

A series of concentric, curved lines in shades of green, blue, cyan, red, orange, and yellow, starting from the top left and curving towards the right.

# turnaround!

Yash Papers Limited ▶ Annual report, 2009-10

A series of curved lines in shades of green, blue, cyan, red, orange, and yellow, starting from the left and curving towards the right, ending in arrowheads.

# in fond memory

A tribute to our founder member  
**Mr. K. K. Jhunjhunwala,**  
whose vision remains our guiding light.





## Corporate information

### Board of Directors

**Mr. G. Narayana**, *Chairman*

**Mr. Ved Krishna**,  
*Managing Director*

**Mr. R. N. Chakraborty**,  
*Executive Director*

**Mrs. Manjula Jhunjhunwala**,  
*Director*

**Mr. G. N. Gupta**, *Director*

**Dr. P. Banerjee**, *Director*

**Mr. Yash Krishna**, *Director*

**Mr. Basant Kumar Khaitan**, *Director*

**Mr. Ramesh Narayan**, *Director*

**Mr. K. D. Pudumjee**, *Director*

### Bankers

State Bank of India

United Bank of India

Oriental Bank of Commerce

Union Bank of India

UCO Bank

### Auditors

Kapoor Tandon & Co.

Chartered Accountants

24/57, Birhana Road

Kanpur – 208001

### Registered office

47/81, Hatia Bazar,

Kanpur – 208001

### Works and corporate office

Yash Nagar,

Faizabad – 224135, Uttar Pradesh

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Fax No: 05278- 258062

Website: [www.yash-papers.com](http://www.yash-papers.com)

Email: [info@yash-papers.com](mailto:info@yash-papers.com)

### Registrar and Share Transfer Agent

Skyline Financial Services Pvt. Ltd.

D-153/A, 1st Floor

Okhla Industrial Place Phase – 1,

New Delhi – 110020

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Fax: 011-26292681

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What we are.  
What we do.  
What we stand for.

### Presence

- Our manufacturing plant is located in the Faizabad district of Uttar Pradesh, one of India's largest wheat producers, facilitating the easy procurement of wheat straw (primary raw material).
- Our products are distributed through a national network comprising 37 dealers; exports are being made to more than 20 countries.
- Listed on Bombay Stock Exchange Limited, Mumbai.

### Innovations

- One of the first Indian paper manufacturers to invest in captive cogeneration.
- The smallest unit in the world with a conventional chemical recovery system.
- One of the earliest to use AC variable frequency drives on re-winders and paper machines.
- One of the few to use rice husk as fuel and agro-residues as raw material.
- One of the earliest paper mills with a CDM-registered project.
- Developed numerous paper grades.

### Products

- Manufacture of unbleached kraft paper including different wrapping grades (30-60 GSM) used in interleaving, bidi wrapping, matchboxes, tobacco pouches, PE coating, wax coating, bituminisation, bangles and glassware, brassware, gum tape, among other uses; Packaging, bag and stationery

grades (60-80 GSM) are used in the manufacture of envelopes, grocery bags, book covers, gift wrap, metallised paper and other stationery materials

- Manufacture of Bleached MG poster paper (30-80 GSM) used in the pharmaceutical industry and FMCG industry with usage in soaps, detergents, food packaging, tea, sugar and salt sachets, cigarette inner liners, tubelight packaging, among others. These grades are also used as base paper for thermal, chromo and metallised grades; PE coating, foil lamination and wax coating are other uses for the MG poster grades

- Manufacture of coloured like orange grades (48-80 GSM) which are used in envelopes and book covers: golden shade (32-40 GSM) is used in envelope and wrapping grades

- Bleached and unbleached pulp to different paper mills

### Equipment

- Three paper machines, manufacturing low grammage MG industrial bleached and unbleached grades; Grammage range extends from 28 GSM to 80 GSM; Total production capacity of 39,100 MTPA
- An integrated pulp mill produces bleached and unbleached pulp grades from agro-based raw material, total capacity: 130 TPD
- Two power plants; one with an output of 2.5 MW and the other with an output of 6 MW; Both with extraction-cum-condensing turbines and rice husk-based FBC boilers
- A chemical recovery plant with capacity of 145 MT BD Solids

# Milestones

## 1981

- Established by promoter Mr. K. K. Jhunjhunwala

## 1983

- Set up Paper Machine I with an installed capacity of 1,940 MT per annum
- Commenced production of low grammage kraft grades
- Created additional capacity of about 2,000 MTPA

## 1991

- Setup Paper Machine II with installed capacity of 10,000 MTPA
- Continued to address the low grammage kraft segment

## 1995

- Set up a 2.5-MW Power plant with an Extraction-cum-Condensing Turbine
- Enhanced Paper Machine II capacity to 16,000 MTPA

## 2007

- Installed Paper Machine III with installed capacity of 23,100 MTPA
- Entered the market of bleached MG grades
- Commissioned integrated infrastructure comprising state-of-the-art 130-tpd pulping stream
- Set up a 6-MW Power Plant and Chemical Recovery Unit of capacity 145 TPD

## 2009

- Focused on specialty products and quality, reinvesting in additional capacity
- CII conducted an Energy Audit to optimise energy consumption
- Implemented TPM to enhance productivity and efficiency
- Emerged the largest manufacturer of wrapping paper grades in brown and white varieties (installed capacity 39,100 tons per annum)
- Implemented Quality Control Systems to stabilise product quality

# From the desk of the Chairman



THE INDIAN ECONOMY GREW BY 7.4% in the fiscal year 2009-10 and this scenario presents an exciting opportunity for a company like ours since paper is an essential commodity and rides national GDP growth.

Yash Papers Limited is a niche market player as most of its products are in the wrapping segment, influenced by retail and FMCG trends. These sectors are on an upswing marked by rising income levels, increasing affordability, favorable demographics, low penetration, increased product availability and wider distribution.

Yash Papers expects to capitalise on this reality through quality upgradation on the one hand and the development of new products to the growing needs of these sectors. The Company is attractively placed in this regard: our integrated

facilities serve as an edge over competitors. For instance, our integrated pulping facilities produce products of a consistently high quality. Besides, our ability to customise products according to customer specific needs has translated into superior and timely innovation.

Yash Papers expects to strengthen its business through the following initiatives in 2010-11:

- Develop higher value grades of paper
- Supply excess power to UPPCL
- Increase sales realisations across all varieties by targeting higher value segments
- Reduce dependence on purchased pulp by setting up a captive wood fibre line
- Enhance the sale of unused pulp
- Enhance productivity in PM3

In the coming years, we aspire to grow in the speciality paper segment as it is a high value-added segment, enjoying premium realisations and leading to higher profits, asset utilisation and revenue growth.

We also expect to enter into joint ventures for the manufacture of high-grade products, leveraging on our strengths to grow laterally in the power and plantation segments.

I am confident that these initiatives will help us reinforce our presence and profitably in a sustained manner over the coming years.

Sincerely,

**G. Narayana, Chairman**

Managing Director's review

# "We expect to sustain this turnaround through better profits during the current financial year."

Ved Krishna reviews the Company's working in 2009-10



## How would you describe the Company's performance in 2009-10?

The financial year under review was challenging but due to the commitment of the Yash Papers team, we succeeded in getting into the black with a post-tax profit of Rs. 7.94 lacs as against net losses in the previous two years. If one studies the performance of the Company across the five successive quarters (starting the first quarter of 2009-10 and ending in the first quarter of 2010-11), one will notice the gradual increase in the Company's bottomline and cash profit. We expect to sustain this turnaround through better profits during the current financial year.

## What challenges did the Company face during the turnaround in 2009-10?

The Yash Papers management

addressed a number of challenges during the year under review:

**Raw materials:** We encountered a sharp increase in the cost of our raw materials, especially wheat straw, on account of increased demand and a delay in the monsoons.

**Loan:** We incurred an interest outflow of Rs. 10 cr on our book debt of Rs. 87 cr during 2009-10. Our interest accounted for 59.85% of our EBIDTA, depressing our bottomline.

**Quality issues:** We encountered quality issues during the course of the year – making paper with wheat straw and matching the quality of paper made from wood fibre using controlled technology – which affected our realisations, margins and profits.

**PM 3:** The capacity utilisation of our Paper Machine 3 declined from 61.85%

in 2008-09 to 51.17% due to the MG cylinder coating and grinding which warranted machine shutdown for 45 days.

## How did the Company respond to these challenges?

With passion, commitment and innovation which was reflected through the following initiatives:

**Customised:** We worked even closer with customers to offer customised products and strengthen our quality. As a result, customer issues declined and we generated a larger number of orders from our existing clients.

**Product mix:** We evolved our product mix towards unbleached paper with higher margins, used extensively in brown paper bags, wrapping bags, gum tape, VCI coated anti-rust papers, automobile wrapping, tobacco packaging



and other specialised products. The proportion of unbleached paper increased from 56.13% of our production in 2008-09 to 72.16% in 2009-10.

**Value-addition:** We countered the increase in raw material costs through the increasing manufacture of value-added grades that fetched higher realisations. As a result, our average realisation increased 9.13% from an average Rs. 28,756 per ton in 2008-09 to Rs. 31,645 per ton in 2009-10.

**Value engineering:** We strengthened the design of our digester related to PM 3, which we expect the uptime of PM 3 to increase from 74.60% in 2009-10 to 93% in 2010-11.

**Raw material management:** We embarked on the exercise to establish a wood source line to enhance product quality and reduce our dependence on wheat straw, which will be reflected in our working from 2010-11 onwards.

**Gearing:** We repaid a part of our loan, which will help us save Rs. 1 cr in interest costs in 2010-11 on a larger turnover.

### You indicated an improvement in operational working. Can you elaborate?

At Yash Papers, we recognised that in a capital-intensive business, success would be derived through a more efficient

sweating of our assets on the one hand and a more responsible use of energy and chemicals on the other. In view of this, the Company reinforced its focus on operational excellence through the following initiatives:

- CII performed an energy audit to help us balance our energy inputs and quantify energy use with the objective of onward rationalisation. The audit helped us assess energy consumption across different manufacturing stages with the objective to target onward reduction and arrive at a prudent energy mix. The result was that the audit helped us rationalise the use of power per ton of paper manufactured by 12% – from 1,350 kwh in 2008-09 to 1,220 kwh in 2009-10 – which resulted in an annual notional saving of Rs. 45 lacs.

- We installed an electrostatic precipitator in our chemical recovery boiler, which helped us achieve two things: control emissions and enhance our chemical recovery from 88% to 93%. This not only reinforced our positioning as a clean company but also strengthened our competitiveness. As a result, our manufacturing expenses declined by 21.33% from Rs. 14.23 cr in 2008-09 to Rs. 11.20 cr in 2009-10.

