>	<b>34,54,29,765</b>	<b>25,58,66,629</b>
	<b>41,71,52,765</b>	<b>29,98,32,629</b>

## Schedule 'E' FIXED ASSETS

(Rs.)

	Cost as at 01-Apr-09	Additions During the year	Sale/ Adjust- ment during the year	Total Cost as at 31-Mar-10	Depreciation as on 01-Apr-09	Adjustment Transfer	Depreciation for the year	Depreciation Provided Upto 31-Mar-10	Net Value as at 31-Mar-10	Net Value as at 31-Mar-09
Land (Freehold)	63,45,558	14,21,520	-	77,67,078	-	-	-	-	77,67,078	63,45,558
Buildings	16,84,76,720	13,58,17,395	-	30,42,94,115	3,62,15,273	-	60,76,508	4,22,91,781	26,20,02,334	13,22,61,447
Plant & machinery	1,67,26,51,233	81,00,97,059	-	2,48,27,48,292	52,88,64,624	-	10,50,16,190	63,38,80,814	1,84,88,67,478	1,14,37,86,609
Electric installation	1,54,50,069	6,15,037	-	1,60,65,106	1,45,76,307	-	89,984	1,46,66,291	13,98,815	8,73,762
Laboratory equipment	40,35,632	7,48,850	-	47,84,482	12,34,552	-	2,34,864	14,69,416	33,15,066	28,01,080
Water supply system	1,58,29,134	48,84,999	-	2,07,14,133	79,57,482	-	4,99,240	84,56,722	1,22,57,411	78,71,652
Furniture & fixtures	69,87,628	2,84,079	-	72,71,707	46,51,124	-	2,30,314	48,81,438	23,90,269	23,36,504
Vehicles	82,45,512	4,38,546	-	86,84,058	17,73,938	-	6,81,060	24,54,998	62,29,060	64,71,574
Equipment & appliances	70,59,246	2,10,069	-	72,69,315	41,60,815	-	1,86,071	43,46,886	29,22,429	28,98,431
Gas cylinders	78,095	-	-	78,095	74,190	-	-	74,190	3,905	3,905
Computer	1,13,10,835	1,36,800	-	1,14,47,635	60,37,894	-	14,43,463	74,81,357	39,66,278	52,72,941
Paper Brands	6,13,85,870	-	-	6,13,85,870	1,82,16,906	-	61,38,587	2,43,55,493	3,70,30,377	4,31,68,964
<b>Total</b>	<b>1,97,78,55,532</b>	<b>95,46,54,354</b>	<b>-</b>	<b>2,93,25,09,886</b>	<b>62,37,63,105</b>	<b>-</b>	<b>12,05,96,281</b>	<b>74,43,59,386</b>	<b>2,18,81,50,500</b>	<b>1,35,40,92,427</b>
Previous year	1,593,615,435	385,672,090	1,431,993	1,97,78,55,532	54,55,44,024	11,72,158	7,93,91,239	62,37,63,105	1,35,40,92,427	-
Capital work in progress at cost and advances for capital expenditure									11,35,01,070	69,46,11,738
<b>TOTAL</b>									<b>2,30,16,51,570</b>	<b>2,04,87,04,165</b>

## Schedule 'F' INVESTMENTS

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>A QUOTED</b>	Nil	Nil
<b>B UNQUOTED - Long Term - Trade</b>		
Greencone Environs Pvt.Ltd.	1,29,83,000	1,29,83,000
12,98,300 (12,98,300) Equity Shares of Rs. 10/- each fully paid		
Less: Provision for impairment in investment	1,29,83,000	-
	-	1,29,83,000



## Schedule 'G' CURRENT ASSETS, LOANS & ADVANCES

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>A. Current Assets</b>		
1. Stores and spare parts	7,46,41,172	4,20,88,591
2. Packing Material	23,55,286	9,07,247
3. Loose tools	78,950	84,785
4. Stock in trade :		
(a) Raw material	13,97,34,406	4,60,74,960
(b) Chemicals & Fuels	7,54,27,921	4,98,88,268
(c) Work-in-process	1,26,64,843	76,63,119
(d) Finished products	74,01,786	-
	<u>31,23,04,364</u>	<u>14,67,06,970</u>
5. Sundry debtors: (Unsecured)		
(a) Due for more than six months		
- Considered good	-	-
- Considered doubtful	45,72,430	47,72,430
Less: Provision for doubtful debts	(45,72,430)	(47,72,430)
(b) Others (considered good)	7,40,43,833	4,78,09,784
	<u>7,40,43,833</u>	<u>4,78,09,784</u>
6. Cash & bank balances		
(a) Cash in hand	7,58,121	283,142
(b) With Scheduled banks		
(i) In Current account	21,38,794	7,96,961
(ii) In Margin Money account	1,14,38,400	1,09,38,000
	<u>1,43,35,315</u>	<u>1,20,18,103</u>
<b>B. Loans &amp; Advances</b>		
7. Advances recoverable in cash or in kind or for value to be recieved		
- Considered good	12,95,04,485	14,39,18,367
- Considered doubtful	9,76,766	9,76,766
Less: Provision for Doubtful Advances	(9,76,766)	(9,76,766)
	<u>12,95,04,485</u>	<u>14,39,18,367</u>
	<u>53,01,87,997</u>	<u>35,04,53,224</u>

