

Emami... the predominating constituent of the Indian newsprint industry expands more....



EMAMI PAPER MILLS LTD.

ANNUAL REPORT 2009-10

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CORPORATE INFORMATION

Board of Directors

Shri R. S. Goenka (Executive Chairman)
Shri R. S. Agarwal
Shri S. K. Khaitan
Shri Manish Goenka (Whole Time Director)
Shri A. V. Agarwal
Shri P. S. Patwari (Executive Director)
Shri S. K. Todi
Shri J. N. Godbole
Shri U. G. Bhat
Shri N. Mishra
Shri H. M. Marda
Shri S. Balasubramanian

Vice President (Finance) and Secretary

Shri G. Saraf

Auditors

M/s. S. K. Agrawal & Company,
Chartered Accountants,
4A, Council House Street,
Kolkata 700 001

Unit Auditors (Kolkata Works)

M/s. Salarpuria Jajodia & Company,
Chartered Accountants,
7, C. R. Avenue,
Kolkata 700 072

Bankers

State Bank of India
State Bank of Bikaner and Jaipur
Indian Overseas Bank
ICICI Bank Limited
IDBI Bank Limited
DBS Bank Limited

Works

- Balgopalpur, Balasore 756 020, Orissa
- R. N. Tagore Road, Alambazar,
Dakshineswar, Kolkata 700 035
West Bengal

Registered Office

687, Anandapur,
E. M. Bypass, Kasba Golpark,
Kolkata 700 107
Email: emamipaper@emamipaper.in

Management's Discussions and Analysis

Industry Scenario

While India accounts for nearly 15 percent of the world population, it consumes only 1 per cent of the global paper production. The country's per capita consumption of paper at about 6-7 kgs is very low as compared to the world average of over 50 kgs.

Domestic paper and paperboard demand expects to grow at a CAGR of 6.8 per cent from 7.7 million tons to 10.7 million tons over 2008-09 to 2013-14, while global demand is likely to grow at a CAGR of 2 percent. With the revival in demand and shortage of capacity, raw material prices are expected to rise over the next 2 years, which will lead to the increase in paperboard and newsprint prices.

Consumption of paper is closely linked to the economic development of a country. In India, though the per capita consumption of paper is low, it is gradually improving with the buoyant economic growth. Industrial production, expenditure incurred on the print media, government spending on education, population growth and literacy levels are the other contributing factors.

In 2008-09, the paper industry's market size (including newsprint) has been estimated at Rs.321 billion. It has grown at a CAGR of 10.5 per cent over the last 5 years from around Rs.195 billion in 2003-04. Writing & printing (W&P) paper is the highest value segment. It accounts for nearly 39 per cent of the total market size. This is followed by paperboard, which accounts for about 37 per cent. Newsprint and specialty segment account for 19 per cent and 5 per cent, respectively.

Considering that an increasing proportion of the raw material requirement is met through imports, the domestic paper industry is affected by fluctuations in global raw material prices. Additionally, domestic wastepaper prices tend to move in line with international wastepaper prices.

Printing & Writing Paper

Demand for Writing & Printing paper expects to increase from 2.9 million tons in 2008-09 to 4 million tons in 2013-14, a CAGR of 6.5 per cent. This is higher than the increase of 6 per cent CAGR witnessed between 2003-04 and 2008-09.

The factors that affect demand for writing & printing (W&P) paper include printing of books and stationery material for education; usage of office printing and stationery; and printing of company published statutory documents such as annual reports, share issue forms, and other documents. Educational books and materials account for the highest share of demand. As growth in education is fairly insulated from variations in the economic cycle, demand for paper from this segment is, to a large extent, unaffected by slowdown in the economy.

Around 200,000 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 of 4-5 per cent from cream wove paper, the variety that is mostly used in school textbooks in India. Demand for office stationery and printing will increase as the performance of the Indian economy improves. As a result, demand for maplitho would increase by 5-6 percent and that for copier paper by 15 per cent.

Newsprint Industry

Demand for newsprint estimates to increase by 8.6 per cent CAGR, from 1.8 million tons in 2008-09 to 2.7 million tons in 2013-14. The increase will be in line with the expected growth in circulation of print media, particularly vernacular newspapers. The increasing level of literacy in the country along with

low penetration of online media is driving circulation growth for print media. Demand for newsprint had increased by about 6 per cent CAGR, from 1.3 million tons in 2003-04 to 1.8 million tons in 2008-09.

Circulation of vernacular print media expects to increase by 5.5 per cent CAGR over 2008 to 2013, and reach around 68.2 million copies. The circulation of English print media will increase by 2 percent CAGR, to around 11.2 million copies. The growth in circulation of vernacular newspapers has been providing an impetus to the domestic newsprint industry. Vernacular newspapers meet 70 per cent of their requirement using domestic newsprint, and the balance through imports. For English newspapers, the mix of domestic and imported newsprint is 30:70.

On an average, imports have been accounting for 50-55 per cent of total newsprint consumption, as domestic newsprint is considered to be lower in quality on account of the raw material mix and level of technology in domestic newsprint capacities. Moreover, import duties on newsprint have historically been low (5 percent, reduced to 0 per cent since July 2009) on account of strong bargaining power of large media companies.

Corporate Overview

Emami Paper Mills Limited has a place of pride in the manufacture of newsprint with a capacity of 1,45,000 Tons per annum, the largest in India. The quality of newsprint manufactured by the company has always got excellent customers' response.

During the year, the Company has registered total sales volume of 147900 MT as against 130637 MT in 2008-09 and has become the largest manufacturer of newsprint in India. The production during the year was 142494 MT as against 136869 MT during 2008-09 and achieved capacity utilization of 98.27%.

Despite sluggish economic and recessionary market conditions, your Company has posted reasonably satisfactory performance. Emami continued to offer quality newsprint products with the adoption of modern manufacturing technology.

However, keeping in view the steady trend of the market demand and upward momentum in prices of newsprint and writing & printing paper, a dynamic management team and aggressive business approach, your Company looks for significant improvement in the performance for the current financial year.

Competitive advantage

The company enjoys a locational edge over the other industrial players owing to its proximity to the Haldia Port (200 kms) and coal availability within 250 km ensuring lower logistics cost. Its captive power plant generates power at Rs.2.61 per unit and also utilizes a dedicated feeder of 132 KV EHT line to ensure uninterrupted supply of power. 80 percent of its newsprint is marketed within 750 km radius.

Product mix

The Company has a total installed capacity of 1,45,000 TPA, of which 1,30,000 TPA is for newsprint and 15,000 TPA for Writing & Printing paper. The Company's Balasore unit has an installed capacity of 1,13,500 TPA for newsprint and 15,000 TPA for Writing & Printing paper. Additionally, the Kolkata unit has an installed capacity of 16,500 TPA for the newsprint production. The Balasore unit is also supported by 20 MW captive power plant and is fully self sufficient.

Clients

The Company supplies newsprint to some of the largest dailies like The Times of India, Anandabazar Patrika, The Telegraph, Hindusthan Times, The Hindu, Prabhat Khabar, Samaj, Bartaman, Dainik Bhaskar, Dainik Jagaran, Malayam Manorama and Deccan Herald. Its Writing & Printing papers are distributed through dealers and also directly supplied to Govt. Printing Presses / Text Book Presses.

Strength

- Strategic location of the plant, good proximity to both market for its finished product and source of its raw material i.e. waste paper and chemicals.
- Customers' appreciation of Company's products.

- Country wide customer base and Dealer/Distributors Network.
- Swing facility on the Paper Machine to produce Newsprint / Writing and Printing grades of paper as the market situation may demand.
- Relatively low employee cost.
- Well established Research and Development (R&D) facilities / activities encouraging innovation.
- Government's thrust for improving literacy in the country.

Weakness

- The Company manufactures its products by 100% recycled fibre which is perceived a shade below high end products manufactured from virgin pulp.

However continuous Research & Development and Technological improvement has helped the Company to improve the quality of its products to compete with products manufactured from virgin pulp.

Internal Control System and their Adequacy

Emami Paper Mills continues its efforts to ensure proper and adequate systems and procedures commensurate with its size and nature of business. This control system ensures that:

- All assets are safeguarded and protected against any loss, wastage and unauthorized usage or disposition.
- All transactions are authorized, recorded and reported correctly.
- Accounting records are properly maintained with an adequate internal control system which is properly documented with policy guidelines, authorization and approval procedures.
- Reliable financial statements are prepared according to Management Information System (MIS).

These Internal Control Systems are subject to review by the Audit Committee and Board of Directors. The Company's Statutory Auditors, in their report, confirmed the adequacy of the Internal Control Procedure adopted by the Company.

EPML's extensive system of internal controls comprises of the following features:

- Clearly defined organizational structure.
- Transparency in all spheres of activities as per the Quality Management System.
- Adherence and monitoring of Internal Control System through independent Internal Auditors reporting directly to the Audit Committee, which reviews the functioning and findings of the Audit Department.
- The Company is in the implementation of ERP (SAP) System to achieve better operational efficiency at all levels of its activities.

Human Resource Development

Human Resource is the key to the success of an organization. It is through their sincere efforts put in by the employees that the Company is able to best exploit all other key resources. Therefore, in order to nurture human resource and to improve the talents to improve productivity, the Company continuously organizes various training programme both in-house and also by deputing the employees to outside forums. Safety, health and welfare of the employees have all along remained the concern of the Management. The Company continues its efforts for improving the quality of education in schools within its vicinity and imparts regular health checkup facilities for all employees including community in the nearby villages.

AWARDS

- Your company started Total Productive Maintenance (TPM) at both its plant – Balasore, Orissa and Kolkata in 2001. After achieving TPM Excellence 1st Category Award in 2006, we continued with the TPM practices and

achieved EXCELLENCE IN CONSISTENT TPM COMMITMENT AWARD in 2008 and look forward to achieve the WORLD CLASS AWARD from JIPM (Japan Institute of Plant Maintenance) Japan.

- Emami Paper Mills Ltd. also upgraded its Integrated Management Systems(IMS) covering ISO 9001 : 2008; ISO 14001 : 2004 and OHSAS 18001 : 2007 in February, 2010, duly Audited and Certified by DNV (Det Norske Veritas, Netherland) the certifying authority.
- "2nd Best Paper Award" from IPPTA for the paper entitled "Technological Advancement in Environment Friendly De-inking Process for Quality Improvement and Cost Optimisation".
- 2nd Best Presentation certificate from KITA (Kitakushu International Techno-cooperative Association) on the subject of "Measures and steps to introduce the new knowledge from JICA for Energy Conservation in their Organization".
- "1st Best Paper Award" from IPPTA for the paper entitled "Cost effectiveness of Machine Clothing by paper Selection & Optimisation".
- Emami Paper Mills received the "1st Runner-Up" trophy from "EMAMI 1st KAIZEN CONVENTION 2009" in January, 2010 at our Corporate Office, Kolkata.
- 2nd Best Paper Award from IPPTA for the paper entitled "Preparedness of Indian Industry for the Decade – steps taken at Emami".
- Emami Paper Mills received the "BEST PUBLIC MESSAGE" in view of our CSR activities from EXPO Orissa 2010.
- Further, employees are rewarded through recognition and award. Key performance indicators by all Heads of Departments are subjected to a management review at the Management Review Meeting.

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 global and other factors such as litigation, and industrial relations.

Cautionary Statement

Statement in this "Management's Discussion and Analysis" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within

Directors' Report

Your Directors take pleasure in presenting their Twenty-eighth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

| | | Rs./Lakhs | |
|--|----------|-----------------|-----------------|
| | | 2009-10 | 2008-09 |
| Net Sales | | 38577.60 | 43497.45 |
| Profit before interest, depreciation and exceptional items | | 6512.20 | 8665.75 |
| Less: Interest (net) | | 2393.45 | 2929.34 |
| Profit Before Depreciation & Tax | | 4118.75 | 5736.41 |
| Depreciation | 3017.22 | | |
| Less: Transfer from Revaluation Reserve | 76.32 | 2940.90 | 2458.09 |
| Profit Before Taxation | | 1177.85 | 3278.32 |
| Less : Provision for Current taxation | 200.03 | | |
| Income tax for earlier years | 0.82 | | |
| Provision for deferred tax | 477.05 | | |
| MAT Credit entitlement | (198.99) | 478.91 | 1070.07 |
| Profit after Tax | | 698.94 | 2208.25 |
| Add : Surplus brought forward | | 793.88 | 10.32 |
| Balance available for appropriation | | 1492.82 | 2218.57 |
| Appropriations | | | |
| Proposed Dividend | | 363.00 | 363.00 |
| Tax on Dividend | | 61.69 | 61.69 |
| Transfer to General Reserve | | 500.00 | 1000.00 |
| Balance carried forward | | 568.13 | 793.88 |
| | | 1492.82 | 2218.57 |

DIVIDEND

Your Directors are pleased to recommend a dividend of 30% for the financial year ended March 31, 2010.

The Dividend, if approved by the shareholders, will absorb Rs.424.69 lac (including the dividend tax of Rs.61.69 lac).