- We implemented Total Productive Maintenance, which helped reduce the downtime in PM2 by 1.20% and in PM3

by 2%. This correspondingly strengthened our asset utilisation, enabling us to cover our fixed costs more effectively.

### There has been a rebound in the country's paper industry. Will it sustain?

The global market has been volatile with huge fluctuations in pulp and waste paper prices. The Indian industry is also affected by the same. There has been a significant increase in capacity; the same may have an effect in the short-term. Overall, the growth in per capita income and the education shall both continue to fuel paper demand.

### How much of this industry turnaround will translate into the Company's financials?

We expect that the combination of a favourable external environment and stronger internal working will translate into superior numbers for the Company in 2010-11. Some of the initiatives that we are taking to strengthen our performance are:

One, we are reinforcing our focus on contribution over volumes, which should strengthen our margins and financials. Besides, our average realisations climbed 8% during the first quarter of 2010-11.

Two, we expect to achieve a topline of Rs. 110 crores in 2010-11 through a

production increase by 10% following improved capacity utilisation of PM3 to 70%.

Three, generate additional revenues through the enhanced marketing of pulp (installed capacity 39,000 TPA). We marketed 3,150 tons of unconsumed pulp in the open market for an average realisation of Rs. 19,819 per ton in 2009-10, which accounted for 7.68% of our total income in 2009-10, which we expect will sustain during the current year.

Four, we expect to market products in geographies with greater respect for our environmental-friendly products.

Five, we expect to reinforce our revenues through the sale of excess power (generated from our cumulative 8.5 MW capacity) to the state electricity grid.

Six, we expect to increase the export of our end products to Japan, Australia and the US following an increase in wood pulp prices from USD 664 per ton in March 2009 to USD 974 per ton in May 2010, which makes our speciality products – manufactured from wheat straw – increasingly competitive.

A combination of the developments is likely to reinforce the vigour of our turnaround and strengthen our bottomline during the current financial year.





# Our strengths

## 1 Distribution network

The Company possesses a marketing team supported by pan-India dealers.

## 2 After-sales service

The Company's technical team interacts with customers after product sale for feedback and analysis.

## 3 International presence

The Company exported products to 20 countries across the Middle East, Australia and South-East Asia.

## 4 Competitive edge

The Company is an agriculture-based paper manufacturer using wheat straw as raw material.

## 5 Integrated

The Company's captive pulp mill represents a backward integration.

## 6 Environment friendly

The Company's focus is towards achieving a positive carbon footprint and environment friendly company, which is evident from the operation such as paper production from agri-residue, power generation from biomass, complete chemical recovery and the proper treatment of effluent to use it in ponds and in farming.

## 7 Enduring customer relationships

The Company has lasting relationships with its customers which is, made possible by web-based CRM, highly trained technical services and product development teams and transparent functioning of the business.

## 8 Niche player

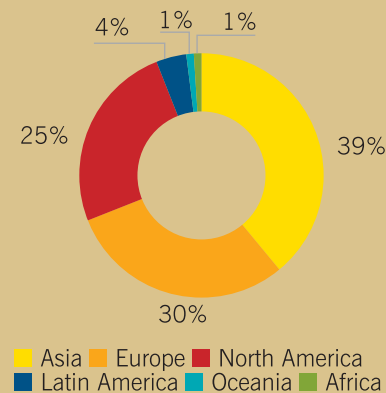
The Company's understanding of the market and its focus in niche products has made it a significant player for each of the niches targeted such as food and pharmaceuticals, wrapping, grocery bags and anti rust etc.

# Management discussion and analysis

## Global paper industry

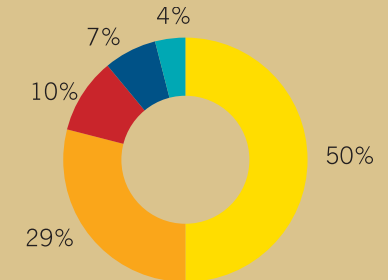
The global paper and paperboard industry is dominated by North America, Europe and Asia. Global paper and paperboard production stood at around 380 million tons in 2008, the US leading with over 100 million tons and accounting for nearly a third of the world's production. With a large number of paper production capacities shutting down in North America and growing capacity creation in Asia (especially China), the latter accounts for over a third of global paper production, while Europe and North America account for about 30% and 25% respectively. Interestingly, even as per capita paper consumption in the US is 300 kg, it is 35 kg in Asia, implying excellent growth prospects.

## Global paper and paperboard production by region



(Source: ForesSTAT, FAO)

## Global paper and paperboard production by grade



■ Wrapping & packaging paper and board  
■ Printing and writing paper  
■ Newsprint  
■ Household and sanitary  
■ Other paper and paperboard

(Source: ForesSTAT, FAO)

Paper demand is unevenly distributed as 72% of the world's paper is consumed by 22% of the world's population – in the US, Europe and Japan (Source: [wrm.org.uy](http://wrm.org.uy)). The world demand for the material is expected to grow by around 3% annually, reaching an estimated 490 million tons by 2020, with significant growth coming out of Asia and Eastern Europe (Source: [pulpandpaper.net](http://pulpandpaper.net)).

Asia dominates the demand for paper and paperboard; consumption increased at a CAGR of 7% across 2003-08 (Source: [Paperage.com](http://Paperage.com)). China is now the world's second-largest household paper consuming nation (Source: [Chinadaily.cn](http://Chinadaily.cn)).

## Indian paper industry

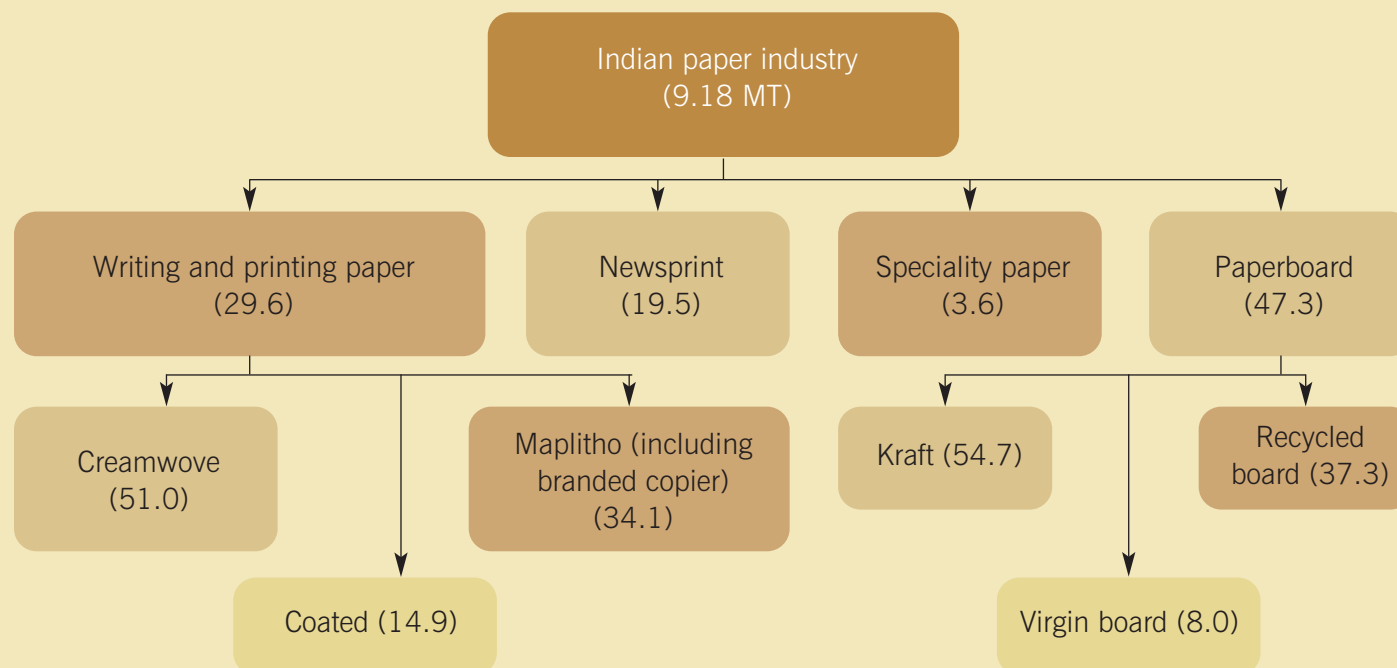
The Rs. 25,000-crore Indian paper industry accounts for about 1.6% of the world's paper and paperboard production even though the country accounts for nearly 16% of the global population. The Indian paper industry's market size has been estimated at Rs. 321 billion, growing at a CAGR of 10.5% from around Rs. 195 billion in 2003-04 to Rs. 321 billion in 2008-09. In 2009-10, the country produced 9.18 million tons of

paper, growing at an average 6-7% compared with 2% growth in developed countries (Source: Assocham). The paper industry growth is forecast at 8.4% annually, touching 11.5 million tons in 2011-12 and 15 million tons by 2015 (Source: Business Line, 7 May, 2010).

In India, paperboard accounts for nearly 47.3% of the total market size, followed by writing and printing paper (29.6%), newsprint (19.5%) and speciality paper (3.6%) according to CRISIL Research.

India is among the world's fastest growing paper markets; an increase in consumption by one kg per capita can potentially increase annual paper demand by a million tons. India's paper production is forecasted to grow at a CAGR of 8.4% while consumption is pegged at a CAGR of 9% till 2012-13 on account of a growing demand for tissue paper, tea bags, filter paper, light weight online coated paper and medical grade coated paper (Source: Business Line, 7 May, 2010).

## Structure of the Indian paper industry



Note: Figures in brackets indicate share of the category in percentage terms (Source: Crisil Research)

## Positive macro triggers

**Low per capita consumption:** India's per capita paper consumption grew 10.6% in 2009-10 (from 8.3 kg in 2008-09 to 9.18 kg) compared with 42 kg in China and 350 kg in developed countries (Source: Assocham), implying a large scope for correction.

**Export opportunity:** A number of European and US paper mills are shutting down owing to overcapacity and cost issues, an attractive export opportunity for Indian paper mills. Besides, Indian paper manufacturers, utilising agriculture-based raw material, possess a sustainable growth opportunity on account of growing environment consciousness.

**Packaging industry:** The Rs. 77,570-crore Indian packaging industry (as on April 2010) grew around 15% year-on-year (Source: Indianpackagingshow.com). The paperboard market size was about Rs. 120 billion in 2009; demand grew at a 3.4% CAGR from 3.7 million tons in 2004 to 4.4 million tons in 2009 (Source: CRISIL Research), riding a growth in the pharmaceutical, cigarettes, textile, FMCG, consumer durable and retail segments.

