

# CORPORATE INFORMATION

## Board of Directors

Shri R. S. Goenka (Executive Chairman)  
Shri R. S. Agarwal  
Shri R.C. Mall (Managing Director)  
Shri S. K. Khaitan  
Shri A. V. Agarwal  
Shri Manish Goenka  
Shri P. S. Patwari (Executive Director)  
Shri S. K. Todi  
Shri J. N. Godbole  
Shri U. G. Bhat  
Shri N. Mishra

## Vice President (Finance) and Secretary

Shri G. Saraf

## Auditors

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

## Unit Auditors

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  
India Overseas Bank  
ICICI Bank Ltd.

## Works

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

## Registered Office

687, Anandpur,  
E. M. Bypass, Kasba Golpark,  
Kolkata 700 107.  
Email: [emamipaper@emamipaper.in](mailto:emamipaper@emamipaper.in)

# Management's Discussion and Analysis

## INDIAN NEWSPRINT INDUSTRY

The market size of the newsprint industry has grown from about Rs. 2,900 crores in 2000-01 to Rs. 4,680 crores in 2007-08. However, nearly 50 percent of it is accounted for by imports.

### Demand

During the last 5 years, newsprint demand increased at a CAGR of 5.5 percent. In 2006-07, demand for newsprint witnessed a spurt. It grew nearly 16 percent, with a rise in the number of newspapers, and their circulation and readership. Newsprint circulation in India grew by an estimated 9 percent in 2006-07 from about 5.5 crores per day to nearly 6 crores per day. Increasing levels of literacy, strong growth in GDP and higher urbanization are instrumental for this growth in newsprint demand.

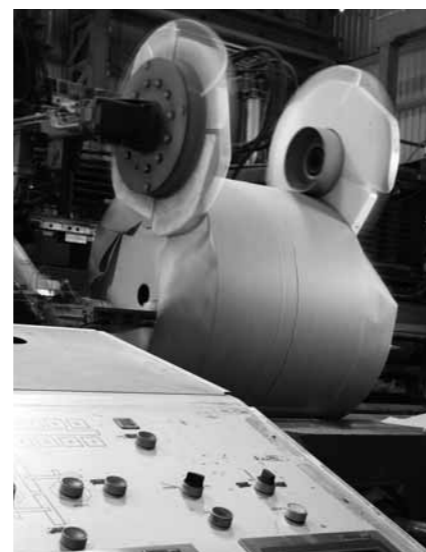
### Booming Newspaper Industry in India

India is a country with an expanding middle class and a booming economy, which have fueled an explosion in consumer spending and advertising. The illiteracy rate - though stubbornly high at an estimated 35 percent - gradually is coming down. Meanwhile, internet penetration remains marginal, despite India's reputation as an information-technology powerhouse. Only a sliver of the population, mostly well-heeled urbanites, can afford home computers and high-speed Internet access.



### Launch of new newspaper editions

Several new editions of newspapers too were launched in 2007. The most prominent development in 2007 was the tie-up between the rivals Hindustan Times from HT Media Ltd and The Times of India from Bennett, Coleman & Company Ltd (BCCL) to launch Metro Now, a city-daily as a 50:50 joint venture. HT Media Ltd, the publisher of the Hindustan Times launched Mint, a business newspaper produced in partnership with The Wall Street Journal with Delhi, Mumbai and Bangalore editions. Times of India launched a Gujarati edition of the Economic Times, a business newspaper and Bangalore Mirror, a daily for Bangalore.



Year	2004	2005	2006	2007	CAGR 2004-07
Newspaper Publishing (Rs.in crores)	8600	9600	11150	13000	
% Change		12%	16%	17%	15%

### Supply

In 1990-91, production of newsprint was about 278,000 tonnes, which is estimated to have grown to around 7.5 lakh tonnes in 2006-07. Newsprint production has grown at a CAGR of 6 percent over the last 5 years from 2001-02 to 2006-07.

### Newsprint prices

Newsprint prices in the country have shown upward trend in tandem with international prices due to increase in the cost of raw material, chemicals and fuel. In the international market the present Newsprint price is around US\$920 per ton.

## THE WAY AHEAD

Newspaper publishing market is expected to reach Rs. 24300 crores in 2012 from the current estimated size of Rs. 13000 crores in 2007. Circulation revenues of the newspaper industry are expected to grow to Rs. 7300 crores in 2012 from the current size of Rs. 5000 crores in 2007.

### Corporate overview

Emami Paper Mills Limited (EPML) is one of the largest newsprint manufacturer in India with a 130000 TPA newsprint production capacity. The company has been able to lower interest cost due to foreign currency borrowings (ECB) for machinery imports and having natural hedging as the selling price of Newsprint is directly linked with the movement of foreign currency. It has generated a turnover of Rs. 226.66 crores in 2007-08--an increase by 38.74 percent over 2006-07. The company's net profit after tax has registered a growth of 47

percent reaching Rs.34.04 crores in 2007-08 against Rs.23.16 crores last year. The company expects not only to surpass the current growth phase but also anticipates a manifold increase in productivity with planned expansions.

Emami Paper Mills is one of the most environmentally friendly manufacturers of newsprint and writing and printing (W&P) paper. Its paper production process uses recycled newsprint as raw material inputs thereby eliminating the need to use virgin fibres or pulp. The company is committed to provide a pollution-free ambience in its plant locality treating suspended dust particles released during the manufacturing process. As a result, plant emissions have declined well below the statutorily acceptable levels.

The company's philosophy is to achieve long-term value to serve the best interest of

all stakeholders – shareholders, customers, government and the society at large. Its focus is driven by the need to become a leading producer and supplier of high quality newsprint in India and subsequently foray into the international market within 2012.

### Competitive advantages

The company enjoys a locational edge over the other industrial players owing to its proximity to the Haldia Port (200 km) and coal availability within 250 km ensuring lower logistics cost. Its captive power plant generates power at Rs. 2.13 per unit and also utilises a dedicated feeder of 132 KV EHT line to ensure uninterrupted supply of power. 80 percent of its newsprint is marketed within a 750 km radius due to the strategic location lowering cost.

### 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 W&P production. The company's Balasore unit has an installed capacity of 1,13,500 TPA for newsprint and 15,000 TPA for W&P. 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.

#### AWARDS AND ACCOLADES

Received Award for TPM Excellence First Category from Japan Institute of Plant Maintenance

ISO 9001:2000, 14001:2004, and OHSAS 18001:1999 certified company

#### Clients

The company supplies newsprint to some of the largest dailies like The Times of India, Deccan Chronicle, Anandabazar Patrika, The Telegraph, Hindustan Times, The Hindu, The Tribune, Matribhumi, Prabhat Khabar, Samaj, Bartaman, Dainik Bhaskar, Jagaran and Deccan Herald. Its W&P products are supplied to various vendors and distributors.

#### Capacity Expansion

With a vision to crafting itself as the largest manufacturer of newsprint in India, EPML is moving towards large-scale brownfield expansion projects over the next 5 years. Additionally, the Company is also contemplating expansion of existing facilities and a wood-based production.

#### Opportunities

Newsprint demand is expected to grow by 9 percent annually for the next 5 years. This enlightens the growth prospect for the company in the process of feeding the

escalating demand. The price for newsprint augmented by 24 percent in the country (early 2008) clearly posing a probability for the company increase its turnover manifold.

- India has recorded a GDP growth of 9.1 percent in 2007. Considering that the Indian paper industry enjoys about 1:1 correlation with GDP growth, the paper industry is likely to experience buoyant growth.

- Growing literacy accelerates the growth of paper consumption. Literacy in India is increasing at a rate of 1.5 percent per year, says a recent report of the National Sample Survey Organisation (NSSO).

- The reach of the press medium has fallen in urban India - from 48 percent to 46 percent. Rural India has filled the gap--- the reach there is rising from 17 percent to 19 percent, on a much larger population base.

#### Outlook

Newspaper publishing market is expected

to reach Rs. 24,300 crores in 2012 from the current estimated size of Rs. 13,000 crores. Within the newspaper publishing, the advertising segment is projected to grow at a higher rate of 16 percent as compared with the circulation revenues of 8 percent. The newspaper advertising segment is expected to reach Rs. 17,000 crores in 2012 from the current size of Rs. 8,000 crores. Circulation revenues of the newspaper industry are expected to grow to Rs. 7,300 crores in 2012 from the current size of Rs. 5,000 crores.

#### Internal control systems 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.

#### Human resource development

The development of people skills is critical

to success. As such, EPML has formulated a human resource development strategy comprising need-based training. Employees are sponsored to attend seminars, lectures and training programmes organised by professional trade bodies.

Further, employees are rewarded through recognition and awards. Key performance indicators by all Heads of Departments are subjected to a management review at the monthly management review meetings.

#### Cautionary statement

Statements in this 'Management's Discussion and Analysis' describing the company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods process, raw material availability and process, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments which India and global and other factors such as litigation, and industrial relations.



# DIRECTORS' REPORT ON REVISED ACCOUNTS

Your Directors take pleasure in presenting their Revised Twenty-sixth Annual Report together with the Revised Audited Statement of Accounts for the year ended March 31, 2008.

