

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

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.
IDBI Bank Limited
The Hongkong & Shanghai Banking
Corporation Limited

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

Management's Discussion and Analysis

Industry Scenario

The Indian paper industry has always reflected the growth in the economy of the country. At present India is ranked 18th in the production of paper globally and 15th in the consumption. The domestic demand for paper remains buoyant given the government spending on education through schemes like Sarvasiksha Abhiyaan. With the increasing literacy, high GDP growth and rising aspiration levels of the large section of the society, we can expect a robust growth in the demands, particularly in the cultural grade paper, which includes Printing & Writing paper including newsprint.

Printing & Writing Paper

Printing & Writing paper are used mainly for publications and communications. Indian printing industry is expected to grow at a CAGR of 15-18% till 2012. The increased number of computer operated offices and their increasing availability in households, has resulted in the sustained use of copier paper. Recent trends show India as a hub for printing and publishing outsourcing. International magazines are making forays into the Indian market and few of them have shifted their printing bases to India.

The increased budget allocation for schemes like Sarvasiksha Abhiyaan (Rs. 131 billions) and secondary education (Rs. 45.5 billions) in the

budget 2008-09 and exports of children books will provide necessary boost to the demand of printing and writing paper.

Newsprint Industry

Newsprint segment demand comprises 20% of total paper market. Newsprint is the most important raw material for newspaper publishers as it accounts for more than 90% of raw material cost and around 50-70% of the total cost.

The demand for newsprint had grown to 1.64 million tonnes in 2007-08 and is projected to grow at a CAGR of 8 per cent over the next 5 years, reaching nearly 2.2million tones per annum (mtpa) by 2012-13. During the last 5 years (2002-2003 to 2007-08), newsprint demand increased at a CAGR of 9 per cent.

Demand for newsprint witnessed a growth of nearly 8 per cent with an increase in the number of newspapers, their circulation as well as readership. Newspaper circulation in India grew by an estimated 8.3 per cent to 65 million per day, whereas readership per day went up by nearly 6.1 per cent to 232 million per day. Increasing levels of literacy, strong growth in GDP and higher urbanization are instrumental for this growth in newsprint demand.

Demand for newsprint depends on the rate of literacy. The average literacy rate is estimated to have grown from 66 per cent in 2000-01 to nearly 72 per cent in 2007-08. Literacy rate in

India is higher in the urban areas as compared to rural areas. As per government estimates, going forward, the average literacy rate is expected to increase to around 75 per cent by 2012. This is expected to boost the demand for newspapers and consequently the demand for newsprint.

Corporate Overview

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

The company's investment in 'the-state-of-art' Newsprint Plant (PM-3) has commenced its commercial production in March 2008, contributed significantly to the domestic gap for newsprint in India and contributed to the productivity and profitability of the company substantially. During the year, the company has achieved a record production of 136869 MT, compared to 82499 MT in the previous year showing an increase of 65.90%. Turnover for the year recorded a quantum jump of 97.23% at Rs. 434.97 crores over the year 2007-08. The Profit before Depreciation and Tax has increased substantially by 95.30% from Rs. 29.39 crores in 2007-08 to Rs. 57.40 crores in 2008-09.

The company's performance has been satisfactory despite stiff competition from the imported newsprint and recessionary trend in the global economy. The company continued its thrust to streamline and optimize its operations during the year and expects to further improve its production and operational efficiency at all the levels of its activities.

Emami Paper Mills Limited is one of the most environment friendly manufacturers of newsprint and writing and printing paper. Its paper production

process uses recycled Waste Paper including Old Newspapers 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.

The Company's philosophy is to achieve long-term value to serve the best interest of all stakeholders – shareholders, customers, employees, 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.

Competitive advantage

The company enjoys a locational edge over the other industrial players owing to its proximity to the Haldia Port (200 kms) and coal availability within 250 km ensuring lower logistics cost. Its captive power plant generates power at Rs.2.51 per unit and also utilizes a dedicated feeder of 132 KV EHT line to ensure uninterrupted supply of power. 80 percent of its newsprint is marketed within 750 km radius.

Product mix

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

Clients

The Company supplies newsprint to some of the largest dailies like The Times of India, Anandabazar

Patrika, The Telegraph, Hindusthan Times, The Hindu, Prabhat Khabar, Samaj, Bartaman, Dainik Bhaskar, Dainik Jagaran, Malayam Manorama and Deccan Herald. Its Writing & Printing papers are distributed through dealers and also directly supplied to Govt. Printing Presses / Text Book Presses.

Strength

- Strategic location of the plant, good proximity to both market for its finished product and source of its raw material i.e. waste paper and chemicals.
- Customers' appreciation of company's products.
- Country wide customer base and Dealer/Distributors Network.
- Swing facility on the Paper Machine to produce Newsprint / Writing and Printing grades of paper as the market situation may demand.
- Sufficient land available with the Company which is enough for any future expansion and growth.
- Relatively low employee cost.
- Well established Research and Development (R&D) facilities / activities encouraging innovation.
- Government's thrust for improving literacy in the country.

Weakness

The Company manufactures its products by 100% recycled fibre which is perceived a shade below high end products manufactured from virgin pulp. However continuous Research & Development and Technological improvement has helped the Company to improve the quality of its products to compete with products manufactured from virgin pulp.

Internal Control System and their Adequacy

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

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

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

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

- Clearly defined organizational structure.

- Transparency in all spheres of activities as per the Quality Management System.
- Adherence and monitoring of Internal Control System through independent Internal Auditors reporting directly to the Audit Committee, which reviews the functioning and findings of the Audit Department.

Human Resource Development

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

Awards

- ★ Your company started Total Productive Maintenance (TPM) at both its plant – Balasore, Orissa and Kolkata in 2001. After achieving TPM Excellence 1st Category Award in 2006, we continued with the TPM practices and achieved EXCELLENCE IN CONSISTENT TPM COMMITMENT AWARD in 2008 and look forward to achieve the WORLD CLASS AWARD from JIPM (Japan Institute of Plant Maintenance) Japan.
- ★ Emami Paper Mills, Balasore was awarded a commendation certificate by IPMA in appreciation and recognition for our commitment towards Environmental Protection and commendable innovative efforts not only to mitigate problem of sludge disposal but also to utilize Sludge as fuel in the boiler. The award was received by our Managing Director Shri R. C. Mall in the IXth Annual General Meeting of IPMA held at New Delhi on 9th January, 2009.
- ★ Emami Paper Mills Ltd. also upgraded its OHSAS (Occupational Health & Safety Assessment Series) certificate from 18001-1999 to 18001-2007 in February, 2009, duly Audited and Certified by DNV (Det Norske Veritas, Netherland) the certifying authority.
- ★ For the first time a National Level Industrial Trade Fair “Expo-2009” was arranged from 11th February to 15th February 2009 in Police Line Field, Balasore. The same was organized by Medium Small Micro Enterprise (MSME), Govt. of India in collaboration with Industries Development Department, Govt. of Orissa. The Stall by Emami Paper Mills Ltd. was adjudged the Best Stall in respect of Display, Presentation in Large Industry Category.
- ★ Further, employees are rewarded through recognition and award. Key performance indicators by all Heads of Departments are subjected to a management review at the Management Review Meeting.

Cautionary Statement

Statement in this “Management’s Discussion and Analysis” describing the company’s objectives, projections, estimates, expectations or predictions may be “forward looking statements” within 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 included global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and global and other factors such as litigation, and industrial relations.