**Changing lifestyles:** With improving domestic living standards, demand for speciality paper (tissue paper, fine art paper, business card paper and greeting card paper) is expected to increase at around 8% CAGR

Paper type	Uses	Varieties	Demand drivers
Writing and printing paper	Writing, printing, stationery	Creamwove, maplitho, paperboard, copier and coated paper	Population growth, level of literacy, public and private spending on education, level of business activity, increasing presence of modern retail formats and growth in the printing industry
Paperboard	Industrial purpose	Kraft paper, recycled board and virgin board	Growth in the packaging industry, industrial production and development in packaging technology and substitution by other materials
Speciality paper	Tissue paper, fine art paper, paper for specialised industrial usages such as steel mill kraft, insulation grades, etc	Duplex, grey and white board and MG posters	Consumption of this paper variety is linked to the standard of living as well as per capita income
Newsprint paper	Printing of newspapers and magazines	Glazed and standard paper	Growing economy, growing circulation and readership

**Demand and supply:** Domestic paper demand grew steadily at a CAGR of 6.5% – from 6.8 million tons in 2003 to 9.3 million tons in 2009 (*Source: CRISIL Research*). With rising economic growth,

share of the paperboard segment in total demand has increased. The paperboard segment accounts for around 47% of demand, while the writing and printing, newsprint and speciality paper segment

accounts for nearly 30%, 20% and 3% respectively. It is expected that by 2014, paperboard demand will grow at a 7% CAGR due to a healthy growth in industrial production and recovery in the consumer

goods sector. Demand for writing and printing paper is expected to grow 6.5% CAGR, driven by the government's thrust on education and overall economic growth.

## Estimated paper demand

Paper demand statistics	2005	2006	2007	2008	2009E	2010E	2011E
Per capita consumption (Kg)	7	7.3	7.8	8.3	9.18	9.4	10
Growth (%) in per capita consumption		4.20%	6.80%	6.40%	10.60%	3.20%	6.30%
Indian population (mn)	1,096	1,114	1,131	1,147	1,164	1,182	1,199
Growth (%)		1.60%	1.50%	1.40%	1.40%	1.50%	1.50%
Total paper demand (mn MT)	7.7	8.1	8.8	9.5	10.2	10.2	12
Growth (%)		5.80%	7.80%	8.10%	8.10%	8.10%	8.10%

*Source: Census 2001, National Sample Survey Organisation, IPMA, Karvy estimates*

**Production:** The Indian paper industry is fragmented; the top five producers accounting for around 20-22% of the total Indian paper capacity. In 2009, the annual operating capacity was 9.1 million tons and annual production was 7.4 million tons, and with currently undertaken expansions, another 15 lac tons is expected to be added by 2012 (*Source: CRISIL Research*).

(In 000' tons)

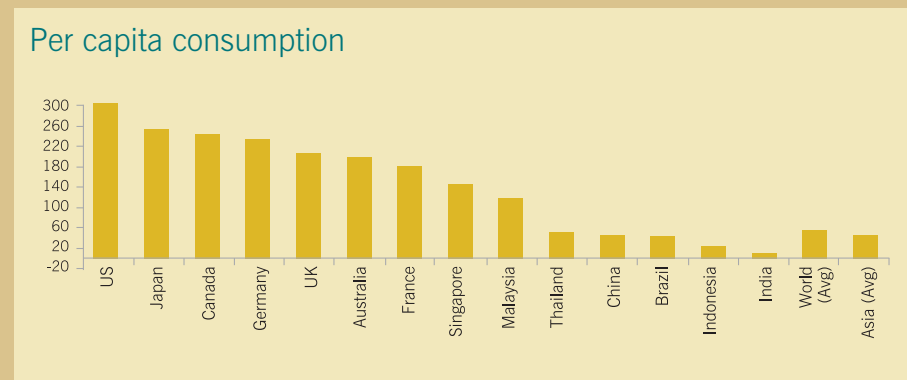
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	CAGR <sup>1</sup> (%)
Capacity	7,290	7,502	7,632	8,052	8,502	9,102	4.5
Production	5,530	5,870	6,277	6,660	7,066	7,458	6.2
Capacity utilisation	75.9	78.2	82.2	82.7	83.1	81.9	
Demand	5,452	5,793.4	6,170.4	6,579.5	7,040.8	7,488.5	6.6
Imports	172	195	314	377	469.4	572.6	27.2
Exports	250	275	421	458.1	494.7	531.3	16.3

<sup>1</sup> CAGR for the period 2003-04 to 2008-09

(*Source: CRISIL Research, Industry*)

**Consumption:** As paper consumption is linked to economic development, India has emerged as one of the world's fastest growing paper markets. Per capita consumption increased from 8.3 kg during 2008-09 to 9.18 kg in 2009-10, a

growth of 10.6% (*Source: Assocham*), even though this is low compared with Japan's 250 kg, Korea's 170 kg, China's 45 kg, world average per capita consumption of 56 kg and Asian average of 46 kg.



**Price:** Raw materials and power constitutes the major cost, accounting for around 55-60% of the total costs. The paper industry faces a demand-supply mismatch, resulting in price rise. The cost of pulp has been rising after the global slump, reaching an all time high of USD 974 per ton as on 2009 (*Source: CMIE*). Moreover, an earthquake in Chile recently disrupted pulp supplies of about three million tones, resulting in an increase in price of pulp globally.

Further, the US government withdrew a subsidy of USD 125-150 per ton for the treatment of black liquor (generated during pulp manufacturing), which is a harmful

effluent and by-product of kraft paper manufacture. The withdrawal of the subsidy discouraged wood use for pulp manufacture, boosting the demand for its alternative – waste paper.

As per CRISIL estimates, the domestic prices of paper are expected to increase over 2010-11 and 2011-12. The manufacturers are increasing capacity significantly, adding about 1.5 to 2 million tons between 2008 and 2012, most of which are in the writing and printing segment. Paperboard prices are likely to increase by 10-12%, owing to lower capacity additions and higher demand growth.

# Ten-year financial summary

(Rs. in lacs)

	Mar-01	Mar-02	Dec-02 (nine months)	Dec-03	Dec-04	Dec-05	Dec-06	March- 08 (15 months)	March-09	March -10
<b>Operating results</b>										
Sales and other income	2,246.45	2,195.19	1,918.23	2,725.05	2,932.42	2,975.17	3,413.21	6,204.53	9,186.97	8,867.97
Raw material	432.60	413.14	376.37	614.84	705.80	805.79	858.34	1,445.00	2,658.62	2,499.51
Chemical consumed	432.06	435.24	266.66	425.33	441.96	522.43	584.40	1,033.73	1,423.18	1,119.54
Power and fuel	259.92	242.44	222.62	488.72	353.98	393.61	462.30	1,168.10	1,620.71	1,284.66
Stores and repairs	120.26	113.67	98.41	101.86	150.90	146.43	200.76	315.15	432.36	612.35
Salaries and wages	161.22	158.25	140.32	180.41	187.80	222.14	239.61	467.45	487.22	527.89
Administrative and selling expenditure	448.13	415.48	389.94	564.58	609.99	583.27	677.03	977.72	1,094.44	1,153.09
Interest	133.87	141.64	80.57	87.90	73.09	59.71	51.16	787.71	1,140.08	1,023.13
Gross profit	258.39	275.33	343.34	261.61	408.90	241.79	339.61	9.67	330.36	647.80
Depreciation	115.44	131.86	104.10	141.64	142.84	147.72	160.31	548.70	629.22	634.78
<b>Provision for taxation</b>										
- Current tax	12.50	11.00	18.84	39.55	95.75	52.00	56.90	9.50	5.00	2.01
- Deferred tax	-	55.29	85.24	(7.07)	11.81	(55.24)	12.31	(224.30)	(88.91)	2.41
Net profit	130.45	77.18	135.16	87.49	158.50	97.31	110.09	(324.23)	(214.95)	8.60
Earning per share	3.37	2.00	3.50	2.26	4.10	*0.90	0.53	(1.51)	(0.92)	0.04
Dividend %	-	5.00	10.00	10.00	12.50	-	-	-	-	-

\* Computed on weighted average No. of equity shares for the year.

(Rs. in lacs)

	Mar-01	Mar-02	Dec-02 (nine months)	Dec-03	Dec-04	Dec-05	Dec-06	March- 08 (15 months)	March-09	March -10
<b>Financial summary</b>										
<b>Assets employed</b>										
Fixed assets (at cost)	2,691.67	2,845.29	2,930.64	2,987.38	3,122.33	4,200.40	10,631.22	13,423.32	13,399.24	13,566.58
Fixed assets (net)	1,906.28	1,949.92	1,944.46	1,898.21	1,906.86	2,855.71	9,142.69	11,431.64	10,825.25	10,380.48
Investments	5.31	1.81	1.76	0.26	0.06	410.67	0.06	0.06	0.06	0.06
Current assets (net)	540.56	499.98	379.99	510.12	569.24	1,673.90	1,273.13	1,542.69	2,307.71	2,081.76
<b>Miscellaneous</b>										
Expenditure	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	15.06
Total assets	2,452.15	2,451.71	2,326.21	2,408.59	2,476.16	4,940.28	10,415.88	12,974.39	13,133.02	12,477.36
<b>Financed by</b>										
Total shareholders' funds	1,420.13	1,537.24	1,719.68	1,753.04	1,868.72	4,096.91	4,194.31	3,874.24	3,712.25	3,722.60
Share capital	386.55	386.55	386.55	386.55	386.55	2,066.55	2,066.55	\$2,279.65	2,400.00	2,400.00
Reserve and surplus (net)	1,033.58	**787.47	884.67	925.11	1,028.98	1,632.41	1,717.50	1,408.63	1,215.20	1,223.14
Deferred tax liability	-	363.22	448.46	441.38	453.19	397.95	410.26	185.96	97.05	99.46
Borrowings	1,032.02	914.47	606.53	655.55	607.44	843.37	6221.57	9,100.15	9,420.77	8,754.76
Long term	736.13	677.31	560.28	452.14	329.67	595.50	5934.89	7,838.46	7,910.16	7,157.15
Short term	295.89	237.16	46.25	203.41	277.77	247.87	286.68	1,261.69	1,510.61	1,597.61
Debt: Equity	0.73	0.59	0.35	0.37	0.33	0.21	1.48	2.35	2.54	2.35
<b>Other information</b>										
Production in MT	12,757	12,820	11,188	14,795	14,762	15,063	16,158	24,929	2,9751	26,598

\$ Includes Rs. 23.10 lacs deposit against preferential equity warrants.