## FINANCIAL RESULTS

		2007-08	2006-07
			Rs./ Lakhs
Operational Income		22193.02	16061.95
Profit before interest, depreciation and exceptional items		3712.13	4170.83
Less: Interest (net)		773.21	748.44
<b>Profit Before Depreciation &amp; Tax</b>		2938.92	3422.39
Depreciation	1274.78		
Less: Transfer from Revaluation Reserve	104.42	1170.36	1021.60
<b>Profit Before Tax and Exceptional Items</b>		1768.56	2400.79
Add: Exceptional Items			
Profit on sale of Long Term Investments		-	513.99
<b>Profit Before Taxation</b>		1768.56	2914.78
Less : Provision for Current taxation	198.24		
Provision for fringe benefit tax	20.00		
Income tax for earlier years	31.38		
Provision for deferred tax	444.02		
MAT Credit entitlement	(87.71)		
MAT Credit entitlement for earlier years	(197.45)	408.48	599.09
<b>Profit after Tax</b>		1360.08	2315.69
Add : Surplus brought forward		1432.22	1534.03
Balance available for appropriation		2792.30	3849.72
<b>Appropriations</b>			
Interim Dividend		-	242.00
Proposed Dividend		604.99	121.00
Tax on Dividend		102.82	54.50
Transfer to General Reserve		2074.16	2000.00
Balance carried forward		10.33	1432.22
		2792.30	3849.72

## REVISION OF ACCOUNTS

Your Company has exercised the option irrevocably and retrospectively to account for the exchange differences arising on reporting of long-term monetary items, in accordance with the option permitted by Accounting Standard Amendment Rules, 2009 under the transitional provisions contained in Paragraph 46 to Accounting Standard (AS) 11, relating to The Effects of Changes in Foreign Exchange Rates, inserted in the said Accounting Standard AS 11, vide Notification

No.G.S.R.225 (E) dated the 31st March 2009, issued by the Ministry of Corporate Affairs, u/s 211(3C) of the Companies Act, 1956.

The transitional provisions, when adopted, are required to be given effect to on a retrospective basis viz., for the year 1st April 2007 to 31st March 2008. Accordingly, the exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded or reported in previous financial statements, insofar as they

related to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset, and depreciation computed on the basis of revised cost.

Your Directors are of the view that the foregoing retrospective accounting treatment has its inevitable corollary effect on depreciation, computation of director's remuneration, tax expense etc. and the resulting monetary effect on these items should also be accounted for on a retrospective basis. Therefore The Board



of Directors of the company has decided to revise its Audited Accounts for the year already adopted by the Shareholders in

the Annual General Meeting held on 26th September, 2008 in order to exhibit true and fair view in terms of General Circular

No. 1/2003 dated 13th January 2003 issued by Ministry of Finance and Company Affairs (Government of India).

The following changes have been incorporated in the revised Profit and Loss account:

	Rs. Lacs
Exchange differences on long term monetary items recognized as gains in the original statement of profit and loss now removed.	2,610.06
Leading to reductions or adjustments in the revised statement of profit and loss, in respect of:	
• Director's remuneration	43.00
• Depreciation	10.09
• Tax expense	289.70
• MAT credit entitlement	7.15
• Deferred Tax Liability	216.48
• Profit	2043.64

The following changes have been incorporated in the revised Balance Sheet:

	Rs. Lacs
Exchange gain now recognised as a decrease in the carrying amount of fixed assets	2,610.06
By corresponding changes made to reflect	
• Reduction in Current Liabilities (Director's remuneration)	43.00
• Reduction in Accumulated Depreciation	10.09
• Adjustment in advance tax expense	289.70
• Adjustment in MAT credit entitlement	7.15
• Reduction in Deferred Tax Liability	216.48
• Reduction in profit carried to Balance sheet	2043.64

## OPERATIONS AND OUTLOOK

Your Directors are pleased to inform that the commissioning of the Company's Expansion Project at Balasore, Orissa, has been successfully completed within a record time of 24 months in September 2007. This has resulted in an increase in the production

capacity from 60000 TPA to 145000 TPA with its commercial production commencing from March, 2008. The Expansion Plan also includes a new De-inking plant from VOITH, Germany and a 15 MW Power Generation Unit - II. Your company has registered an impressive growth of 46.53% in production and 37.30% in turnover from Rs.160.62 crores

in 2006-07 to Rs.220.54 crores in 2007-08. Profit before depreciation and tax has substantially increased by 61% from Rs.34.22 crores in 2006-07 to Rs.55.06 crores in 2007-08 and profit after tax has also increased from Rs. 23.16 crores in 2006-07 to Rs.34.04 crores in 2007-08.

The remarkable improvement in the performance reflects the increased productivity, market demand and efficiency at all levels of operations of the company. Going forward, your Company's performance is expected to improve substantially once the Expansion Project is fully functional and when further expansion plans take shape.

#### ENVIRONMENT MANAGEMENT

Your company attaches a high importance of clean production in paper manufacturing. At Emami Paper Mills we are totally committed to protect the environment, ensure human safety and health. The company has accorded these aspects on the top priority in its management agenda and formulated Environment Management Policy :-

- Manufacture paper under controlled condition in order to achieve zero pollution, zero accident and total elimination of occupational health hazard.

- Comply with all applicable legal and other requirements related to health, safety and environment.

- Educate and motivate employees as well as communicate to interested parties to contribute towards implementation of health, safety and environment policy of our organization.

With continued emphasis on these areas the management imbibes the policies to minimize negative environmental impact while occupational health and safety of its employees remains of foremost importance.

M/s Det Norske Veritas, Netherland, has awarded Certification for the following Integrated Management System (IMS) in February 2008:

- ISO 9001:2000 - Quality Management System
- ISO 14001:2004 - Environmental Management System
- OHSAS 18001:1999 - Occupational Health & Safety Management System

The management believes these policies and certifications provide an index to genuine and sustainable development. In fact, your Company can confidently assert that it is among the most environmentally compliant paper mills in India, the result of a series of measures covering process changes, proactive investments in effluent treatment plants and sludge de-watering systems as well as the efficient management of solid wastes through recycling and continuous monitoring. The result of these initiatives has been reflected in declining water consumption and the responsible management of effluents in line with the norms of West Bengal and Orissa State

Pollution Control Boards.

#### 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 with the necessary changes as Annexure-I in this Report.

#### FURTHER EXPANSION PLANS

Your company has appointed M/s SPB Projects And Consultancy Limited, Chennai, to prepare Techno-economic feasibility Report for further Expansion in recycled fiber based newsprint mill at Balasore with an expected capacity of 1,85,000 TPA along with Power Generation Unit.

Besides above your company is also in the process of signing of MoU with the Government of West Bengal for setting up a wood based integrated pulp and paper mill with a production capacity of 600 TPD (200000 TPA) along with necessary infrastructural facilities and ancillaries.

#### 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.

#### AUDITORS' REPORT

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

#### PERSONNEL

Information pursuant to Section 217(2A) of the Companies Act, 1956 is given after making necessary changes 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

Kolkata  
03rd June, 2009

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, 2008.

#### A. CONSERVATION OF ENERGY

i) Energy conservation measures taken:

1. PM I capacity utilisation was enhanced by increasing the machine speed from 290MPM to 300MPM.
2. Replacement of Fan pump (PM-I) with high efficient pump with VFD.
3. Feeding of ETP Sludge to the boiler for coal saving.
4. Recirculation of RO reject, cooling tower blow down, dense phase cooling & feed pump gland sealing water from power plant, for reduction in fresh water consumption.
5. Common coal handling system for feeding coal to both the boilers (5 MW Coal Handling plant is shut).
6. Segregation of power plant compressors for Instrument air and ash conveying working at different pressures, for energy saving.

7. Continued use of recycling of back water for internal use in the pulp mill section and washing throughout the plant.
8. Recovery of flash steam for drying the paper through modified condensate removal system, saving in steam consumption.
9. Rain water harvesting to replenish ground water.
10. Installation of DM Plant in place of softener at Kolkata unit to reduce heat losses from Boiler in Blow down.
11. Stopping some equipments in De-inking System for saving in energy as well as improvement in yield, in Kolkata Unit.
12. Modification of ETP system for maximum re-use of treated effluent (75% of effluent generated) in the process and reduction in fresh water consumption, in Kolkata Unit.
13. Resize and optimize the process and water handling pumps of energy saving.
14. Savings in energy in Vacuum pumps by on line dosing of anti scalant chemicals.

ii) Additional investment and proposal for reduction in energy consumption

1. Frequency reduction of generated power to 49Hz at Balasore Unit.
  2. Co-ordination unit for PM 3 air compressors for energy efficient performance of the system.
  3. Dust suppression system for Coal handling plant, to avoid dust pollution.
  4. Vacuum study in PM 3 to optimize vacuum for energy saving.
  5. Process condensate recovery optimization targeting 100% of recoverable condensate.
  6. Thermo compressor to use PM 1 flash steam in deaerator.
  7. Optimization of energy consumption of chiller and related auxiliaries of PM 3.
- Suitable investments are being made in these areas as and when required.

iii) Impact of the measures

Consumption of chemical, 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 CONSUMTION

		2007-08	2006-07
1. Electricity:			
(a) Purchased units (in lakh)	Kwh	177.09	138.95
Total amount	Rs. in Lakhs	736.29	553.85
Rate/unit	Rs./Kwh	4.16	3.99
(b) Own generation (through steam turbine) (in lakh)	Kwh	801.92	399.11
Variable cost	Rs. in Lakhs	1708.20	786.24
Rate/unit	Rs./Kwh	2.13	1.97
2. Coal:			
Quantity	MT	140649	78042
Total cost	Rs. in Lakhs	1887.58	961.45
Average rate	Rs./MT	1342	1232
3. Furnace oil	Ltrs	-	-

### CONSUMPTION PER UNIT OF PRODUCTION

		2007-08	2006-07
Electricity	Kwh	* 1039	856
Furnace oil	Ltrs	-	-
Coal	Kgs/MT	* 1705	1386

\* The specific power consumption has increased with the commissioning of PM III and DIP III where the de-inking is on double loop with two stages of bleaching and the paper machine with double wire section. With this advanced de-inking process, we are able to use lower variety of waste paper to manufacture better quality product in PM - II & PM - III.