DIRECTORS' REPORT

FINANCIAL RESULTS

		2008-09	2007-08
			Rs./ Lakhs
Operational Income		43497.46	22053.91
Profit before interest, depreciation and exceptional items		9346.19	3712.13
Less: Interest (net)		3609.77	773.21
Profit Before Depreciation & Tax		5736.42	2938.92
Depreciation	2547.86		
Less: Transfer from Revaluation Reserve	89.77	2458.09	1170.36
Profit Before Taxation		3278.33	1768.56
Less : Provision for Current taxation	368.68		
Provision for fringe benefit tax	25.00		
Income tax for earlier years	14.12		
Provision for deferred tax	976.50		
MAT Credit entitlement	(314.23)	1070.07	408.48
Profit after Tax		2208.26	1360.08
Add : Surplus brought forward		10.33	1432.22
Balance available for appropriation		2218.59	2792.30
Appropriations			
Proposed Dividend		363.00	604.99
Tax on Dividend		61.69	102.82
Transfer to General Reserve		1000.00	2074.16
Balance carried forward		793.90	10.33
		2218.59	2792.30

DIVIDEND

Your Directors are pleased to recommend a dividend of 30% for the financial year ended March 31, 2009. The Dividend, if approved by the shareholders, will absorb Rs.424.69 lac (including the dividend tax of Rs.61.69 lac).

OPERATIONS AND OUTLOOK

Your Directors are pleased to inform that the Company's investment in 'the-state-of-art' Newsprint plant (PM-3) which commenced commercial production in March 2008, has contributed significantly to the domestic demand

gap for newsprint in India and contributed to the productivity and profitability of the company substantially. During the year, the company has achieved a record production of 136869 MT, compared to 82499 MT in the previous year showing an increase of 65.90%. Turnover for the year recorded a quantum jump of 97.23% at Rs.434.97 crores over the year 2007-08. The Profit before depreciation and tax has increased substantially by 95.17% from Rs. 29.39 crores in 2007-08 to Rs.57.36 crores in 2008-09.

The company's performance has been satisfactory despite stiff competition from the imported newsprint and recessionary trend in the global economy. The company continued its thrust to streamline and optimize its operations during the year and expects to further improve its production and operational efficiency at all the levels of its activities.

ENVIRONMENT MANAGEMENT

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

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

M/s DNV (M/s Det Norske Veritas AS, Netherland) has renewed its Certification for the following Integrated Management System (IMS) in February 2008 and regularly visiting both the plants at Balasore – Orissa and Kolkata to conduct their Surveillance Audit twice in a year:

- 1) ISO 9001:2000 – Quality Management System
- 2) ISO 14001:2004 - Environment Management System - EMS
- 3) OHSAS 18001:1999 - Occupational Health & Safety Management System.

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

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

SILVER JUBILEE CELEBRATION

Srimad Bhagwat Saptah, Raslila and Silver Jubilee celebration was organized at our Balasore factory with great revelation. The entire factory and atmosphere was alive with an unbelievable spirit of happiness and gaiety; responsibility and service was palpable in all spheres all – from each workmen, staff, executive to each director.

STATUS OF EXPANSION PLANS

Your company has signed Memorandum of Agreement 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. Steps are being taken for evaluation of all the parameters including land acquisition, utility feasibilities, cultivation of plantation, discharge of water, availability of skilled and unskilled workmen. Your Company is optimistic that with the right support of Government of West Bengal, the project will be successfully implemented.

Besides above the company is also planning to increase the capacity of Newsprint and Writing & Printing paper at its unit at Balasore, Orissa.

GROUP FOR INTERSE TRANSFER OF SHARES

As required under Clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure IV attached herewith and forms part of this Annual Report.

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors have :-

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

DEPOSITS

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

DIRECTORS

Shri H.M.Marda was appointed as an Additional Director of the Company with effect from 27th January 2009 under section 260 of the Companies Act, 1956 to hold office till the date of ensuing Annual General Meeting. Notice under section 257 of the Companies Act, 1956 was received by the Company from members signifying their intention to propose Shri H.M.Marda as a candidate for the Office of Directors.

Shri R. S. Goenka, Shri Manish Goenka, Shri S.K.Todi and Shri N.Mishra retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

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

AUDITORS

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

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

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

PERSONNEL

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

ACKNOWLEDGEMENT

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

For and on behalf of
the Board

Kolkata
June, 3, 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, 2009.

A. CONSERVATION OF ENERGY

i) Energy conservation measures taken:

Capacity Utilization

- PM-I machine speed increased from 300 MPM to 320 MPM.
- PM-II machine speed increased from 460 MPM to 475 MPM.
- PM-III machine speed increased from 900 MPM to 1100 MPM.
- DIP-3 pulping capacity enhanced from 300 TPD to 330 TPD so as to meet the capacity requirement of both PM #2 & PM #3

Power Saving

Overall power saving to the tune of about 1 MW achieved through the following measures

- Higher capacity utilization of the plants.
- Installation of VFDs in many places.
- Changing of higher efficiency pump at many places.
- Making common points for water hydraulic pump and air so that some of these pumps could be stopped.
- HD cleaner motor and Reel Pulper motors put in from delta to star.

- Stopping 2 nos. of hydraulic pumps in PM-III reel wrapping.
- Energy efficient vacuum pump-260 KW started in PM-III in place of inefficient 300 KW vacuum pump for power saving.
- Deculator vacuum pump, sealing water recovery pump stopped after modification to supply water to super clear tank by gravity.
- 75 KW sludge pump in DIP-III to screw press replaced with 30 KW.

Fresh Water Saving

Fresh Water saving to the tune of around 3000 M3/Day achieved through following steps:

- Recycling of entire waste water from utility section (RO wash water, Cooling Tower blow down water recycled back to the water reservoir).
- Treated effluent water used in Screw Press, Ash handling and floor cleaning.
- Rain water harvesting increased to replenish ground water.
- Zero discharge from Power Plant

Steam Saving

- Flash steam used in PM-I.
- Sludge from ETP thickened by a very modern Screw Press from Germany and burnt in Boiler.
- Optimization of air-fuel ratio by monitoring CO & O₂ in boiler to improve boiler efficiency and thus to reduce coal consumption.

ii) Additional investment and proposal for reduction in energy consumption

- Heat pump for recovering heat loss in cooling tower evaporation.
- Providing VFD for identified equipments.
- Optimization of DIP I operation to reduce specific power consumption.
- Capacity optimization through correct capacity pumps installation, speed reduction & impeller trimming.

- Vent condenser for Power Plant I CBD flash vapor utilization.
- Reduction of fresh water consumption by increasing recycling and re-use of water.

iii) Impact of the measures

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

iv) Power and fuel consumption

As per Form 'A' annexed.

FORM "A"

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

POWER & FUEL CONSUMPTION

			2008-09	2007-08
1. Electricity:				
(a) Purchased units (in lakh)	Kwh		134.52	177.09
Total amount	Rs. in Lakhs		559.08	736.29
Rate/unit	Rs./Kwh		4.16	4.16
(b) Own generation (through steam turbine) (in lakh)	Kwh		1344.39	801.92
Variable cost	Rs. in Lakhs		3370.01	1708.20
Rate/unit	Rs./Kwh		2.51	2.13
2. Coal:				
Quantity	MT		222731	140649
Total cost	Rs. in Lakhs		3639.85	1887.58
Average rate	Rs./MT		1634	1342
3. Furnace oil	Ltrs		-	-

CONSUMPTION PER UNIT OF PRODUCTION

			2008-09	2007-08
Electricity	Kwh		938	1039
Furnace oil	Ltrs		-	-
Coal	Kgs/MT		1627	1705

B. TECHNOLOGICAL ABSORPTION

i) Research & development

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

- Dry fog dust suppression system commissioned and coal dust from coal handling eliminated.
- Yield improved by using more indigenous waste paper – Old News Paper.
- Screw press de-watering chemical consumption per ton of sludge reduced from 4.5 Kg/Ton of dry sludge to 2 Kg/Ton of dry sludge, by adopting R&D measures.

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 last year has been stabilized and achieved 100% output.

(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)

		2008-09	2007-08
i)	Export	-	-
ii)	Total foreign exchange used	11452.08	8040.10
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 2009.