### Notes :

- Inventories are valued as explained in the accounting policy and are as per inventory and valuation certified by the Management.
- Amount recoverable from Debtors/Advances written off during the year as bad debts amounting to Rs 2,00,000/- (Rs.Nil) and adjusted against past provisions aggregate to Rs.2,00,000/- (Rs. Nil)

## Schedule 'H' CURRENT LIABILITIES & PROVISIONS

	As at 31-Mar-10 (Rs.)	As at 31-Mar-09 (Rs.)
<b>A. Current Liabilities</b>		
1. Sundry creditors-Others	3,95,89,471	3,88,51,620
2. Other liabilities	5,40,98,504	4,13,74,596
3. Interest Accrued but not due	9,16,771	3,23,910
<b>B. Provisions</b>		
1. Provision (net of payment) - Current Tax	-	-
2. Dividend on Preference Shares	12,22,603	14,00,000
3. Dividend on Equity Shares	87,26,363	2,18,15,908
4. Corporate Dividend Tax on Preference/Equity Dividend	16,90,827	39,45,543
5. Gratuity	-	11,93,557
6. Leave Encashment	42,59,199	39,43,359
	<u>11,05,03,738</u>	<u>11,28,48,493</u>

## Schedule 'I' INCREASE / (DECREASE) IN STOCK

	Current Year (Rs.)	Previous Year (Rs.)
<b>Opening Stock</b>		
Finished Products	-	-
Work-in-process	76,63,119	49,95,513
	<u>76,63,119</u>	<u>49,95,513</u>
<b>Closing Stock</b>		
Finished Products	74,01,786	-
Work-in-process	1,26,64,843	76,63,119
	<u>2,00,66,629</u>	<u>76,63,119</u>
Increase/(Decrease) in Stocks	<u>1,24,03,510</u>	<u>26,67,606</u>

## Schedule 'J' OTHER INCOME

	Current Year (Rs.)	Previous Year (Rs.)
<b>Other Income</b>		
Miscellaneous receipts	46,56,925	45,86,362
Interest received *	16,07,827	14,60,827
Rent received *	13,40,329	13,61,983
Sundry balances W/back	9,38,087	1,12,952
Profit on sale of assets	-	7,49,234
	<u>85,43,168</u>	<u>82,71,358</u>

### Note

\* Includes Tax deducted at source Rs. 3,11,116/- (Previous year Rs. 3,43,056/-)

## Schedule 'K' MATERIAL CONSUMED

	Current Year (Rs.)	Previous Year (Rs.)
<b>Raw Materials</b>		
Opening Stock	4,60,74,960	6,48,97,314
Purchases/procurement expenses	70,39,71,219	34,08,46,778
	<u>75,00,46,179</u>	<u>40,57,44,092</u>
	75,00,46,179	40,57,44,092
Less : Closing Stock	13,97,34,406	4,60,74,960
	<u>61,03,11,773</u>	<u>35,96,69,132</u>

## Schedule 'L' MANUFACTURING EXPENSES

	Current Year (Rs.)	Previous Year (Rs.)
Stores, spares parts, chemicals & others	42,05,90,693	52,98,14,407
Power & fuel consumed	43,93,74,314	45,59,50,777
<b>Repairs</b>		
- Buildings	8,95,386	14,61,412
- Machinery	2,49,66,357	1,38,65,767
	<u>88,58,26,750</u>	<u>1,00,10,92,363</u>

## Schedule 'M' EMPLOYEES EMOLUMENTS

	Current Year (Rs.)	Previous Year (Rs.)
Salaries, wages, gratuity and bonus	11,12,89,516	9,70,41,657
Employees welfare expenses	18,79,635	20,00,943
Employer's contribution to provident fund, E.S.I. and Family Pension Fund	1,04,89,024	89,92,010
	<u>12,36,58,175</u>	<u>10,80,34,610</u>

## Schedule 'N' OTHER EXPENDITURE

	Current Year (Rs.)	Previous Year (Rs.)
Insurance	42,72,369	49,56,361
Rent	23,23,775	21,56,297
Rates & taxes	37,06,644	20,71,600
Legal & Professional	2,65,65,585	1,93,96,958
Research & Development	1,70,580	3,69,430
Freight & cartage on sales	69,31,696	83,90,612
Dealer's commission & brokerage	81,49,111	1,03,97,924
Interest on term loans	11,63,43,683	6,63,14,762
Interest others	5,45,64,821	3,77,56,802
Payment to auditors		
- Audit fees including cost audit fee Rs. 50,000/- (Rs. 50,000/-)	3,25,000	2,75,000
- Tax audit fee	40,000	30,000
- In other capacity	30,000	30,000
- Reimbursement of expenses including cost audit	1,88,737	1,35,592
Payment to Directors for attending Board/Committee Meetings		
-As fees	13,03,500	4,05,000
Loss on sale of fixed assets	-	24,959
Pollution Control Expenses*	2,46,61,560	1,99,24,347
Provision for impairment in JV investment	1,29,83,000	-
Sundry Balances written off	-	2,00,543
Miscellaneous expenses	4,59,74,572	5,13,82,483
	<b>30,85,34,633</b>	<b>22,42,18,670</b>

\*includes Rs. 63,16,797 (Rs. 47,62,884/-) and Rs. 1,71,63,069/- (Rs. 1,21,73,049/-) towards salary & wages and power consumption cost respectively.