### B. TECHNOLOGICAL ABSORPTION

#### i) Research & development

a) Specific areas in which R&D is carried out by the Company:

- In DIP1, Yield improved by using more indigenous raw material.
- Fiber loss reduction achieved by using PM 1 (Writing & Printing) Sludge in PM 2 (News Print).
- Vacuum pump sealing water of PM 1 and 2 reused in shower pumps.
- RO plant reject & cooling tower blow down and gland sealing water of equipments re-circulated.
- RO plant back wash and MB regeneration used for dust suppression.
- Sulphuric acid and PAC dosing reduced costly chemical consumption in ETP.
- Fabricated and installed static mixture before screw press in ETP which resulted in reduction of chemical consumption.

b) Benefits derived as a result of the above:

- Improved product qualities.
  - Reduction in the cost of production.
  - Improvement in the overall process economy.
- c) Future plan of action
- Continuous improvement in the product quality.
  - Continuous efforts on waste minimization.
  - Exploring the use of a cheaper variety of imported waste paper.

d) R&D expenditure

- No separate accounting for Research & 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.

- Improvement in the fiber recovery system and overall quality of newsprint.
  - High speed Paper machine commissioned and started commercial production.
- (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 Lakhs)

	2007-08	2006-07
i) Export	-	-
ii) Total foreign exchange used	8040.10	8407.10
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 2008.

### PART - I

Sl. No.	Name & Age	Qualification	Designation	Date of Joining	Experience (in years)	Remuneration (Rs.)	Previous Employment
<b>A Employment throughout the year</b>							
1	R.S. Goenka (61)	M.Com. LLB	Executive Chairman	01.09.1994	38	12588000	Advisor, Kemco Chemicals
2	R.C. Mall (60)	B.E.(Chem) MII ChE	Managing Director	31.12.2007	36	*1167500	Executive Director, The Andhra Pradesh Paper Mills Ltd.
3	P.S. Patwari (53)	B.Com. FCA	Executive Director	28.11.1994	28	**2062460	Commercial Executive, Hindusthan Motors Ltd.
4	Manish Goenka (34)	MBA	Wholetime Director	01.07.2007	10	* 2021692	Wholetime Director, Emami Limited

\* For Part of the Year

\*\* Revised during the year

Annexure - III to the Directors' Report

# 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 28.09.2007	No. of outside Directorship held including private companies	No. of membership/ chairmanship in other Board/Committee
Mr. R.S. Goenka	Chairman, Executive	4	Yes	17	4
Mr. A.C. Gupta *	Executive	3	No	-	-
Mr. R.C. Mall **	Managing Director, Executive	2	No	1	-
Mr. R.S. Agarwal	Non Executive	5	No	16	1
Mr. S.K. Khaitan	Non Executive, Independent	3	No	6	4
Mr. S.K. Todi	Non Executive, Independent	5	Yes	24	3
Mr. P.S. Patwari	Executive	5	Yes	1	-
Mr. Manish Goenka ***	Executive	2	Yes	6	-
Mr. A.V. Agarwal	Non Executive	4	Yes	16	1
Mr. U.G. Bhat	Non-Executive, Independent	3	No	2	-
Mr. S.C. Saha ****	Nominee of IDBI, Independent	2	No	2	-
Mr. N. Mishra	Non Executive, Independent	4	No	2	5
Mr. J. Godbole	Non Executive, Independent	4	No	14	9

\* Resigned w.e.f. 31.12.2007

\*\* Appointed as Managing Director w.e.f. 31.12.2007

\*\*\* Appointed as Whole Time Director w.e.f.01.07.2007

\*\*\*\* Nomination withdrawn by Industrial Development Bank of India w.e.f. 3rd May 2008.

During the year, Five Board Meetings were held on 29th June, 2007, 31st July, 2007, 1st November, 2007, 31st December, 2007 and 31st January, 2008.

## 3. INFORMATION PLACED BEFORE THE BOARD OF DIRECTORS

As required under the clause 49 all the information's were placed before the Board.

## 4. CODE OF CONDUCT

The Board framed Code of Conduct for the Company. The Board designated the Managing Director as Chief Executive Officer(CEO) and Executive Director 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 Committee was reconstituted on 31st January, 2008 when Mr. N. Mishra was inducted as a member. The Audit Committee presently consists of Mr. S. K. Todi, as Chairman, Mr. R. S. Agarwal, Mr. J. Godbole and Mr. N. Mishra as other members. All of them are Non-Executive Directors and three 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 2007-08 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	3
04.	Mr. N.Mishra	Member, Non Executive Independent Director	1	1

The above meetings were held on 28th June 2007, 31st July 2007, 1st November 2007 and 31st January 2008. The Audit Committee was reconstituted as under :

a. Mr S. K. Todi, Chairman

b. Mr. J. Godbole, Member

c. Mr S. K. Khaitan, Member

During the year two meetings of the Remuneration Committee were held on 28.06.2007 and 31.12.2007.



## 6. REMUNERATION COMMITTEE

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

- Mr S. K. Todi, Chairman
- Mr J. Godbole, Member
- Mr S. K. Khaitan, Member

During the year two meetings of the

## 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 were held on 28.06.2007 and 31.12.2007.

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 31-03-2008.

(Amount in Rs.)

Name of Directors	Salary	Commission	Provident Fund	Perquisites & Allowances	Total
Mr. R.S. Goenka	61,50,000/-	57,00,000/-	7,38,000/-	-	1,25,88,000/-
Mr. A.C. Gupta	10,89,000/-	-	72,000/-	3,45,324/-	15,06,324/-
Mr. P.S. Patwari	15,09,000/-	-	1,80,000/-	3,73,460/-	20,62,460/-
Mr. R.C. Mall	6,00,000/-	-	72,000/-	4,95,500/-	11,67,500/-
Mr. Manish Goenka	18,00,000/-	-	2,16,000/-	5692/-	20,21,692/-

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

## • Remuneration to Non-Executive Directors:

- They are paid only sitting fees for attending Board / Committee meetings.
- Director's 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	Name of the Directors	Total Rupees
Mr. R.S. Agarwal	45,000/-	Mr. A.V. Agarwal	20,000/-
Mr. S.K. Khaitan	25,000/-	Mr. S.C. Saha	10,000/-
Mr. U.G. Bhat	15,000/-	Mr. N. Mishra	25,000/-
Mr. S.K. Todi	50,000/-	Mr. J. Godbole	45,000/-

## 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. In view of better governance, Mr. J. Godbole is assigned to head the Committee as Chairman.

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
2004 - 05	Merchants Chamber of Commerce, 15b, Hemanta Basu Sarani, Kolkata - 700 001	20.07.2005	10.00 a.m.
2005 - 06	-do-	14.07.2006	10.00 a.m.
2006 - 07	687, Anandapur, 8th Floor, Kasba Golpark, Kolkata - 700 107	28.09.2007	10.00 a.m.

Whether special Resolutions were passed in previous three AGMs

The following Special Resolutions were passed in previous three AGMs :

- YEAR 2006-07 : None
- YEAR 2005-06 : None
- YEAR 2004-05 : Payment of remuneration and other perquisites to Mr. Ashish A. Gupta, Senior Vice President, holding or to continuing to hold a Place of Office of Profit.

## 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 &amp; ANALYSIS REPORT

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

## 12. DETAILS OF APPOINTMENT / REAPPOINTMENT OF DIRECTORS :

Mr. R. S. Agarwal, Mr. P. S. Patwari, Mr. A. V. Agarwal and Mr. U. G. Bhat would retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. A. C. Gupta resigned from the post of Managing Director of the Company w.e.f. 31st December, 2007. Mr. R. C. Mall, who was appointed as an Additional Director, is proposed to be appointed as Director at the ensuing Annual General Meeting in accordance with Companies Act, 1956.