\*\*Reduced due to provision of the Deferred Tax Liability of Rs. 307.93 as on 1st April, 2001.



# Our operations



## Input management

In a paper manufacturing company, timely raw material availability is critical as any shortage can impact capacity utilisation and viability.

Owing to rising bagasse prices, the Company shifted its raw material mix to wheat straw (83% of requirement), gunny bags (4%), softwood pulp (3%) and bagasse (10%).

The Company is advantageously situated in Faizabad in eastern Uttar Pradesh, a locational advantage vis-à-vis sourcing of raw materials, which are sourced from within a 200-km radius of the mill, at a cost lower than in other parts of India. The Company enjoys strong relationships with

raw material suppliers and farmers, facilitating economical and timely procurement.

### Road ahead

- Procure material from new locations like Sitapur and Hardoi, which are just outside the 200-km radius
- Strengthen the raw material blend through the introduction of raw materials like hosiery and cotton waste
- Increase the quantity of jute and gunny bags from the current 4% to 10%

Raw materials	Cost per ton (in Rs.)	% of revenue	% of total raw materials	Increase/ decrease in the cost in 2009-10 over 2008-09 (%)
Bagasse	2,730	2.42	8.59	28.90
Wheat straw	2,538	17.86	63.37	0.71
Old gunny/Jute goods	4,259	1.37	4.80	7.77
Unbleached softwood	23,617	2.19	7.80	(18.75)
Bleached softwood	30,722	4.25	15.07	(19.91)

## Quality

In paper manufacture, quality consistency is critical for survival as any variation can impact the Company's brand.

Yash Papers has always focused on product quality derived out of process discipline.

### Highlights, 2009-10

- Implemented an online-driven quality control system in Paper Machines II and III to manage product weight, quality, moisture and ash content
- Reduced quality issues by 25%
- Improved poster paper gloss and printability through superior management of ultra fine talc as a filler
- Reduced variations in paper quality by taking 10 cm x 10 cm paper samples of reels instead of 20 cm X 25 cm samples

### Quality parameters

Parameters	Earlier	Now
Paper brightness	79-81%	80-81%
Grammage variation of paper from standard	10%	5%
Diffused opacity	65%	75-80%
Tensile strength kg/ 15 mm	1.0 – 3.5 Kg/ 15 mm	1.5 - 6.0 Kg/ 15 mm
Ash content	10-12 %	10-15%

### Road ahead

- Stabilise production at a high-quality standard
- Develop a special kraft grade for interleaving stainless steel sheets
- Develop insulation grade kraft for electrical industries
- Develop a special grade for bags for the Middle East markets
- Work to enter the specialised high-value fireworks industry market
- Manufacture high wet-strength kraft and poster paper
- Improve the market penetration of base paper for anti-rust usages

## Research and Development

In a business where the end product enjoys diverse applications, the key lies in prudent customisation.

The Company has consistently focused on cost reduction and quality improvement (paper strength and surface properties) with the objective of reducing customer complaints.

### Highlights, 2009-10

- Developed the end product in two new shades – yellow and pista
- Strengthened product formation, drainage, retention and strength through dry strength additives
- Improved tear factor, reduced the consumption of softwood bleached pulp through superior bleaching sequence control parameters

- Invested in the determination of CED pulp viscosity (indicates pulp degradation during bleaching) which will enhance pulp strength and brightness
- Developed a new grade of kraft anti-rust, used as a VCI coating base
- Discontinued the use of sodium thio-sulphate in bleached pulp to eliminate the residual chlorine in pulp

### Road ahead

The Company expects to reinforce its product and process consistency through proposed ISO 9001, ISO 14001, OHSAS 18001 and FSC certifications.

## Marketing and distribution

In the business of paper manufacture, it is imperative to market the right product to the right user in the right location at the right price at the right time.

The Company strengthened its marketing and distribution resulting in superior service.

### Highlights, 2009-10

- Marketed customised products like anti-rust paper, gum tape and bag paper
- Reached a larger number of customers directly, circumventing traditional distribution channels
- Entered seven new countries

- Awarded Best Exporter of the Year by the UP state government
- Generated repeat orders for exports to Europe and SouthEast Asia

### Road ahead

The Company will focus on exports and increase sales volume per customer through an increased product offering. The Company expects to increase the proportion of high-value kraft products in its product mix.

## Operations

In a capital-intensive business marked by the manufacture of a number of end products, success is derived from optimal asset use on the one hand and a diverse product mix on the other.

The Company strengthened its operations during the course of the year under review.

### Highlights, 2009-10

- Developed two paper varieties – kraft bag plain (KBP) and poster bag plain (PBP)
- Implemented total productivity maintenance (TPM) for enhancing productivity, standardising operations, measuring operations and checking for deviations through policies, rules, directives and standard operating procedures
- Rationalised power consumption per ton of paper by 12% (from an average 1,350 kwh in 2008-09 to 1,220 kwh) through Deloitte's energy audit
- Initiated total productive maintenance (TPM) through the institution of two teams (Daily Management Team and Autonomous Management Team), resulting in better machine uptime
- Implemented quality control system (QCS) for better moisture control and weight per square metre in the end product

- Reduced chemical and liquor consumption from 12.5% in 2008-09 to 11% in unbleached paper manufacture and from 16% in 2008-09 to 15% in bleached paper manufacture, which rationalised costs
- Made design modifications in the digester in the pulp mill, which reduced downtime and improved productivity

### Road ahead

- Produce an average 3,000 TPM through the installation of suction roll to reduce downtime and improve productivity
- Reduce power consumption to 1,100 kwh through kaizen through the elimination of needless operations and operational standardisation
- Strengthen the surface property of paper (used in the soap segment) and dimensional stability
- Reduce off-quality from 6% to less than 2% through the implementation of quality control system resulting in online measurement and control
- Achieve zero customer complaints through improved product quality

## Human resources

The Company invested in its people competencies through prudent recruitment, continuous training and attractive rewards to enhance retention.

The Company's human capital increased from 377 employees in 2008-09 to 384 employees in 2009-10.

### Training and development

The Company developed a grading system called the Yash Samriddhi Path to improve employee understanding of the required skill sets of each job or area of work within the plant and enable each employee to chart his career path within the organisation. According to employee evaluation through this system, the Company arranges for regular training programmes – at various levels within the plant, guided by internal and external trainers – for enhanced productivity and personal development. The Company aims to create a world-class organisation with a motivated workforce that is able to deal with the challenges at the workplace in a focused and exemplary manner.

### Appraisal

The Company follows a self appraisal system called Lakshya Patra, in which the employees fill their own targets to be achieved during the month, which are then discussed with their supervisors. At the end of the month, the employees compare the targets with actual performance and evaluate themselves, and this forms the basis of the bonus awarded at the end of the year. Also, at the end of the year, soft skills and other desirable attributes such as teamwork, responsibility and initiative are evaluated, a basis for increment. The results are available to each employee for reference.



# STATUTORY SECTION

# Directors' Report

*Dear Shareholders,*

Your directors have the pleasure of presenting the 29th Annual Report together with the audited Statements of Accounts of your Company for the financial year ended 31st March, 2010.

## Financial Results:

The summary of operating results of your Company for the year 2009-10 is given below:

	(Rs. In lacs)	
	Current Year ended 31.03.2010	Previous Year ended 31.03.2009
Net sales	8,137.29	8,363.54
Other income	419.00	420.69
Increase/(Decrease) in stocks	61.55	(34.88)
Total expenditure	6,946.92	7,278.91
Interest	1,023.12	1,140.08
Depreciation	634.78	629.22
Profit before tax	13.02	(298.86)
Provision for taxation		
- Current tax	2.01	5.00
- Deferred tax	2.41	(88.91)
Net profit (net loss)	8.60	(214.95)



## Dividend

In view of in-sufficient profit during the year the Directors have not declared dividend this year.

## Operations

Your Company has achieved a production of paper and saleable pulp of 26,598 MT and 3.603 MT during the year ended 31st March, 2010 as against a production of 29,751 MT and 1,455 MT in the previous year ended 31st March, 2009.

The Company has achieved sales of paper and saleable pulp of 26,505 MT and 3,153 MT during the year ended 31st March, 2010 against sales of 30,606 MT and 405 MT in the previous year ended 31st March, 2009. The Company achieved a gross turnover of Rs. 84 crores in the current year against Rs. 88 crores in the previous year.

Reserves as on 31st March, 2010 stood at Rs.12 crores as compared to Rs.12 crores of the preceding periods 31st March, 2009.

## Export

The Company exported 2,384 MT of paper during the year ended 31st March, 2010 against 1,472 MT during the previous year ended 31st March, 2009.

## Insurance

The properties of your Company comprising buildings, plant and machinery, other assets, stocks, etc., were adequately insured against various risks.

## Outlook

We expect to achieve a higher topline in 2010-11. With the adoption of aggressive cost optimisation programmes and the flexibility to produce higher value kraft output from PM I and PM II and high-value poster paper from PM III, we expect to turn in a net profit margin of 10 percent. This will drive our EPS to Rs. 6 in 2010-11, thereby building a strong case for the re-rating of our stock (market price at the close of 31st July, 2009 (Rs 5.20).

Accordingly, your Directors are reasonably confident of achieving much better results in the year 2010-2011.

## Human Resource And Welfare

The Company considers its human resource to be its asset. The Company thus continues to enhance its employees' skills and keep them updated with industry dynamics. We endeavor that our employees remain satisfied and have best working environment. We have the most cordial industrial relations. The Directors wish to place on record their deep appreciation for dedication of the employees and their commitment to performance.

## Fixed Deposits

The Company was holding an aggregate sum of Rs.211.58 lacs on account of deposits from the public, employees and shareholders as on 31st March, 2010. Five depositors did not claim their deposits amounting to Rs.0. 68 lacs which matured during the previous years.

## Directors

Your Directors, Mrs. Manjula Jhunjunwala, Mr. G. N. Gupta and Mr. Yash Krishna, retire by rotation and being eligible, offer themselves for re-appointment.

## Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to the financial statements of the company for the year 2009-10, the board of Directors hereby state and confirm:

1. That in the preparation of annual accounts, applicable Accounting Standards have been followed;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts on a going concern basis.

## Statement pursuant to listing

The equity shares of the Company are listed with the Bombay Stock Exchange Limited, Mumbai. The Listing fees

have been paid for the Financial Year 2010-2011.