## Schedule 'O' - NOTES TO THE ACCOUNTS

### A. Significant Accounting Policies

#### 1. Basis of Preparation of Financial Statements

The Financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis and are in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India (ICAI) & prescribed in the Companies (Accounting Standards) Rules, 2006. These Accounting policies have been consistently applied, except where a newly issued accounting standard is initially adopted by the Company. Management evaluates the effect of accounting standards issued on a going basis and ensures that they are adopted as mandated by the ICAI.

#### 2. Fixed Assets

##### (a) Owned Assets

Fixed assets are stated at their original cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses relating to acquisition and installation and are net of Cenvat/VAT credit availed. The cost of assets under installation or under construction plus direct allocable expenses as at the Balance Sheet date is shown as capital work-in-progress.

**(b) Assets taken on finance lease**

Fixed assets taken on finance lease are stated at the lower of the fair value of the lease assets or the present value of minimum lease payments at the inception of the lease.

(c) The paper brands are stated at cost.

**3. Depreciation**

(a) Depreciation is provided at the rates specified in Schedule XIV of the Companies Act, 1956 on the following basis:

- Second hand Captive Power Plant	Written Down Value Method
- All Other Assets including co-generation plant	Straight Line Method

(b) In respect of assets added/disposed off during the year depreciation is charged on a pro-rata basis with reference to the month of addition/disposal. In the case of additions, it is charged for the full month in which additions took place and in the case of sales, up to the month preceding the date of sale.

(c) Assets below Rs.5,000/- are depreciated at the rate of 100%.

(d) In respect of fixed assets taken on finance lease, when there is reasonable certainty that the company will obtain ownership by the end of the lease term, depreciation is provided in accordance with the policy followed by the company for owned assets (SLM).

**4. Capital Subsidy**

Government grants are deducted from the value of the concerned asset if the grant is specifically received for the purchase, construction or acquisition of the asset. However, if it is received as a contribution towards the total investment or by way of contribution to its capital outlay and no repayment is ordinarily required to be made (generally referred as Promoters' contribution), such grants are treated as capital reserves which can neither be considered as deferred revenue or distributed as dividend.

**5. Impairment**

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value at the weighted cost of capital.

**6. Accounting for Investment & Interest in Joint Venture**

(a) Investments are classified into current and long term investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are stated at the lower of cost and fair value determined on an individual basis. Long term investments including interests in joint venture companies are carried at cost. A provision for diminution in value is made to recognize a decline other than temporary in the value of long term investments. Profit/loss on sale of investments is computed with reference to their average cost.

(b) Interest in Joint Ventures are accounted as follows:-

- (i) Income on investments is recognized when the right to receive the same is established.
- (ii) Investment in such Joint Ventures is carried at cost after providing for any permanent diminution value.

**7. Inventories**

(a) Raw materials, components, stores, spares and loose tools at lower of weighted average cost or net realizable value.

(b) Work-in-progress at cost determined at different stages of production which includes related overheads.

- (c) Finished goods at lower of weighted average cost or net realizable value. In the case of finished goods, cost is determined by taking material, labour and related factory overheads including depreciation and fixed production overheads which are apportioned on the basis of normal capacity.

## **8. Foreign currency transaction**

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Revenue from overseas clients and collections deposited in bank account are recorded at the exchange rate as of the date of the respective transactions. Exchange differences are recorded in the profit & loss account when the amount actually received on export invoices are converted into Indian Rupees. Accordingly, exchange differences arising on foreign exchange differences settled during the period are recognized in the profit and loss account of the period.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit & loss account.

## **9. Revenue Recognition**

Revenue is recognized to the extent that it can be realizable, measured and is appropriate to the economic benefits that will flow to the company.

### **(a) Sale of goods**

Revenue from the sale of goods is recognized when the significant risks & rewards of ownership of the goods are transferred to the customers and is stated net of rebates/trade discounts and is inclusive of excise duty.

### **(b) Interest**

Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

### **(c) Dividend**

Dividend income is recognized if the right to receive the payment is established by the Balance Sheet date.

### **(d) Duty Entitlement Pass Book**

DEPB is accounted for once the company is entitled to receive the same.

## **10. Retirement and Other Employee Benefits**

### **(a) Short Term Employee Benefits**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

### **(b) Post-Employment Benefits**

(i) **Defined Contribution Plans:** The State governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service.

(ii) **Defined Benefit Plans:** The employee's gratuity fund scheme managed by Trust/LIC is the Company's defined benefit plan. Wherever applicable, the present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the

market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

In case of funded plans, fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize obligation on the net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

**(c) Long Term Employee Benefits**

The obligation for long term employee benefits such as long term compensated leaves or encashment of leaves accrued up to specified period only at the time of retirement are recognized in a similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

- (d) Entitlements to annual leave, casual leave and sick leave are recognized when they accrue to the employees. Sick leave and casual leave can only be availed while earned leave can either be availed or encashed subject to restriction on the maximum number of accumulation of leaves. The Company determines the liability for such accumulated leaves using the projected unit credit method with actuarial valuation being carried out at each Balance Sheet date in the similar manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

**11. Research and Development Expenditure**

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

**12. Taxes on Income**

Tax expenses comprise of current tax, deferred tax and fringe benefit tax. Current tax and fringe benefit tax is measured at the amount expected to be paid in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is the effect of timing differences, being the difference between taxable and accounting income that originates in one period and is capable of reversal in one or more subsequent periods. On prudent grounds, deferred tax liabilities, when they arise, are provided without any exceptions but deferred tax assets are calculated on the accumulated timing differences at the end of the year and are based on tax rates and laws in force on the balance sheet date and are recognized and carried forward only to the extent that there is a reasonable certainty of realization against future taxable income.