The information pertaining to these Directors are as follows:

Name of Director	Mr. R.S.Agarwal	Mr. P.S.Patwari	Mr. A.V.Agarwal
Age	About 62 years	About 53 years	About 33 years
Date of Appointment	26.03.1994	28.11.1994	23.10.2000
Expertise in Specific Functional areas	An Industrialist of repute with extensive business experience of over 3 decades.	Extensive experience in the area of Finance, Accounting, Corporate Planning, Business Development, Strategy formulations and overall management.	Well known Industrialist. Rich and varied experience in marketing, Corporate Planning, Business Development, Strategy formulation and overall management.
Qualification	M.Com., L.L.B. F.C.A., F.C.S.	B. Com., F.C.A.	B.Com.
Chairman/Director of other Companies	-Emami Limited -Emami Group of Companies(P) Ltd. -South City Project (Kolkata) Ltd. -Advance Medicare & Research Institute Ltd. -Merchants Chamber of Commerce. -Diwakar Viniyog Private Ltd. -Suntrack Commerce Pvt. Ltd. -Rupa & Co.Ltd. -South City Parivar Pvt.Ltd. -Susruta Clinic & Research Institute for Advance Medicine Pvt.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. -Ajanta Suppliers Pvt.Ltd.	-Emami Cement Ltd.	-Emami Limited -CRI Limited -Premier Ferro Alloys & Securities Ltd. -Susruta Clinic & Research Institute for Advance Medicine Pvt.Ltd. -Emami Group of Companies(P) Ltd. -Sarvottam Vanijya Limited. -Suntrack Commerce Pvt. Ltd. -Merchants Chamber of Commerce -Emami Bio-Tech Limited -Emami Cement Limited -Emami (Bangladesh) Ltd. -Emami(U.K.) Ltd. -Emami International FZE. -Bengal Emami Infrastructure & Developers Limited -Ajanta Suppliers Pvt.Ltd.
Name of Director	Mr.U.G.Bhat	Mr. R.C. Mall	
Age	About 70 years	About 60 years	
Date of Appointment	26.09.2003	31.12.2007	
Expertise in Specific Functional areas	A well known Technocrat professional and a reputed Project Consultants in Paper Industry with Rich and varied experience in setting up of Project.	A Well known Technocrat having rich and extensive experience of more than 3 decades at various levels of operation like production, technical, commercial and in different facet of Project Management and Administration of large integrated Pulp & Paper Mills.	
Qualification	B.Sc., B.E.	B.E.(Chem), MII ChE	
Chairman/Director of other Companies	- SPB Projects and Consultancy Ltd. - Shree Sakthi Paper Mills Ltd.	- Mallcom (India) Ltd.	

### 13. CEO/CFO CERTIFICATION

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

### 14. 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. 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.

## 15. 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.

### 16. SHAREHOLDERS INFORMATION

#### a) 26th Annual General Meeting :

Date : 26th September, 2008  
Time : 10.45 a.m.

Venue: 687, Anandapur, Kasba-Golpark  
E.M.Bye Pass, Kolkata - 700 107

#### b) Date of Book Closure :

22nd September, 2008 to 26th September, 2008(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 26th September, 2008.

#### c) Date of Payment of Dividend :

Within 30 days of approval by the shareholders.

#### d) Financial Calendar of the Company :

- April to March
  - First Quarter Results - last week of July
  - Half -yearly Results - last week of October
  - Third Quarter Results - last week of January
  - 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. 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 31.03.2008

Distribution of Shareholding :

	No. of Shareholders	Number of Shares held	% of Shareholding
Individuals	449	1497700	2.47
Bodies Corporate	14	53655150	88.69
Promoters	2	1723000	2.85
Directors and their Relatives	26	3623200	5.99
Total	491	60499050	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	164	40950	0.0677
251 - 500	58	28600	0.0473
501 - 1000	53	45735	0.0756
1001 - 5000	115	282325	0.4667
5001 and above	88	60101025	99.3421
Total :	491	6,04,99,050	100.0000

## k) Dematerialisation of Shares

95.85 percent and 0.05 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, 2008.

## 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

R. S. GOENKA  
Executive Chairman

Place : Kolkata  
Date : 3rd June, 2009

## CERTIFICATION BY MANAGING DIRECTOR AND EXECUTIVE DIRECTOR OF THE COMPANY

We have examined the compliance of conditions of Corporate Governance by Emami Paper Mills Limited, for the year ended 31.03.2008, 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.

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 Emami Paper Mills Limited

For Emami Paper Mills Limited

Kolkata, 3rd June, 2009

R. C. MALL  
MANAGING DIRECTOR (CEO)

P. S. PATWARI  
EXECUTIVE DIRECTOR (CFO)

## 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
2.	Shri Radheshyam Goenka

### Promoters' Group:

Sl. No.	Name of the Directors
03	Smt.Usha Agarwal
05	Smt.Shanti Devi Agarwal
07	Shri Madan Lal Agarwal
09	Shri Aditiya Vardhan Agarwal
11	Smt.Priti Sureka
13	Smt.Mansi Agarwal
15	Ms.Vidula Agarwal
17	Shri Rohin Raj Sureka
19	Smt.Ratni Devi Goenka
21	Shri Raj Kumar Goenka
23	Shri Suresh Kumar Goenka
25	Shri Sushil Kumar Goenka
27	Smt. Laxmi Devi Agarwal
29	Shri Manish Goenka
31	Smt.Rashmi Goenka
33	Smt.Meena Devi Goenka
35	Shri Promod Kumar Agarwal
37	Smt.Jyoti Goenka
39	Ms.Shreya Goenka
41	Shri Prashant Goenka
43	Smt. Puja Goenka
45	Shri Ashish Goenka
47	Shri Sachin Goenka
49	Ms.Sobhna Agarwal
51	Shri R.S. Goenka(HUF)
53	Shri D.D.Agarwal(HUF)
55	Shri Suresh Kr. Goenka(HUF)

### Corporate :

Sl. No.	Name of Group Companies
56	Pan Emami Cosmed Ltd.
58	Suraj Viniyog (P) Ltd.
60	Suntrack Commerce(P) Ltd.
62	Emami Frank Ross Ltd.
64	TMT Viniyogan Ltd.
66	Emami Capital Markets Ltd.
68	Emami International Pvt.Ltd.
70	Neelam Lefin Ltd.
72	Premier Ferro Alloys & Securities Ltd.
74	Caltech Infosystems Pvt.Ltd.

Sl. No.	Name of the Directors
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	Smt.Saroj Goenka
22	Smt.Meena Goenka
24	Smt.Santosh Goenka
26	Smt. Indu Goenka
28	Shri Mohan Goenka
30	Smt.Rachna Bagaria
32	Shri Dhiraj Agarwal
34	Shri Pradeep Kr.Agarwala
36	Smt.Puspa Agarwal
38	Shri Saswat Goenka
40	Ms.Nimisha Goenka
42	Shri Yogesh Goenka
44	Shri Amitabh Goenka
46	Shri Jayant Goenka
48	Ms.Smriti Goenka
50	Shri. R. S. Agarwal(HUF)
52	Shri Raj Kr.Goenka(HUF)
54	Shri Sushil Kr.Goenka(HUF)

Sl. No.	Name of Group Companies
57	Bhanu Vyapaar(P) Ltd.
59	Diwakar Viniyog(P) Ltd.
61	Emami Ltd.
63	EPL Securities Ltd.
65	Emami Realty Ltd.
67	Emami Group of Companies Pvt. Ltd.
69	Emami Biotech Ltd.
71	Newway Constructions Ltd.
73	Prestige Vyapaar Ltd.

## AUDITORS' REPORT ON THE REVISED ACCOUNTS FOR THE YEAR ENDED THE 31st MARCH 2008.

To

The Members of

Emami Paper Mills Limited

- We have examined the attached Balance Sheet of M/s Emami Paper Mills Limited as at 31st March 2008, and the annexed Profit and Loss Account and Cash Flow Statement for the year ended on that date, which are the revised Statements of the original Balance Sheet, Profit and Loss Account and Cash Flow Statement covered by our Audit Report dated the 24th June, 2008 and adopted by the Shareholders at the Annual General Meeting held on 26th September, 2008. These revised financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these revised financial statements based on our audit.
- In the year 1983 the Institute Of Chartered Accountants Of India had suggested that a company cannot reopen and revise the annual financial statements once adopted by the shareholders at an Annual General Meeting. Subsequently the Institute Of Chartered Accountants Of India reviewed its position in view of representation from various quarters and advised the auditors to examine the revised/ rectified financial statements. The Ministry of Finance & Company Affairs also clarified vide General Circular No. 1/2003 dated 13th January 2003 that a company can reopen and revise its accounts. The Board of Directors of the Company has revised the aforesaid accounts.
- We draw attention to Note No 24 to Notes to Accounts in Schedule 18. The Company has exercised the option irrevocably and retrospectively to account for the exchange differences arising on reporting of long-term monetary items, in accordance with the transitional provisions contained in Paragraph 46 to Accounting Standard (AS) 11, relating to The Effects of Changes in Foreign Exchange Rates, inserted in the said Accounting Standard AS 11, vide Notification No.G.S.R.225 (E) dated the 31st March 2009, issued by the Ministry of Corporate Affairs, u/s 211(3C) of the Companies Act, 1956. Accordingly, the Company has accounted for exchange differences arising on reporting of long-term foreign currency monetary items, insofar as they related to the acquisition of depreciable capital assets, by adding to or deducting such differences from the cost of the asset, and depreciation computed on the basis of revised cost.
- In order to reflect the corollary retrospective monetary impact of this accounting treatment, on the computation of depreciation, directors' remuneration, tax-expense, etc. and as laid out in the said General Circular No.1/2003 dated the 13th January 2003, the Balance Sheet as at the 31st March 2008 and the Profit and Loss Account for the financial year ended on that date, have been revised such that where applicable the technical requirements of any other law and Income Tax Act, 1961 and the objective of exhibiting true and fair view are also met and maintained.
- We have considered our earlier Audit Report dated the 24th June, 2008 on the original financial statements and have examined the changes made in the revised accounts, a summary of which is shown in the following tables.