\* The Company has applied for voluntary delisting of its equity shares from the U. P. Stock Exchange Limited, Kanpur as under the SEBI (Delisting of Securities) Guidelines, 2003 and U. P. Stock Exchange Limited, Kanpur has granted its approval through its Letter No.UPSE/2009-10/Listing/1116 dated June 28, 2010.

### Corporate governance

A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement is furnished as a part of the Directors' Report together with a certificate from the Statutory Auditors confirming compliance with the said code is annexed to the said report.

### Other information

The particulars 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 are given in Annexure and form part of this report.

None of the employees covered under Section 217 (2A) of the Companies Act, 1956 has gross receipt of Rs.24,00,000/- per annum or Rs.2,00,000/- per month.

### Auditors' observations

The observations in the Auditor's Report are based on the following Notes:-

1. Note no. B-2 (a) of Schedule-17 regarding pending litigation in respect of Trade Tax, Excise Duty, Income Tax and non provision of demands in respect thereof.
2. Note no. B-20 of Schedule-17 regarding income of Rs. 270.48 Lacs from Certified Emission Reductions

(CERs) accrued for the year ended 31st March, 2010.

3. Note no. B-21 of Schedule-17 regarding non provisioning of Loss of Rs. 158.95 Lacs in respect of disputed Derivative (Structured USD/CHF Option) transaction.

### The replies to the above qualifications by the Board of Directors are as below:

1. The Company is confident of favourable disposals of pending appeals, hence no provision is required at this stage.
2. The Company has installed a '6 MW Biomass Co-generation Power Plant' for captive consumption (the project). The project has already been registered with UNFCCC (The United Nations Framework Convention on Climate Change) on 01.04.07. The project is under CDM (Clean Development Mechanism) verification and final report is awaited. The Company has entered into an Agreement (Emission Reduction Purchase Agreement) with the Belgian State for sale of CERs (Certified Emission Reductions) generated on account of GHG (Green House Gasses) Emission Reduction. In view of forgoing a sum of Rs. 270.48 lacs has been recognised as income towards CERs accrued for the year ended 31st March, 2010.
3. The Company has disputed a Derivative transaction (Structured USD/CHF Option) entered into with ICICI Bank Ltd. Accordingly, loss of Rs. 55.84 lacs on account of unwinding charges (partial unwinding), Rs. 64.12 lacs on account of 'Mark to Market' valuation of outstanding exposure and Rs. 38.99 lacs (including Rs. 24.53 lacs for the current year) on account of unpaid interest accrued on above; aggregating to Rs. 158.95 lacs has not been provided. On the basis of legal opinion no provision has

been considered necessary by the management. However the same has been disclosed as contingent liability in Note no. B-2(d) of Schedule 17.

### Auditors

M/s Kapoor Tandon & Co., Chartered Accountants, Kanpur, retire at the ensuing Annual General Meeting. They have expressed their willingness to continue in office, if re-appointed and have furnished the requisite certificate of their eligibility pursuant to Section 224(1B) of the Companies Act, 1956.

### Listing on stock exchange

The Company's equity shares are currently listed with the Bombay Stock Exchange Limited, Mumbai. The Company has paid the requisite listing fees to the stock exchange for the financial year under review.

### Acknowledgements

Your Directors would like to express their grateful appreciation for overwhelming cooperation and assistance received from the Banks, Shareholders, Vendors, Customers and Government authorities during the year.

Your Directors also wish to place on record their appreciation for the whole hearted commitment, contribution, sincere and dedicated efforts by the entire Yash team to attain the Company's consistent growth.

For and on Behalf of the Board

Place: Faizabad

Date: 12th August, 2010

G. Narayana

Chairman



# ANNEXURE TO DIRECTORS REPORT

Information pursuant to the companies (disclosure of particulars in the report of board of directors) rules, 1988.

## 1. Conservation of energy

### (A) Energy conservation measures taken

- i. Energy audit done by CII for entire plant and recommendation has been implemented.
- ii. Installation of energy efficient lights.
- iii. Installation of capacitors to increase power factor.
- iv. Rationalisation of motors.
- v. Speed optimisation of pulp and agitators.
- vi. Minimisation of water consumption.

### (B) Additional investment and proposals, if any, being implemented

For reduction of consumption of energy

- i. Installation of energy efficient drive (gearbox and motor) of continuous digester
- ii. Installation of natural light and air ventilators.
- iii. Installation of energy efficient drives in Pulp mill equipment
- iv. Installation of capacitors to increase power factor.

### (C) Impact of the measures of the above

The implementation of the above measures for energy conservation by the Company has resulted in reduction in power & fuel consumption from 1350 kwh per MT to 1220 kwh per MT.

### (D) Total energy consumption and energy consumption per unit of

Production as per prescribed form A of the annexures in respect of the industries specified in the schedule thereto.

## I. Power and fuel consumption

	Current Year	Previous Year
<b>(a) Electricity</b>		
(i) Purchased unit (lacs)	Nil	Nil
Total amount (Rs. in lacs)	Nil	Nil
Rate / unit (Rs.)	Nil	Nil
<b>(ii) Own generation</b>		
Through diesel generator		
Unit (lacs)	0.29	0.39
Unit per litre of diesel oil	5.09	4.09
Cost / unit (Rs.)	6.11	8.29
Through steam turbine		
Unit (lacs)	372.29	401
Unit per MT of fuel (Paddy husk)	952*	970*
Cost / unit (Rs.)	1.70	1.26
Note: *Steam Turbine is extraction cum condensing type hence fuel allocation is on an estimated basis.		
(b) Coal Quantity (MT)	Nil	Nil
(c) Furnace Oil Quantity (Kilo litre)	Nil	Nil
(d) Others		
(i) Paddy Husk Quantity (MT)	71663	75138
Total Cost (Rs.in lacs)	1157.96	1220.45
Average Rate (Rs.)	1616	1624
(ii) Bagasse/ Pith Quantity (MT)	1643	4802
Total Cost (Rs.in lacs)	8.31	25.20
Average Rate (Rs.)	506	525

## II Consumption per unit of production of paper

	UOM	Current Year	Previous Year
Electricity	Units	1401*	1349*
Furnace Oil	Litre	Nil	Nil
Coal	MT	Nil	Nil
Paddy Husk	MT	1.25**	1.20**
Bagasse Pith	MT	3.00**	3.00**

\* Inclusive of consumption for operation of turbine equipments.

\*\* Bagasse pith is used alongwith the paddy husk as fuel for producing steam which is used for paper manufacturing and power generation hence consumptions are estimated.

## 2. Technology absorption

Efforts made in technology absorption as per prescribed form B of the annexure.

### (A) Specific areas in which R & D carried out by the Company

R & D centre is doing research in non-wood fibers under guidance of consultants.

(B) Benefits derived as a result of the above R & D  
Enhancement in quality and reduction in cost.

### (C) Future plan of action

To strengthen and continue improvement in quality through improvement of process control systems to reduce process time & wastage. To develop new grades of paper.

## (D) Expenditure on R & D

(Rs. in lacs)

	Current Year	Previous Year
(i) Capital	-	-
(ii) Recurring	9.59	6.61
(iii) Total	9.59	6.61
(iv) Total R & D Expenditure as a percentage of total turnover	0.12	0.08

## (E) Technology absorption, adaptation and innovation

(i) Efforts, in brief, made towards technology absorption, adaptation and innovation :-

Installation of pulp cleaning equipment

(ii) Benefits derived as a result of the above efforts

e.g. Product improvement, cost reduction, product development import substitution, etc.

Improvement in existing process and product quality, performance, productivity and cost reduction.

(iii) Imported Technology (Imported during the last five years reckoned from the beginning of the financial year)

None

## 3. Foreign exchange earning and outgo

(A) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;

The Company has continued thrust on exports.

### (B) Total foreign exchange used and earned

i. Used Rs.6,02,24,075/-  
(Including Interest Rs.70,75,322/-  
on FCNRB loan taken from SBI  
as part of working capital limits.)

ii. Earned Rs.7,24,11,320/-

For and on Behalf of the Board

Place : Faizabad  
Date : 12th August, 2010

G. Narayana  
Chairman



# Report on corporate governance

## Corporate Governance Compliance Report

In terms of Clause 49 of the Listing Agreement (Clause 49) entered into with the Stock Exchange, the Corporate Governance Compliance Report is provided hereunder:

### 1. Company's Philosophy on Code of Governance

The Company's Philosophy on the Code of Governance as adopted by its Board of Directors:

- Ensure that the quantity, quality and frequency of financial and management information, which the management shares with the Board, fully places the Board Members in control of the Company's affairs.
- Ensure that the Board exercises its fiduciary responsibilities towards shareowners and creditors, thereby ensuring high accountability.
- Ensure that the extent to which the information is disclosed to present and potential investors is maximised.
- Ensure that the decision-making is transparent and documentary evidence is traceable through the minutes of the meeting of the Board/Committees thereof.
- Ensure that the Board, the Management, the Employees and all concerned are fully committed to maximising long-term value to the shareowners and the Company.
- Ensure that the core values of the Company are protected.
- Ensure that the Company positions itself from time to time to be at par with any other world-class company in operating practices.

### 2. Board of Directors:

The Board meetings schedule is circulated to all the Board Members in the beginning of every financial year. The Board members are provided with well structured and comprehensive agenda papers. All major agenda items are backed by in-depth background information and analysis wherever possible, to enable the Board members to take informed decisions.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decision involving policy formulation, strategy

#### a) Composition of the Board:

The present Board consists of two Executive Directors and eight Non-Executive Directors. The Non-Executive Directors with their diverse knowledge, experience and expertise brings in their independent judgment to the deliberations and decisions of the Board. The Non-Executive Directors did not have any material pecuniary relationship or transactions with the Company during the year 2009-10.

The Company has a Non-Executive Chairman. The Company is having six Independent Directors which is more than 60% of the total number of Directors. The Company

meets the requirement relating to the Composition of Board of Directors.

#### b) Non-Executive Directors' compensation and disclosures:

The Non-Executive Directors are paid sitting fees within the limits prescribed under the Companies Act, 1956.


#### c) Other provisions as to Board and Committee:

During the year 2009-10, six meetings of the Board of Directors were held on 27th April, 2009, 29th July, 2009, 29th September, 2009, 26th October, 2009, 29th January, 2010 and 3rd March, 2010. The maximum time gap between any two consecutive meetings has not exceeded the statutory time limit of four months.

The 29th Annual General Meeting of your Company was held on September 29, 2009.

None of the Directors of the Board serve as Members of more than 10 committees nor do they chair more than 5 committees, as per the requirements of the Listing Agreement.