Minimum Alternative Tax ("MAT") paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an Asset if there is convincing evidence that company will pay normal tax in future. MAT Credit entitlement can be carried forward and utilized for a specific period as prescribed under law from the year in which the same is availed. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

**13. Leases**

- (i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- (ii) Assets taken on lease under which lessor effectively retains all significant risks & rewards of ownership have been classified as operating lease. Lease payments made under operating lease are recognized as expense in the profit & loss account on straight line basis over the primary term of the lease as mentioned in the lease agreement on accrual basis.

- (iii) Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.
- (iv) Initial direct costs relating to assets given on finance leases are charged to Profit and Loss Account.

#### **14. Provisions and Contingencies**

Provisions are recognized when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate Asset, only when such reimbursement is virtually certain. Contingent Liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved. Contingent Assets are neither recognized, nor disclosed. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet.

#### **15. Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets. Actual results could differ from those estimates. Any revision to accounting estimate is recognized prospectively in the current and future periods.

#### **16. Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

#### **17. Earnings per Share**

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

#### **18. Cash Flow Statements**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

#### **19. Intangible Assets and Amortization**

Intangible Assets & related expenditure are recognized as specified in **Accounting Standard-26 on "Intangible Assets"** issued by the Institute of Chartered Accountants of India and accounted for as under :-

The cost of Paper Brands acquired comprises its purchase price, including any duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities) and any directly attributable expenditure on acquisition of same. The same has been amortized over a period of 10 years subsequent its purchase.

### **B. Notes**

1. Claims/demands against the company not acknowledged as debts and against which no provision has been made aggregate to Rs. 6,69,35,233/- (Previous Year Rs. 10,61,41,071).
2. Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31<sup>st</sup> March, 2010 amounted to Rs.5,84,42,685/- (Previous Year Rs. 9,98,58,972/-).



3. Borrowing costs amounting to Rs. 2,70,60,179/- (Previous Year Rs. 6,62,09,921) attributable to acquisition and construction of fixed assets has been capitalized during the year.
4. The company has given a corporate guarantee of Rs. 720 lacs in favour of the State Bank of India (SBI) in consideration of their granting credit facilities of Rs. 720 lacs (term loan of Rs. 520 lacs and working capital facilities of Rs.200 lacs) to M/s Greencone Environs Pvt. Ltd. for setting up of a Lignin Precipitation System "LPS Project" at Sailakhurd for which the company is contingently liable. The working capital facilities were not availed by the company. The outstanding term loan as on 31.03.10 is Rs. 148.50 lacs.
5. There are no Micro, Small and Medium Enterprises to whom the company owes dues which are outstanding for more than 45 days as on the Balance Sheet date. The information required to be disclosed under the Micro, Small & Medium Enterprises Development Act, 2006, to be determined to the extent such parties have been identified on the basis of information available with the company. Accordingly the information as required under Micro, Small & Medium Enterprises Development Act, 2006 (MSMED) is not required to be provided.
6. The company received Rs. 100 lacs from the Ministry of New and Renewable Energy as Government's contribution against the capital outlay for installing a 10 MW Bio-mass Cogeneration Plant for the captive use of the company. As per Accounting Standard 12 and Accounting Policy followed by the company, the amount has been shown as a capital reserve which will neither be considered as deferred revenue nor will it be available for distribution as dividend.
7. The Auditors have issued letters of confirmation in duplicate to major debtors, creditors, depositors & others for confirming their balances. Balance confirmations have been received from major parties, except some parties whose outstanding are not material and some of whom are in dispute and/or under litigation with the Company. The balances of such parties have been incorporated in the financial statements at the value as per the books of account. The company, to the extent stated, has considered them as good and necessary provisions have been made in respect of debtors/advances under litigation and where recovery is considered doubtful.
8. The company has a joint venture with M/s Granit Recherche Developpement S.A. of Switzerland for treatment of black liquor through a process "Lignin Precipitation System (LPS)" plant in joint venture Company (hereinafter referred as JV) under the name of "M/s Greencone Environs Pvt. Ltd." The company has invested a sum of Rs. 1,29,83,000/- towards equity (49.62%) and given an unsecured loan of Rs 5,99,99,725/- as on 31.03.2010. The net worth of the JV has been eroded; and as an abundant caution, full provision for diminution in the value of investment has been made during the year. Pursuant to AS-27-"Financial Reporting on interest in Joint Venture", the disclosures relating to the joint-venture viz., M/s Greencone environs Pvt. Ltd. are as follows:

- (a) The proportion of interest of the Company in the JV is by way of equity participation to the extent of 49.62%;
- (b) The aggregate amount of assets, liabilities, income and expenses relating to the company's interest in the JV as on 31<sup>st</sup> March, 2010 are as follows:

(Rs.)			
Sr. No.	Particulars	31.03.2010 (Un-audited)	31.03.2009* (Audited)
1.	Assets	6,66,28,181	7,03,21,121
2.	Liabilities	8,44,94,924	8,57,57,304
3.	Income	1,09,78,467	1,76,76,868
4.	Expenses	1,33,88,087	2,18,51,680

\*Audited figures have been substituted.