OPERATIONS AND OUTLOOK

During the year, the Company has registered total sales volume of 147900 MT as against 130637 MT in 2008-09 and has become the largest manufacturer of newsprint in India. The production during the year was 142494 MT as against 136869 MT during 2008-09 and achieved capacity utilization of 98.27%.

Despite sluggish economic and recessionary market conditions, your Company has posted reasonably satisfactory performance. Emami continued to offer quality newsprint products with the adoption of modern manufacturing technology.

However, keeping in view the steady trend of the market demand and upward momentum in prices of newsprint and writing & printing paper, a dynamic management team and aggressive business approach, your Company looks for significant improvement in the performance for the current financial year.

ENVIRONMENT MANAGEMENT

Emami Paper Mills Limited continues to attach a high importance of clean production in paper manufacturing. The management is committed to save the Environment, uphold Human Safety and Health. EPML has implemented its policies and focus on Environment, Health and Safety, Quality and Energy as under:

- Compliance with all relevant legislative requirements.
- Reducing Pollution Load in terms of Liquid Discharge, Air Emission and Land Conservation.
- Saving Energy & preserving natural resources like Water, Raw material, Fuels.
- Generating Human Awareness in Environment, Safety and Health.
- Minimising the Unsafe Acts & Unsafe working conditions.
- Promoting comprehensive programs to propagate Health and Environmental Safety.

M/s DNV (M/s Det Norske Veritas AS, Netherland) has renewed its Certification for the following Integrated Management System (IMS) in February

2010 and regularly visiting both the plants at Balasore – Orissa and Kolkata to conduct their Surveillance Audit twice in a year:

- 1) ISO 9001:2008 – Quality Management System
- 2) ISO 14001:2004 - Environment Management System - EMS
- 3) OHSAS 18001:2007 - Occupational Health & Safety Management System.

The Company continues its round the clock efforts to operate as the most environment friendly paper mills in India. It has initiated several steps for upgradation of effluent treatment plant including sludge dewatering system, management of solid wastes through recycling, feeding of ETP sludge to Boiler and rain water harvesting, etc.

The aforesaid steps have resulted in declining water consumption and energy consumption, which is reflected in the data submitted for Energy Conservation in this report.

EXPANSION PLANS

The Company has taken necessary steps to set up 400 TPD(132000 TPA) Newsprint project at a project cost of Rs.500 crores. The project is likely to be set up in South India or at existing location at Balasore.

The Company is also in the process of setting up 600 TPD(200000 TPA) wood based integrated pulp and paper mill in Orissa alongwith necessary infrastructural facilities and ancillaries. Steps are being taken for evaluation of all parameters including land acquisition, utility feasibilities, cultivation of plantation, discharge of water etc. The project will be set up in 2 phases and 1st phase of 300 TPD (100000 TPA) at a project cost of Rs.1000 crores is likely to be completed in the year 2013-14.

GROUP FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(1)(e) of the Securities

and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure IV attached herewith and forms part of this Annual Report.

CORPORATE GOVERNANCE

The sections of Corporate Governance and Management's Discussion & Analysis are set out as Annexure-III in this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors have:-

1. Followed the applicable accounting standards in the preparation of the Annual Accounts;
2. Selected prudent accounting policies;
3. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company as well as preventing fraud and other irregularities; and
4. Prepared the annual accounts on a going concern basis.

DEPOSITS

There were no unclaimed or unpaid deposits at the close of the year under review.

DIRECTORS

Shri S.K.Khaitan, Shri J.Godbole, Shri R.S.Agarwal and Shri P.S.Patwari retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

AUDITORS

M/s S. K. Agrawal & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. M/s Salarpuria Jajodia & Co. have expressed their willingness to continue as Unit Auditors for the Gulmohar unit, if appointed.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in Annexure-I to the Report.

PERSONNEL

Information pursuant to Section 217(2A) of the Companies Act, 1956 is given in Annexure-II attached to this Report.

ACKNOWLEDGEMENT

The Board acknowledges the understanding and support shown by its lending financial institutions, banks, distributors, customers, suppliers, employees and other business associates. Your Company operated efficiently due to a culture of professionalism, integrity and continuous improvement leading to sustainable and profitable growth.

For and on behalf of the Board

Place: Kolkata
Date: May,5 ,2010

R. S. GOENKA
Executive Chairman

Annexure-I

To The Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March, 31, 2010.

A. CONSERVATION OF ENERGY

i) Energy conservation measures taken:

- Installation of VFDs in many places.
- In DIP # 3 interconnection for the pumps done for energy saving.
- Impeller trimming and retrofitting done for some pumps to reduce energy consumption in DIP# 3.
- Chiller related equipments were stopped after the system study.
- 56 KW vaccum pump taken in line in place of 90 KW vaccum pump after modification in PM # 1.
- Compressed Air Pressure optimization in Ash handling system.
- Process system optimization of Broke Pulper.
- Redesign the couch vaccum piping in PM #2 for improving vaccum requirements in couch.
- Increased the diameter of press Uhle box for improving vaccum in PM#2.
- Modification of vaccum system by connecting the flat box to high vaccum in PM #2.
- Modification of existing vaccum systems in PM #3 as energy saving measures.
- Sludge from ETP thickened by a very modern Screw Press and burnt in Boiler.
- Dryness improvement of Paper after the press part in Paper Machine # 2, by doing modification in the online felt cleaning system (from 39 to 42 %).
- Moisture increase in the final product in Paper Machine # 3 (from 6.8 % to 8.0 %).
- Optimization of air-fuel ratio by monitoring CO & O₂ in boiler to improve boiler efficiency and thus to reduce coal consumption by 1% (2200 tons per annum).
- Recycling of waste water in pulping process.
- Treated effluent water used in Screw Press, Ash handling and floor cleaning.
- Rain water harvesting increased by installing 8 nos. recharging pits and in operation.

ii) Additional investment and proposal for reduction in energy consumption

- Installation of Harmonic filter in PM # 3 Drives section.
- Power Factor correction by installation APFC.
- Providing VFD for identified equipments.
- Capacity optimization through correct capacity pumps installation, speed reduction and impeller trimming.
- Reduction of fresh water consumption by increasing recycling and reuse of water.

iii) Impact of the measures

- Consumption of power, water and other inputs are reduced as a result of the above measures.

iv) Power and fuel consumption

- As per Form 'A' annexed.

FORM "A"

Form for the Disclosure of Particulars with respect to the conservation of energy.

POWER & FUEL CONSUMPTION

| | | 2009-10 | 2008-09 |
|--|-------------|---------|---------|
| 1. Electricity: | | | |
| (a) Purchased units (in lacs) | Kwh | 123.38 | 134.52 |
| Total amount | Rs. in Lacs | 565.66 | 559.08 |
| Rate/unit | Rs./Kwh | 4.58 | 4.16 |
| (b) Own generation (through steam turbine) (in lacs) | Kwh | 1302.48 | 1344.39 |
| Variable cost | Rs. in Lacs | 3401.61 | 3427.06 |
| Rate/unit | Rs./Kwh | 2.61 | 2.55 |
| 2 Coal: | | | |
| Quantity | MT | 201655 | 212582 |
| Total cost | Rs. in Lacs | 3493.64 | 3540.05 |
| Average rate | Rs./MT | 1732 | 1643 |
| 3. Furnace oil | Ltrs | - | - |

CONSUMPTION PER UNIT OF PRODUCTION

| | | 2009-10 | 2008-09 |
|-------------|--------|---------|---------|
| Electricity | Kwh | 881 | 938 |
| Furnace oil | Ltrs | - | - |
| Coal | Kgs/MT | 1415 | 1553 |

B. TECHNOLOGICAL ABSORPTION

I) Research & Development

a) Specific areas in which in house R&D projects were carried out by the company:

- Various trials conducted on the shop floor for improvement in quality, product development & cost reduction.
- Development of Pink Newsprint.
- Studies on optimization of de-inking and bleaching chemical for de-inked Newsprint pulp.
- Studies on optimization of wet end and size press optical whitener and dyes on PM #1.
- Studies on optimization of wet end optical whitener and dyes for Pink Newsprint on PM #3.
- Studies on optimization of retention aid chemical on PM #2.

b) Benefits derived as a result of the above R&D projects:

- Pink Newsprint successfully commercialized and we are able to replace imported Pink Newsprint paper.
- Reduction in cost of pulp production due to less consumption of de-inking and bleaching chemicals.
- Cost of optical whitener and dyes reduced/Ton of paper on PM #1.
- Cost of optical whitener and dyes reduced/Ton of paper on PM #3.
- Reduction in cost of retention aid chemical and improvement in quality of the final product on PM #2.

c) Future plan of action:

- Studies on stickies and deposits control programme on PM #1.
- Studies on optimization of sludge dewatering chemicals.
- Studies on optimization of H₂O₂ bleaching chemicals specially reduction in Sodium Silicates for better runnability of paper machine.
- Studies on brightness reversion of de-inked Newsprint pulp.

d) Expenditure on R & D

- No separate accounting for Research and Development activities was made as the same was connected with process and product development.

II) Technology absorption, adaptation and innovation

a) Efforts, in brief, made towards technology absorption, adaptation and innovation and benefits derived:

- Circulation of screen rejects in DIP#3 for improving yield of waste paper.
- Proper conditioning of PM #2 press fabrics for steam reductions.
- Installation of QCS system in PM #2 for quality and moisture improvement.
- Suitable modifications of forming fabric design with respect to yarn diameter, FST & CFM for increasing the PM #3 speed to 1120 MPM for enhancement of clothing life and increase paper production.
- Improvement in the moisture of PM #3 Newsprint paper from 6.8 to 8.0% for improvement of paper quality and yield.
- Modified starch used in end sealing of reel wrapping machine in place of sodium silicate for process improvement, safety of equipments and cost reductions.

- (b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
- Improved product leading to increased market share.
 - Enabling the Company to increase productivity, improve quality, reduce specific chemical consumption and minimise utilities to economize production cost.
 - Particulars of technology imported during the last 5 years – Nil

iii) Foreign Exchange Earning and Outgo

(Rs. in Lacs)

| | 2009-10 | 2008-09 |
|------------------------------------|---------|----------|
| i) Export | 149.21 | - |
| ii) Total foreign exchange used | 7950.11 | 11458.12 |
| iii) Total foreign exchange earned | - | - |

Annexure-II

To The Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2010.

PART- I

| Sl No | Name & Age | Qualification | Designation | Date of Joining | Experience (in years) | Remuneration (Rs) | Previous Employment |
|---|--------------------|-------------------|---------------------|-----------------|-----------------------|-------------------|---|
| A Employment throughout the year | | | | | | | |
| 1 | R.S. Goenka (63) | M.Com. LLB | Executive Chairman | 01.09.1994 | 40 | 12065241 | Advisor, Kemco Chemicals |
| 2 | * R.C. Mall (62) | B.E(Chem) MII ChE | Managing Director | 31.12.2007 | 38 | 2858043 • | Executive Director, The Andhra Pradesh Paper Mills Ltd. |
| 3 | P.S. Patwari (55) | B.Com. FCA | Executive Director | 28.11.1994 | 30 | 5894261 | Commercial Executive, Hindusthan Motors Ltd. |
| 4 | Manish Goenka (36) | MBA | Whole-time Director | 01.07.2007 | 12 | 2700130 | Whole-time Director, Emami Limited |

* Resigned w.e.f. 1st November, 2009.

• For part of the year (1st April '09 to 31st October '09)

Annexure - III

Report on Corporate Governance

1. Company's philosophy on Code of Governance

The Company's philosophy on Corporate Governance refers to a Professional System of management leading to the efficient conduct of business. This comprises transparency and accountability with the objective of serving the best interest of all the stakeholders – shareholders, customers, lenders, employees, government and society.

2. Board of Directors

- Composition

The composition of Board of Directors and other details are as under:

| Name of the Director | Executive / Independent/ Non executive | No. of Board Meetings attended | Attendance at previous AGM on 17.07.2009 | No. of outside Directorship held including private companies | No. of membership/ chairmanship in other Board / Committee |
|----------------------|--|--------------------------------|--|--|--|
| Mr. R. S. Goenka | Chairman, Executive | 4 | Yes | 19 | 4 |
| Mr. R. S. Agarwal | Non Executive | 5 | No | 17 | 1 |
| Mr. R. C. Mall * | Managing Director, Executive | 4 | Yes | - | - |
| Mr. P. S. Patwari | Executive | 5 | Yes | 2 | - |
| Mr. Manish Goenka | Executive | 3 | Yes | 7 | - |
| Mr. A. V. Agarwal | Non Executive | 4 | Yes | 17 | 2 |
| Mr. S. K. Khaitan | Non Executive, Independent | 3 | No | 6 | 4 |
| Mr. S. K. Todi | Non Executive, Independent | 5 | Yes | 21 | 3 |
| Mr. U. G. Bhat | Non-Executive, Independent | 3 | No | 2 | - |
| Mr. N.Mishra | Non Executive, Independent | 3 | No | 4 | 6 |
| Mr. J. Godbole | Non Executive, Independent | 4 | No | 10 | 6 |
| Mr. H. M. Marda | Non Executive, Independent | 4 | No | 6 | - |

* Resigned from the Board w.e.f. 1st November 2009

During the year, Five Board Meetings were held on 3rd June 2009, 29th July 2009, 16th September 2009, 26th October 2009, and 28th January 2010.