### A. In the Statement of Profit and Loss

	Rs. Lacs
Exchange differences on long term monetary items recognised as gains in the original statement of profit and loss now removed	2,610.06
Leading to reductions or adjustments in the revised statement of profit and loss	
• Director's remuneration	43.00
• Depreciation	10.09
• Tax expense	289.70
• MAT credit entitlement	7.15
• Deferred Tax Liability	216.48
• Profit	2043.64

### B. In the Balance Sheet

Exchange gain now recognized as a decrease in the carrying amount of fixed assets	2,610.06
By corresponding changes made to reflect	
• Reduction in Current Liabilities (Director's remuneration)	43.00
• Reduction in Accumulated Depreciation	10.09
• Adjustment in advance tax expense	289.70
• Adjustment in MAT credit entitlement	7.15
• Reduction in Deferred Tax Liability	216.48
• Reduction in profit carried to Balance sheet	2043.64

- We further report that:

- The Report on the revised accounts of Gulmohar Unit audited by Branch Auditors have been received and properly dealt with in preparing our Report.
- 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.

## AUDITORS' REPORT

- 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.
- e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section 3C of Section 211 of the Companies Act, 1956, as amended by the Companies (Accounting Standards) Amendment Rules, 2009.
- f) 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 2008 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.
- g) In our opinion and to the best of our information and according to the explanations given to us, the said revised accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- In the case of the revised Balance Sheet, of the state of affairs of the Company as at 31st March, 2008
  - In the case of the revised Profit and Loss Account, of the profit for the year ended on that date, and
  - In the case of revised Cash Flow Statement, of the Cash Flows for the year ended on that date.

As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India, in terms of 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:

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - 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.
  - Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - 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.
  - 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.
- 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 and the year end balance of such loan amounted to Rs. 672 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 and there is no repayment schedule and therefore the question of overdue amounts does not arise.
  - 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.
- 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.
- In respect of contracts or arrangements referred in Section 301 of the Companies Act, 1956:
  - 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.
  - 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 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices.
- The Company has not accepted any deposits from the public during the year.
- In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- 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.
- According to the information and explanations given to us in respect of statutory and other dues:
  - The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Service Tax, Sales Tax, 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

## AUDITORS' REPORT

aforsaid dues were outstanding as at 31st March, 2008 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, 2008 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	18.48
	2004-05	ACCT	0.53
	2005-06	Addl. Comm.	238.52
OST	1989-90	High Court	0.79
	1998-99		2.68
ESIC	1996-97	ESI Court	0.22

- 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.
- 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.
- 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.
- According to the information & explanations given to us, the Company is not dealing in shares, securities debentures and other investment.
- According to information given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
- 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.
- 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.
- 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.
- 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.
- 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  
S.K. AGRAWAL

Place : Kolkata  
Dated: June 03, 2009

Partner  
Membership No. 9067

Balance Sheet (Revised)  
as at 31st March, 2008

SCHEDULE	(Rs. / Lacs)			
	AS AT 31 MARCH 2008		AS AT 31 MARCH 2007	
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share Capital	1	1,209.98	1,209.98	
Reserves & Surplus	2	12,921.21	14,131.19	12,447.52
				13,657.50
<b>Loan Funds</b>				
Secured Loans	3	29,905.03	29,461.87	
Unsecured Loans	4	6,133.07	36,038.10	4,109.38
Deferred Tax Liability (Net)	5		1,583.00	1,138.98
		<u>51,752.29</u>	<u>48,367.73</u>	
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	6	48,754.57	19,830.49	
Less : Depreciation		10,725.15	9,489.48	
Net Block		38,029.42	10,341.01	
Capital Work in Progress		400.39	38,429.81	32,001.69
Investments	7		62.20	61.99
<b>Currents Assets, Loans and Advances</b>				
Inventories	8	4,822.57	2,230.46	
Sundry Debtors	9	3,227.55	1,540.06	
Cash & Bank Balances	10	144.15	6,298.17	
Loans & Advances	11	7,980.69	9,077.13	
		<u>16,174.96</u>	<u>19,145.82</u>	
Less :				
<b>Current Liabilities and Provisions</b>				
Current Liabilities	12	2,089.86	2,700.21	
Provisions	13	824.82	141.56	
		<u>2,914.68</u>	<u>2,841.77</u>	
<b>Net Current Assets</b>		13,260.28	16,304.05	
		<u>51,752.29</u>	<u>48,367.73</u>	
NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	18			

This is the Revised Balance sheet referred to in our report dated the 3rd June, 2009

For S.K. AGRAWAL & CO.  
Chartered Accountants

S.K. AGRAWAL  
Partner

Kolkata  
Dated : 3rd day of June, 2009

G.Saraf  
V.P. (Finance) & Secretary

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

Profit & Loss Account (Revised)  
for the year ended 31st March, 2008

SCHEDULE	(Rs. / Lacs)			
	2007-08		2006-07	
<b>INCOME</b>				
Operational Income	14	22,193.02		16,061.95
Other Income	15	874.43		1,229.25
		<u>23,067.45</u>		<u>17,291.20</u>
<b>EXPENDITURE</b>				
Manufacturing and Other Expenses	16	19,355.32		13,120.37
Interest	17	773.21		748.44
		<u>20,128.53</u>		<u>13,868.81</u>
<b>Profit before Depreciation &amp; Taxation</b>		<u>2,938.92</u>		<u>3,422.39</u>
Depreciation		1,274.78		1,143.19
Less : Transfer from Revaluation Reserve		104.42	1,170.36	121.59
				<u>1,021.60</u>
<b>Profit before Taxation &amp; Exceptional Items</b>		<u>1,768.56</u>		<u>2,400.79</u>
<b>Exceptional Items</b>				
Profit on Sale of Long Term Investments		-		513.99
<b>Profit before Taxation</b>		<u>1,768.56</u>		<u>2,914.78</u>
<b>Provision for Tax</b>				
- Current Tax		198.24		291.36
- Fringe Benefit Tax		20.00		11.08
- Income Tax for earlier years		31.38		(1.08)
- Deferred Tax		444.02		297.73
- MAT credit for earlier years		(87.71)		-
- MAT credit entitlement		(197.45)		-
<b>Profit after Taxation</b>		<u>1,360.08</u>		<u>2,315.69</u>
Balance brought forward from Previous year		1,432.22		1,534.03
<b>Amount available for Appropriation</b>		<u>2,792.30</u>		<u>3,849.72</u>
<b>APPROPRIATIONS</b>				
Interim Dividend		-		242.00
Proposed Dividend		604.99		121.00
Tax on Dividend		102.82		54.50
Transfer to General Reserve		2,074.16		2,000.00
Balance carried to Balance Sheet		10.33		1,432.22
		<u>2,792.30</u>		<u>3,849.72</u>
<b>Basic and Diluted Earning Per Share (Rs.)</b>		<u>2.25</u>		<u>3.83</u>
(Face Value of Rs. 2 each)				
NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	18			

This is the Revised Profit & Loss Account referred to in our report dated the 3rd June, 2009

For S.K. AGRAWAL & CO.  
Chartered Accountants

S.K. AGRAWAL  
Partner

Kolkata  
Dated : 3rd day of June, 2009

G.Saraf  
V.P. (Finance) & Secretary

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

## SCHEDULES

annexed to and forming part of the accounts

	(Rs./ Lacs)	
	AS AT 31 MARCH 2008	AS AT 31 MARCH 2007
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
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>
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
Capital Reserve	106.71	106.71
Securities Premium	1,793.37	1,793.37
Revaluation Reserve		
As per last account	1,115.22	1,252.77
Less : For assets sold / transferred	-	(15.96)
Transferred to Profit & Loss Account	(104.42)	(121.59)
	<u>1,010.80</u>	<u>1,115.22</u>
General Reserve		
As per last account	8,000.00	6,000.00
Less : Charge on account of transitional provisions of AS 15	(74.16)	-
Add : Transferred from Profit & Loss Account	2,074.16	2,000.00
Surplus as per Profit & Loss Account	10.33	1,432.22
	<u>12,921.21</u>	<u>12,447.52</u>
<b>SCHEDULE - 3 : SECURED LOANS</b>		
Term loans		
From Banks		
- FCNR (B) / FCL	349.78	1,121.83
- ECB	21,883.57	24,628.60
- Rupee Loan	-	0.15
	<u>22,233.35</u>	<u>25,750.58</u>
Working Capital/Short Term Loans		
From Banks		
- FCNR (B)	3,148.79	1,200.90
- Buyers Credit	1,841.56	568.55
- Rupee Loan	2,651.20	1,891.01
	<u>7,641.55</u>	<u>3,660.46</u>
Others		
Government of West Bengal (Sales Tax Loan)	30.13	50.83
	<u>29,905.03</u>	<u>29,461.87</u>
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
From Banks - Foreign Currency Loan	3,117.07	2,920.53
From Banks - Rupee Term Loan	3,000.00	-
From Corporates	-	1,175.00
Other loans and deposits	16.00	13.85
	<u>6,133.07</u>	<u>4,109.38</u>
<b>SCHEDULE - 5 : DEFERRED TAX LIABILITIES / ASSETS</b>		
Deferred Tax Liabilities		
Depreciation	1,793.56	1,147.74
Deferred Tax Assets		
Others	210.56	8.76
Deferred Tax Liability (Net)	<u>1,583.00</u>	<u>1,138.98</u>