- (c) The company's share of capital commitment in the JV as on 31st March, 2010 is Rs. Nil (previous year Rs. Nil).
- (d) The company's share of contingent liabilities of the JV as on 31st March, 2010 is Rs. Nil (previous year Rs. Nil).
- (e) There was no contingent liability outstanding as on 31st March, 2010 in relation to the company's interest in the JV alongwith the co-venturer.

## 9. Related Party Disclosure

### A. Related Parties

- |   |   |
|---|---|
| (i) Key Managerial Personnel  | *Mr N K Bajaj, Chairman & Managing Director<br>Mr Pavan Khaitan, Managing Director  |
| (ii) Associate Companies  | M/s Amrit Corp Ltd (ACL)<br>M/s Amrit Banaspati Company Ltd (ABCL)<br>M/s Esteem Finventures Ltd (Esteem)<br>M/s Greencone Environs Pvt Ltd (Greencone) |
| (iii) Entities/Parties over which key managerial personnel are able to exercise significant influence | M/s Pooja Gases Pvt Ltd<br>M/s Pushpak Finvest Pvt Ltd<br>M/s United Holdings Pvt Ltd   |

\* With effect from 16<sup>th</sup> July 2010, Mr. N. K. Bajaj ceased to be the Chairman & Managing Director.

### B. Transactions with Related Parties

(Rs. Lacs)

	Type of Transaction	ACL		Esteem		ABCL		Greencone		Key Managerial Personnel		Entities over which significant influence is exercised	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
(a)	Goods/ materials/ spares issued	-	-	-	-	-	-	-	213.67	-	-	-	-
(b)	Payment of interest on Unsecured Loan	4.61	11.00	-	-	28.32	24.21	-	-	-	-	-	-
(c)	Rent received	-	-	-	-	-	-	0.41	0.41	-	-	-	-
(d)	Expenses recovered	0.20	-	-	-	-	-	-	10.06	-	-	-	-
(e)	Expenses reimbursed/ Payment made	6.49	18.10	-	1.25	0.31	1.00	-	-	-	-	-	-
(f)	Advances/ loans repaid	100.00	-	5.00	-	300.00	50.00	-	-	-	-	-	-
(g)	Advances/ loans taken	-	-	5.00	-	300.00	-	-	-	-	-	-	-
(h)	Advances / Loan Given	-	-	-	-	-	-	30.00	140.00	-	-	-	-
(i)	Advances / Loan Recovered	-	-	-	-	-	-	30.00	268.30	-	-	-	-
(j)	Sale of Paper	-	-	-	-	1.19	0.32	-	-	-	-	-	-
(k)	Remuneration of key managerial personnel	-	-	-	-	-	-	-	-	96.29	100.32	-	-
(l)	Assets purchased/ leased	-	-	-	1.25	-	-	-	-	-	-	-	-
(m)	Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-
(n)	Expenses paid (BPO/ GCO services )	154.42	157.02	-	-	-	-	-	-	-	-	-	-
(o)	Royalty for use of brand name/ logo	182.40	175.94	-	-	-	-	-	-	-	-	-	-
(p)	Dividend paid	71.50	71.50	17.54	17.54	-	-	-	-	-	-	-	-

Balance as on 31<sup>st</sup> March, 2010

(i)	Unsecured Loan taken	-	100.00	-	-	191.32	191.32	-	-	-	-	95.00	95.00
(ii)	Debtors/ receivables	-	-	-	-	-	-	600.00	600.00	-	-	-	-
(iii)	Creditors/ Payables	66.77	45.50	-	-	-	-	-	-	-	-	-	-
(iv)	Investments/ Advances against subscription	-	-	-	-	-	-	-	129.83	-	-	-	-

## 10. Segment information

The Company's activities are covered in only one business segment i.e. manufacturing and selling of Writing & Printing Paper and therefore no segment information for the year ended 31st March, 2010 is required to be given.

## 11. Fixed Assets acquired under finance lease

Disclosure in respect of assets taken on lease under Accounting Standard AS - 19 "Accounting for Leases" issued by the Institute of Chartered Accountants of India.

### (1) General description of the finance lease

The Company has entered into finance lease arrangements for vehicles. Some of the significant terms and conditions of such leases are as follows:

- Renewal for a further period on such terms and conditions as may be mutually agreed upon between lesser and the company.
- Assets to be purchased by the company or the nominee appointed by the company at the end of the lease term.

i) Vehicles in Fixed Assets Schedule 'E' - include assets acquired under finance lease arrangements, the details of which are given below:

Carrying amount as on 31st March, 2010.

Gross book value as at the beginning of the year

Less: Accumulated Depreciation

Net book value

Additions during the year

Depreciation for the year on such assets

2009-10 (Rs.)	2008-09 (Rs.)
77,43,744	46,86,403
13,81,552	7,00,250
63,62,192	39,86,153
4,38,546	30,57,341
7,73,846	6,81,302

(Rs.)