3. Information Placed Before the Board of Directors

As required under clause 49 all the informations were placed before the Board.

4. Code of Conduct

The Board framed Code of Conduct for the Company. The Board designated the Executive Director as Chief Executive Officer(CEO) and Joint President as Chief Financial Officer(CFO) for the purpose of Corporate Governance.

The CEO and CFO informed the Board that provisions of this Code have been complied by the members of the Board and Committees and employees working at level of Executives and above. A declaration signed by the CEO and CFO in this regard is annexed at the end of this Report.

5. Audit Committee

The terms of reference of the Committee cover the matters specified for Audit Committee under clause 49 of the Listing Agreement with the Stock Exchanges and section 292A of the Companies Act, 1956. The Audit Committee presently consists of Mr. S. K. Todi, as Chairman, Mr. R. S. Agarwal, Mr. J. Godbole, Mr. N. Mishra and Mr.H.M.Marda as other members. All of them are Non-Executive Directors and four of them are Independent Directors.

a) Brief Description of Terms of Reference

The role of the Audit Committee and its Terms of Reference comprised review of the operations, Financial Management, Audit Plan, audited quarterly/half-yearly/annual returns, findings of internal/statutory auditors and compliance of the policy decisions of the Company with all the powers and authorities as mentioned in Clause 49 of Listing Agreement with the Stock Exchanges and / or SEBI guidelines from time to time. The Audit Committee also acts as a link between the Board of Directors and the Statutory / Internal Auditors.

b) Composition, Name of Members and Chairman

The attendance of each member director at the Audit Committee Meeting held during the Financial year 2009-10 is furnished below:

| Sl.No. | Name of Director | Position | Audit Committee Meeting | |
|--------|-------------------|--|-------------------------|----------|
| | | | Held | Attended |
| 01. | Mr. S. K. Todi | Chairman Non-Executive Independent Director | 4 | 4 |
| 02. | Mr. R. S. Agarwal | Member Non Executive Director | 4 | 4 |
| 03. | Mr. J. Godbole | Member Non Executive Independent Director | 4 | 4 |
| 04. | Mr. N.Mishra | Member Non Executive Independent Director | 4 | 3 |

The above meetings were held on 3rd June 2009, 29th July 2009, 26th October 2009 and 28th January 2010. The Audit Committee presently consist with the following members :

Mr. S. K. Todi, Chairman

Mr. R. S. Agarwal, Member

Mr. J. Godbole, Member

Mr. N. Mishra, Member

Mr. H. M. Marda, Member

The Chairman of the Audit Committee, Mr. S. K. Todi was present at the Annual General Meeting of the Company held on 17th September, 2009, Mr. P. S. Patwari, Chief Financial Officer(CFO), statutory auditors and internal auditors are permanent invitees to the committee's meetings. The Company Secretary acts as the Secretary of the Committee.

6. Remuneration Committee

The present Remuneration Committee consists of the following Non-Executive Independent Directors :

- a. Mr. S. K. Todi Chairman
- b. Mr. J. Godbole Member
- c. Mr. S. K. Khaitan Member

The attendance of each member director at the Remuneration Committee Meeting held during the Financial year 2009-10 is furnished below:

| Sl. No | Name of Director | Position | Held | Attended |
|--------|-------------------|--|------|----------|
| 01. | Mr. S. K. Todi | Chairman Non-Executive Independent Director | 1 | 1 |
| 02. | Mr. J. Godbole | Member Non Executive Independent Director | 1 | - |
| 03. | Mr. S. K. Khaitan | Member Non Executive Independent Director | 1 | 1 |

During the year one meeting of the Remuneration Committee was held on 16th September 2009.

a) Remuneration Policy

The Remuneration Policy of the Company rewards performance based on achievement and existing industry benchmarks. The remuneration of the Executive Directors is governed by the terms and conditions approved by the Remuneration Committee, the Board of Directors, the Shareholders and the Central Government (if required). The remuneration structure comprises of salary and commission linked to profits, perquisites and allowances, contribution to Provident Fund, super annuity and gratuity as per schedule XIII and other applicable provisions of the Companies Act 1956.

b) Remuneration paid to the Directors of the company for the year ended 31-03-2010

(Amount in Rs.)

| Name of Directors | Salary, Perquisites & Allowances | Commission | Provident Fund | Total |
|-------------------|----------------------------------|------------------|------------------|--------------------|
| Mr. R. S. Goenka | 72,01,241 | 40,00,000 | 8,64,000 | 1,20,65,241 |
| Mr. P. S. Patwari | 56,06,261 | | 2,88,000 | 58,94,261 |
| Mr. R.C.Mall** | 26,90,043 | | 1,68,000 | 28,58,043 |
| Mr. Manish Goenka | 24,12,130 | | 2,88,000 | 27,00,130 |
| Total : | 1,79,09,675 | 40,00,000 | 16,08,000 | 2,35,17,675 |

* Perquisites include Leave Travel Assistance, reimbursement of Medical Expenses, cost of accommodation including rent, maintenance, electricity etc.

**For part of the year(1st April'09 to 31st Oct'09)

Shares held by the Non-Executive Directors as on March, 31, 2010

| Sl.No | Name of the Directors | Category | No.of Shares |
|-------|-----------------------|----------------------------|--------------|
| 01 | Mr.R. S. Agarwal | Promoter/Non-Executive | 615500 |
| 02 | Mr.A. V. Agarwal | Non-Executive | 119500 |
| 03 | Mr.S. K. Khaitan | Non-Executive | NIL |
| 04 | Mr.S. K. Todi | Non-Executive, Independent | NIL |
| 05 | Mr.U. G. Bhat | Non-Executive, Independent | NIL |
| 06 | Mr.N. Mishra | Non-Executive, Independent | NIL |
| 07 | Mr.J. Godbole | Non-Executive, Independent | NIL |
| 08 | Mr.H. M. Marda | Non-Executive, Independent | 2150 |

• Remuneration to Non-Executive Directors:

- They are paid only sitting fees for attending Board / Committee meetings.
- Directors who are in whole time employments of the Company, are not paid any sitting fees.

Sitting fees paid to each of them for attending Board / Committee Meetings are as follows

| Name of the Directors | Total Rupees |
|-----------------------|---------------|
| Mr. R. S. Agarwal | 90000 |
| Mr. S. K. Khaitan | 40000 |
| Mr. U. G. Bhat | 30000 |
| Mr. S. K. Todi | 100000 |
| Mr. A. V. Agarwal | 40000 |
| Mr. N. Mishra | 60000 |
| Mr. J. Godbole | 80000 |
| Mr. H.M.Marda | 40000 |
| Total : | 480000 |

7. Shareholders' Committee

The Committee was constituted in the year 1989 to deal with matters relating to transfers / transmissions of shares and monitor redressal of complaints from shareholders. The Committee was reconstituted on 31st October, 2008, when Mr. J. Godbole resigned from the membership as well as Chairmanship of the Committee and Mr. N. Mishra was assigned to head the Committee as Chairman. Mr.H. M. Marda, who was appointed as an additional Independent Director on 27th January, 2009, also nominated as member of the Committee.

There was no complaint from any of the shareholders during the year.

Mr. G. Saraf, Vice President(Finance) & Secretary is the Compliance Officer of the company.

8. General Body Meeting

Location and time where the last three Annual General Meetings were held

| Financial Year | Venue | Date | Time |
|----------------|---|------------|------------|
| 2006 – 07 | 687, Anandapur, 8th Floor, Kasba Golpark, Kolkata – 700 107 | 28.09.2007 | 10.00 a.m. |
| 2007 – 08 | -do- | 26.09.2008 | 10.45 a.m. |
| 2008 – 09 | -do- | 17.07.2009 | 10.45 a.m. |

Whether special Resolutions were passed in previous three AGMs

The following Special Resolutions were passed in previous three AGMs :

• **YEAR 2008-09 :**

Approval of Re-stated Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date along with all the schedules and Directors' Report and Auditors' Report thereon.

• **YEAR 2007-08 : None**

• **YEAR 2006-07 : None**

Whether Special Resolutions passed last year through Postal Ballot – Details of Voting Pattern

The following Special Resolutions were passed in the last year through Postal Ballot :-

i) Authorisation to the Board of Directors to make investment, give loan or guarantees or provide any security upto a limit of Rs.500 crores, under section 372A of the Companies Act, 1956.

ii) Technical and Financial completion guarantee to M/s Advance Medicare & Research Institute Ltd. (AMRI), a group Company under section 372A of the Companies Act, 1956 upto a sum of US\$ 17.00 million(Rs.85.00 crores approx).

Voting Pattern :-

| | (No.of Members) | (No.of Votes) | (% of Votes) |
|--|-----------------|---------------|--------------|
| Postal Ballot received in favour of the Resolution | 42 | 4,47,82,200 | 74.02% |
| Postal Ballot received against the Resolution | Nil | Nil | Nil |

Person who conducted the Postal Ballot exercise :-

M/s Sushil Tiwari & Associates, practising Company Secretary as scrutinizer.

9. Subsidiary Company

The Company does not have any subsidiary Company.

10. Disclosures

Related party transactions

The Company has not entered into any transaction of material nature with the promoters, directors or the management, the subsidiaries or relatives, etc. that may have potential conflict with the interest of the company.

Compliances by the Company

There have been no cases of non-compliance by the Company or penalties/strictures imposed on the Company by the Stock Exchanges or SEBI or any other authority on any matter relating to capital markets during the last three years.

Accounting treatment in preparation of financial statement

The Company has followed the guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India in preparation of Financial Statements.

Risk Management

The Company has framed comprehensive management policy not only to manage the risk but also to minimize the risk. This policy is periodically reviewed by the Management and updated as per requirement.

11. Management Discussion & Analysis Report

This Annual Report contains a separate and detailed Management Discussion and Analysis section.

12. Details of Appointment / Re-appointment of Directors

Mr. S. K. Khaitan, Mr. J. Godbole, Mr. R. S. Agarwal and Mr. P .S. Patwari would retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The information pertaining to these Directors are as follows :

| Name of Director | Mr.S.K.Khaitan | Mr.J Godbole | Mr.R.S.Agarwal |
|--|---|--|---|
| Age | About 71 years | About 65 years | About 64 years |
| Date of Appointment | 24.01.2001 | 17.03.2007 | 26.03.1994 |
| Expertise in Specific Functional areas | A Well known Industrialist of repute with extensive business experience. | He is former Chairman of IDBI having extensive experience in the area of Finance, in particular Bank Finance, Accounting, Corporate Planning and strategy formulation. | An Industrialist of repute with extensive business experience of over 3 decades. |
| Qualification | B.Com | B.Tech(Hons), IIT Powai Certificate in Fin. Management | M.Com, L.L.B., F.C.A.,F.C.S. |
| Chairman/Director of other Companies | -Khaitan (India) Ltd. -Khaitan Electrical Ltd. -Khaitan Lefin Ltd. -Khaitan Hotels (P) Ltd. -Murlidhar Ratanlal Exports.Ltd. -Rupa & Co.Ltd. | - J. K. Cement Ltd. - E M BIO Ltd. - Gilander Arbuthnot Ltd. - IMP Power Ltd. - The Oudh Sugars Ltd. - Madhya Bharat Papers Ltd. - Zuari Industries Ltd. - Saurashtra Cement Ltd. - Gujarat Alkalies & Chemicals Ltd. - Kesar Terminals & Infrastructure Ltd. | -Emami Limited -Emami Group of Companies Pvt.Ltd. -South City Project (Kolkata) Ltd. -AMRI Hospitals Ltd. -Merchant Chamber of Commerce. -Diwakar Viniyog Private Ltd. -Suntrack Commerce Pvt. Ltd. -Rupa & Co.Ltd. -Emami Realty Pvt.Ltd. -Bengal South City Matrix Infrastructure Ltd. -Bengal Anmol South City Infrastructure Ltd. -Roseview Developers Pvt.Ltd. -Bengal NRI Complex Ltd. - Zandu Realty Ltd. -Ajanta Suppliers Pvt.Ltd -South Academic Pvt. Ltd. -South City Recreation Pvt. Ltd. |
| Equity shares held in the Company | Nil | Nil | 6,15,500 shares |

| Name of Director | Mr.P.S.Patwari | Mr.S.Balasubramanian |
|--|--|--|
| Age | About 55 years | About 68 years |
| Date of Appointment | 28.11.1994 | 05.05.2010 |
| Expertise in Specific Functional areas | Extensive experience in the area of Finance, Accounting, Corporate Planning, Business Development, Strategy formulations and overall management. | He is former Chairman of Company Law Board, has rich and varied experience in the Corporate Law. He is a well known personality for his valuable contribution to the Corporate world. He was also former member of Indian Postal Service and having senior level experience in public sector. |
| Qualification | B.Com., F.C.A. | B.Com., L.L.B.,A.C.A. A.C.S., AICWA, DMA(ICA) |
| Chairman/Director of other Companies | -Emami Cement Ltd. -Pooja Infra Project (P) Ltd. | -Jaypee Infratech Ltd. |
| Equity Shares held in the company | Nil | Nil |

CEO/CFO Certification

The CEO and CFO certification as required by Clause 49 is enclosed at the end of the Report.