PART- I

Sl No	Name & Age	Qualification	Designation	Date of Joining	Experience (in years)	Remuneration (Rs)	Previous Employment
A	Employment throughout the year						
1	R.S. Goenka (62)	M.Com. LLB	Executive Chairman	01.09.1994	39	18064000	Advisor, Kemco Chemicals
2	R.C. Mall (61)	B.E(Chem) MII ChE	Managing Director	31.12.2007	37	4674200	Executive Director, The Andhra Pradesh Paper Mills Ltd.
3	P.S. Patwari (54)	B.Com. FCA	Executive Director	28.11.1994	29	4026856	Commercial Executive, Hindusthan Motors Ltd.
4	Manish Goenka (35)	MBA	Whole-time Director	01.07.2007	11	2701320	Whole-time Director, Emami Limited

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 26.09.2008	No. of outside Directorship held including private companies	No. of membership/ chairmanship in other Board/Committee
Mr.R.S.Goenka	Chairman, Executive	5	Yes	19	7
Mr.R.S.Agarwal	Non Executive	5	No	18	1
Mr.R. C. Mall	Managing Director, Executive	5	Yes	1	-
Mr.P. S. Patwari	Executive	5	Yes	1	-
Mr.Manish Goenka	Executive	5	No	7	-
Mr. A. V. Agarwal	Non Executive	5	No	17	2
Mr.S. K. Khaitan	Non Executive, Independent	4	No	6	4
Mr.S.K.Todi	Non Executive, Independent	5	Yes	21	4
Mr. U. G. Bhat	Non-Executive, Independent	4	No	2	-
Mr. N.Mishra	Non Executive, Independent	5	No	3	4
Mr. J. Godbole	Non Executive, Independent	4	No	12	9
Mr. H. M. Marda*	Non Executive, Independent	1	No	5	-

* Appointed as Additional Director w.e.f. 27.01.2009.

During the year, Five Board Meetings were held on 24th June, 2008, 25th July, 2008, 31st October, 2008, 7th January, 2009 and 27th January, 2009.

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 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 results, 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 2008-09 is furnished below:

Sr.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	4	4

The above meetings were held on 24th June 2008, 25th July 2008, 31st October 2008 and 27th January 2009. The Audit Committee was reconstituted as under :

Mr. S. K. Todi,	Chairman
Mr. R. S. Agarwal ,	Member
Mr. J. Godbole,	Member
Mr. N. Mishra,	Member

The Chairman of the Audit Committee, Mr. S. K. Todi was present at the Annual General Meeting of the Company held on 26th September, 2008, Mr. P. S. Patwari, Chief Financial Officer(CFO), statutory auditors and internal auditors are permanent invitees to the committee's meetings. The Company Secretary acts as the Secretary of the Committee.

6. Remuneration Committee

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

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

During the year no meeting of the Remuneration Committee was held.

a) Remuneration Policy :

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

b) Remuneration paid to the Directors of the company for the year ended 31-03-2009.

(Amount in Rs.)

Name of Directors	Salary, Perquisites & Allowances	Commission	Provident Fund	Total
Mr. R. S. Goenka	72,00,000/-	1,00,00,000/-	8,64,000/-	1,80,64,000/-
Mr. R.C.Mall	43,86,200/-	-	2,88,000/-	46,74,200/-
Mr. P. S. Patwari	37,38,856/-	-	2,88,000/-	40,26,856/-
Mr. Manish Goenka	24,13,320/-	-	2,88,000/-	27,01,320/-

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

• **Remuneration to Non-Executive Directors:**

- i. They are paid only sitting fees for attending Board / Committee meetings.
- ii. 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
Mr R. S. Agarwal	70,000/-
Mr S. K. Khaitan	30,000/-
Mr U. G. Bhat	30,000/-
Mr S. K. Todi	70,000/-
Mr A. V. Agarwal	40,000/-
Mr N. Mishra	70,000/-
Mr J. Godbole	50,000/-
Mr H.M.Marda	10,000/-

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. The Committee was reconstituted on 31st October, 2008, when Mr. J. Godbole was resigned from the membership as well as Chairman of the Committee and Mr. N. Mishra was assigned to head the Committee as Chairman. Mr.H. M. Marda, who was appointed as an additional Independent Director on 27th January, 2009, also nominated as member of the Committee.

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

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

8. General Body Meeting :

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

Financial Year	Venue	Date	Time
2005 - 06	Merchants Chamber of Commerce 15b, Hemanta Basu Sarani Kolkata – 700 001	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.
2007- 08	687, Anandapur, 8th Floor, Kasba Golpark, Kolkata – 700 107	26.09.2008	10.45 a.m.

Whether special Resolutions were passed in previous three AGMs

The following Special Resolutions were passed in previous three AGMs :

- YEAR 2007-08 : None
- YEAR 2006-07 : None
- YEAR 2005-06 : None

9. Subsidiary Company :

The Company does not have any subsidiary Company.

10. Disclosures

Related party transactions:

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

Compliances by the Company:

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

Accounting treatment in preparation of financial statement

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

Risk Management

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

11. Management Discussion & Analysis Report

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

12. Details of Appointment / Reappointment Of Directors :

Mr. R. S. Goenka, Mr. Manish Goenka, Mr. S. K.Todi and Mr. N. Mishra would retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. H. M. Marda, 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 :-

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Name of Director	Mr.R.S.Goenka	Mr.Manish Goenka	Sri S.K.Todi
Age	About 62 years	About 35 years	About 66 years
Date of Appointment	23.10.2000	01.07.2007	05.04.2003
Expertise in Specific Functional areas	An Industrialist of repute with 42 years experience in Strategic Planning, Finance, Legal and Corporate affairs. Major role in making Emami one of the most renowned brand in India.	Well known Industrialist. Rich and varied experience in marketing, Corporate Planning, Business Development, Strategy formulation and overall management.	An Industrialist of repute with extensive business experience including Corporate Planning, Business Development, Strategy formulation and overall management.
Qualification	M.Com, L.L.B.	M.B.A.	M.Com.
Chairman/ Director of other Companies.	<ul style="list-style-type: none"> -Emami Limited -Emami Group of Companies Pvt.Ltd. -South City Project (Kolkata) Ltd. -Advance Medicare & Research Institute Ltd. -Suntrack Commerce Pvt.Ltd. -Merchant Chamber of Commerce. -Khaitan(India) Ltd -Susruta Clinic & Research Institute for Advance Medicines Pvt.Ltd. -Bhanu Vyapaar Pvt.Ltd. -Pro-sports Management Ltd. -Suraj Viniyog Pvt. Ltd. -Emami Realty Ltd. -Bengal South City Matrix Infrastructure Ltd. -Bengal Anmol South City Infrastructure Ltd. -The Zandu Pharmaceuticals Works Ltd. -Roseview Developers Pvt.Ltd. -Ajanta Suppliers Pvt.Ltd -Betwa Builtcon Pvt.Ltd. -Betwa Apartments Pvt. Ltd. 	<ul style="list-style-type: none"> -Advance Medicare & Research Institute Ltd. -Susruta Clinic & Research Institute for Advance Medicine P.Ltd -Emami Group of Companies Pvt.Ltd. -Bhanu Vyapaar(P) Ltd. -CRI Ltd. -Prestige Vyapaar Ltd. 	<ul style="list-style-type: none"> -Advance Medicare & Research Institute Ltd. -Bengal NRI Complex Ltd. -Bengal Shrachi Housing Development Ltd. -Bengal Tools Ltd. -Bhaskar Shrachi Alloys Ltd. -South City Kolkata Projects Ltd. -Hardeo Finance(P) Ltd. -Khaitan(India) Ltd. - Emami Ltd. - Murlidhar Ratanlal Exports Ltd. - NSG Estate Service(P) Ltd. -Rosedale Developers (P) Ltd. -Web Development Co. Ltd. -Juhi Investment (P) Ltd. -Susruta Clinic & Research Institute for Advance Medicine(P) Ltd. -GNB Logistics Pvt.Ltd. -Magma Fincorp Ltd. -Bengal Anmol South City Infrastructure Ltd. -Shrachi Developers Pvt.Ltd. -Shrachi Realty Pvt.Ltd. -Bengal South City Matrix Infrastructure Ltd.