Details of attendance of Directors at Board meeting and at the last Annual General Meeting with particulars of their other Directorships and Chairman Membership of Board Committees (excluding Yash Papers Ltd.) showing the position as on March 31, 2010 are given below:-



Name	Designation	Category	Attendance at Board Meetings	Attendance at Last AGM	No. of outside Directorship		No. of Committees and Positions held	
					Director	Chairman	Member	Chairman
Mr. Ved Krishna	Managing Director	Promoter, Executive, Non-Independent	6	Yes	Nil	1	Nil	Nil
Mrs. Manjula Jhunjhunwala	Director	Promoter, Non-Executive, Non-Independent	3	Yes	1	Nil	Nil	Nil
Mr. Yash Krishna	Director	Promoter, Non-Executive, Non-Independent	2	No	Nil	Nil	Nil	Nil
Mr. R. N. Chakraborty	Executive Director	Non-Promoter, Executive, Non-Independent	4	Yes	Nil	Nil	Nil	Nil
Mr. G. Narayana*	Director	Non-Promoter, Non-Executive, Independent	4	Yes	2	3*	1	Nil
Mr. G. N. Gupta	Director	Non-Promoter, Non-Executive, Independent	5	Yes	4	1	2	1
Dr. P. Banerjee	Director	Non-Promoter, Non-Executive, Independent	5	Yes	Nil	Nil	Nil	Nil
Mrs. Sheetal Jhunjhunwala**	Director	Non-Promoter, Non-Executive, Non-Independent	1	No	Nil	Nil	Nil	Nil
Mr. Ramesh Narayan	Director	Non-Promoter, Non-Executive, Independent	4	No	Nil	Nil	Nil	Nil
Mr. Basant Kumar Khaitan	Director	Non-Promoter, Non-Executive, Independent	2	No	19	1	3	Nil
Mr. K. D. Pudumjee	Director	Non-Promoter, Non-Executive, Independent	4	Yes	1	Nil	Nil	Nil

\* Mr. G. Narayana holds the position of Chairman Emeritus in Excel Industries Limited and does not hold the position of Director.

\*\* Mrs. Sheetal Jhunjhunwala resigned from the Company w.e.f. 19th September, 2009.

Other directorships do not include alternate directorships of Private Limited Companies, Companies incorporate outside India and Section 25 Companies. Other than the Managing Directors and Executive Directors, all Directors are liable to retire by rotation.

Particulars of Directors retiring by rotation and eligible for re-appointment have been given in the attachment to the Notice and Explanatory Statement.

The Company has received declarations on six criterions of independence as prescribed in Clause 49.I.A (iii) of the Listing Agreement from the Independent Directors.

#### **(D) Code of Conduct**

(i) The Board of Directors has laid down Code of Conduct for all Board Members and Senior Management of the Company. The copies of the Code of Conduct as applicable to the Directors as well as Senior Management of the Company are uploaded on the website of the Company – [www.yash-papers.com](http://www.yash-papers.com).

(ii) The Members of the Board of Directors and Senior Management personnel have affirmed the compliance with the Code applicable to them during the year ended 31st March, 2010. The annual report of the Company contains a certificate by the Managing Director in this regard.

### **3. Audit Committee**

The Audit Committee consists of four independent Non-Executive Directors and one non-independent Non-Executive Director. The members of the committee are well versed in

matters relating to finance, accounts, taxation, Company Law and general management practices.

The Audit Committee was constituted in accordance with the provisions of the Listing Agreement. The terms of reference of the Audit Committee were in accordance with the Listing Agreement with Stock Exchanges, which inter-alia includes:

1. Oversight of financial reporting process and to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required the replacement or removal of the statutory auditor and the fixation of the audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the financial statement before submission to the board with particulars reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements

relating to financial statements.

- f. Disclosure of any related party transactions.
- g. Qualifications in the draft audit report.
5. Reviewing, the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors for any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the period, Four Audit Committee meetings were held on 27th April, 2009, 29th July, 2009, 26th October, 2009 and 29th January, 2010.

The Composition of the Audit Committee and attendance of each member Director, at the Audit Committee Meetings during the period is as under:

Name of Directors	Position	Audit Committee Meetings	
		Held	Attended
Mr. G. N. Gupta	Chairman	4	4
Mr. Ved Krishna*	Member	4	2
Dr. P. Banerjee	Member	4	3
Mrs. Sheetal Jhunjunwala**	Member	4	1
Mr. Ramesh Narayan	Member	4	4
Mr. K. D. Pudumjee***	Member	4	1
Mr. Yash Krishna****	Member	4	1

\* Mr. Ved Krishna resigned from Audit Committee w.e.f. 29th September, 2009.

\*\* Mrs. Sheetal Jhunjunwala resigned w.e.f. 19th September, 2009.

\*\*\* Mr. K. D. Pudumjee appointed w.e.f. 29th September, 2009.

\*\*\*\* Mr. Yash Krishna appointed w.e.f. 29th September, 2009.

#### 4. Remuneration Committee

The Company has constituted a Remuneration Committee of the Board to consider the remuneration of the Whole Time Directors which is a part of non-mandatory requirement of the code. The Remuneration Committee comprises of 3

Independent Directors viz. Mr. G. N. Gupta, Chairman of the committee, Dr. P. Banerjee and Mr. Ramesh Narayan members of the Committee.

The Remuneration Committee of the Board recommends the remuneration of the Executive Directors. The remuneration package is governed by the industry pattern and as per the provisions of the Companies Act, 1956. The compensation of Non-Executive Directors is approved at Board Meeting. The sitting fee is not paid to the Executive Directors for attending the Board meetings or committee meetings thereof. The necessary approvals were obtained from shareholders, wherever required.

During the year only one remuneration committee meeting was held. The Composition of Remuneration Committee and attendance of each member Director, at the Committee Meetings during the period is as under:

Name of Directors	Position	Remuneration Committee meetings	
		Held	Attended
Mr. G. N. Gupta	Chairman	1	1
Dr. P. Banerjee	Member	1	1
Mr. Ramesh Narayan	Member	1	1

The details of remuneration paid to all the directors during the year ended on 31st March, 2010 are as follows:

Name of Directors	Service contract/ Notice period	Remuneration paid (in Rs.)		
		Sitting Fees	Salaries, perquisites and contribution to Provident Fund	Total
Mr. Ved Krishna	Appointment made for three years	Nil	20,34,110	22,58,359
Mrs. Manjula Jhunjunwala	Retire by rotation	20,000	4,80,000	5,00,000
Mr. R. N. Chakraborty	Appointment made for two years	Nil	5,58,052	5,58,052
Mr. G. N. Gupta	Retire by rotation	28,000	Nil	28,000
Mr. G. Narayana	Retire by rotation	16,000	Nil	16,000
Dr. P. Banerjee	Retire by rotation	34000	Nil	34000
Mr. Yash Krishna	Retire by rotation	10,000	Nil	10,000
Mrs. Sheetal Jhunjunwala**	Alternate to Mr. Yash Krishna	6,000	Nil	6,000
Mr. Ramesh Narayan	Retire by rotation	24,000	Nil	24,000
Mr. Basant Kumar Khaitan	Retire by rotation	8,000	Nil	8,000
Mr. K. D. Pudumjee	Retire by rotation	18,000	Nil	18,000
<b>Total</b>		<b>1,64,000</b>	<b>30,72,162</b>	<b>32,36,162</b>

\* Being wife of Late Mr. K.K. Jhunjunwala, amount paid as pension in the event of his death

\*\* Mrs. Sheetal Jhunjunwala resigned w.e.f. 19th September, 2009.

## 5. Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted an Executive Committee, which, amongst others, also looks after share transfers. The Committee, inter-alia, approves issue of duplicate share certificates and oversees and reviews all

matters connected with the securities transfers.

The Committee also looks into redressing of shareholders' complaints like transfer of shares, non-receipt of annual report, non-receipt of declared dividends, complaints related to public issues such as refund of application money, credit of shares allotted in the client account etc. The Committee

looks after the performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services.

Other disclosures relating to shareholder's aspect has been furnished in the shareholder information section of the annual report.



**(A) The Constitution of the Shareholders' / Investors' Grievance Committee is as follows:**

Name of Directors	Category	Number of meetings	
		Held	Attended
Dr. P. Banerjee	Non Promoter, Non Executive Independent Director (Chairman)	4	4
Mrs. Manjula Jhunjhunwala	Promoter, Non Executive Director	4	4
Mr. R. N. Chakraborty	Non Promoter, Independent Executive Director	4	4

**B) Name and Designation of the Compliance Officer**

Mr. Sachin Kumar Srivastava, Assistant Manager Secretarial, is the Compliance Officer and can be contacted at:

Yash Papers Limited Yash Nagar, Faizabad – 224 135 Uttar Pradesh India	Tel : 91 – 5278 – 326611/12/13/14 Fax : 91 – 5278 - 258062 E-mail : scn@yash-papers.com
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**(C) Number of complaints received and redressed during the year 2009-10**

Opening balance	Received during the year 2009-10	Resolved during the year	Closing balance
0	10	10	0

**(D) Suspense account for the unclaimed shares**

Pursuant to Clause 5A of the Listing Agreement, your Company has opened a Demat Suspense Account with Central Depository Services (India) for transferring 11,965 shares which remained unclaimed out of shares issued pursuant to the public issue offer.

**6. General Body Meetings**

Location and time of Company's Last 3 AGM's with details of special resolutions passed:

Date	June 30, 2007	September 26, 2008	September 29, 2009
Time	1:00 P.M.	1:00 P.M.	1:00 P.M.
Venue	Hotel, The Landmark, The Mall, Kanpur-208 001	Hotel Little Chef, 15/198, Civil Lines, Kanpur - 208 001	Hotel Little Chef, 15/198, Civil Lines, Kanpur - 208 001
Details of Special Resolutions passed in the AGM	-	-	<p>1. Re-appointment of Mr. Ved Krishna, Managing Director for a period of 3 years with effect from 1st August, 2009 and fixing of his remuneration under Sections 198, 269, 309 and 311 read with Schedule XIII, of the Companies Act, 1956.</p> <p>2. Increase the authorised share capital of the Company from 30 crores to 60 crores pursuant to Section 31 of the Companies Act, 1956 and Clause 4 of Article of Association of the Company.</p> <p>3. Delisting of Equity shares of the Company from U. P. Stock Exchange Limited, Kanpur in terms of Securities and Exchange Board of India (SEBI) (De-listing of Securities) Guidelines, 2003.</p>

## Postal Ballot

During the year ended 31st March, 2010, the Ordinary Resolution for seeking approval under Section 293(1)(a) of the Companies Act, 1956, for mortgaging and / or charging of all or any of the immovable and or movable properties of the Company wheresoever situate, present and future and whole of the undertaking(s) of the Company was put through Postal Ballot. The Postal Ballot notice was sent to each shareholder as on the cut off date decided.