13. Compliance Report

The details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause are given below:

MANDATORY REQUIREMENTS

The Company has fully complied with the mandatory requirements of Clause 49.

NON MANDATORY REQUIREMENTS

- MAINTENANCE OF CHAIRMAN'S OFFICE : The Company has an Executive Chairman.
- TENURE OF INDEPENDENT DIRECTORS :The Board has not decided any specific tenure for the Independent Directors.
- REMUNERATION COMMITTEE : Separately covered under the Report.

SHAREHOLDERS' RIGHTS

The quarterly and half-yearly financial results are published in widely circulated national and local dailies and also displayed on Company's website www.emamipaper.in. Hence, these are not individually sent to the Shareholders.

AUDIT QUALIFICATION

There is no Audit Qualification given in the Auditors' Report.

TRAINING OF BOARD MEMBERS

All Board members are experienced and professionals, acquainted with business knowledge, obviating the need for formal training. However, with respect to Executive Directors, the Company arranged need-based training to help them discharge their responsibilities in the most effective way.

MECHANISM FOR THE EVALUATION OF NON-EXECUTIVE DIRECTORS

The role of Non-Executive Directors of the Company is important; the peer group comprising the entire Board, except the Director being evaluated, evaluates his/her performance. On the basis of such evaluation, it is decided as to whether his/her appointment should be extended or continued.

WHISTLE BLOWER POLICY

Any employee may report unethical attitude at the work place without fear and reach the Chairman of the Audit Committee or alternatively may report to the Head-HR.

Means of Communication

The quarterly and half-yearly financial results are generally published in The Economic Times/Business Standard/The Times of India, Kolkata(English) and the Dainik Statesman(Bengali) and are also displayed on company's website www.emamipaper.in. Hence, these are not individually sent to the shareholders.

Management's Discussion and Analysis is a part of Directors' Report to the shareholders.

14. Shareholders Information

a) 28th Annual General Meeting :

Date : 30th July, 2010
Time : 10-45 a.m.
Venue : 687, Anandapur, Kasba Golpark,
E. M. Bye Pass, Kolkata – 700 107

b) Date of Book Closure :

28th July, 2010 to 30th July, 2010 (both days inclusive) for the shareholders holding shares in physical form. The Shareholders holding shares in demat form are eligible for dividend for their holding as on 30th July, 2010.

c) Date of Payment of Dividend :

Within 30 days of approval by the shareholders.

d) Financial Calendar of the Company :

- i. April to March
- ii. First Quarter Results – last week of July
- iii. Half –yearly Results – last week of October
- iv. Third Quarter Results – last week of January
- v. Results for the year ending 31st March – by June.

e) Listing of Equity Shares on Stock Exchange :

The Company's shares are listed at Calcutta and U.P. Stock Exchanges. Further the Company has submitted its application to the Bombay Stock Exchange for listing its shares.

The relevant Listing Fees for the year was paid.

f) Stock Code :

| | | |
|---|---|-------|
| The Calcutta Stock Exchange Association | - | 17054 |
| The U. P. Stock Exchange Association | - | G0033 |

The ISIN Number of Company's Equity Shares (of face value Rs.2/- per share) for NSDL & CDSL: INE 830CO1026.

g) Stock Price Data :

No Trading of the company's shares was reported by the Calcutta and U.P. Stock Exchanges.

h) Registrars & Transfer Agents (Physical & Demat) :

Niche Technologies Pvt.Ltd.
D511 Bagree Market, 5th Floor,
71 B.R.B. Basu Road
Kolkata – 700 001

i) Share Transfer System :

The shares of the company are eligible for trading in the demat mode also. The shares received for transfers in physical form are first registered normally within three weeks (if in order and complete in all respects) and a demat option form is sent to the shareholders for exercising the option to receive the shares in demat form within 30 days of receipt unless the shareholders desires to get back the physical share certificate. Thereafter shares are confirmed to the respective accounts.

j) Distribution of Shareholding and Shareholding Pattern as on 31.03.2010

| Category | Number of shares held | % of Shareholding |
|--|-----------------------|-------------------|
| A. Promoters' holding | | |
| Promoters | | |
| - Indian promoters | | |
| Individuals | 53,37,200 | 8.82 |
| Corporate | 3,99,12,087 | 65.97 |
| - Foreign Promoters | 1,25,000 | 0.21 |
| Sub-total | 4,53,74,287 | 75.00 |
| B. Non-promoters' holding | | |
| 1. Institutional investors | | |
| a. Mutual Funds and UTI | - | - |
| b. Banks, financial institutions and Insurance companies | - | - |
| c. Foreign Institutional Investors | - | - |
| Sub-total | - | - |
| 2. Others | | |
| a. Private corporate bodies | 31,36,663 | 5.18 |
| b. Indian public | 1,19,88,100 | 19.82 |
| c. NRI / OCBs | - | - |
| Sub-total | 1,51,24,763 | 25.00 |
| Grand total | 6,04,99,050 | 100.00 |

Analysis of Shareholding

| | No. of Shareholders | Number of Shares held | % of Shareholding |
|----------------|---------------------|-----------------------|-------------------|
| 1 – 50 | 10 | 115 | 0.0002 |
| 51 – 100 | 3 | 300 | 0.0005 |
| 101 – 250 | 163 | 40700 | 0.0673 |
| 251 – 500 | 58 | 28600 | 0.0473 |
| 501 – 1000 | 52 | 44735 | 0.0739 |
| 1001 – 5000 | 110 | 265325 | 0.4386 |
| 5001 and above | 143 | 60119275 | 99.3723 |
| Total : | 539 | 60499050 | 100.0000 |

k) Dematerialisation of Shares

98.98 percent and 0.06 percent of the Paid-up Equity Share Capital are held in dematerialized form with National Securities Depository Limited and Central Depository Services Limited respectively as on 31st March, 2010.

l) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any of the aforesaid instruments.

m) Plant Locations :

1. Vill – Balgopalpur
Balasore – 756 020
Orissa
2. R. N. Tagore Road
Alambazar
Kolkata –700 035
West Bengal

n) Address for correspondence

687, Anandapur
E.M. Bye Pass
Kasba Golpark
Kolkata – 700 107
Email : emamipaper@emamipaper.in

For and on behalf of the Board

Place: Kolkata

Date : May, 5, 2010

R. S. GOENKA
Executive Chairman

CERTIFICATION BY EXECUTIVE DIRECTOR AND JOINT PRESIDENT OF THE COMPANY

We, P. S. Patwari, Executive Director and S. K. Khetan, Joint President to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March, 2010 and all its schedule and notes on accounts, as well as the Cash Flow Statement.
2. To the best of our knowledge and information :
 - a. These statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;
 - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violate the Company's code of conduct.
4. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, whichever applicable, to the Company's auditors and through them to the audit committee of the Company, the following :
 - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control during the year;
 - c. Any fraud, which we have become aware of and that involves Management or other employees who have significant role in the Company's internal control systems;
 - d. Significant changes in accounting policies during the accounting year;

We further declare that all members of Board and Committees and all employees working at level of Executive and above have affirmed compliance with the Code of Conduct of the Company for the current year.

Place : Kolkata

Dated: May 05, 2010

For Emami Paper Mills Limited

S. K. KHETAN

JOINT PRESIDENT(CFO)

For Emami Paper Mills Limited

P. S. PATWARI

EXECUTIVE DIRECTOR(CEO)

Annexure-IV

To The Directors' Report

Group for inter se transfer of shares

"Group" for inter se transfer of shares under Clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 1997.

Promoters :

| Sl.No. | Name |
|--------|-------------------------|
| 1. | Shri Radheshyam Agarwal |

| Sl.No. | Name |
|--------|------------------------|
| 2. | Shri Radheshyam Goenka |

Promoters Group :

| Sl.No. | Name |
|--------|-----------------------------|
| 03 | Smt.Usha Agarwal |
| 05 | Smt.Shanti Devi Agarwal |
| 07 | Shri Madan Lal Agarwal |
| 09 | Shri Aditya Vardhan Agarwal |
| 11 | Smt.Priti Sureka |
| 13 | Smt.Mansi Agarwal |
| 15 | Ms.Vidula Agarwal |
| 17 | Shri Rohin Raj Sureka |
| 19 | Smt.Saroj Goenka |
| 21 | Smt.Meena Goenka |
| 23 | Smt.Santosh Goenka |
| 25 | Smt. Indu Goenka |
| 27 | Shri Mohan Goenka |
| 29 | Smt.Rachna Bagaria |
| 31 | Shri Dhiraj Agarwal |
| 33 | Shri Pradeep Agarwal |
| 35 | Smt.Puspa Agarwal |
| 37 | Shri Saswat Goenka |
| 39 | Ms.Nimisha Goenka |
| 41 | Shri Yogesh Goenka |
| 43 | Shri Amitabh Goenka |
| 45 | Shri Jayant Goenka |
| 47 | Ms.Smriti Goenka |
| 49 | Shri. R. S. Agarwal(HUF) |
| 51 | Shri Raj Kr.Goenka(HUF) |
| 53 | Shri Sushil Kr.Goenka(HUF) |
| 55 | Ms.Jyoti Agarwal |

| Sl.No. | Name |
|--------|------------------------------|
| 04 | Shri Bajranglal Agarwal |
| 06 | Smt. Savitri Devi Agarwal |
| 08 | Smt.Kusum Agarwal |
| 10 | Shri Harsh Vardhan Agarwal |
| 12 | Smt.Richa Agarwal |
| 14 | Shri Vibhash Vardhan Agarwal |
| 16 | Ms.Vidishree Agarwal |
| 18 | Ms.Avishi Sureka |
| 20 | Shri Raj Kumar Goenka |
| 22 | Shri Suresh Kumar Goenka |
| 24 | Shri Sushil Kumar Goenka |
| 26 | Smt. Laxmi Devi Agarwala |
| 28 | Shri Manish Goenka |
| 30 | Smt.Rashmi Goenka |
| 32 | Smt.Meena Devi Goenka |
| 34 | Shri Promod Kumar Agarwal |
| 36 | Smt.Jyoti Goenka |
| 38 | Ms.Shreya Goenka |
| 40 | Shri Prashant Goenka |
| 42 | Smt. Puja Goenka |
| 44 | Shri Ashish Goenka |
| 46 | Shri Sachin Goenka |
| 48 | Ms.Sobhna Agarwal |
| 50 | Shri R.S. Goenka(HUF) |
| 52 | Shri D.D.Agarwal(HUF) |
| 54 | Shri Suresh Kr. Goenka(HUF) |
| 56 | Ms.Smriti Agarwal |

| Sl.No. | Name |
|--------|---------------------------------|
| 57 | Shri Mohan Goenka HUF |
| 59 | Smt.Sanjana Goenka |
| 61 | Smt.Shruti Goenka |
| 63 | Goenka Trading Co HUF |
| 65 | Master Manan Goenka |
| 67 | Shri H.V.Agarwal HUF |
| 69 | Shri Aditya Vardhan Agarwal HUF |
| 71 | Smt.Divya Agarwal |
| 73 | Shri Raj Kr. Sureka |

| Sl.No. | Name |
|--------|----------------------------------|
| 58 | K.D.Goenka & Sons HUF |
| 60 | Shri Ashish Goenka HUF |
| 62 | Master Devarsh Goenka |
| 64 | Shri Prashant Goenka HUF |
| 66 | Smt.Rachana Goenka |
| 68 | Master Vihan Vardhan Agarwal HUF |
| 70 | Smt.Sangita Agarwal |
| 72 | Shri Bajrang Lal Agarwal HUF |
| 74 | Shri Rajesh Bagaria |