Particulars	2009-10			2008-09		
	Total	Future finance charges	Present value of minimum lease payments at the balance sheet date	Total	Future finance charges	Present value of minimum lease payments at the balance sheet date
Total minimum lease Payments at the Balance Sheet date	32,67,602	3,87,121	28,80,481	48,90,802	7,48,304	41,42,498
Not later than one year	18,33,948	2,58,601	15,75,347	19,78,700	4,03,648	15,75,052
Later than one year but not later than five years	14,33,654	1,28,520	13,05,134	29,12,102	3,44,656	25,67,446
Later than five years	-	-	-	-	-	-

## 12. The deferred tax liability comprises the following:

	(Rs. lacs)			
	Opening Balance as at 01-04-09	Charge During the Year	Credit During the Year	Closing Balance as at 31-03-10
<b>(a) Deferred Tax Asset</b>				
- Unabsorbed Depreciation/ carry forward of business	-	-	-	-
- Income tax disallowances	7.29	3.61	-	3.68
- Related to fixed assets	-	-	-	-
- Provision for bad debts/ investments	16.82	-	44.13	60.95
	<u>24.11</u>	<u>3.61</u>	<u>44.13</u>	<u>64.63</u>
<b>(b) Deferred Tax Liability</b>				
- Related to fixed assets	1,030.84	2,229.43	-	3,260.27
	<u>1,006.73</u>	<u>2,233.04</u>	<u>44.13</u>	<u>3,195.64</u>

## 13. Earning per share

	(Rs.) 2009-10	(Rs.) 2008-09
Profit after taxation as per profit & loss account*	-12,52,31,599	13,75,60,878
Less: Preference dividend including tax thereon**	14,30,384	16,37,930
Profit attributable to equity shareholders	-12,66,61,983	13,59,22,948
Weighted average number of equity shares outstanding	87,26,363	87,26,363
Basic earnings per share in rupee (face value - Rs.10 per share)	-14.51	15.58
Diluted earnings per share in rupee (face value - Rs.10 per share)	-14.51	15.58

\*Profit after tax is negative due to deferred tax liability provision of Rs. 2188.92 lacs during the year.

\*\*It includes Rs. 2.08 lacs (Rs.2.38 lacs) dividend tax on dividend on Preference Shares.

## 14. Employee Benefits

### (a) Defined Contribution Plans

The Company has recognized the contribution/liability in the Profit & Loss Account for the financial year 2009-10.

### (b) Defined Benefit Plans & Other Long Term Benefits

The following disclosures are made in accordance with AS 15 (Revised) pertaining to Defined Benefit Plans and Other Long Term Benefits

	2009-10		2008-09	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Funded Plan	Non-Funded Plan	Funded Plan	Non-Funded Plan
Amount recognized in Balance Sheet				
Present value of funded obligations	185.31	-	151.82	
Fair value of plan assets	(185.30)	-	(137.58)	
Present value of unfunded obligations	-	42.67	-	39.43
Unrecognized past service cost	-	-	-	-
Net (Liability)/Assets	(0.01)	(42.67)	(14.24)	(39.43)
Amount in Balance Sheet				

Liability	-	42.67	14.24	(39.43)
Assets	-	-	-	-
Net (Liability)/Assets	-	(42.67)	14.24	39.43
Expenses recognized in the Profit & Loss Account				
Opening defined benefit obligation less benefits paid				
Current service cost	18.03	9.92	10.71	7.01
Interest on defined benefit obligation	11.01	3.15	5.33	-
Expected return on plan assets	(12.58)	-	(4.39)	-
Net actuarial losses/(gain) recognized in the year	38.46	4.02	43.53	2.86
Past service cost	Nil	-	Nil	-
Losses/(gains) on "Curtailements and Settlements"	-	-	-	-
Total, included in "Employee Benefit Expense"	54.95	17.09	55.18	9.87
Actual return on plan assets	11.59	-	4.39	-
Reconciliation of benefit obligations and plan assets for the period				
Change in defined benefit obligation				
Opening defined benefit obligation	137.58	39.43	127.91	36.58
Current service cost	18.03	9.92	10.71	7.01
Interest cost	11.01	3.15	5.33	-
Actuarial losses/(gains)	38.46	4.02	19.53	-
Liabilities extinguished on curtailments				
Liabilities extinguished on settlements				
Liabilities assumed on acquisition				
Exchange difference on foreign plans				
Benefits paid	(19.77)	(13.85)	(11.66)	(4.14)
Closing defined benefit obligation	185.31	42.67	151.82	39.43
Change in fair value of assets				
Opening fair value of plan assets	137.58	-	66.68	-
Expected return on plan assets	12.59	-	4.39	-
Actuarial gain/(Losses)	(0.99)	-	0.05	-
Assets distributed on settlements				
Contributions by employer	55.89	-	78.12	-
Assets acquired due to acquisition	-	-	-	-
Exchange difference on foreign plans	-	-	-	-
Benefits paid	(19.77)	-	(11.66)	-
Closing fair value of plan assets	185.30	-	137.58	-
Assets information				
Category of assets				
Government of India Securities	-	-	45.26%	-
State Govt. securities	-	-	20.02%	-
Corporate Bonds	-	-	31.33%	-
Special Deposit Scheme	-	-	0.25%	-
Equity shares of listed companies	-	-	2.26%	-
Property	-	-	-	-
Insurer Managed Funds	100%	-	-	-
Others	-	-	0.85%	-