Name of Director	Mr.N.Mishra	Mr. H.M.Marda
Age	About 67 years	About 66 years
Date of Appointment	22.03.2006	27.01.2009
Expertise in Specific Functional areas	He is former Director General of Income Tax and is having 36 years of senior level experience in Public Sector Administration, in particular Tax Administration. He is specialized in Finance and Taxation matter.	An Industrialist with extensive business experience over 3 decades in the area of Accounting, Corporate Planning, Strategy formulation and overall management.
Qualification	Master of Arts(Economics)	B.Com, ACA
Chairman/Director of other Companies.	- United Credit Ltd. - Lux Industries Ltd. - Adhunic Metalics Ltd.	- Chandramukhi Impex Pvt.Ltd. - Prabhu Polycolor Pvt.Ltd. - Prabhu Poly Pipes Pvt.Ltd. - Prabhu Sponge Pvt. Ltd. - Frontier Garment Pvt.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) 27th Annual General Meeting :

Date	:	17th July, 2009
Time	:	10.45 a.m.
Venue	:	687, Anandapur, Kasba-Golpark E.M.Bye Pass, Kolkata – 700 107

b) Date of Book Closure :

15th July, 2009 to 17th July, 2009(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 17th July, 2009.

c) Date of Payment of Dividend : Within 30 days of approval by the shareholders.

d) Financial Calendar of the Company :

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

e) **Listing of Equity Shares on Stock Exchange :**

The Company's shares are listed at Calcutta and U.P. Stock Exchanges.
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 Date :**

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 31.03.2009.**

Distribution of Shareholding :			
	No.of Shareholders	Number of Shares held	% of Shareholding
Individuals	433	1381700	2.28
Bodies Corporate	12	53655150	88.69
Promoters	2	1723000	2.85
Directors and their Relatives	26	3739200	6.18
Total	473	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	109	263575	0.4357
5001 and above	76	60119775	99.3731
Total :	473	60499050	100.0000

k) Dematerialisation of Shares

95.86 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, 2009.

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
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n) Address for correspondence :

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

For and on behalf of the Board

Place : Kolkata
Date :3rd June, 2009

R. S. GOENKA
Executive Chairman

CERTIFICATION BY MANAGING DIRECTOR AND EXECUTIVE DIRECTOR OF THE COMPANY

We, R. C. Mall, Managing Director and P. S. Patwari, Executive Director to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Accounts of the Company for the year ended 31st March, 2008 and all its schedule and notes on accounts, as well as the Cash Flow Statement.
2. To the best of our knowledge and information :
 - a. These statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;
 - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. We also certify that based on our knowledge and information provided to us, there are no transactions entered into by the Company, which are fraudulent, illegal or violate the Company's code of conduct.
4. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls and procedures for the Company, and we have evaluated the effectiveness of the Company's internal controls and procedures.
5. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, whichever applicable, to the Company's auditors and through them to the audit committee of the Company, the following :
 - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control during the year;
 - c. Any fraud, which we have become aware of and that involves Management or other employees who have significant role in the Company's internal control systems;
 - d. Significant changes in accounting policies during the accounting year;

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

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 of the Directors

1. Shri Radheshyam Agarwal
2. Shri Radheshyam Goenka

Promoters Group :

Sl.No.	Name
03	Smt.Usha Agarwal
05	Smt.Shanti Devi Agarwal
07	Shri Madan Lal Agarwal
09	Shri Aditya Vardhan Agarwal
11	Smt.Priti Sureka
13	Smt.Mansi Agarwal
15	Ms.Vidula Agarwal
17	Shri Rohin Raj Sureka
19	Smt.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. Pujja Goenka

Sl.No.	Name
04	Shri Bajranglal Agarwal
06	Smt. Savitri Devi Agarwal
08	Smt.Kusum Agarwal
10	Shri Harsh Vardhan Agarwal
12	Smt.Richa Agarwal
14	Shri Vibhash Vardhan Agarwal
16	Ms.Vidisha 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.Agarwal a
36	Smt.Puspa Agarwal
38	Shri Saswat Goenka
40	Ms.Nimisha Goenka
42	Shri Yogesh Goenka
44	Shri Amitabh 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)
57	Ms.Smriti Agarwal

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)
56	Ms.Jyoti Agarwal

Corporate :

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

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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

We have examined the compliance of conditions of Corporate Governance by Emami Paper Mills Limited, for the year ended 31.03.2009, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

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

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

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

Place : Kolkata
Dated: June 03, 2009

For S. K. Agarwal & Company
Chartered Accountants
S. K. Agarwal
Partner
Membership No. 9067

AUDITORS' REPORT

To
The Members of
Emami Paper Mills Limited

We have audited the attached Balance Sheet of Emami Paper Mills Limited as at 31st March 2009, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the accounts of Gulmohar unit audited by Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We draw attention to Note No 16 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. The effect of the aforesaid notification for the financial year 07-08 have been given in the revised financial statements for financial year 2007-08, which are subject to approval and adoption by the shareholder at an Annual General Meeting.

We further report that:

- a) The Report on the accounts of Gulmohar Unit audited by Branch Auditors have been received and properly dealt with in preparing our Report.
- b) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

- c) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
- d) The Balance Sheet, the Profit & Loss Account & the Cash Flow Statement referred to in this report are in agreement with the books of accounts and comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable.
- e) Due to non receipt of written representation from Mr. N. Mishra who is outside India, we are unable to report whether he is disqualified as on 31st March 2009 to be appointed as a Director in terms of Sec 274(1) (g) of the Companies Act, 1956. On the basis of written representations received from the other Directors and taken on record by the Board of Directors, we report that none of the remaining Directors is disqualified as on 31st March 2009 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes on accounts as per Schedule 18 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the State of Affairs of the Company as on 31st March, 2009
 - ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditors Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- 1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. The fixed assets were physically verified during the year by the management in accordance with a program of verification, covering all fixed assets over a period of three years, which in our opinion provides for physical verification of all major items of fixed assets at reasonable intervals.
 - c. Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- 2.
 - a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

- c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventory and no material discrepancies were noticed on physical verification.
3.
 - a. The Company has given unsecured loan to a company listed in the register maintained under Section 301 of the Companies Act, 1956 against whom the maximum amount outstanding during the year was Rs 672 lacs and the year end balance of such loan amounted to Rs. 272 lacs. The rate of interest and other terms and conditions of the loan are not prima facie prejudicial to the interest of the Company. The principal amounts and interest are repayable on demand and there is no repayment schedule and therefore the question of overdue amounts does not arise.
 - b. The Company has not taken any loans, secured or unsecured, from companies listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods.
5. In respect of contracts or arrangements referred in Section 301 of the Companies Act, 1956:
 - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the Register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions referred to above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the rules prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the maintenance of cost records and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
9. According to the information and explanations given to us in respect of statutory and other dues:
 - a. The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Service Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2009 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, 2009 on account of dispute are given below:

Particular	Financial Year to which the matter pertains	Forum where matter is pending	Amount (Rs. in Lacs)
Excise Duty	1994-95	ACCE	0.87
	2004-05		0.09
CST	1993-94	Tribunal	16.26
	2004-05	ACCT	0.53
	2005-06	Addl. Comm.	238.52
	2006-07	Addl. Comm.	5.36
VAT (Orissa)	2005-06	Addl. Comm.	1.72
	2006-07	Addl. Comm.	0.59
Entry Tax (Orissa)	2006-07	Addl. Comm.	1.82
OST	1989-90	High Court	0.79
ESIC	1996-97	ESI Court	0.22

10. The Company does not have accumulated losses as at the end of the year and the Company has not incurred cash losses during the current year and in the immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institution and banks.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information & explanations given to us, the Company is not dealing in shares, securities debentures and other investment.
14. According to information given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution.
15. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were applied for the purpose for which the loans were obtained.
16. According to the Cash Flow Statement and other records examined by us and the information and

explanations given to us on an overall basis, we report that funds raised on short term basis have, prima facie, not been used for long term investments.

17. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act 1956, during the year and hence the question of whether the price at which shares have been issued is prejudicial to the interest of the Company does not arise.
18. The Company has not raised money by public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
19. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. K. Agarwal & Company
Chartered Accountants
(S. K. AGARWAL)

Place: Kolkata
Dated: June 03, 2009

Partner
Membership No. 9067

Balance Sheet as At 31st March, 2009

				(Rs/Lacs)	
	Schedule	As at 31st March, 2009		As at 31st March, 2008	
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1	1,209.98		1,209.98	
Reserves & Surplus	2	14,615.01	15,824.99	12,921.21	14,131.19
Loan Funds					
Secured Loans	3	38,933.55		29,905.03	
Unsecured Loans	4	8,504.00	47,437.55	6,133.07	36,038.10
Deferred Tax Liability (Net)	5		2,559.50		1,583.00
			65,822.04		51,752.29
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	58,028.34		48,754.57	
Less : Depreciation		13,268.98		10,725.15	
Net Block		44,759.36		38,029.42	
Capital Work in Progress		231.54	44,990.90	400.39	38,429.81
Investments	7		62.40		62.20
Currents Assets, Loans and Advances					
Inventories	8	8,155.14		4,822.57	
Sundry Debtors	9	8,657.31		3,227.55	
Cash & Bank Balances	10	309.42		144.15	
Loans & Advances	11	8,113.94		7,980.69	
		25,235.81		16,174.96	
Less :					
Current Liabilities and Provisions					
Current Liabilities	12	4,042.39		2,089.86	
Provisions	13	424.68		824.82	
		4,467.07		2,914.68	
Net Current Assets			20,768.74		13,260.28
			65,822.04		51,752.29
NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	18				

In terms of our attached Report of even date

FOR S.K.Agarwal & CO.
Chartered Accountants

S.K.Agarwal
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 for the year ended 31st March, 2009

	Schedule	(Rs/Lacs)	
		2008 - 09	2007 - 08
INCOME			
Net Sales	14	43,497.46	22,053.91
Other Income	15	889.04	1,013.54
		44,386.50	23,067.45
EXPENDITURE			
Manufacturing and Other Expenses	16	35,040.31	19,355.32
Interest	17	3,609.77	773.21
		38,650.08	20,128.53
Profit before Depreciation & Taxation		5,736.42	2,938.92
Depreciation		2,547.86	1,274.78
Less : Transfer from Revaluation Reserve		89.77	104.42
		3,278.33	1,768.56
Profit before Taxation			
Provision for Tax			
- Current Tax		368.68	198.24
- Fringe Benefit Tax		25.00	20.00
- Income Tax for earlier years		14.12	31.38
- Deferred Tax		976.50	444.02
- MAT credit for earlier years		-	(87.71)
- MAT credit entitlement		(314.23)	(197.45)
Profit after Taxation		2,208.26	1,360.08
Balance brought forward from Previous year		10.33	1,432.22
Amount available for Appropriation		2,218.59	2,792.30
APPROPRIATIONS			
Proposed Dividend		363.00	604.99
Tax on Dividend		61.69	102.82
Transfer to General Reserve		1,000.00	2,074.16
Balance carried to Balance Sheet		793.90	10.33
		2,218.59	2,792.30
Basic and Diluted Earning Per Share (Rs.) (Face Value of Rs. 2 each)		3.65	2.25
NOTES TO THE ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES	18		

In terms of our attached Report of even date

FOR S.K.Agarwal & CO
Chartered Accountants
S.K.Agarwal
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)	
	2008-2009	2007-2008
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
6,25,00,000 Equity Shares of Rs. 2/- each	1,250.00	1,250.00
10000 6% Redeemable Non Cumulative Preference Shares of Rs 100/- each	10.00	10.00
	<u>1,260.00</u>	<u>1,260.00</u>
Issued, Subscribed and Paid-up		
6,04,99,050 Equity Shares of Rs. 2/- each fully paid up (Includes 3,98,43,850 Equity Shares of Rs. 2/- each allotted for consideration other than in cash)	1,209.98	1,209.98
	<u>1,209.98</u>	<u>1,209.98</u>
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	106.71	106.71
Securities Premium	1,793.37	1,793.37
Revaluation Reserve		
As per last account	1,010.80	1,115.22
Less: Transferred to Profit & Loss Account	(89.77)	(104.42)
	921.03	<u>1,010.80</u>
General Reserve		
As per last account	10,000.00	8,000.00
Less : Charge on account of transitional provisions of AS 15	-	(74.16)
Add : Transferred from Profit & Loss Account	1,000.00	2,074.16
	<u>11,000.00</u>	<u>10,000.00</u>
Surplus as per Profit & Loss Account	793.90	10.33
	<u>14,615.01</u>	<u>12,921.21</u>

SCHEDULES

annexed to and forming part of the accounts

	(Rs/Lacs)	
	2008-2009	2007-2008
SCHEDULE - 3 : SECURED LOANS		
Term loans		
From Banks		
- FCNR (B) / FCL	22.16	349.78
- ECB	25,074.70	21,883.57
- Rupee Loan	4,250.00	-
	29,346.86	22,233.35
Working Capital/Short Term Loans		
From Banks		
- FCNR (B)	3,548.86	3,148.79
- Buyers Credit	2,069.90	1,841.56
- Rupee Loan	3,958.49	2,651.20
	9,577.25	7,641.55
Others		
Government of West Bengal (Sales Tax Loan)	9.44	30.13
	38,933.55	29,905.03
SCHEDULE - 4 : UNSECURED LOANS		
From Banks		
- Foreign Currency Loan	71.06	3,117.07
- Rupee Term Loan	8,411.94	3,000.00
Other loans and deposits	21.00	16.00
	8,504.00	6,133.07
SCHEDULE - 5 : DEFERRED TAX LIABILITIES / ASSETS		
Deferred Tax Liabilities		
Depreciation	2,568.13	1,793.56
Deferred Tax Assets		
Others	8.63	210.56
Deferred Tax Liability (Net)	2,559.50	1,583.00

SCHEDULES

annexed to and forming part of the accounts

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.08	Additions	Transfers / Adjustments	Total	As on 01.04.08	For the Year	Transfers / Adjustments	Total	As on 31.03.09	As on 31.03.08
TANGIBLE ASSETS										
FREE HOLD LAND	436.24	47.19	-	483.43	-	-	-	-	483.43	436.24
LEASE HOLD LAND	233.41	18.23	-	251.64	25.05	3.09	-	28.14	223.50	208.36
BUILDINGS	5,394.07	793.47	-	6,187.54	1,107.14	184.56	-	1,291.70	4,895.84	4,286.93
PLANT & MACHINERY	42,217.45	8,274.91	10.45	50,481.91	9,369.16	2,288.47	0.33	11,657.30	38,824.61	32,848.29
FURNITURE & FITTINGS	312.38	92.29	0.16	404.51	156.53	44.63	0.15	201.01	203.50	155.85
VEHICLES	161.02	36.02	4.08	192.96	67.27	26.68	3.55	90.40	102.56	93.75
INTANGIBLE ASSETS										
SOFTWARE		26.35		26.35	-	0.43	-	0.43	25.92	
TOTAL	48,754.57	9,288.46	14.69	58,028.34	10,725.15	2,547.86	4.03	13,268.98	44,759.36	38,029.42
CAPITAL WORK-IN-PROGRESS	400.39	230.12	398.97	231.54					231.54	400.39
									44,990.90	38,429.81
PREVIOUS YEAR	19,830.49	29,334.45	410.37	48,754.57	9,489.48	1,274.78	39.11	10,725.15	38,029.42	