The Board appointed Mr. Adesh Tandon of M/s Adesh Tandon & Associates, Practicing Company Secretaries as Scrutiniser to conduct the Postal Ballot in respect of the said Ordinary Resolution. Based on the report submitted by the Scrutiniser, the result of Postal Ballot was declared on December 24, 2009 and the Ordinary Resolution was passed by a majority of 95.21% of the total valid votes polled.

Number of valid postal ballot forms received	172
Votes in favour of the Resolution	76,76,813
Votes against the Resolution	3,86,331
Number of invalid postal ballot forms received	0

## 7. Disclosures

a. There are no significant Related Party Transactions during the financial year ended on March 31, 2010 of material nature, with its promoters, the Directors or the management or their subsidiaries or relatives etc. potentially conflicting with the Company's interests at large.

Related Party transactions are disclosed in the notes to the Accounts forming part of this annual report (Schedule 17).

- b. The Company complied with the requirements of the Stock Exchanges/ SEBI/ Statutory Authorities on all matters related to the capital market during the last 3 years. There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority relating to the above.
- c. As per Clause 49(V) of the Listing Agreement, the Chief Executive Officer i.e. Managing Director and the Chief Financial Officer certified to the Board on their review of Financial Statements and Cash Flow Statements for the financial year ended March 31, 2010 in the form prescribed by Clause 49 of the Listing Agreement which is annexed.
- d. The Company has framed code of conduct for prevention of Insider Trading based on SEBI (Insider Trading). This code is applicable to all Directors and designated

employees having access to unpublished price-sensitive information.

- e. The Company has complied with the requirements of mandatory provisions of the Corporate Governance as required under Clause 49 of the Listing Agreement and has not adopted few non-mandatory requirements thereof.
- f. Presently, the Company does not have whistle blower policy.
- g. The Company has obtained Secretarial Audit Report from the Company Secretary in Practice for compliance with the applicable provisions of the Companies Act, 1956, Listing Agreement, SEBI Regulation on Takeover, Insider Trading and Depositories & Participants. The text of the said report is annexed elsewhere.

## 8. CEO/CFO Certification

The Managing Director and Chief Financial Officer have certified to the Board in accordance with Clause 49(V)

## 9. Means of Communication

Recommendation	Compliance
Quarterly Results	Published in leading newspapers.
Which newspapers normally published in	Hindustan / Rashtriya Sahara ( Kanpur edition ), Business Standard/ Economic times (All editions )
Any Website, where displayed	<a href="http://www.yash-papers.com">http://www.yash-papers.com</a> , <a href="http://www.corpfiling.co.in">http://www.corpfiling.co.in</a> <a href="http://www.sebiedifar.nic.in">http://www.sebiedifar.nic.in</a> , SEBI's EDIFAR (Electronic Data Information Filing And Retrieval)
Whether it also displays official news releases and presentations made to institutional investors/ analysts	No

## 10. General Shareholder Information

1. Annual General Meeting Date and Time Venue	25th September, 2010 at 1.00 P. M. Hotel "Little Chef", 15/198, Civil Lines, Kanpur – 208 001.
2. Financial Year	Financial Year of the Company is from 1st April to 31st March of each year i.e. for 2009 it is from 1st April, 2009 to 31st March, 2010.
3. Book Closure Date	6th September, 2010 to 8th September, 2010 ( both days inclusive )
4. Dividend Payment Date	Dividend has not been recommended by the Board
5. Listing of Equity Shares on Stock Exchanges at:	1. Bombay Stock Exchange Limited, Mumbai 2. U. P. Stock Exchange Association Limited, Kanpur*
6. Payment of Annual Listing Fees to the Stock Exchanges	Listing Fee has been paid to the Stock Exchanges up to March 31, 2011.
7. Stock Code	BSE Code – 516030
8. Market Price Data	Separately given
9. Demat ISIN Numbers of Equity Shares in NSDL & CSDL	INE 551D01018
10. Registrar and Share Transfer Agent	Skyline Financial Services Pvt. Ltd. D-153/A, 1st Floor, Okhla Industrial Area, Phase – 1, New Delhi – 110 020 Tel No.: (011) 26292680/81/82/83 Fax No. : (011) 26292681 Email: admin@skylinerta.com
11. Share Transfer System	The Share transfers in physical form are presently processed and the Share Certificates returned within a period of 15 days from the date of receipt, if the documents being valid and complete in all respects.
12. Distribution of Shareholding as on March 31, 2010.	Separately given
13. Shareholding Pattern	

Serial number	Categories of shareholders	As on 31-03-2010		As on 31-03-2009	
		Number of shares	% to shares	Number of shares	% to shares
1.	Promoters	82,64,892	34.437	82,03,011	34.179
2.	Mutual Funds and UTI	1,000	0.004	1,000	0.004
3.	Banks, Financial Institutions	100	0.000	100	0.000
4.	Central/ State Government	2,11,121	0.880	2,11,121	0.880
5.	Corporate Bodies	13,80,397	5.752	9,90,386	4.127
6.	Individuals	1,40,22,786	58.428	1,44,67,456	60.281
7.	NRIs / OCBs	1,19,704	0.499	1,26,926	0.529
	<b>Total</b>	<b>2,40,00,000</b>	<b>100.000</b>	<b>2,40,00,000</b>	<b>100.000</b>

14. Dematerialisation of Shares	The shares of the Company are compulsorily traded in dematerialised form. The shares are available for trading with both the depositories namely, NSDL and CDSL. As on 31st March, 2010, 2,33,45,123 equity shares have been demated, representing 97.271% of the issued capital.
15. Outstanding GDR/ADR/ Warrants or convertible bonds, conversion date and likely impact on equity	NIL
16. Plant Locations	Yash Nagar, Faizabad (UP) – 224 135
17. Addition to Equity Share Capital during the period ended on March 31, 2010	NIL
18. Address for Correspondence	Corporate Office YASH PAPERS LIMITED Yash Nagar, Faizabad -224 135 (U.P.) Ph. (05278) 326611-14; Fax. (05278) 258062 E-mail : info@yash-papers.com;
19. Website	www.yash-papers.com

\* The Company has applied for voluntary delisting of its equity shares from the U. P. Stock Exchange Limited, Kanpur as under the SEBI (Delisting of Securities) Guidelines, 2003 and U. P. Stock Exchange Limited, Kanpur has granted its approval through its Letter No.UPSE/2009-10/Listing/1116 dated June 28, 2010.

Distribution of Shareholding as on March 31, 2010

Number of equity shares held	Shareholders		Equity share held	
	Number	% to total	Number	% to total
Upto - 500	12,508	72.42	29,54,664	12.31
501 - 1000	2,883	16.69	24,01,076	10.00
1001 - 2000	972	5.63	15,50,946	6.46
2001 - 3000	283	1.64	7,34,806	3.06
3001 - 4000	129	0.75	4,75,150	1.98
4001 - 5000	141	0.82	6,74,688	2.81
5001 - 10000	193	1.12	14,37,688	5.99
10001 and above	163	0.94	1,37,70,982	57.38
<b>TOTAL</b>	<b>17,272</b>	<b>100.00</b>	<b>2,40,00,000</b>	<b>100.00</b>

### Capital of the Company

The authorised and paid-up capital of your Company are Rs 60 crores and Rs. 24 crores respectively as on March 31, 2010. The Company has increased its authorised capital by Rs. 30 crores during the year. The Company has not changed its paid up share capital during the year under review.

Top Ten Shareholders as on 31st March, 2010 (Excluding Promoters' Group)

S. No.	Name of the Shareholders	No. of Shares held	%
1.	S Sathya	3,33,333	1.39
2.	Karan Patni	2,61,891	1.09
3.	Sangeetha S	2,61,300	1.09
4.	Damodar Prasad Agarwal	2,09,284	0.87
5.	United India Insurance Company Limited	2,11,121	0.88
6.	Motilal Oswal Fin. Ser. Ltd.	1,98,332	0.83
7.	Renu Devi Patni	1,55,980	0.65
8.	Chirayush Pravin Vakil	1,28,323	0.53
9.	Angel Broking Limited	1,14,209	0.48
10.	Sarla Argal	1,00,000	0.42

Stock Prices (at Bombay Stock Exchange Ltd., Mumbai)

Month	High (Rs.)	Low (Rs.)
April 2009	5.12	3.32
May 2009	6.88	4.02
June 2009	8.31	5.34
July 2009	5.76	4.45
August 2009	7.56	5.06
September 2009	7.93	6.50
October 2009	7.40	6.20
November 2009	7.98	5.70
December 2009	9.10	7.00
January 2010	8.10	6.70
February 2010	7.59	6.31
March 2010	7.28	6.00

## CEO and CFO Certification

We, Ved Krishna, Managing Director and Parthasarathi Mukhopadhyay, Chief Financial Officer responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2010 and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) 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.
- b) That are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2010 which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit Committee:
  - i) That, there has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) That, there has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - iii) That, we are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

For Yash Papers Ltd.

**Ved Krishna**  
(Managing Director)

Place : Faizabad

Date : 12th August, 2010

For Yash Papers Ltd.

**Parthasarathi Mukhopadhyay**  
(Chief Financial Officer)

## DECLARATION REGARDING COMPLIANCE TO CODE OF CONDUCT

I hereby confirm that the Company has adopted code of conduct for the Board of Directors and Senior Management of the Company.

I hereby declare that the Board of Directors and Senior Management personnel have affirmed compliance with the code of conduct of the Company, in compliance of the requirements of Corporate Governance.

For Yash Papers Limited

Place : Faizabad

Date : 12th August, 2010

Ved Krishna  
Managing Director

## Auditors certificate

To  
The Members of  
Yash papers Limited

We have examined the compliance of conditions of Corporate Governance by Yash Papers Limited for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s) in India.

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 Accountant of India and limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us and representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances pending for a period of one month against the Company as per the records maintained by the Company and presented to the Shareholder's/Investor Grievance Committee.