Grand Total	100%	-	100%	-
Summary of the actuarial assumptions				
Discount rate	8.0%	8.0%	8.0%	8.0%
Expected rate of return on assets	9.15%	-	8.0%	-
Future salary increase	5.0%	5.0%	3.0%	3.0%

**Notes:**

- The estimates of future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors;
- The liability towards the earned leave for the year ended 31st March, 2010, based on actuarial valuation amounting to Rs. 17.09 lacs has been recognized in the profit & loss account.
- The fair value of plan assets is Rs. 185.31 lacs which have been maintained with LIC policy (Rs. 109.84 lacs) and securities of Rs. 75.85 lacs transferred by the trust hitherto governed by Amrit Corp. Ltd. (Erstwhile Amrit Banaspati Co. Ltd. before scheme of arrangement). The securities will be encashed on maturity dates and funds will be deposited with LIC.

**15. Information pursuant to clause 32 of the listing agreement with stock exchanges**

- Loans and advances in the nature of loans to associates/companies:

	(Rs. lacs)
	2009-10 2008-09
Greencone Environs Pvt. Ltd.	600.00 600.00

- The above loans/advances are in the nature of unsecured loans, interest free and repayable as per terms of agreement.

**16. Managerial Remuneration**

Directors' Remuneration

	(Rs.)
	2009-10 2008-09
Remuneration paid to Chairman & Managing Director and Managing Director	
- Salary	74,88,000 70,08,000
- Contribution to Provident Fund	5,61,600 5,25,600
- Perquisites	4,03,101 3,08,684
- Commission	11,76,031 21,90,000
	96,28,732 1,00,32,284
- Directors' Sitting Fees	13,03,500 4,05,000
	1,09,32,232 1,04,37,284

**Computation of Net Profit under Section 349 pursuant to Schedule XIII of the Companies Act, 1956 & determination of maximum amount of Managerial Remuneration**

	(Rs.)
	Year ending 31-Mar-2010 Year ending 31-Mar-2009
Profit Before tax as per Profit & Loss account	9,36,87,866 21,00,47,196
Add Managing Directors' Remuneration & Commission	96,28,732 1,00,32,284
Add Director's Fees	13,03,500 4,05,000
Add : Loss on sale of fixed asset	- 24,959
Add : Depreciation, obsolescence and amortisation charged to accounts	12,05,96,281 7,93,91,239
Add : Provision for diminution in value of Investment	1,29,83,000 -
Add : Provision for doubtful debts	- 28,82,316

Add : Profit on sale of fixed assets as per Section 349 of the Companies Act, 1956 (Net of Capital Profits)	-	-
	<b>14,45,11,513</b>	<b>9,27,35,798</b>
	<b>23,81,99,379</b>	<b>30,28,22,897</b>
Less : Profit on sale of fixed assets as per Profit & Loss Account (Net)	-	-
Less : Profit on sale of Long-Term Investment (Net)	-	-
Less : Depreciation & obsolescence as per Section 350 of the Companies Act, 1956	<b>12,05,96,281</b>	<b>7,93,91,239</b>
Less : Depreciation on Leased assets	-	-
	<b>12,05,96,281</b>	<b>7,93,91,239</b>
Profit under Section 349 of the Companies Act, 1956	<b>11,76,03,098</b>	<b>22,34,31,658</b>
Maximum permissible remuneration to Managing Directors u/s 198 and 310 of the Companies Act, 1956 @ 10% of the profits computed above.	<b>1,17,60,310</b>	<b>2,23,43,165</b>
Restricted as per service agreement Within limit of Commission @ 1% of the above Net profit to the Chairman & Managing Director and the Managing Director restricted to 50% of the annual salary, for each, calculated with reference to the net profit of the company	<b>84,52,701</b>	<b>78,42,284</b>
Restricted as per shareholders' approval to:	<b>11,76,031</b>	<b>21,90,000</b>
	<b>96,28,732</b>	<b>1,00,32,284</b>
The aforesaid remuneration to the Chairman & Managing Director and Managing Director is the minimum remuneration as approved by the shareholders.		

17. The previous year's figures have been regrouped/re-arranged, wherever necessary, to make them comparable with the figures for the current year.

**SCHEDULE " P" ADDITIONAL INFORMATION UNDER PARAGRAPHS 3 & 4 OF PART 2 OF SCHEDULE VI OF THE COMPANIES ACT, 1956 FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010**

**1. DETAILS OF CAPACITIES, PRODUCTION, STOCKS & SALES**

**Capacity & Production**

	Qty Unit MT	CAPACITY				PRODUCTION	
		Licensed		Installed*		Actual	
		31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
Paper	MT	NA	NA	1,00,000	50,000	60,553**	54,277

\*The installed capacities are as per certificates given by the factory managers.

\*\* Production includes 50 MT Paper produced during trial runs.

**Stocks of Finished Products & Sales**

	(Qty in MT/Value Rs. lacs)					
	Stock of Finished Products				Sales	
	Opening		Closing			
	Qty	Value	Qty	Value	Qty	Value
Paper						
2009-10	NIL	NIL	249	76.05	60,304*	22,048.61
2008-09	NIL	NIL	NIL	NIL	54,277	20,917.92

\* Sales include 50 MT Paper sold out of the production during trial runs.