## SCHEDULES

annexed to and forming part of the accounts

PARTICULARS	(Rs./ Lacs)	
	As on 31.03.07	31.03.08
<b>SCHEDULE - 6 : FIXED ASSETS</b>		
NET BLOCK	As on 31.03.07	31.03.08
	391.51	436.24
DEPRECIATION	As on 01.04.07	31.03.08
	168.82	208.36
GROSS BLOCK	As on 01.04.07	31.03.08
	2,066.72	4,286.93
PARTICULARS	As on 01.04.07	31.03.08
	7,592.39	32,848.29
FREE HOLD LAND	391.51	436.24
LEASE HOLD LAND	191.54	233.41
BUILDINGS	3,066.36	5,394.07
PLANT & MACHINERY	15,857.05	42,217.45
FURNITURE & FITTINGS	197.55	312.38
VEHICLES	126.48	161.02
TOTAL	19,830.49	48,754.57
CAPITAL WORK-IN-PROGRESS	21,660.68	400.39
PREVIOUS YEAR	17,207.08	19,830.49
NET BLOCK	38,429.81	10,341.01
DEPRECIATION	110.28	9,489.48
GROSS BLOCK	8,456.57	1,143.19
NET BLOCK	32,001.69	10,341.01

## SCHEDULES

annexed to and forming part of the accounts

	(Rs. / Lacs)	
	AS AT 31 MARCH 2008	AS AT 31 MARCH 2007
<b>SCHEDULE - 7 : INVESTMENTS</b>		
<b>Long Term</b>		
<b>Non - Trade</b>		
<b>Government Securities</b>		
6 Years National Saving Certificates (Lodged with Government Authorities)	0.02	0.02
7 Years National Saving Certificates (Lodged with Government Authorities)	0.71	0.51
<b>Shares</b>		
<b>Unquoted</b>		
3,07,300 Equity Shares of Rs. 10/- each fully paid up of Pan Emami Cosmed Ltd.	0.62	0.62
<b>Quoted</b>		
155,500 (13,000) Equity Shares of Rs. 2/- each fully paid up of Emami Ltd.	60.85	-
NIL (4,27,500) Equity Shares of Rs 10/- each fully paid-up of J B Marketing & Finance Ltd.	-	60.84
	<u>62.20</u>	<u>61.99</u>
<b>Note :</b>		
Market Value of Quoted Investments	441.62	89.74
Aggregate Value of Quoted Investments	60.85	60.84
Aggregate Value of Unquoted Investments	1.35	1.15
<b>SCHEDULE - 8 : INVENTORIES</b>		
(As taken, valued & certified by the Management)		
Raw Materials & Chemicals	2,135.57	1,047.10
Stores & Spares	1,748.20	742.33
Stock in Process	596.78	374.02
Finished Goods	342.02	67.01
	<u>4,822.57</u>	<u>2,230.46</u>
<b>SCHEDULE - 9 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)</b>		
Debts due over six months	131.74	63.12
Other Debts	3,095.81	1,476.94
	<u>3,227.55</u>	<u>1,540.06</u>
<b>SCHEDULE - 10 : CASH &amp; BANK BALANCES</b>		
Cash & Cheques in Hand	8.22	6.79
Balance with Scheduled Banks		
In Current Accounts	20.10	136.82
In Fixed Deposit	114.54	6,153.27
In Unclaimed Dividend Account	1.29	1.29
	<u>144.15</u>	<u>6,298.17</u>
<b>SCHEDULE - 11 : LOANS &amp; ADVANCES</b>		
(Unsecured, Considered Good)		
Loans & Advances (Recoverable in cash or in kind or for value to be received)	5,370.45	7,751.97
Balance with Central Excise & Port Authorities	1,410.99	881.92
Advance Income Tax (Net of Provisions)	453.21	216.24
MAT credit entitlement	285.16	-
Deposits	460.88	227.00
	<u>7,980.69</u>	<u>9,077.13</u>

## SCHEDULES

annexed to and forming part of the accounts

	(Rs. / Lacs)	
	AS AT 31 MARCH 2008	AS AT 31 MARCH 2007
<b>SCHEDULE - 12 : CURRENT LIABILITIES</b>		
Acceptance	21.88	228.42
Sundry Creditors for Goods	273.98	140.99
Sundry Creditors for Project	754.95	1,275.59
Other Liabilities	546.12	570.09
Unclaimed Dividend	1.29	1.29
Interest Accrued but not due	491.64	483.83
	<u>2,089.86</u>	<u>2,700.21</u>
<b>SCHEDULE - 13 : PROVISIONS</b>		
Proposed Dividend	604.99	121.00
Tax on Dividend	102.82	20.56
Gratuity	70.96	-
Leave Encashment	46.05	-
	<u>824.82</u>	<u>141.56</u>
<b>SCHEDULE - 14 : OPERATIONAL INCOME</b>		
<b>Sales</b>		
Sales - Gross	22,665.93	16,337.49
Less : Excise Duty	612.02	466.49
	<u>22,053.91</u>	<u>15,871.00</u>
<b>Others</b>		
Foreign Exchange Fluctuations	113.44	178.62
Insurance Claim	25.67	12.33
	<u>139.11</u>	<u>190.95</u>
	<u>22,193.02</u>	<u>16,061.95</u>
<b>SCHEDULE - 15 : OTHER INCOME</b>		
Dividend	5.83	13.66
Miscellaneous Income (TDS Rs. 5.08 [NIL] )	58.40	37.25
Profit on Sale of Fixed Assets	0.35	8.52
Interest on Short Term Deposits & ICDs	809.85	1,169.82
	<u>874.43</u>	<u>1,229.25</u>
<b>SCHEDULE - 16 : MANUFACTURING AND OTHER EXPENSES</b>		
RAW MATERIAL AND CHEMICAL CONSUMED	13,789.17	8,525.89
<b>MANUFACTURING EXPENSES</b>		
Consumption of Stores & Spares	921.65	657.76
Power & Fuel	2,632.03	1,494.99
Repairs :Plant & Machinery	108.04	75.34
Buildings	16.79	18.87
Others	32.28	13.68
	<u>3,710.79</u>	<u>2,260.64</u>
<b>(INCREASE)/DECREASE IN STOCKS</b>		
<b>Opening Stock</b>		
Finished Goods	67.01	80.08
Stock in Process	374.02	340.44
	<u>441.03</u>	<u>420.52</u>
<b>Closing Stock</b>		
Finished Goods	342.02	67.01
Stock in Process	596.78	374.02
	<u>938.80</u>	<u>441.03</u>
	(497.77)	(20.51)

## SCHEDULES

annexed to and forming part of the accounts

	(Rs. / Lacs)	
	2007-2008	2006-2007
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Bonus	1,709.16	1,056.45
Contribution to Provident Fund & Other Funds	141.60	107.50
Workmen & Staff Welfare Expenses	111.55	80.84
	1,962.31	1,244.79
<b>ESTABLISHMENT AND SELLING EXPENSES</b>		
Rent	45.78	17.62
Rates & Taxes	193.02	130.58
Insurance	72.32	59.81
Directors Fees	2.35	3.15
Miscellaneous Expenses	433.92	319.13
Donation	60.49	216.57
Selling Expenses	646.02	362.70
	1,453.90	1,109.56
	20,418.40	13,120.37
Less: Pre-operative expense of project commissioned (Net)	(1,063.08)	-
	19,355.32	13,120.37
<b>SCHEDULE - 17 : INTEREST</b>		
Interest on Term Loan	377.35	565.22
Others	534.94	183.22
	912.29	748.44
Less : Interest on Working Capital for Trial Run	139.08	-
	773.21	748.44

## SCHEDULE - 18

## NOTES to the accounts and significant accounting policies

## 1. Significant Accounting Policies

## (i) General

These accounts have been prepared on historical cost basis and on the accounting principles of a going concern to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

## ii) Fixed Assets:

- 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.
- All pre-operative and trial run expenditure (net of realization, if any) are capitalized.
- 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:

- 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.
  - 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
  - On written down value method in respect of other assets.
  - Leasehold Land is amortised over the period of lease.

## 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:

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

- Contribution to Provident fund is made at a pre-determined rate and charged to revenue on accrual basis.
- 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:

- Transactions in foreign exchange covered by forward contracts are accounted for at the contracted rates.
- Transactions other than those covered by forward contracts are recognised at the exchange rates prevailing on the date of their occurrence.
- 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.
- 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 other 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 &amp; Expenditure:

- Income & expenditure are recognised on accrual basis.
- Sales includes amount recovered towards excise duty, sales during trial run and is net of commission to agents.
- 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



## NOTES to the accounts and significant accounting policies

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.

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 pre-operative 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, issued by the Institute of Chartered Accountants 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 crystallises, are charged against revenues for the year.