(Rs/Lacs)

SCHEDULES

annexed to and forming part of the accounts

	2008-2009	(Rs/Lacs) 2007-2008
SCHEDULE - 7 : INVESTMENTS		
Long Term		
Non - Trade		
Government Securities		
6 Years National Saving Certificates (Lodged with Government Authorities)	0.02	0.02
7 Years National Saving Certificates (Lodged with Government Authorities)	0.91	0.71
Shares		
Unquoted		
3,07,300 Equity Shares of Rs. 10/- each fully paid up of Pan Emami Cosmed Ltd.	0.62	0.62
Quoted		
155,500 (155,500) Equity Shares of Rs. 2/- each fully paid up of Emami Ltd.	60.85	60.85
	62.40	62.20
Note :		
Market Value of Quoted Investments	318.00	441.62
Aggregate Value of Quoted Investments	60.85	60.85
Aggregate Value of Unquoted Investments	1.55	1.35

SCHEDULES

annexed to and forming part of the accounts

	(Rs/Lacs)	
	2008-2009	2007-2008
SCHEDULE - 8 : INVENTORIES		
(As taken, valued & certified by the Management)		
Raw Materials & Chemicals	3,699.59	2,135.57
Stores & Spares	2,141.52	1,748.20
Stock in Process	481.58	596.78
Finished Goods	1,832.45	342.02
	8,155.14	4,822.57
SCHEDULE - 9 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Debts due over six months	55.12	131.74
Other Debts	8,602.19	3,095.81
	8,657.31	3,227.55
SCHEDULE - 10 : CASH & BANK BALANCES		
Cash & Cheques in Hand	8.44	8.22
Balance with Scheduled Banks		
In Current Accounts	37.32	20.10
In Fixed Deposit	260.07	114.54
In Unclaimed Dividend Account	3.59	1.29
	309.42	144.15
SCHEDULE - 11 : LOANS & ADVANCES		
(Unsecured, Considered Good)		
Loans & Advances (Recoverable in cash or in kind or for value to be received)	5,442.96	5,370.45
Balance with Central Excise & Port Authorities	1,196.95	1,410.99
Advance Income Tax (Net of Provisions)	432.55	453.21
MAT credit entitlement	599.39	285.16
Deposits	442.09	460.88
	8,113.94	7,980.69
SCHEDULE - 12 : CURRENT LIABILITIES		
Acceptance	1,660.30	21.88
Sundry Creditors for Goods	976.38	273.98
Sundry Creditors for Project	-	754.95
Other Liabilities	856.05	546.12
Unclaimed Dividend	3.59	1.29
Interest Accrued but not due	546.07	491.64
	4,042.39	2,089.86
SCHEDULE - 13 : PROVISIONS		
Proposed Dividend	362.99	604.99
Tax on Dividend	61.69	102.82
Gratuity	-	70.96
Leave Encashment	-	46.05
	424.68	824.82

SCHEDULES

annexed to and forming part of the accounts

	2008-2009	2007-2008
		(Rs/Lacs)
SCHEDULE - 14 : NET SALES		
Sales		
Sales - Gross	43,894.09	22,665.93
Less : Excise Duty	396.63	612.02
	43,497.46	22,053.91
SCHEDULE - 15 : OTHER INCOME		
Dividend	7.00	5.83
Miscellaneous Income (TDS Rs. 5.08 [NIL])	99.13	58.40
Profit on Sale of Fixed Assets	10.77	0.35
Foreign Exchange Fluctuations	-	113.44
Insurance Claim	91.72	25.67
Interest on Short Term Deposits & ICDs	680.42	809.85
	889.04	1,013.54
SCHEDULE - 16 : MANUFACTURING AND OTHER EXPENSES		
RAW MATERIAL AND CHEMICAL CONSUMED	23,804.02	13,789.17
MANUFACTURING EXPENSES		
Consumption of Stores & Spares	1,595.88	921.65
Power & Fuel	3,999.47	2,632.03
Repairs : Plant & Machinery	125.57	108.04
Buildings	31.23	16.79
Others	61.76	32.28
	5,813.91	3,710.79
(INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Goods	342.02	67.01
Stock in Process	596.78	374.02
	938.80	441.03
Closing Stock		
Finished Goods	1,832.45	342.02
Stock in Process	481.58	596.78
	2,314.03	938.80
	(1,375.23)	(497.77)
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages & Bonus	2,228.01	1,709.16
Contribution to Provident Fund & Other Funds	199.77	141.60
Workmen & Staff Welfare Expenses	173.80	111.55
	2,601.58	1,962.31

SCHEDULES

annexed to and forming part of the accounts

	(Rs/Lacs)	
	2008-2009	2007-2008
ESTABLISHMENT AND SELLING EXPENSES		
Rent	59.47	45.78
Rates & Taxes	380.43	193.02
Insurance	74.79	72.32
Directors Fees	3.70	2.35
Miscellaneous Expenses	719.89	433.92
Donation	152.74	60.49
Selling Expenses	149.61	137.64
Freight Outward	1,245.88	508.38
Foreign Exchange fluctuation	1,409.52	-
	<u>4,196.03</u>	<u>1,453.90</u>
	35,040.31	20,418.40
Less: Pre-operative expense of project commissioned (Net)	-	(1,063.08)
	<u>35,040.31</u>	<u>19,355.32</u>
SCHEDULE - 17 : INTEREST		
Interest on Term Loan	1,874.09	377.35
Others	1,735.68	534.94
	<u>3,609.77</u>	<u>912.29</u>
Less : Interest on Working Capital for Trial Run	-	139.08
	<u>3,609.77</u>	<u>773.21</u>

SCHEDULE - 18

NOTES to the accounts and significant accounting policies

1. Significant Accounting Policies

(i) General

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

(ii) Fixed Assets:

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

(iii) Depreciation:

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

iv) Investments:

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

NOTES to the accounts and significant accounting policies

v) Inventories:

- a) Finished goods, stock-in-process, raw materials, stores, chemicals and spare parts are valued at lower of cost or net realisable value.
- b) Valuation of inventory is being done under weighted average cost formula except stores and spare parts of Gulmohar unit which are valued at FIFO formula.

vi) Retirement Benefit:

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

vii) Foreign Currency Transactions:

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

viii) Recognition of Income & Expenditure:

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

NOTES to the accounts and significant accounting policies

ix) Contingent Liabilities and Provisions:

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

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.

NOTES to the accounts and significant accounting policies

xiv) Impairment of Assets :

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

2. Defined Benefit Plans (AS-15 Revised)

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

		2008-09		2007-08	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Funded	Funded	Funded
A	Components of Employer Expenses				
1	Current Service Cost	48.88	12.33	25.16	0.04
2	Interest Cost	21.99	7.65	18.70	5.70
3	Expected Return on Plan Assets	(19.89)	(5.55)	-	-
4	Acturial Losses/(Gains)	46.29	12.07	20.22	24.51
5	Total Expenses recognized in the Statement of Profit & Loss.	97.27	26.50	64.08	30.25

		2008-09		2007-08	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Funded	Funded	Funded	Funded
B	Net asset/(Liability) recognized in balance sheet as at 31st March 2009				
1	Present value of Defined Benefit Obligation	370.09	118.07	259.97	86.03
2	Fair value of plan assets	337.55	96.75	186.67	42.09
3	Net asset/(liability) recognized in balance sheet	(32.54)	(21.32)	(73.30)	(43.94)