Corporate :

| Sl.No | Name of Group Companies |
|-------|--|
| 75 | Pan Emami Cosmed Ltd. |
| 77 | Suraj Viniyog (P) Ltd. |
| 79 | Suntrack Commerce(P) Ltd. |
| 81 | Emami Frank Ross Ltd. |
| 83 | TMT Viniyogan Ltd. |
| 85 | Emami Capital Markets Ltd. |
| 87 | Emami International Pvt.Ltd. |
| 89 | Neelam Lefin Ltd. |
| 91 | Premier Ferro Alloys & Securities Ltd. |
| 93 | Emami Cement Ltd. |
| 95 | Aviro Vyapaar(P) Ltd. |
| 97 | South City Projects(Kolkata) Ltd. |
| 99 | Emami Bangladesh Ltd. |
| 101 | AMRI Hospitals Ltd. |
| 103 | Auto Hitech Pvt. Ltd. |
| 105 | Emami Vridhi Commercial Pvt.Ltd. |
| 107 | New Age Realty Pvt.Ltd. |
| 109 | Emami Skyhigh Pvt Ltd. |
| 111 | Emami Properties Pvt.Ltd. |
| 113 | Emami Construction Pvt.Ltd. |
| 115 | Orbit Projects Pvt.Ltd. |
| 117 | Swastik Promoters Pvt.Ltd. |
| 119 | Zandu Realty Ltd. |
| 121 | Bansilal Janki Devi Agarwal Trust |
| 123 | CRI International Ltd. |
| 125 | Emami Home Pvt Ltd. |
| 127 | Karan Business Pvt.Ltd. |
| 129 | Sneha Abasan Pvt.Ltd. |
| 131 | Sneha Gardens Pvt.Ltd. |
| 133 | Ajanta Suppliers Pvt.Ltd. |
| 135 | Emami High Rise Pvt.Ltd. |

| Sl.No. | Name of Group Companies |
|--------|-------------------------------------|
| 76 | Bhanu Vyapaar(P) Ltd. |
| 78 | Diwakar Viniyog(P) Ltd. |
| 80 | Emami Ltd. |
| 82 | EPL Securities Ltd. |
| 84 | Emami Realty Ltd. |
| 86 | Emami Group of Companies Pvt. Ltd. |
| 88 | Emami Biotech Ltd. |
| 90 | Newway Constructions Ltd. |
| 92 | Prestige Vyapaar Ltd. |
| 94 | Emami Infrastructure Ltd. |
| 96 | CRI Limited |
| 98 | Emami UK Ltd. |
| 100 | Emami International FZE |
| 102 | EFL Foods Ltd. |
| 104 | Emami Rainbow Niketan Pvt.Ltd. |
| 106 | Nathvar Tracon Pvt.Ltd. |
| 108 | Octagon BPO Pvt.Ltd. |
| 110 | Emami Ashiana Pvt.Ltd. |
| 112 | Delta PV Ltd. |
| 114 | A Rajabasan Pvt Ltd. |
| 116 | Basera Enclave Makers Pvt.Ltd. |
| 118 | Orbit Realty Infrastructure Ltd. |
| 120 | Emami Foundation |
| 122 | Kesar Deo Ratni Devi Goenka Trust |
| 124 | CRI (Sanghai) Co.Ltd. |
| 126 | Medal Chemical & Research Works Ltd |
| 128 | Zen Business Pvt.Ltd. |
| 130 | Sneha Enclave Pvt.Ltd. |
| 132 | Sneha Niketan Pvt.Ltd. |
| 134 | Aviro Vanijya Pvt.Ltd. |
| 136 | Emami Enclave Makers Pvt.Ltd. |



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**TO
THE MEMBERS OF
EMAMI PAPER MILLS LTD.**

We have examined the compliance of conditions of Corporate Governance by Emami Paper Mills Limited for the year ended 31.03.2010 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement except for Clause No I(C)(i) regarding holding of a board meeting at a gap of more than four months.

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

For S. K. AGRAWAL & COMPANY
Chartered Accountants
Registration No. 306033E

S. K. AGRAWAL
Partner
Membership No. 9067

Place : Kolkata
Dated: May 05, 2010

Auditors' Report

To
The Members of
Emami Paper Mills Limited

We have audited the attached Balance Sheet of Emami Paper Mills Limited as at 31st March 2010, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of Gulmohar unit audited by Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We further report that:

- a) The Report on the accounts of Gulmohar Unit audited by Branch Auditors have been received and properly dealt with in preparing our Report.
- b) 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.
- c) 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 such books.
- d) The Balance Sheet, the Profit & Loss Account & the Cash Flow Statement referred to in this report are in agreement with the books of accounts and comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
- e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes on accounts as per Schedule 17 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:

- i) In the case of the Balance Sheet, of the State of Affairs of the Company as on 31st March, 2010;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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 explanations given to us, we further report that:

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b. The fixed assets were physically verified during the year by the management in accordance with a program of verification, covering all fixed assets over a period of three years, which in our opinion provides for physical verification of all major items of fixed assets at reasonable intervals.
c. Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
2. a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventory and no material discrepancies were noticed on physical verification.
3. a. The Company has given unsecured loan to a company listed in the register maintained under Section 301 of the Companies Act, 1956 against whom the maximum amount outstanding during the year was Rs 272 lacs and the year end balance of such loan amounted to Rs. 272 lacs. The rate of interest and other terms and conditions of the loan are not *prima facie* prejudicial to the interest of the Company. The principal amounts and interest are repayable on demand, therefore the question of overdue amounts does not arise.
b. The Company has not taken any loans, secured or unsecured, from companies listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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.
5. In respect of contracts or arrangements referred in Section 301 of the Companies Act, 1956:
a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the Register maintained under section 301 of the Companies Act, 1956 have been so entered.



- b. In our opinion and according to the information and explanations given to us, the transactions referred to above and exceeding the value of Rs. 5 lacs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the rules prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the maintenance of cost records and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. According to the information and explanations given to us in respect of statutory and other dues:
- a. The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Service Tax, Sales Tax, VAT, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues 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 information and explanations given to us, details of dues of Excise Duty, Sales Taxes and Employees State Insurance which have not been deposited as on 31st March, 2010 on account of dispute are given below:

| Particular | Financial Year to which the matter pertains | Forum where matter is pending | Amount (Rs. in Lacs) |
|--------------------|---|-------------------------------|----------------------|
| Excise Duty | 1994-95 | ACCE | 0.87 |
| | 2004-05 | | 0.09 |
| CST | 1993-94 | Tribunal | 16.26 |
| | 2004-05 | Tribunal | 0.53 |
| | 2005-06 | Addl. Comm. | 238.52 |
| | 2006-07 | Addl. Comm. | 3.83 |
| | 2007-08 | Addl. Comm. | 4.06 |
| VAT (Orissa) | 2005-06 | Addl. Comm. | 1.68 |
| | 2006-07 | Addl. Comm. | 0.59 |
| | 2007-08 | Addl. Comm. | 0.79 |
| Entry Tax (Orissa) | 2006-07 | Addl. Comm. | 1.30 |
| | 2007-08 | Addl. Comm. | 0.11 |
| OST | 1989-90 | High Court | 0.79 |
| ESIC | 1996-97 | ESI Court | 0.22 |

10. The Company does not have accumulated losses as at the end of the year and the Company has not incurred cash losses during the current year and in the immediately preceding financial year.



11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institution and banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information & explanations given to us, the Company is not dealing in shares, securities debentures and other investment.
14. According to information given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
15. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were applied for the purpose for which the loans were obtained.
16. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us on an overall basis, we report that funds raised on short term basis have, prima facie, not been used for long term investments.
17. 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, during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
18. The Company has not raised money by public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
19. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. K. AGRAWAL & COMPANY
Chartered Accountants
Registration No- 306033E
S. K. AGRAWAL

Place: Kolkata
Dated: May 05, 2010

Partner
Membership No: 9067

Balance Sheet

As At 31st March, 2010

| | | (Rs/Lacs) | |
|---|----------|------------------------|------------------------|
| | Schedule | As at 31st March, 2010 | As at 31st March, 2009 |
| SOURCES OF FUNDS | | | |
| Shareholders' Fund | | | |
| Share Capital | 1 | 1,209.98 | 1,209.98 |
| Reserves & Surplus | 2 | 14,839.69 | 14,615.00 |
| | | 16,049.67 | 15,824.98 |
| Loan Funds | | | |
| Secured Loans | 3 | 39,452.10 | 38,933.55 |
| Unsecured Loans | 4 | 2,717.40 | 8,504.00 |
| | | 42,169.50 | 47,437.55 |
| Deferred Tax Liability (Net) | 5 | 3,036.55 | 2,559.50 |
| | | 61,255.72 | 65,822.03 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 6 | 56,841.21 | 58,028.34 |
| Less : Depreciation | | 16,249.96 | 13,268.98 |
| Net Block | | 40,591.25 | 44,759.36 |
| Capital Work in Progress | | 525.34 | 1.42 |
| | | 41,116.59 | 44,760.78 |
| Investments | 7 | 300.40 | 62.40 |
| Current Assets, Loans and Advances | | | |
| Inventories | 8 | 6,987.26 | 8,155.14 |
| Sundry Debtors | 9 | 7,541.28 | 8,657.31 |
| Cash & Bank Balances | 10 | 629.13 | 309.42 |
| Loans & Advances | 11 | 6,710.73 | 8,344.05 |
| | | 21,868.40 | 25,465.92 |
| Less : | | | |
| Current Liabilities and Provisions | | | |
| Current Liabilities | 12 | 1,604.98 | 4,042.38 |
| Provisions | 13 | 424.69 | 424.69 |
| | | 2,029.67 | 4,467.07 |
| Net Current Assets | | 19,838.73 | 20,998.85 |
| | | 61,255.72 | 65,822.03 |
| NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES | 17 | | |

In terms of our attached Report of even date

For S.K.Agrawal & Co.
Chartered Accountants

S.K.Agrawal
Partner
Kolkata
Dated : May 05, 2010

S.K.Khetan
Jt. President - CFO
G. Saraf
V. P. (Finance) & Secretary

R.S. Goenka
R.S. Agarwal
S.K. Todi
P. S. Patwari
Directors

Profit & Loss Account

for the year ended 31st March, 2010

| | Schedule | (Rs/Lacs) | |
|---|----------|------------------|------------------|
| | | 2009 - 10 | 2008 - 09 |
| INCOME | | | |
| Operational Income | 14 | 39,789.42 | 42,087.93 |
| Other Income | 15 | 200.88 | 208.62 |
| | | <u>39,990.30</u> | <u>42,296.55</u> |
| EXPENDITURE | | | |
| Manufacturing and Other Expenses | 16 | 33,478.10 | 33,630.80 |
| Interest (Net) | | 2,393.45 | 2,929.34 |
| | | <u>35,871.55</u> | <u>36,560.14</u> |
| Profit before Depreciation & Taxation | | <u>4,118.75</u> | <u>5,736.41</u> |
| Depreciation | | 3,017.22 | 2,547.86 |
| Less : Transfer from Revaluation Reserve | | 76.32 | 89.77 |
| Profit before Taxation | | <u>1,177.85</u> | <u>3,278.32</u> |
| Provision for Tax | | | |
| - Current Tax | | 200.03 | 368.68 |
| - Fringe Benefit Tax | | - | 25.00 |
| - Income Tax for earlier years | | 0.82 | 14.12 |
| - Deferred Tax | | 477.05 | 976.50 |
| - MAT credit entitlement | | (198.99) | (314.23) |
| Profit after Taxation | | <u>698.94</u> | <u>2,208.25</u> |
| Balance brought forward from Previous year | | 793.88 | 10.32 |
| Amount available for Appropriation | | <u>1,492.82</u> | <u>2,218.57</u> |
| APPROPRIATIONS | | | |
| Proposed Dividend | | 363.00 | 363.00 |
| Tax on Dividend | | 61.69 | 61.69 |
| Transfer to General Reserve | | 500.00 | 1,000.00 |
| Balance carried to Balance Sheet | | <u>568.13</u> | <u>793.88</u> |
| | | <u>1,492.82</u> | <u>2,218.57</u> |
| Basic and Diluted Earning Per Share (Rs.) (Face Value of Rs.2/- each) | | 1.16 | 3.65 |
| NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES | 17 | | |

In terms of our attached Report of even date

For S.K.Agrawal & Co.
Chartered Accountants

S.K.Agrawal
Partner
Kolkata
Dated : May 05, 2010

S.K.Khetan
Jt. President - CFO
G. Saraf
V. P. (Finance) & Secretary

R.S. Goenka
R.S. Agarwal
S.K. Todi
P. S. Patwari
Directors

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|---|------------------|------------------|
| | 2009-10 | 2008-09 |
| SCHEDULE - 1 : SHARE CAPITAL | | |
| Authorised | | |
| 6,25,00,000 Equity Shares of Rs. 2/- each | 1,250.00 | 1,250.00 |
| 10000 6% Redeemable Non Cumulative Preference Shares of Rs 100/- each | 10.00 | 10.00 |
| | <u>1,260.00</u> | <u>1,260.00</u> |
| Issued, Subscribed and Paid-up | | |
| 6,04,99,050 Equity Shares of Rs. 2/- each fully paid up (Includes 3,98,43,850 Equity Shares of Rs. 2/- each allotted for consideration other than in cash) | 1,209.98 | 1,209.98 |
| | <u>1,209.98</u> | <u>1,209.98</u> |
| SCHEDULE - 2 : RESERVES & SURPLUS | | |
| Capital Reserve | | |
| As per last account | 106.71 | 106.71 |
| Add: Received during the year | 26.79 | 133.50 |
| | | - |
| | | 106.71 |
| Securities Premium | 1,793.37 | 1,793.37 |
| Revaluation Reserve | | |
| As per last account | 921.04 | 1,010.81 |
| Less: Transferred to Profit & Loss Account | 76.32 | 89.77 |
| On sale of assets | 0.03 | 844.69 |
| | | - |
| | | 921.04 |
| General Reserve | | |
| As per last account | 11,000.00 | 10,000.00 |
| Add : Transferred from Profit & Loss Account | 500.00 | 11,500.00 |
| | | 1,000.00 |
| | | 11,000.00 |
| Surplus as per Profit & Loss Account | 568.13 | 793.88 |
| | <u>14,839.69</u> | <u>14,615.00</u> |