2. **Defined Benefit Plans**

a) In accordance with the transitional provisions of Accounting Standard (AS) 15 (revised 2005) on "Employee Benefit" an amount of Rs.74.16 lacs in respect of Liability as on 1st April 2007 has been adjusted against the opening balance of the General Reserve.

b) **Expenses recognized during the year (Under the head Salaries, Wages & Bonus):**

	Gratuity Funded	Leave Encashment Funded
<b>A Components of Employer Expenses</b>		
1 Current Service Cost	25.16	0.04
2 Interest Cost	18.70	5.70
3 Expected Return on Plan Assets	-	-
4 Actuarial Losses/(Gains)	20.22	24.51
5 <b>Total Expenses recognized in the Statement of Profit &amp; Loss</b>	<b>64.08</b>	<b>30.25</b>
<b>B Net asset/(Liability) recognized in balance sheet as at 31st March 2008</b>		
1 Present value of Defined Benefit Obligation	259.97	86.03
2 Fair value of plan assets	186.67	42.09
3 <b>Net asset/(liability) recognized in balance sheet</b>	<b>(73.30)</b>	<b>(43.94)</b>
<b>C Change in Defined Benefit Obligation during the year ended 31st March 2008</b>		
1 Present value of PBO at beginning of period	207.44	56.51
2 Current Service Cost	25.16	0.04
3 Interest Cost	18.70	5.70
4 Actual (gains)/Losses	20.21	24.51
5 Benefits Paid	(11.54)	(0.73)
6 <b>Present value of PBO at the end of period</b>	<b>259.97</b>	<b>86.03</b>
7 Actual Return on Plan Assets	15.83	3.29

## NOTES to the accounts and significant accounting policies

	Gratuity Funded	Leave Encashment Funded
<b>D Change in Fair Value of Assets</b>		
1 Plan Assets at beginning of period	154.61	35.18
2 Expected Return on Plan Assets	13.65	3.09
3 Actuarial Gains/(Loss)	2.18	0.20
4 Actual company contributions	27.77	4.35
5 Benefits paid	(11.54)	(0.73)
6 <b>Plan assets at the end of period</b>	<b>186.67</b>	<b>42.09</b>
<b>E Actuarial Assumptions</b>		
1 Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
2 Discount Rate (%)	7.50%	7.50%
3 Expected Return on Plan Assets (%)	8.00%	8.00%
4 Rate of escalation in salary (per annum)	5.00%	5.00%
3. Estimated amounts of capital contracts remaining to be executed and not provided for (net of advances) Rs.283.90 lacs (Rs. 4499.82 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.73.47 lacs (Rs.330.74 lacs).		
b) Sales tax under appeal (net of advances) - Rs.261.03 lacs (Rs. 23.84 lacs).		
c) Central Excise duties under appeal (net of Advances) - Rs.0.96 lacs (Rs.1.95 lacs).		
d) ESI Contribution under appeal - Rs.0.22 lacs (Rs. 0.22 lacs)		
e) Municipality Tax - Nil (Rs. 7.72 lacs)		
f) Bonds / Undertakings given under EPCG scheme to Custom Authority - Rs.2190.42 lacs (Rs.2672.15lacs)		
5. Loans and Advances include inter corporate deposits of Rs. 3202.72 lacs (Rs.5965.72 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. Term Loan and working capital limit from banks are additionally secured by personal guarantees of some of the Directors of the Company. Sales tax loan received from Government of West Bengal is secured by a residuary charge ranking next only to the charges in favour of the banks for Gulmohar unit. Unsecured loan from a bank is secured by personal guarantee of some of the directors 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.104.42 Lacs (Rs.121.59 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.1010.80 lacs (Rs.1115.22 lacs).		
8. Miscellaneous Expenses include payment to the Auditors including Rs.1.18 lacs (Rs. 1.10 lacs) to Branch Auditors.		
i) As Audit Fees : Rs.4.90 lacs (Rs. 2.45 lacs).		
ii) As Tax Audit Fees : Rs.0.55 lacs (Rs. 0.25 lacs)		
iii) For Certification : Rs.0.68 lacs (Rs. 0.98 lacs)		
iv) Out of Pocket Expenses : Rs.0.21 lacs (Rs. 0.09 lacs)		
9. Sales are net of commission to selling agents other than sole selling agent Rs.235.69 lacs (Rs.141.04 lacs).		
10. Whole Time Directors' Remuneration :		(Rs./ lacs)
	31.03.2008	31.03.2007
(i) Salary	132.00	58.88
(ii) Perquisites	4.46	3.47
(iii) Commission	57.00	-
	193.46	62.35

## NOTES to the accounts and significant accounting policies

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

		Rs. / lacs
		31st March '2008
Profit Before Taxation		1768.56
Add:		
a) Remuneration paid to Directors	193.46	
b) Director's Fees	2.35	195.81
Less:		
c) Profit on sale of Fixed Assets		0.35
Net Profit for the purpose of Director's Commission		1964.02
Commission @ 3% of Net Profit		58.92
Commission approved by the Board (on Revision of Accounts)		57.00

12. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.
13. There is no amount due and outstanding to be credited to investor education and protection fund.
14. Fixed Deposits with banks include fixed deposits pledged as security Rs.114.54 lacs (Rs. 196.96 lacs).
15. As per revised accounting Standard 15 on "Employee Benefits" with effect from 1st April, 2007, the following changes in accounting policy / estimate have been made during the year:
- Employment benefits are in accordance with revised Accounting Standard (AS)-15 on "Employee Benefits" now measured on a discounted basis by the Projected Unit Credit Method on the basis of third party actuarial valuation. As a result profit for the year ended 31st March, 2008 is lower by Rs.37.87 lacs. Also, in accordance with the transitional provisions of the Standard, Rs.74.16 lacs has been debited to the opening general reserves.
16. During the year, the Company has capitalized Paper Machine III and Power Generation Unit II at Balasore. The commercial production of the new plant has commenced w.e.f. March 1, 2008. The pre-operative and trial run expenditures capitalized along with the cost of building and plant & machinery are as follows:

	2007-08	2006-07
Opening Pre-Operative Expenses	1,179.11	328.96
<b>Addition During the Year</b>		
Interest (Net)	1,680.60	1,143.39
Foreign Exchange Fluctuation	--	(723.58)
Power and Fuel	170.90	19.18
Employee Cost	304.47	213.81
Rates and Taxes	82.92	127.03
Insurance	17.52	24.80
Adm. and Other Overheads	148.57	222.56
Trial run Expenses	1,202.16	--
Scrap Sale	(124.26)	--
	3,482.87	1,027.19
	4,661.98	1,356.15
Less: Pre-operative Expenses Capitalized (Net)	(4,661.98)	(177.04)
<b>Closing Pre-operative Expenses</b>	-	1,179.11

## NOTES to the accounts and significant accounting policies

17. Disclosure as required by AS-29 is given below:

	Provision for taxation
Opening Balance as on 01.04.2007	442.78
Provided during the year	249.62
Reversed during the year	474.16
Closing balance as on 31.03.2008	218.24

18. Term Loans due within one year Rs.2180.96 lacs. (Rs.1503.20 lacs)
19. TDS on interest income on short term deposits and ICD's - Rs. 203.44 lacs (Rs. 331.75 lacs)
20. 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	
	2007-08	2006-07	2007-08	2006-07
Paper	Tonnes 145000	Tonnes 60000	Tonnes 82499	Tonnes 56300
Generation of Electricity	MW 20	MW 5	Kwh lacs 801.92	Kwh lacs 399.11

- 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	211	67.01	81317	22665.93	1375	342.02
		(300)	(80.08)	(56371)	(16337.49)	(211)	(67.01)

\* Excludes 18 MT (18 MT) for captive consumption and includes miscellaneous sales Rs.76.67 lacs (Rs. 44.48 lacs).

## c) Consumption of Raw Materials

Particulars	2007-08		2006-07	
	Qty (MT)	Rs./lacs	Qty (MT)	Rs./lacs
Waste Paper and Pulp	112142	11941.47	71076	7442.22
Chemical & Others		1847.70		1075.69
		13789.17		8525.89
	Rs./lacs	%	Rs./lacs	%
Indigenous	8300.62	60.20	4134.94	48.50
Imported	5488.55	39.80	4390.95	51.50
	13789.17	100.00	8525.89	100.00

## d) Consumption of Stores &amp; Spares

Indigenous	707.14	76.73	599.35	91.12
Imported	214.51	23.27	58.41	8.88
	921.65	100.00	657.76	100.00

## e) Value of Import on CIF basis

Raw Material & Chemicals	4471.29	3219.72
Stores and Spares	22.93	58.71
Capital Assets	1351.35	3453.94

## f) Expenditure in Foreign Currency

Interest & Financial charges paid to Banks (Registered in India)	2179.65	1600.61
Traveling & Others	6.80	11.36
Professional Fees	8.08	62.76

## NOTES to the accounts and significant accounting policies

## 21. Segment Information :

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

Particulars	Paper		Power		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
<b>SEGMENT REVENUE</b>						
External Segment Revenue	22,053.91	15,871.00			22,053.91	15,871.00
Inter Segment Revenue			2,430.93	2,075.24	2,430.93	2,075.24
Total Revenue					24,484.84	17,946.24
Less: Inter Segment Revenue					(2,430.93)	(2,075.24)
Net Revenue					22,053.91	15,871.00
<b>RESULT</b>						
Segment Result	443.01	1,033.83	1,085.22	931.93	1528.23	1,965.76
Interest	(815.17)	(742.94)	41.96	(5.50)	(773.21)	(748.44)
Other Income					1013.53	1,183.47
Profit/(Loss) Before Tax & Exceptional Items					1,768.56	2,400.79
Exceptional Income					-	513.99
Profit/(Loss) Before Tax					1,768.56	2,914.78
Provision for Current Tax					(198.24)	(291.36)
Income Tax For Earlier Years					(31.38)	1.08
Provision for Fringe Benefit Tax					(20.00)	(11.08)
Provision for Deferred Tax					(444.02)	(297.73)
MAT Credit Entitlement					285.16	-
Profit/(Loss) After Tax					1360.08	2,315.69
<b>OTHER INFORMATION</b>						
Segment Assets	41,949.31	46,988.61	12,202.25	3,942.66	54,151.56	50,931.27
Other Assets					515.41	278.23
Total Assets					54666.97	51,209.50
Segment Liabilities	32226.80	36,225.33	5,901.16	46.13	38127.96	36,271.46
Other Liabilities					2407.82	1,280.54
Total Liabilities					40535.78	37,552.00
Capital Expenditure	23,551.26	20231.69	6,183.58	-	29,734.84	20,231.69
Depreciation	990.35	843.85	180.01	177.75	1,170.36	1,021.60