NOTES to the accounts and significant accounting policies

	2008-09		2007-08		
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	
	Funded	Funded	Funded	Funded	
C	Change in Defined Benefit Obligation during the year ended 31st March 2009				
1	Present value of PBO at beginning of period	259.97	86.03	207.44	56.51
2	Current Service Cost	48.88	12.33	25.16	0.04
3	Interest Cost	21.99	7.65	18.70	5.70
4	Actual (gains)/Losses	49.32	12.59	20.21	24.51
5	Benefits Paid	(10.07)	(0.53)	(11.54)	(0.73)
6	Present value of PBO at the end of period	370.09	118.07	259.97	86.03
7	Actual Return on Plan Assets	22.92	6.07	15.83	3.29
D	Change in Fair Value of Assets				
1	Plan Assets at beginning of period	186.67	42.09	154.61	35.18
2	Expected Return on Plan Assets	19.89	5.55	13.65	3.09
3	Acturial Gains/(Loss)	3.03	0.52	2.18	0.20
4	Actual company contributions	138.03	49.12	27.77	4.35
5	Benefits paid	(10.07)	(0.53)	(11.54)	(0.73)
6	Plan assets at the end of period	337.55	96.75	186.67	42.09
E	Acturial Assumptions				
1	Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
2	Discount Rate (%)	7.50%	7.50%	7.50%	7.50%
3	Expected Return on Plan Assets (%)	8.00%	8.00%	8.00%	8.00%
4	Rate of escalation in salary (per annum)	5.00%	5.00%	5.00%	5.00%

3. Estimated amounts of capital contracts remaining to be executed and not provided for (net of advances) Rs 199.18 lacs (Rs. 283.90 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 2633.13 lacs (Rs. 73.47 lacs).

NOTES to the accounts and significant accounting policies

- b) Sales tax under appeal (net of advances) – Rs. 265.62. lacs (Rs. 261.03 lacs).
- c) Central Excise duties under appeal (net of Advances) – Rs. 0.96 lacs (Rs. 0.96 lacs).
- d) ESI Contribution under appeal – Rs 0.22 lacs (Rs. 0.22 lacs)
- e) Bonds / Undertakings given under EPCG scheme to Custom Authority – Rs. 2190.42 lacs (Rs.2190.42 lacs)
5. Loans and Advances include inter corporate deposits of Rs. 3616.72 lacs (Rs. 3202.72 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 loans from banks are secured by personal guarantee of some of the Directors of the company and residual charge on Current Assets of the company.
7. Land, buildings and plant & machinery of the Gulmohar Unit and Paper Machine-1 of Balasore unit were revalued as on 01.04.98 and 01.04.99 respectively by independent approved valuers appointed for the purpose. The revaluation has resulted in increase in value of such assets by Rs. 3097.20 lacs. Due to the said revaluation, there is an additional charge of depreciation of Rs 89.77 Lacs (Rs. 104.42 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 921.03. lacs (Rs. 1010.80 lacs).
8. Miscellaneous Expenses include payment to the Auditors including Rs.1.45 lacs (Rs. 1.18 lacs) to Branch Auditors.
- | | |
|---------------------------------------|----------------------------------|
| i) As Audit Fees | : Rs. 4.90 lacs (Rs. 4.90 lacs). |
| ii) As Tax Audit Fees Rs. 0.55 lacs | : (Rs. 0.55 lacs) |
| iii) For Certification :Rs. 1.40 lacs | : (Rs. 0.68 lacs) |
9. Sales are net of commission to selling agents other than sole selling agent Rs.443.75 lacs (Rs. 235.69 lacs).

NOTES to the accounts and significant accounting policies

10. Whole Time Directors' Remuneration :

	31.03.2009	31.03.2008
	(Rs. /lacs)	(Rs. /lacs)
(i) Salary	161.49	132.00
(ii) Perquisites	33.17	4.46
(iii) Commission	100.00	57.00
	294.66	193.46

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

		31st March 2009		31st March 2008	
Profit Before Taxation		3278.33		1768.56	
Add:					
a)	Remuneration paid to Directors	294.66		193.46	
b)	Director's Fees	3.70	298.36	2.35	195.81
Less:					
c)	Profit on sale of Fixed Assets		10.77		0.35
Net Profit for the purpose of Director's Commission			3587.46		1964.02
Commission @ 3% of Net Profit			107.62		58.92
Commission approved by the Board			100.00		57.00

12. Advances include Rs. 43.00 lacs receivable from Shri R.S.Goenka, Executive Chairman, being the excess amount of Commission realizable from him on restatement of Accounts for the financial year 2007-08.

13. There is no outstanding or delayed payments to the Micro, Small and Medium Enterprises. And hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the Micro, Small and Medium Enterprises Developments Act, 2006 are not required.

14. There is no amount due and outstanding to be credited to investor education and protection fund.

15. Fixed Deposits with banks include fixed deposits pledged as security Rs 260.07 lacs (Rs. 114.54 lacs).

16. The Company has exercised the option permitted by Accounting Standard Amendment Rule, 2009 under

NOTES to the accounts and significant accounting policies

the transitional provisions contained in Para 46 of Accounting Standard (AS) 11 (vide GOI Notification No.GSR 225(E) dated the 31st March 2009). The effect of this notification has been given in the financial year 2007-08 by revising the Audited Accounts for the said year. A sum of Rs 6364.80 lacs being the exchange loss for the year arising on reporting of Long-Term Foreign Currency Monetary Items has been added to the cost of depreciable capital asset as at the 31st March 2009. The net increase of Rs. 3754.74 lacs (after adjusting net gain of Rs. 2610.06 lacs relating to Financial Year 2007-08) in the carrying amount of the depreciable capital asset(s) would be depreciated over the balance of the life of the assets.

17. TDS on interest income on short term deposits and ICD's – Rs. 153.46 lacs (Rs. 203.44 lacs)

18. 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	
	2008-09	2007-08	2008-09	2007-08
Paper	Tonnes 145000	Tonnes 145000	Tonnes 136869	Tonnes 82499
Generation of Electricity	MW 20	MW 20	Kwh lacs 1344.39	Kwh lacs 801.92

- 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	1375.00	342.02	130636.74	43894.09	7586.21	1832.45
		(211.00)	(67.01)	(81317.00)	(22665.93)	(1375.00)	(342.02)

* Excludes 21.77 MT (18 MT) for captive consumption and includes miscellaneous sales Rs 173.68 lacs (Rs. 76.67 lacs).

NOTES to the accounts and significant accounting policies

c) Consumption of Raw Materials

Particulars	2008-09		2007-08	
	Qty (MT)	Rs./lacs	Qty (MT)	Rs./lacs
Waste Paper and Pulp	167954.20	20287.29	112141.84	11941.47
Chemical & Others		3516.73		1847.70
		23804.02		13789.17
	Rs./lacs	%	Rs./lacs	%
Indigenous	16510.91	69.36	8300.62	60.20
Imported	7293.11	30.64	5488.55	39.80
	23804.02	100.00	13789.17	100.00

d) Consumption of Stores & Spares

Indigenous	1053.76	66.03	707.14	76.73
Imported	542.12	33.97	214.51	23.27
	1595.88	100.00	921.65	100.00

e) Value of Import on CIF basis

Raw Material & Chemicals	7857.70	4471.29
Stores and Spares	610.89	22.93
Capital Assets	143.50	1351.35

f) Expenditure in Foreign Currency

Interest & Financial charges paid to Banks (Registered in India)	2659.79	2179.65
Traveling & Others	102.24	6.80
Professional Fees	84.00	8.08

NOTES to the accounts and significant accounting policies

19. Segment Information :

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

Particulars	Paper		Power		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
SEGMENT REVENUE						
External Segment Revenue	43,497.46	22,053.91			43,497.46	22,053.91
Inter Segment Revenue			6,479.04	2,430.93	6,479.04	2,430.93
Total Revenue					49,976.50	24,484.84
Less: Inter Segment Revenue					6,479.04	2,430.93
Net Revenue					43,497.46	22,053.91
RESULT						
Segment Result	3870.15	443.01	2,128.91	1,085.22	5999.05	1528.23
Interest	(4,029.10)	(815.17)	419.33	41.96	(3,609.77)	(773.21)
Other Income					889.04	1013.53
Profit/(Loss) Before Tax & Exceptional Items					3,278.33	1,768.56
Exceptional Income					-	-
Profit/(Loss) Before Tax					3,278.33	1,768.56
Provision for Current Tax					(368.68)	(198.24)
Income Tax For Earlier Years					(14.12)	(31.38)
Provision for Fringe Benefit Tax					(25.00)	(20.00)
Provision for Deferred Tax					(976.50)	(444.02)
MAT Credit Entitlement					314.23	285.16
Profit/(Loss) After Tax					2,208.26	1,360.08