**2. DETAILS OF RAW MATERIAL CONSUMED**

	QUANTITY (MT)		VALUE (Rs. lacs)	
	2009-10	2008-09	2009-10	2008-09
i) Straw, Grass & Others	1,22,551	1,04,618	6,103.12	3,596.69
ii) Stores, Spare Parts, Chemicals & Others	-	-	4,205.91	5,298.14

(Rs. lacs)

**3. VALUE OF MATERIALS CONSUMED**

	2009-2010			2008-2009		
	Quantity (MT)	Value	%age	Quantity (MT)	Value	%age
i) Straw, Grass & Others						
Indigenous						
i) Grasses & others	44,519	1,480.82		37,085	1,074.56	
ii) Straw	71,843	3,165.75	76.13	65,333	1,708.95	77.39
Imported	6,189	1,456.55	23.87	2,200	813.19	22.61
	1,22,551	6,103.12	100.00	1,04,618	3,596.69	100.00
ii) Stores, Spare parts, Chemicals & others						
Indigenous		4052.76	96.36		5,245.79	99.01
Imported		153.15	3.64		52.35	0.99

**4. FOREIGN EXCHANGE EARNINGS AND OUTGO**

	(Rs. lacs)	
	2009-10	2008-09
A. Value of import on CIF basis		
Capital goods	83.44	1,633.74
Raw Material	2,687.50	754.92
Spare/Stores	69.71	40.40
B. Earning in foreign Exchange		
Exports on FOB basic	32.26	73.62
C. Expenditure in Foreign Exchange		
Traveling	6.08	15.86
<b>Total</b>	<b>2,878.99</b>	<b>2518.54</b>



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

### I Registration Details

Registration no.	111223
State Code	55
Balance Sheet	31 <sup>st</sup> March '2010

### II Capital Raised during the year ended 31<sup>st</sup> March, 2010

**Rupees '000**

Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement	-
<b>Total</b>	<b>-</b>

### III Position of Mobilisation and Deployment of Funds as at 31<sup>st</sup> March, 2010

Total Liabilities	27,21,336
Total Assets	27,21,336

#### Sources of Funds

Paid up Capital	1,02,264
Reserves & surplus	3,43,042
Secured Loans	15,39,313
Unsecured Loans	4,17,153
Deferred Tax Liability	3,19,564
<b>Total</b>	<b>27,21,336</b>

#### Application of Funds

Net Fixed Assets	23,01,652
Investments	-
Net Current Assets	4,19,684
<b>Total</b>	<b>27,21,336</b>

### IV Performance of Company for the year ended 31st March, 2010

i) Turnover - net of excise (sale of products and other income)	21,42,615
ii) Total Expenditure	20,48,928
iii) Profit/(Loss) before Tax	93,688
iv) Profit/(Loss) after Tax	(1,25,232)
v) Earning per Share (see rule 2) (face value Rs. 10/-) Rs	(14.51)
vi) Dividend Rate (%)	10%

### V Products of the Company

Generic name of principal products/services of the company

Item code No.	Product Description
4802 57 90	Paper

#### Note

The above particulars should be read along with the balance sheet as at 31st March, 2010, the Profit & Loss Account for the financial year ended on that date and the Schedules forming part thereof.



**Regd Office : M2 Akarshan Bhawan 4754/23 Ansari Road Darya Ganj New Delhi 110 002**

**13<sup>th</sup> Annual General Meeting, Friday, the 24<sup>th</sup> September, 2010 at 11.30 am  
at National Cooperative Union of India (NCUI) Auditorium, August Kranti Marg, New Delhi - 110 016**

REGD. FOLIO No./CLIENT ID : .....

DP ID No. : .....

NAME : .....

ADDRESS : .....

If Joint Holder is attending : .....  
(Full name in block letters)

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 13<sup>th</sup> Annual General Meeting of the Company.

NAME OF THE SHAREHOLDER/PROXY (IN BLOCK LETTERS)

Signature of the Shareholder or Proxy



**Regd Office : M2 Akarshan Bhawan 4754/23 Ansari Road Darya Ganj New Delhi 110 002**

### **PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_ being a member/members of ABC Paper Ltd hereby

appoint \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_

or failing him \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 24<sup>th</sup> September, 2010 at 11.30 am at National Cooperative Union of India (NCUI) Auditorium, August Kranti Marg, New Delhi - 110 016 and at any adjournment thereof.

Signed this ..... day of ..... 2010

Regd. Folio/Client ID No. :

DP ID No. :

No. of Shares :

Signature

Affix Rupee  
One  
Revenue  
Stamp

**Note :** The Proxy must be deposited at the Shares Department of the Company at Regd. Office : M2 Akarshan Bhawan 4754/23 Ansari Road Darya Ganj New Delhi 110 002 not less than 48 hours before the time for holding the meeting.

THE PROXY NEED NOT BE A MEMBER

## *Our* MISSION

**Achieving excellence and consistency in quality;**

**Preserving environment;**

**Operating in a cost economic manner with focus  
on productivity and growth;**

**Ensuring total satisfaction of the customer;**

**Enhancing values to shareholders, employees  
and associates;**

*thereby*

**Attaining supremacy in the industry.**





Regd Office : M2 Akarshan Bhawan 4754/23 Ansari Road Darya Ganj New Delhi 110 002