## 22. Related Party Transactions

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

## a. Key Management Personnel

Sri R. S. Goenka

Sri A. C. Gupta (Upto 31.12.2007)

Sri P. S. Patwari

Sri R C Mall (From 01.01.2008)

Sri Manish Goenka

## b. Relatives of Key Management Personnel

Smt. Saroj Gupta

Sri Ashish A Gupta

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

Emami Limited

Emami Biotech Limited

Emami Cement Limited

## NOTES to the accounts and significant accounting policies

Disclosure of transactions between the Company and Related Party and its status of outstanding as on 31st March, 2008

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise described in (C) above		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Remuneration to Key Personnel								
- Directors	193.46	62.36	-	-	-	-	193.46	62.36
- Others	-	-	-	9.93	-	-	-	9.93
Directors Sitting Fees	2.35	3.15	-	-	-	-	2.35	3.15
Rent & Maintenance Charges Paid	-	-	1.35	1.80	82.60	1.05	83.95	2.85
Commission Paid	-	-	-	-	5.65	-	5.65	-
Rent received	-	-	-	-	16.80	-	16.80	-
Security Deposit given	-	-	-	-	41.30	-	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	-	-	-	-	41.30	-	41.30	-
- Security Deposit Received	-	-	-	-	16.80	-	16.80	-

## 23. Information for earning per share as per AS-20:

	2007-08	2006-07
Net Profits after tax (Rs. /lacs)	1360.08	2315.69
Number of equity shares (Nos.)	60499050	60499050
Basic and diluted earnings per share (Rs)	2.25	3.83
Nominal value per share (Rs.)	2.00	2.00

24. The Company has exercised the option irrevocably and retrospectively to account for the exchange differences arising on reporting of long-term monetary items, in accordance with the option permitted by Accounting Standard Amendment Rules, 2009 under the transitional provisions contained in Paragraph 46 to Accounting Standard (AS) 11, relating to The Effects of Changes in Foreign Exchange Rates, inserted in the said Accounting Standard AS 11, vide Notification No.G.S.R.225 (E) dated the 31st March 2009, issued by the Ministry of Corporate Affairs, u/s 211(3C) of the Companies Act, 1956.

The transitional provisions, when adopted, are required to be given effect to on a retrospective basis viz., for the year 1st April 2007 to 31st March 2008. Accordingly, the exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded or reported in previous financial statements, insofar as they related to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset, and depreciation computed on the basis of revised cost.

The management is of the view that the foregoing retrospective accounting treatment has its inevitable corollary effect on depreciation, computation of director's remuneration, tax expense etc. and the resulting monetary effect on these items should also be accounted for on a retrospective basis. Therefore The Board of Directors of the company has decided to revise its Audited Accounts for the year already adopted by the Shareholders in the Annual General Meeting held on 26th September, 2008 in order to exhibit true and fair view in terms of General Circular No. 1/2003 dated 13th January 2003 issued by Ministry of Finance and Company Affairs (Government of India).

The Company has been legally advised that the revision of accounts for the year as above is in compliance to the aforesaid notification.

**NOTES to the accounts and significant accounting policies**

The following changes have been incorporated in the revised Profit and Loss account:

	Rs. Lacs
Exchange differences on long term monetary items recognised as gains in the original statement of profit and loss now removed	2,610.06
Leading to reductions or adjustments in the revised statement of profit and loss, in respect of:	
• Director's remuneration	43.00
• Depreciation	10.09
• Tax expense	289.70
• MAT credit entitlement	7.15
• Deferred Tax Liability	216.48
• Profit	2043.64

The following changes have been incorporated in the revised Balance Sheet:

	Rs. Lacs
Exchange gain now recognised as a decrease in the carrying amount of fixed assets	2,610.06
By corresponding changes made to reflect	
• Reduction in Current Liabilities (Director's remuneration)	43.00
• Reduction in Accumulated Depreciation	10.09
• Adjustment in advance tax expense	289.70
• Adjustment in MAT credit entitlement	7.15
• Reduction in Deferred Tax Liability	216.48
• Reduction in profit carried to Balance sheet	2043.64

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

This is the revised Notes on Accounts referred to in our report dated 3rd June, 2009

In terms of our attached Report of even date

For S.K.AGRAWAL & CO.  
Chartered Accountants

S.K.AGRAWAL  
Partner

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

Kolkata  
Dated : 3rd June, 2009

G.Saraf  
V.P. (Finance) & Secretary

PART - IV

**BALANCE SHEET ABSTRACT and Company's General Business Profile for the Year Ended 31st March, 2008**

I. Registration No.	34161	State Code :	21
Balance Sheet Date :	31.03.2008		
II Capital raised during the year (Amount in Rs./ Lacs)			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III Position of Mobilisation and deployment of Funds (Amount in Rs./ Lacs)			
Total Liabilities	54,666.97	Total Assets	54,666.97
Sources of Funds			
Paid-up Capital/ Share Application Money	1,209.98	Reserves & Surplus	12,921.21
Secured Loans	29,905.03	Unsecured Loans	6,133.07
Deferred Tax Liability	1,583.00		
Application of Funds			
Net Fixed Assets	38,429.81	Investments	62.20
Net Current Assets	13,260.28	Misc. Expenditure	-
Accumulated Losses	NIL		
IV Performance of the Company (Amount in Rs./ Lacs)			
Turnover (Including other income)	23,067.45	Total Expenditure	21298.89
Profit before tax	1,768.56	Profit after tax	1,360.08
Earning per Share in Rs.	2.25	Dividend Rate %	50%

**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 : 3rd day of June, 2009

G.Saraf  
V.P. (Finance) & Secretary

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

## CASH FLOW STATEMENT (Revised) for the year ended 31st March, 2008

DESCRIPTION	(Rs. / Lacs)	
	2007-08	2006-07
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit before tax	1,768.56	2,914.78
Adjustment for :		
Depreciation	1,274.78	1,143.19
Interest & Financial Charges (Net)	(36.64)	(421.38)
Dividend Income	(5.83)	(13.66)
(Profit) / Loss on Sale of Fixed Assets	(0.35)	(8.52)
(Profit) / Loss on Sale of Investments	-	(513.99)
Transferred from Revaluation Reserve	(104.42)	(121.59)
<b>Operating Profit Before Working Capital Changes :</b>	<b>2,896.10</b>	<b>2,978.83</b>
Adjusted for :		
Trade & Other Receivables	(68.92)	(2,935.01)
Inventories	(2,592.11)	(120.37)
Trade Payables & Provisions	(501.15)	1,148.86
<b>Cash generated from operations</b>	<b>(266.08)</b>	<b>1,072.31</b>
Interest paid (Net)	(768.25)	896.88
Taxes paid	(486.59)	(440.13)
Transitional Provisions for Employees Benefits	(74.16)	-
<b>Cash flow before Extraordinary items</b>	<b>(1,595.08)</b>	<b>1,529.06</b>
<b>Net Cash from Operating Activities</b> (A)	<b>(1,595.08)</b>	<b>1,529.06</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(8,074.16)	(20,228.85)
Sale / (Purchase) of Investments	(0.21)	514.04
Sale /Adjustment of Fixed Assets	371.61	117.28
Interest Received	809.85	-
Dividend Received	5.83	13.66
<b>Net Cash used in Investing Activities</b> (B)	<b>(6,887.08)</b>	<b>(19,583.87)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase/(Decrease) in Bank Borrowings	3,981.09	2,703.73
Proceeds from Long Term Borrowings (Net)	(1,511.39)	22,246.11
Dividend & Dividend Tax Paid	(141.56)	(896.80)
<b>Net Cash from Financing Activities</b> (C)	<b>2,328.14</b>	<b>24,053.04</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(6,154.02)</b>	<b>5,998.23</b>
* Cash & Cash Equivalents (Opening Balance)	6,298.17	299.94
* Cash & Cash Equivalents (Closing Balance)	144.15	6,298.17
* Represents Cash and Bank Balances as indicated in Schedule-10.		

### 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, 2008 and found the same to be drawn in accordance therewith of Clause 32 of the listing agreements with stock exchanges.

This is the Revised Cash Flow Statement referred to in our report dated the 3rd June, 2009

For **S.K. AGRAWAL & CO.**  
Chartered Accountants

**S.K. AGRAWAL**  
Partner

Kolkata  
Dated : 3rd day of June, 2009

G.Saraf  
V.P. (Finance) & Secretary

R.S. Goenka  
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