OTHER INFORMATION						
Segment Assets	57002.56	41,949.31	12,791.60	12,202.25	69794.16	54151.56
Other Assets					494.95	515.41
Total Assets					70289.11	54,666.97
Segment Liabilities	46569.77	32226.80	4910.17	5901.16	51479.94	38127.96
Other Liabilities					2,984.18	2407.82
Total Liabilities					54464.12	40535.78
Capital Expenditure	8,518.60	23,551.26	999.97	6,183.58	9,518.57	29,734.84
Depreciation	2,006.96	990.35	451.13	180.01	2,458.09	1,170.36

NOTES to the accounts and significant accounting policies

20. Related Party Transactions

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

a. Key Management Personnel

Sri R.S.Agarwal
Sri R. S. Goenka
Sri P. S. Patwari
Sri R C Mall
Sri Aditya Agarwal
Sri Manish Goenka

b. Relatives of Key Management Personnel

Sri Aditya Agarwal

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

Emami Limited
Emami Biotech Limited
Emami Cement Limited

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

(Rs. /lacs)

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise described in (C) above		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Remuneration to Key Personnel								
- Directors	294.66	193.46	-	-	-	-	294.66	193.46
- Others		-	-	-	-	-		-
Directors Sitting Fees	3.30	2.35	0.40	-		-	3.70	2.35
Rent & Maintenance Charges Paid		-		1.35	82.60	82.60	82.60	83.95
Commission Paid		-		-		5.65	-	5.65
Rent received		-		-	16.80	16.80	16.80	16.80
Security Deposit given		-		-	41.30	41.30	41.30	41.30
Security Deposit received					16.80	16.80	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	41.30	41.30
- Security Deposit Received		-		-	16.80	16.80	16.80	16.80
- Director's Commission realisable	43.00						43.00	

NOTES to the accounts and significant accounting policies

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

	<u>2008-09</u>	<u>2007-08</u>
Net Profits after tax (Rs. /lacs)	2208.26	1360.08
Number of equity shares (Nos.)	60499050	60499050
Basic and diluted earnings per share (Rs)	3.65	2.25
Nominal value per share (Rs.)	2.00	2.00

22. Previous year's figures are as per revised Accounts for the financial year 2007-08 which are subject to adoption by the shareholders in the Annual General Meeting.

In terms of our attached Report of even date

FOR **S.K.Agarwal & CO**
Chartered Accountants
S.K.Agarwal
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

BALANCE SHEET ABSTRACT and company's general business Profile for the year ended 31st march,2009

I. Registration No :	<input type="text" value="34161"/>	State Code	<input type="text" value="21"/>
Balance Sheet Date	<input type="text" value="31.03.2009"/>		
II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. / Lacs)			
Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. / Lacs)			
Total Liabilities	<input type="text" value="70,289.11"/>	Total Assets	<input type="text" value="70,289.11"/>
Sources of Funds			
Paid-up Capital/ Share Application Money	<input type="text" value="1,209.98"/>	Reserves & Surplus	<input type="text" value="14,615.01"/>
Secured Loans	<input type="text" value="38,933.55"/>	Unsecured Loans	<input type="text" value="8,504.00"/>
Deferred Tax Liability	<input type="text" value="2,559.50"/>		
Application of Funds			
Net Fixed Assets	<input type="text" value="44,990.90"/>	Investments	<input type="text" value="62.40"/>
Net Current Assets	<input type="text" value="20,768.74"/>	Misc. Expenditure	<input type="text" value="-"/>
Accumulated Losses	<input type="text" value="NIL"/>		
IV. PERFORMANCE OF THE COMPANY (Amount in Rs. / Lacs)			
Turnover (Including other income)	<input type="text" value="44,386.50"/>	Total Expenditure	<input type="text" value="41,108.17"/>
Profit before tax	<input type="text" value="3,278.33"/>	Profit after tax	<input type="text" value="2,208.26"/>
Earning per share (in Rs.)	<input type="text" value="3.65"/>	Dividend Rate (%)	<input type="text" value="30%"/>
V. GENERIC NAMES OF THREE PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms)			
Item Code No.			
<input type="text" value="Product Description"/>		<input type="text" value="Item Code No.- (ITC Code)"/>	
<input type="text" value="Newsprint"/>		<input type="text" value="28030000"/>	
<input type="text" value="Paper and Paper Board"/>		<input type="text" value="28000000"/>	
<input type="text" value="Generation of Steam & Power"/>		<input type="text" value="40020000"/>	

In terms of our attached Report of even date

FOR S.K.Agarwal & CO
Chartered Accountants
S.K.Agarwal
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

for the year ended 31st march, 2009

DESCRIPTION	(Rs/Lacs)	
	2008- 09	2007 - 08
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax	3,278.33	1,768.56
Adjustment for :		
Depreciation	2,547.86	1,274.78
Interest & Financial Charges (Net)	2,929.35	(36.64)
Dividend Income	(7.00)	(5.83)
(Profit) / Loss on Sale of Fixed Assets	(10.77)	(0.35)
(Profit) / Loss on Sale of Investments	-	-
Transferred from Revaluation Reserve	(89.77)	(104.42)
Operating Profit Before Working Capital Changes :	8,648.00	2,896.10
Adjusted for :		
Trade & Other Receivables	(5,269.44)	(68.92)
Inventories	(3,332.57)	(2,592.11)
Trade Payables & Provisions	1,898.10	(501.15)
Cash generated from operations	1,944.09	(266.08)
Interest paid	(3,555.34)	(768.25)
Taxes paid	(387.14)	(486.59)
Transitional Provisions for Employees Benefits	(117.01)	(74.16)
Cash flow before Extraordinary items	(2,115.40)	(1,595.08)
Net Cash from Operating Activities (A)	(2,115.40)	(1,595.08)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(9,119.61)	(8,074.16)
Interest Received	680.42	809.85
Sale / (Purchase) of Investments	(0.20)	(0.21)
Sale /Adjustment of Fixed Assets	21.43	371.61
Dividend Received	7.00	5.83
Net Cash used in Investing Activities (B)	(8,410.96)	(6,887.08)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Increase/(Decrease) in Bank Borrowings	1,935.70	3,981.09
Proceeds from Long Term Borrowings (Net)	9,463.75	(1,511.39)
Dividend & Dividend Tax Paid	(707.82)	(141.56)
Net Cash from Financing Activities (C)	10,691.63	2,328.14
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	165.27	(6,154.02)
* Cash & Cash Equivalents (Opening Balance)	144.15	6,298.17
* Cash & Cash Equivalents (Closing Balance)	309.42	144.15

* Represents Cash and Bank Balances as indicated in Schedule-10.
Notes: Closing Cash & Cash equivalents represents "Cash & Bank Balances" except Rs. 3.59 lakhs lying in designated account with scheduled banks on account of unclaimed dividend which are not available for use by the company

AUDITORS CERTIFICATE

We have verified the above cash flow statement of Emami Paper Mills Limited derived from the audited annual financial statements for the year ended 31st March, 2009 and found the same to be drawn in accordance therewith of Clause 32 of the listing agreements with stock exchanges.

In terms of our attached Report of even date

FOR **S.K.Agarwal & CO**
Chartered Accountants
S.K.Agarwal
Partner

Kolkata
Dated : 3rd day of June, 2009

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

R.S. Goenka
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