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|---|------------------|------------------|
| | 2009-10 | 2008-09 |
| SCHEDULE - 3 : SECURED LOANS | | |
| Term loans | | |
| From Banks | | |
| - FCNR (B) / FCL | 13,392.62 | 22.17 |
| - ECB | 17,910.46 | 25,074.70 |
| - Rupee Loan | - | 4,250.00 |
| | 31,303.08 | 29,346.87 |
| Working Capital/Short Term Loans | | |
| From Banks | | |
| - FCNR (B) | 914.96 | 3,548.86 |
| - Buyers Credit | 3,340.91 | 2,069.89 |
| - Rupee Loan | 3,893.15 | 8,149.02 |
| | 8,149.02 | 3,958.49 |
| Others | | |
| Government of West Bengal (Sales Tax Loan) | - | 9.44 |
| | <u>39,452.10</u> | <u>38,933.55</u> |
| SCHEDULE - 4 : UNSECURED LOANS | | |
| From Banks | | |
| - Foreign Currency Loan | 2,696.40 | 71.06 |
| - Rupee Term Loan | - | 8,411.94 |
| Other loans and deposits | 21.00 | 21.00 |
| | <u>2,717.40</u> | <u>8,504.00</u> |
| SCHEDULE - 5 : DEFERRED TAX LIABILITIES / ASSETS | | |
| Deferred Tax Liabilities | | |
| Depreciation | 3,083.99 | 2,568.13 |
| Deferred Tax Assets | | |
| Others | 47.44 | 8.63 |
| Deferred Tax Liability (Net) | <u>3,036.55</u> | <u>2,559.50</u> |

Schedules

annexed to and forming part of the accounts

SCHEDULE - 6 : FIXED ASSETS

(Rs./Lacs)

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|-------------------------------------|-------------------|-----------------|----------------------------|-------------------|-------------------|-----------------|----------------------------|-------------------|-------------------|-------------------|
| | As on 01.04.09 | Additions | Transfers / Adjustments | Total 31.03.10 | As on 01.04.09 | For the Year | Transfers / Adjustments | Total 31.03.10 | As on 31.03.10 | As on 31.03.09 |
| TANGIBLE ASSETS | | | | | | | | | | |
| FREE HOLD LAND | 483.43 | 2.98 | - | 486.41 | - | - | - | - | 486.41 | 483.43 |
| LEASE HOLD LAND | 251.64 | 15.51 | - | 267.15 | 28.14 | 5.28 | - | 33.42 | 233.73 | 223.50 |
| BUILDINGS | 6,185.89 | 20.41 | - | 6,206.30 | 1,291.70 | 180.72 | - | 1,472.42 | 4,733.88 | 4,894.19 |
| PLANT & MACHINERY | 50,483.56 | 923.15 | 2,845.22 | 48,561.49 | 11,654.42 | 2,659.01 | 26.03 | 14,287.40 | 34,274.09 | 38,829.14 |
| FURNITURE & FITTINGS | 404.50 | 655.75 | 5.19 | 1,055.06 | 203.88 | 133.85 | 4.44 | 333.29 | 721.77 | 200.62 |
| VEHICLES | 192.97 | 52.05 | 7.88 | 237.14 | 90.41 | 33.61 | 5.77 | 118.25 | 118.89 | 102.56 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| SOFTWARE | 26.35 | 1.31 | - | 27.66 | 0.43 | 4.75 | - | 5.18 | 22.48 | 25.92 |
| TOTAL | 58,028.34 | 1,671.16 | 2,858.29 | 56,841.21 | 13,268.98 | 3,017.22 | 36.24 | 16,249.96 | 40,591.25 | 44,759.36 |
| CAPITAL WORK-IN-PROGRESS | 1.42 | 525.34 | 1.42 | 525.34 | - | - | - | - | 525.34 | 1.42 |
| PREVIOUS YEAR | 48,754.57 | 9,288.46 | 14.69 | 58,028.34 | 10,725.16 | 2,547.86 | 4.04 | 13,268.98 | 44,759.36 | 44,760.78 |

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|--|---------------|--------------|
| | 2009-10 | 2008-09 |
| SCHEDULE - 7 : INVESTMENTS | | |
| Long Term | | |
| Non - Trade | | |
| Government Securities | | |
| 6 Years National Saving Certificates (Lodged with Government Authorities) | 0.02 | 0.02 |
| 7 Years National Saving Certificates (Lodged with Government Authorities) | 1.51 | 0.91 |
| Shares | | |
| Unquoted | | |
| 3,07,300 Equity Shares of Rs. 10/- each fully paid up of Pan Emami Cosmed Ltd. | 0.62 | 0.62 |
| 51,833 (Nil) Equity Shares of Rs. 2/- each fully paid up of Emami Infrastructure Ltd. (received on demerger of Emami Ltd.) | 5.44 | - |
| Quoted | | |
| 155,500 (155,500) Equity Shares of Rs. 2/- each fully paid up of Emami Ltd. | 55.41 | 60.85 |
| Trade | | |
| 8,17,939 (Nil) Equity Shares of Rs. 10/- each fully paid up of Rama Newsprint and Papers Ltd. | 237.40 | - |
| | <u>300.40</u> | <u>62.40</u> |
| Note : | | |
| Market Value of Quoted Investments | 1,140.48 | 318.00 |
| Aggregate Value of Quoted Investments | 292.81 | 60.85 |
| Aggregate Value of Unquoted Investments | 7.59 | 1.55 |

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|---|-----------------|-----------------|
| | 2009-10 | 2008-09 |
| SCHEDULE - 8 : INVENTORIES (As taken, valued & certified by the Management) | | |
| Raw Materials & Chemicals | 4,387.91 | 3,699.59 |
| Stores & Spares | 1,685.27 | 2,141.52 |
| Stock in Process | 430.59 | 481.58 |
| Finished Goods | 483.49 | 1,832.45 |
| | <u>6,987.26</u> | <u>8,155.14</u> |
| SCHEDULE - 9 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD) | | |
| Debts due over six months | 19.32 | 55.12 |
| Other Debts | 7,521.96 | 8,602.19 |
| | <u>7,541.28</u> | <u>8,657.31</u> |
| SCHEDULE - 10 : CASH & BANK BALANCES | | |
| Cash & Cheques in Hand | 9.48 | 8.44 |
| Balance with Scheduled Banks | | |
| In Current Accounts | 402.40 | 37.32 |
| In Fixed Deposit | 213.92 | 260.07 |
| In Unclaimed Dividend Account | 3.33 | 3.59 |
| | <u>629.13</u> | <u>309.42</u> |
| SCHEDULE - 11 : LOANS & ADVANCES (Unsecured, Considered Good) | | |
| Loans & Advances (Recoverable in cash or in kind or for value to be received) | 3,920.88 | 5,673.07 |
| Balance with Central Excise & Port Authorities | 1,214.53 | 1,196.95 |
| Advance Income Tax (Net of Provisions) | 390.13 | 432.55 |
| MAT credit entitlement | 798.38 | 599.39 |
| Deposits | 386.81 | 442.09 |
| | <u>6,710.73</u> | <u>8,344.05</u> |
| SCHEDULE - 12 : CURRENT LIABILITIES | | |
| Acceptance | 147.12 | 1,660.30 |
| Sundry Creditors for Goods | 227.07 | 976.38 |
| Other Liabilities | 749.95 | 856.05 |
| Unclaimed Dividend | 3.33 | 3.59 |
| Interest Accrued but not due | 477.51 | 546.06 |
| | <u>1,604.98</u> | <u>4,042.38</u> |
| SCHEDULE - 13 : PROVISIONS | | |
| Proposed Dividend | 363.00 | 363.00 |
| Tax on Dividend | 61.69 | 61.69 |
| | <u>424.69</u> | <u>424.69</u> |

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|---|------------------|-------------------|
| | 2009-10 | 2008-09 |
| SCHEDULE - 14 : OPERATIONAL INCOME | | |
| Sales | | |
| Sales - Gross | 38,819.29 | 43,894.09 |
| Less : Excise Duty | 241.69 | 396.64 |
| | <u>38,577.60</u> | <u>43,497.45</u> |
| Others | | |
| Foreign Exchange fluctuation | 1,211.82 | (1,409.52) |
| | <u>1,211.82</u> | <u>(1,409.52)</u> |
| | <u>39,789.42</u> | <u>42,087.93</u> |
| SCHEDULE - 15 : OTHER INCOME | | |
| Insurance Claim | 64.89 | 91.72 |
| Dividend | 7.00 | 7.00 |
| Miscellaneous Income | 126.32 | 99.13 |
| Profit on Sale of Fixed Assets | 2.67 | 10.77 |
| | <u>200.88</u> | <u>208.62</u> |
| SCHEDULE - 16 : MANUFACTURING AND OTHER EXPENSES | | |
| RAW MATERIAL AND CHEMICAL CONSUMED | 21,329.98 | 23,804.02 |
| MANUFACTURING EXPENSES | | |
| Consumption of Stores & Spares | 1,856.08 | 1,595.88 |
| Power & Fuel | 4,059.30 | 3,999.47 |
| Repairs : Plant & Machinery | 146.90 | 125.57 |
| Buildings | 13.36 | 31.24 |
| Others | <u>53.07</u> | <u>61.76</u> |
| | <u>6,128.71</u> | <u>5,813.92</u> |

Schedules

annexed to and forming part of the accounts

| | (Rs/Lacs) | |
|---|------------------|------------------|
| | 2009-10 | 2008-09 |
| (INCREASE)/DECREASE IN STOCKS | | |
| Opening Stock | | |
| Finished Goods | 1,832.45 | 342.02 |
| Stock in Process | 481.58 | 596.78 |
| | <u>2,314.03</u> | <u>938.80</u> |
| Closing Stock | | |
| Finished Goods | 483.49 | 1,832.45 |
| Stock in Process | 430.59 | 481.58 |
| | <u>914.08</u> | <u>2,314.03</u> |
| | 1,399.95 | (1,375.23) |
| PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | |
| Salaries, Wages & Bonus | 2,156.18 | 2,228.01 |
| Contribution to Provident Fund & Other Funds | 200.08 | 199.77 |
| Workmen & Staff Welfare Expenses | 166.14 | 173.80 |
| | <u>2,522.40</u> | <u>2,601.58</u> |
| ESTABLISHMENT AND SELLING EXPENSES | | |
| Rent | 37.51 | 59.47 |
| Rates & Taxes | 277.29 | 380.43 |
| Insurance | 72.35 | 74.79 |
| Directors Fees | 4.80 | 3.70 |
| Miscellaneous Expenses | 475.13 | 719.89 |
| Donation | 90.51 | 152.74 |
| Selling Expenses | 179.88 | 149.61 |
| Freight Outward | 959.59 | 1,245.88 |
| | <u>2,097.06</u> | <u>2,786.51</u> |
| | <u>33,478.10</u> | <u>33,630.80</u> |

SCHEDULE - 17

Notes

to the accounts and significant accounting policies

1. Significant Accounting Policies

(i) General

The financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with Accounting principles generally accepted in India and comply with the Accounting Standards notified by the Central Government of India and relevant provisions of the Companies Act, 1956.

(ii) Fixed Assets:

- a) Fixed assets are stated at cost adjusted by revaluation of Land, Building and Plant & Machinery wherever applicable, less depreciation. Interest & other financial charges on loans borrowed specifically for acquisition of capital assets are capitalised till the stabilisation of commercial production.
- b) All pre-operative and trial run expenditure (net of realization, if any) are capitalized.
- c) Projects under commissioning and other Capital Work-in-progress are carried at cost, comprising direct cost, related incidental expenses and interest on borrowings.

(iii) Depreciation:

- a) Depreciation is provided on pro-rata basis with reference to the date of commencement of use, at the rates specified in Schedule XIV of the Companies Act, 1956.
 - i) On Straight-Line Method at Balasore in respect of
 - Buildings of Paper Machine-II & III, ETP-II and Power Generation Unit-II
 - Plant & Machinery of Paper Machine III, ETP-II and Power Generation Unit-II
 - ii) On written down value method in respect of other assets.
- b) Leasehold Land is amortised over the period of lease.
- c) Softwares licenses are amortised over a period of six years.

iv) Investments:

Long term investments are stated at cost. Diminution in value of long term investments other than temporary in nature is provided for in the accounts. Current Investments are stated at cost or net realisable value, whichever is lower.

v) Inventories:

- a) Finished goods, stock-in-process, raw materials, stores, chemicals and spare parts are valued at lower of cost or net realisable value.

Notes

to the accounts and significant accounting policies

- b) Valuation of inventory is being done under weighted average cost formula except stores and spare parts of Gulmohar unit which are valued at FIFO formula.

vi) Retirement Benefit:

- a) Contribution to Provident fund is made at a pre-determined rate and charged to revenue on accrual basis.
- b) Company's liability towards Gratuity and Leave Encashment are actuarially determined at each Balance Sheet date using the Projected Unit Credit Method. Actuarial gains and losses are recognized in revenue. The contribution towards Gratuity and Leave Encashment liability are funded with the LIC.

vii) Foreign Currency Transactions:

- a) Transactions in foreign exchange covered by forward contracts are accounted for at the contracted rates.
- b) Transactions other than those covered by forward contracts are recognised at the exchange rates prevailing on the date of their occurrence.
- c) Monetary assets & liabilities in foreign currency that are outstanding at the year end and not covered by forward contracts are translated at the year end exchange rates.
- d) The exchange differences arising from long term foreign currency monetary items relating to the acquisition of a depreciable asset are added to or deducted from the cost of the depreciable capital assets. Other exchange differences arising from Long-Term Foreign Currency Monetary Items are transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortised over the life of such monetary items but not beyond 31st March 2011. Other exchange differences are recognized as income or expense in the Profit & Loss Account.

viii) Recognition of Income & Expenditure:

- a) Income & expenditure are recognised on accrual basis.
- b) Sales includes amount recovered towards excise duty, sales during trial run and is net of commission to agents.
- c) Inter segment revenue has been recognized at market value.

ix) Contingent Liabilities and Provisions:

Contingent liabilities are disclosed after a careful evaluation of facts and legal aspects of the matter involved. Provisions are recognized when the company has legal / constructive obligation and on management discretion, as a result of a past event, for which it is probable that a cash outflow may be required and a reliable estimate can be made for the amount of the obligation.

Notes

to the accounts and significant accounting policies

x) Borrowing Cost:

Borrowings cost that are attributable to the acquisition or construction of qualifying assets is capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

xi) Taxation :

Provision for tax is made for both current and deferred taxes. Provision for current tax is made at the current tax rates based on assessable income. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. The deferred tax in respect of timing differences that originate during the tax holiday period and reverse during the tax holiday period is not recognized.

Deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

xii) Government Subsidy/Grant:

Capital subsidy granted by the government is treated as capital reserve and interest subsidy is treated as a revenue receipt except to the extent it is capitalized as preoperative cost which is adjusted from specified assets.

xiii) Earnings Per Share:

Basic earnings per share are calculated by dividing the net profit/loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for the events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the period are adjusted for the effects for all dilutive potential equity shares.

xiv) Impairment of Assets:

The company identifies impairable assets at the year end in accordance with the guiding principles of Accounting Standard 28, notified by the Central Government of India, for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss, when crystallizes, are charged against revenues for the year.

Notes

to the accounts and significant accounting policies

2. Defined Benefit Plans (AS-15 Revised)

The Company's obligation towards the Gratuity Fund and Leave Encashment Fund are Defined Benefit Plans. The details of actuarial valuation is given below:

| | | 2009-10 | | 2008-09 | |
|----------|---|--------------|------------------|--------------|------------------|
| | | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| | | Funded | Funded | Funded | Funded |
| A | Components of Employer Expenses | | | | |
| 1 | Current Service Cost | 47.94 | 6.15 | 48.88 | 12.33 |
| 2 | Interest Cost | 29.18 | 7.91 | 21.99 | 7.65 |
| 3 | Expected Return on Plan Assets | (28.36) | (8.79) | (19.89) | (5.55) |
| 4 | Acturial Losses/(Gains) | (17.73) | (38.27) | 46.29 | 12.07 |
| 5 | Total Expenses recognized in the Statement of Profit & Loss. | 31.03 | (33.00) | 97.27 | 26.50 |

| | | 2009-10 | | 2008-09 | |
|----------|--|----------------|------------------|----------------|------------------|
| | | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| B | Net asset/(Liability) recognized in balance sheet as at 31st March 2010 | | | | |
| 1 | Present value of Defined Benefit Obligation | 407.95 | 92.94 | 370.09 | 118.07 |
| 2 | Fair value of plan assets | 371.65 | 123.12 | 337.55 | 96.75 |
| 3 | Net asset/(liability) recognized in balance sheet | (36.30) | 30.18 | (32.54) | (21.32) |

Notes

to the accounts and significant accounting policies

| | | 2009-10 | | 2008-09 | |
|----------|---|--------------------|--------------------|--------------------|--------------------|
| | | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| C | Change in Defined Benefit Obligation during the year ended 31st March 2010 | | | | |
| 1 | Present value of PBO at beginning of period | 370.09 | 118.07 | 259.97 | 86.03 |
| 2 | Current Service Cost | 47.94 | 6.15 | 48.88 | 12.33 |
| 3 | Interest Cost | 29.18 | 7.91 | 21.99 | 7.65 |
| 4 | Actual (gains)/Losses | (15.49) | (37.97) | 49.32 | 12.59 |
| 5 | Benefits Paid | (23.77) | (1.22) | (10.07) | (0.53) |
| 6 | Present value of PBO at the end of period | 407.95 | 92.94 | 370.09 | 118.07 |
| 7 | Actual Return on Plan Assets | 30.60 | 9.09 | 22.92 | 6.07 |
| | | | | | |
| D | Change in Fair Value of Assets | | | | |
| 1 | Plan Assets at beginning of period | 337.55 | 96.75 | 186.67 | 42.09 |
| 2 | Expected Return on Plan Assets | 28.36 | 8.79 | 19.89 | 5.55 |
| 3 | Acturial Gains/(Loss) | 2.24 | 0.30 | 3.03 | 0.52 |
| 4 | Actual company contributions | 27.27 | 18.50 | 138.03 | 49.12 |
| 5 | Benefits paid | (23.77) | (1.22) | (10.07) | (0.53) |
| 6 | Plan assets at the end of period | 371.65 | 123.12 | 337.55 | 96.75 |
| | | | | | |
| E | Acturial Assumptions | | | | |
| 1 | Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| 2 | Discount Rate (%) | 7.50% | 7.50% | 7.50% | 7.50% |
| 3 | Expected Return on Plan Assets (%) | 8.00% | 8.00% | 8.00% | 8.00% |
| 4 | Rate of escalation in salary (per annum) | 5.00% | 5.00% | 5.00% | 5.00% |

Notes

to the accounts and significant accounting policies

3. Estimated amounts of capital contracts remaining to be executed and not provided for (net of advances) Rs 235.38 lacs (Rs. 199.18 lacs).
4. Contingent liabilities not provided for in respect of:
 - a) Outstanding guarantees and letters of credit furnished by the bankers on behalf of the Company secured by hypothecation of current assets, as specified in note 6 hereunder – Rs 345.14 lacs (Rs. 2633.13 lacs).
 - b) Sales tax under appeal (net of advances) – Rs. 270.03 lacs (Rs. 265.62 lacs).
 - c) Central Excise duties under appeal (net of Advances) – Rs. 0.96 lacs (Rs. 0.96 lacs).
 - d) ESI Contribution under appeal – Rs 0.22 lacs (Rs. 0.22 lacs).
 - e) Bonds / Undertakings given under EPCG scheme to Custom Authority – Rs. 2190.42 lacs (Rs.2190.42 lacs).
5. Loans and Advances include inter corporate deposits of Rs. 1085.72 lacs (Rs. 3616.72 lacs).
6. Term loans from banks and external commercial borrowings are secured by deposit of title deeds in respect of present and future immovable properties and hypothecation of present and future movable fixed assets on a pari passu basis. Term loans from banks and external commercial borrowings are also secured by way of second charge on current assets on pari passu basis. Working capital facilities from banks are secured by hypothecation of present and future stock of materials, stock-in-process, finished goods, stores and spares, book debts, outstanding money, claims receivable and further secured by way of second charge on all immovable and movable properties/fixed assets both present and future on a pari passu basis. Unsecured loans from banks are secured by personal guarantee of some of the Directors of the company and residual charge on Current Assets of the company.
7. Land, buildings and plant & machinery of the Gulmohar Unit and Paper Machine-1 of Balasore unit were revalued as on 01.04.98 and 01.04.99 respectively by independent approved valuers appointed for the purpose. The revaluation has resulted in increase in value of such assets by Rs. 3097.20 lacs. Due to the said revaluation, there is an additional charge of depreciation of Rs 76.32 Lacs (Rs. 89.77 Lacs) for the year and an equivalent amount has been withdrawn from revaluation reserve and credited to Profit & Loss Account. The net book value of such revaluation made till date stands at Rs 844.69 lacs (Rs. 921.04 lacs).
8. Miscellaneous Expenses include payment to the Auditors including Rs.1.81 lacs (Rs. 1.24 lacs) to Branch Auditors.
 - i) As Audit Fees : Rs. 4.90 lacs (Rs. 4.90 lacs)
 - ii) As Tax Audit Fees : Rs. 0.55 lacs (Rs. 0.55 lacs)
 - iii) For Certification : Rs. 6.20 lacs (Rs. 1.40 lacs)
 - iv) Out of pocket expenses : Rs. 0.28 lacs (Rs. 0.25 lacs)
9. Sales are net of commission to selling agents other than sole selling agent Rs.605.46 lacs (Rs. 443.75 lacs).

Notes

to the accounts and significant accounting policies

10. Whole Time Directors' Remuneration :

| | 31.03.2010 (Rs. /lacs) | 31.03.2009 (Rs. /lacs) |
|------------------|---------------------------|---------------------------|
| (i) Salary | 171.19 | 161.49 |
| (ii) Perquisites | 23.99 | 33.17 |
| (iii) Commission | 40.00 | 100.00 |
| | 235.18 | 294.66 |

11. Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956, and Commission payable to the Executive Chairman

| | 31st March 2010 | | 31st March 2009 | |
|---|-----------------|---------|-----------------|---------|
| Profit Before Taxation | | 1177.85 | | 3278.32 |
| Add: | | | | |
| a) Remuneration paid to Directors | 235.18 | | 294.66 | |
| b) Director's Fees | 4.80 | 239.98 | 3.70 | 298.36 |
| Less: | | | | |
| c) Profit on sale of Fixed Assets | | 2.67 | | 10.77 |
| Net Profit for the purpose of Director's Commission | | 1415.16 | | 3565.91 |
| Commission @ 3% of Net Profit | | 42.45 | | 106.98 |
| Commission approved by the Board | | 40.00 | | 100.00 |

12. Interest includes Interest on Term loans Rs. 2658.58 lacs (Rs.367.85 lacs) & Net of Interest received Rs.1236.58 lacs (Rs.680.42 lacs).
13. There is no outstanding or delayed payments to the Micro, Small and Medium Enterprises, and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the Micro, Small and Medium Enterprises Developments Act, 2006 are not required.
14. Against the order of Hon'ble Orissa High Court W P (C) No. 6515 of 2006 dated 18.02.2008 holding that State of Orissa has no jurisdiction to impose entry tax on goods imported from outside and are not manufactured within the state, the State of Orissa has filed a SLP before the Hon'ble Supreme Court which has passed an interim order dated 03.02.2010 directing the company to deposit 1/3rd of the amount of entry tax on such purchases pending disposal of the SLP. In pursuance of the aforesaid

Notes

to the accounts and significant accounting policies

order, the company has deposited a sum of Rs.15.18 lacs against the entry tax of Rs.45.55 lacs for the financial year 2008-09 and 2009-10.

15. There is no amount due and outstanding to be credited to investor education and protection fund.
16. Fixed Deposits with banks include fixed deposits pledged as security Rs 213.92 lacs (Rs. 260.07 lacs).
17. The Company has exercised the option permitted by Accounting Standard Amendment Rule, 2009 under the transitional provisions contained in Para 46 of Accounting Standard (AS) 11 (vide GOI Notification No.GSR 225(E) dated the 31st March 2009). A sum of Rs 2681.38 lacs being the exchange gain for the year arising on reporting of Long-Term Foreign Currency Monetary Items has been deducted from the cost of depreciable capital asset as at the 31st March 2010. The net increase of Rs. 1073.36 lacs (after adjusting net loss of Rs. 3754.74 lacs upto Financial Year 2008-09) in the carrying amount of the depreciable capital asset(s) would be depreciated over the balance of the life of the assets.
18. TDS on interest income on short term deposits and ICD's – Rs. 124.85 lacs (Rs. 153.46 lacs).
19. Information pursuant to the provisions of paragraph 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956.

a) Licensed and Installed Capacities and Production:

| Class of Products | Installed Capacity | | Production | |
|---------------------------|--------------------|---------|------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Paper | Tonnes | Tonnes | Tonnes | Tonnes |
| | 145000 | 145000 | 142494 | 136869 |
| Generation of Electricity | MW | MW | Kwh lacs | Kwh lacs |
| | 20 | 20 | 1302.48 | 1344.39 |

- i) Licensed capacity not applicable in terms of Govt. of India's Notification.
- ii) Installed Capacities are certified by the Management.
- iii) Generation of electricity is for internal consumption.

b) Sales and Stock Value (Rs./lacs)

| Particulars | Unit | Opening Stock | | Sales* | | Closing Stock | |
|-------------|------|---------------|----------|----------|------------|---------------|-----------|
| | | Qty. | Value | Qty. | Value | Qty. | Value |
| Paper | MT | 7586 | 1832.45 | 147900 | 38819.29 | 2155.00 | 483.49 |
| | | (1375) | (342.02) | (130637) | (43894.09) | (7586) | (1832.45) |

* Excludes 25 MT (21 MT) for captive consumption and includes miscellaneous sales Rs.216.95 lacs (Rs.173.68 lacs).

Notes

to the accounts and significant accounting policies

c) Consumption of Raw Materials

| Particulars | 2009-10 | | 2008-09 | |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| | Qty (MT) | Rs./lacs | Qty (MT) | Rs./lacs |
| Waste Paper and Pulp | 175261 | 18254.47 | 167954 | 20287.29 |
| Chemical & Others | | 3075.51 | | 3516.73 |
| | | 21329.98 | | 23804.02 |
| | Rs./lacs | % | Rs./lacs | % |
| Indigenous | 14532.23 | 68.13 | 16510.91 | 69.36 |
| Imported | 6797.75 | 31.87 | 7293.11 | 30.64 |
| | 21329.98 | 100.00 | 23804.02 | 100.00 |

d) Consumption of Stores & Spares

| | | | | |
|------------|----------------|---------------|----------------|---------------|
| Indigenous | 1438.91 | 77.52 | 1053.76 | 66.03 |
| Imported | 417.17 | 22.48 | 542.12 | 33.97 |
| | 1856.08 | 100.00 | 1595.88 | 100.00 |

e) Value of Import on CIF basis

| | | | | |
|--------------------------|--|---------|--|---------|
| Raw Material & Chemicals | | 5553.99 | | 7857.70 |
| Stores and Spares | | 392.28 | | 610.89 |
| Capital Assets | | 28.44 | | 143.50 |

f) Expenditure in Foreign Currency

| | | | | |
|--|--|---------|--|---------|
| Interest & Financial charges paid to Banks (Registered in India) | | 1915.59 | | 2659.79 |
| Other Interest | | 42.03 | | - |
| Travelling | | 5.12 | | 97.10 |
| Professional Fees | | 12.66 | | 89.14 |

| | | | | |
|---------------------------------|--|--------|--|---|
| g) Value of Export on FOB basis | | 149.21 | | - |
|---------------------------------|--|--------|--|---|

Notes

to the accounts and significant accounting policies

20. Segment Information :

The Company has identified its Business Segment as its Primary Reportable Segment comprising of Paper and Power.

| Particulars | Paper | | Power | | Total | |
|----------------------------------|------------|------------|-----------|-----------|------------|------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| SEGMENT REVENUE | | | | | | |
| External Segment Revenue | 38,577.60 | 43,497.45 | | | 38,577.60 | 43,497.45 |
| Inter Segment Revenue | | | 6,430.45 | 6,479.04 | 6,430.45 | 6,479.04 |
| Total Revenue | | | | | 45,008.05 | 49,976.49 |
| Less: Inter Segment Revenue | | | | | 6,430.45 | 6,479.04 |
| Net Revenue | | | | | 38,577.60 | 43,497.45 |
| RESULT | | | | | | |
| Segment Result | 1249.68 | 3870.13 | 2,120.74 | 2,128.92 | 3370.42 | 5999.04 |
| Interest | (2,140.78) | (2,510.01) | (252.67) | (419.33) | (2,393.45) | (2,929.34) |
| Other Income | | | | | 200.88 | 208.62 |
| Profit/(Loss) Before Tax | | | | | 1,177.85 | 3,278.32 |
| Provision for Current Tax | | | | | (200.03) | (368.68) |
| Income Tax For Earlier Years | | | | | (0.82) | (14.12) |
| Provision for Fringe Benefit Tax | | | | | - | (25.00) |
| Provision for Deferred Tax | | | | | (477.05) | (976.50) |
| MAT Credit Entitlement | | | | | 198.99 | 314.23 |
| Profit/(Loss) After Tax | | | | | 698.94 | 2,208.25 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 49,143.56 | 56,403.16 | 12,652.92 | 12,791.60 | 61,796.48 | 69,194.76 |
| Other Assets | | | | | 14,88.91 | 1,094.34 |
| Total Assets | | | | | 63,285.39 | 70,289.10 |
| Segment Liabilities | 40,323.71 | 46,569.76 | 3,450.77 | 4,910.17 | 43,774.48 | 51,479.93 |
| Other Liabilities | | | | | 3,461.24 | 2,984.19 |
| Total Liabilities | | | | | 47,235.72 | 54,464.12 |
| Capital Expenditure | 2,060.74 | 8,287.01 | 135.76 | 1,001.44 | 2,196.50 | 9,288.46 |
| Depreciation | 2,456.23 | 2,006.96 | 484.67 | 451.13 | 2,940.90 | 2,458.09 |

Notes

to the accounts and significant accounting policies

21. Related Party Transactions

Related parties with whom transactions have taken place during the year are given below:

a. Key Management Personnel

Sri R.S.Agarwal
Sri R. S. Goenka
Sri P. S. Patwari
Sri R C Mall (upto 31.10.2009)
Sri Aditya Agarwal
Sri Manish Goenka

b. Relatives of Key Management Personnel

Miss Puja Patwari.

c. Enterprise over which persons described in (a) above are able to exercise significant influence

Emami Limited
Emami Biotech Limited
Emami Cement Limited

Disclosure of transactions between the Company and Related Party and its status of outstanding.

(Rs./lacs)

| Particulars | Key Management Personnel | | Relatives of Key Management Personnel | | Enterprise described in (C) above | | Total | |
|---------------------------------|--------------------------|---------|---------------------------------------|---------|-----------------------------------|---------|---------|---------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Remuneration to Key Personnel | | | | | | | | |
| - Directors | 235.18 | 294.66 | - | - | - | - | 235.18 | 294.66 |
| - Others | | | | | | | | |
| Directors Sitting Fees | 4.80 | 3.70 | - | - | - | - | 4.80 | 3.70 |
| Stipend | - | - | 0.33 | - | - | - | 0.33 | - |
| Rent & Maintenance Charges Paid | - | - | - | - | 51.65 | 82.60 | 51.65 | 82.60 |
| Commission Paid | - | - | - | - | 22.70 | - | 22.70 | - |

Notes

to the accounts and significant accounting policies

| Particulars | Key Management Personnel | | Relatives of Key Management Personnel | | Enterprise described in (C) above | | Total | |
|------------------------------------|--------------------------|---------|---------------------------------------|---------|-----------------------------------|---------|---------|---------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| | | | | | | | | |
| Rent received | - | - | - | - | - | 16.80 | - | 16.80 |
| Security Deposit given | - | - | - | - | 25.83 | 41.30 | 25.83 | 41.30 |
| Security Deposit received | - | - | - | - | - | 16.80 | - | 16.80 |
| Balance as on 31st March | | | | | | | | |
| - Investment | - | - | - | - | 61.47 | 61.47 | 61.47 | 61.47 |
| - Security Deposit Given | - | - | - | - | 25.83 | 41.30 | 25.83 | 41.30 |
| - Security Deposit Received | - | - | - | - | - | 16.80 | - | 16.80 |
| - Director's Commission realizable | - | 43.00 | - | - | - | - | - | 43.00 |

22. Information for earning per share as per AS-20:

| | 2009-10 | 2008-09 |
|--|----------|----------|
| Net Profit after tax (Rs. /lacs) | 698.94 | 2208.25 |
| Number of equity shares (Nos.) | 60499050 | 60499050 |
| Basic and diluted earnings per share (Rs.) | 1.16 | 3.65 |
| Nominal value per share (Rs.) | 2.00 | 2.00 |

23. Previous year's figures have been regrouped / rearranged wherever necessary.

In terms of our attached Report of even date

For S.K.Agrawal & Co.
Chartered Accountants

S.K.Agrawal
Partner
Kolkata
Dated : May 05, 2010

S.K.Khetan
Jt. President - CFO
G. Saraf
V. P. (Finance) & Secretary

R.S. Goenka
R.S. Agarwal
S.K. Todi
P. S. Patwari
Directors



PART-IV

Balance Sheet Abstract

and Company's General Business Profile for the year ended
31st March, 2010

| | | | | |
|------|---|------------|-----------------------------------|-----------|
| I. | Registration No : | 34161 | State Code | 21 |
| | Balance Sheet Date | 31.03.2010 | | |
| II. | CAPITAL RAISED DURING THE YEAR (Amount in Rs. / Lacs) | | | |
| | Public Issue | NIL | Rights Issue | NIL |
| | Bonus Issue | NIL | Private Placement | NIL |
| III. | POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. / Lacs) | | | |
| | Total Liabilities | 63,285.39 | Total Assets | 63,285.39 |
| | Sources of Funds | | | |
| | Paid-up Capital/ Share Application Money | 1,209.98 | Reserves & Surplus | 14,839.69 |
| | Secured Loans | 39,452.10 | Unsecured Loans | 2,717.40 |
| | Deferred Tax Liability | 3,036.55 | | |
| | Application of Funds | | | |
| | Net Fixed Assets | 41,116.59 | Investments | 300.40 |
| | Net Current Assets | 19,838.73 | Misc. Expenditure | - |
| | Accumulated Losses | NIL | | |
| IV. | PERFORMANCE OF THE COMPANY (Amount in Rs. / Lacs) | | | |
| | Turnover (Including other income) | 39,990.30 | Total Expenditure | 38,812.45 |
| | Profit before tax | 1,177.85 | Profit after tax | 698.94 |
| | Earning per share (in Rs.) | 1.16 | Dividend Rate (%) | 30% |
| V. | GENERIC NAMES OF THREE PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms) | | | |
| | Item Code No. | | Item Code No.- (ITC Code) | |
| | Product Description | | | |
| | Newsprint | | 28030000 | |
| | Paper and Paper Board | | 28000000 | |
| | Generation of Steam & Power | | 40020000 | |

In terms of our attached Report of even date

For S.K.Agrawal & Co.
Chartered Accountants

S.K.Agrawal
Partner
Kolkata
Dated : May 05, 2010

S.K.Khetan
Jt. President - CFO
G. Saraf
V. P. (Finance) & Secretary

R.S. Goenka
R.S. Agarwal
S.K. Todi
P. S. Patwari
Directors

Cash Flow Statement

for the year ended 31st March, 2010

| DESCRIPTION | (Rs/Lacs) | |
|---|-----------------------|-------------------|
| | 2009- 10 | 2008 - 09 |
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net Profit before tax | 1,177.85 | 3,278.32 |
| Adjustment for : | | |
| Depreciation | 3,017.22 | 2,547.86 |
| Interest & Financial Charges (Net) | 2,393.45 | 2,929.34 |
| Dividend Income | (7.00) | (7.00) |
| (Profit) / Loss on Sale of Fixed Assets | (2.67) | (10.77) |
| Transferred from Revaluation Reserve | (76.32) | (89.77) |
| Operating Profit Before Working Capital Changes : | 6,502.53 | 8,647.98 |
| Adjusted for : | | |
| Trade & Other Receivables | 2,905.92 | (5,269.45) |
| Inventories | 1,167.88 | (3,332.56) |
| Trade Payables & Provisions | (2,368.85) | 1,898.10 |
| Cash generated from operations | 8,207.48 | 1,944.07 |
| Interest paid | (2,462.00) | (2,874.91) |
| Taxes paid | (158.43) | (387.13) |
| Transitional Provisions for Employees Benefits | - | (117.02) |
| Cash flow before Extraordinary items | 5,587.05 | (1,434.99) |
| Net Cash from Operating Activities | (A) 5,587.05 | (1,434.99) |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Purchase of Fixed Assets | (2,195.08) | (9,119.60) |
| Sale / (Purchase) of Investments | (238.00) | (0.20) |
| Sale / Adjustment of Fixed Assets | 2,824.69 | 21.42 |
| Dividend Received | 7.00 | 7.00 |
| Capital Subsidy received | 26.79 | - |
| Net Cash used in Investing Activities | (B) 425.40 | (9,091.38) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Increase/(Decrease) in Bank Borrowings | (1,428.22) | 1,935.70 |
| Proceeds from Long Term Borrowings (Net) | (3,839.83) | 9,463.75 |
| Dividend & Dividend Tax Paid | (424.69) | (707.81) |
| Net Cash from Financing Activities | (C) (5,692.74) | 10,691.64 |
| Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C) | 319.71 | 165.27 |
| * Cash & Cash Equivalents (Opening Balance) | 309.42 | 144.15 |
| * Cash & Cash Equivalents (Closing Balance) | 629.13 | 309.42 |
| * Represents Cash and Bank Balances as indicated in Schedule-10. | | |

Notes: Closing Cash & Cash equivalents represents "Cash & Bank Balances" except Rs. 3.33 lacs lying in designated account with scheduled banks on account of unclaimed dividend which are not available for use by the company

AUDITORS CERTIFICATE

We have verified the above cash flow statement of Emami Paper Mills Limited derived from the audited annual financial statements for the year ended 31st March, 2010 and found the same to be drawn in accordance therewith of Clause 32 of the listing agreements with stock exchanges.

For S.K.Agrawal & Co.
Chartered Accountants

S.K.Agrawal
Partner
Kolkata
Dated : May 05, 2010

S.K.Khetan
Jt. President - CFO
G. Saraf
V. P. (Finance) & Secretary

R.S. Goenka
R.S. Agarwal
S.K. Todi
P. S. Patwari
Directors