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

For **KAPOOR TANDON & Co.,**  
**Chartered Accountants**

Place: Faizabad  
Date: August 12, 2010

(**Rajesh Parasramka**)  
*Partner*  
*Membership No.74192*

## SECRETARIAL AUDIT REPORT

Company No. : 20-5294  
Nominal Capital : Rs. 60,00,00,000/-

To,  
The Shareholders of Yash Papers Limited

We have audited the relevant books and records of Yash Papers Limited having its Registered Office at 47/81, Hatia Bazar, Kanpur – 208 001 (Uttar Pradesh) and Corporate Office at, Yash Papers Limited, Yash Nagar, Faizabad – 224 135 (Uttar Pradesh) produced before us by the Company and by their registrar and share transfer agents M/s. Skyline Financial Services Private Limited, for the purpose of our Secretarial Audit Report for the financial year ended on 31.03.2010 (financial year). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers and records as per the provisions of the Companies Act, 1956 (the Act) and the rules made there under and all entries therein have been duly recorded during the year.
2. The Company has duly filed the forms and returns with the Registrar of Companies and the rules made there under during the year.
3. The Company has given proper notice along with the agenda for convening of Board Meeting, Committee Meetings and Annual General Meeting during the year.
4. The proceedings of the Meetings were properly recorded in the Minutes Books during the year.
5. The Board of Directors of the Company is duly constituted during the year.
6. The Company has obtained all the necessary approvals from the Board and Shareholders as required by the Act during the year.

7. The Company has complied with the provisions of section 58A of the Act read with Companies (Acceptance of Deposit) Rules, 1975 during the year.
8. The Company has complied with the provisions of section 154 of the Act during the year.
9. The Company has delivered all the certificates on lodgment thereof for transfer or any other purpose in accordance with the provisions of the Act during the year.
10. The Company has not declared any dividend during the year.
11. The Company has transferred the unclaimed/unpaid dividend to Investor Education and Protection Fund in compliance with the provisions of section 205C of the Act during the year.
12. The Company has paid remuneration to the Managing Director, Commission to the non-executive independent directors and sitting fees to the Directors of the Company in terms of section 198, 269,309 read with Schedule XIII of the Act.
13. The Company has not appointed any sole selling agent in terms of section 294 of the Act during the year.
14. The Company has not given any loan in terms of section 295 of the Act during the year.
15. The Company has not entered into any transactions, which falls under section 297 of the Act during the year.
16. The Directors have disclosed their interest in terms of section 299 of the Act.
17. The Company has not appointed any person as a place of profit in terms of section 314 of the Act during the year.
18. The Company has complied with the provisions of section 372A of the Act.
19. The Company has complied with the applicable provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 during the year.
20. The Company has complied with the applicable provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992 during the year.
21. The Company has complied with the applicable provisions of SEBI (Depositories and Participants) Regulations, 1996 during the year.
22. The Company has received 10 investor's complaints/queries during the year under review and no complaints/ queries were pending for redressal as on 31.03.2010.

**Adesh Tandon & Associates**  
**Company Secretaries**

Place: Faizabad  
Date - 12th August, 2010

**Adesh Tandon**  
FCS No. 2253  
CP No. 1121

# Statutory Section



## Auditors' Report

To The Members of  
Yash Papers Limited

We have audited the attached Balance Sheet of Yash Papers Limited as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the financial year ended on that date annexed thereto. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order, 2003 (the Order) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the Act), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the annexure referred to in paragraph 2 above, we report that:
  - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b. 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 these books;
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Section 211 (3C) of the Act;

- e. On the basis of written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, none of the Director is disqualified as on 31st March, 2010 from being appointed as Director in terms of Section 274 (1)(g) of the Act.
- f. We draw reference to:
 

Note no. B-20 of Schedule-17 regarding income of Rs. 270.48 lacs from Certified Emission Reductions (CERs) accrued for the financial year ended March, 2010.

Note no. B-21 of Schedule-17 regarding non provisioning of Loss of Rs. 158.95 lacs in respect of disputed Derivative (Structured USD/CHF Option) transaction.
- g. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Notes thereon, give the information required by the Act, 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 at 31st March, 2010;
  - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the financial year ended on that date ; and
  - iii. in the case of the Cash Flow Statement, of the cash flows for the financial year ended on that date.

For Kapoor Tandon & Co.,  
Chartered Accountants

Rajesh Parasramka  
Partner

Camp : Faizabad  
Date : August 12, 2010

Membership No. 74192  
Firm Registration No. 000952C

## Annexure to the Auditors' Report

(Referred to in paragraph 2 of our report of even date on the financial statements for the financial year ended 31st March, 2010 of **Yash Papers Limited**)

In terms of the information and explanations given to us and also on the basis of such checks as we considered appropriate, we state that:

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- b) All the fixed assets have not been physically verified by the management during the year but there is regular programme of physical verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of fixed assets. No material discrepancies have been noticed in respect of the assets physically verified during the year.
- c) The Company has not disposed off substantial part of fixed assets during the year.
- ii. a) The inventories of the Company have been physically verified by the management at regular interval during the year. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, 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) The Company is maintaining proper records of inventories. As explained to us, the discrepancies noticed on verification were not material in relation to the operations of the Company.
- iii. a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act.
- b) Accordingly, the provisions of clause iii. (b), (c) and (d) of the Order are not applicable to the Company.
- c) The Company has taken interest free unsecured loan from a Director. The maximum amount and year-end balance of such loan was Rs. 35.00 lacs. Further to aforesaid the Company has accepted fixed deposit from Director(s) and other parties listed in the register maintained under Section 301 of the Act. The year-end balance was Rs. 19.51 lacs from 12 such parties.
- d) In our opinion, the terms and conditions on which loans have been taken are, prima facie, not prejudicial to the interest of the Company.
- e) The Company is regular in repaying the principal amount and interest.
- iv. In our opinion, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. a) In our opinion, particulars of contracts or arrangements referred in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion, the Company has complied with the provisions of Section 58A and 58AA of the Act and the rules framed there under for the deposits accepted from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii. We have broadly reviewed the books of account and records maintained by the Company pursuant to the Rules framed by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed records have been made and maintained. We have not, however, made a detailed examination of the said accounts and records with a view to determine whether they are accurate or complete.
- ix. a) According to the books and records produced and examined by us, the Company is generally regular in depositing undisputed Statutory dues including Provident Fund, Investors Education and Protection Fund, Income Tax, Sales/Trade Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable with the appropriate authorities and no undisputed amount payable in respect of aforesaid statutory dues were outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

- b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty, Cess and Service Tax which have not been deposited on account of any dispute, except mentioned as below:

Name of the Statute	Nature of the dues	Amount (Rs. in Lacs)	Year(s) to which relates	Forum where pending
The Central Excise Act, 1944	Penalty	0.17	1995-96	CESTAT, New Delhi
	Service Tax on GTA (Freight)	1.25	2004-05 & 05-06	CESTAT, New Delhi
	Disallowance of CENVAT Credit	1.05	2007-08	Commissioner of Central Excise (Appeal), Allahabad
Income Tax Act, 1961	Interest and other Income earned out of public issue proceeds assessed as Income from Other Sources	12.50	2006-07	Commissioner of Income Tax (Appeal), Kanpur

- x. The Company has accumulated losses of Rs. 168.27 lacs which is not more than 50% of its Net Worth. The Company has not incurred any cash loss in the current financial year as well as in the immediately preceding financial year.
- xi. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and/or banks during the year.
- xii. The Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund and nidhi / mutual benefit fund / society. Accordingly, the provisions of clause xiii of the Order are not applicable to the Company.
- xiv. The Company is not a dealer or trader in securities. Accordingly, the provisions of clause xiv of the Order are not applicable to the Company.

- xv. The Company has not given any guarantees for loans taken by others from banks or financial institution.
- xvi. In our opinion, the term loans have been applied for the purposes for which they were obtained.
- xvii. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. As the company has not made any preferential allotment of shares during the year, clause xviii of the Order is not applicable to the Company.
- xix. The Company has not issued any debentures during the year.
- xx. As the company has not raised any money by way of public issue during the year, clause xx of the Order is not applicable to the Company.
- xxi. Based on the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Kapoor Tandon & Co.,  
Chartered Accountants

Rajesh Parasramka  
Partner

Camp : Faizabad  
Date : August 12, 2010

Membership No. 74192  
Firm Registration No. 000952C

# Balance Sheet

As at 31st March, 2010

Amount in Rupees

	Schedule No.	Current Year ended 31-03-2010	Previous Year ended 31-03-2009
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
a. Capital	1	240,000,000	240,000,000
b. Reserves and Surplus	2	122,314,384	362,314,384
<b>2. Loan Funds</b>			
a. Secured Loans	3	850,886,454	921,831,770
b. Unsecured Loans	4	24,589,519	875,475,973
<b>3. Deferred Tax Liability</b> (See Note no. B-18 of Schedule 17)		9,946,000	9,705,000
<b>Total</b>		<b>1,247,736,357</b>	<b>1,313,302,287</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	5		
a. Gross Block		1,350,058,055	1,334,967,964
b. Less: Depreciation		318,610,379	257,398,306
c. Net Block		1,031,447,676	1,077,569,658
d. Capital Work in Progress		6,600,298	1,038,047,974
			4,955,631
			1,082,525,289
<b>2. Investments</b>	6	5,935	5,935
<b>3. Current Assets, Loans and Advances</b>			
a. Inventories	7	188,893,273	178,609,749
b. Sundry Debtors	8	66,990,326	78,018,015
c. Cash and Bank Balances	9	13,220,139	14,296,171
d. Other Current Assets		65,481,000	41,282,000
e. Loans and Advances	10	35,695,895	55,565,160
<b>Total 'A'</b>		<b>370,280,633</b>	<b>367,771,095</b>
Less: Current Liabilities and Provisions			
a. Liabilities	11	159,708,107	135,377,067
b. Provisions	12	2,396,078	1,622,965
<b>Total 'B'</b>		<b>162,104,185</b>	<b>137,000,032</b>
Net Current Assets (A-B)		208,176,448	230,771,063
<b>4. Miscellaneous Expenditure</b> (To the extent not written off or adjusted)			
Authorised Capital Increase Fee		1,506,000	–
<b>Total</b>		<b>1,247,736,357</b>	<b>1,313,302,287</b>
Significant Accounting Policies and Notes on Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet.  
As per our report of even date attached.

For **Kapoor Tandon & Co.**  
Chartered Accountants

For and on behalf of the Board

**Rajesh Parasramka**  
Partner  
Membership No. 74192  
Camp: Faizabad  
Date: August 12, 2010

**Ved Krishna**  
Managing Director

**R. N. Chkraborty**  
Executive Director

**P. Mukhopadhyay**  
Chief Financial Officer

## Profit and Loss Account For the year ended 31st March, 2010

Amount in Rupees

	Schedule No.	Current Year ended 31-03-2010	Previous Year ended 31-03-2009
<b>1. INCOME</b>			
a. Sales		838,741,257	880,116,070
Less: Excise Duty		25,011,824	43,762,399
			836,353,671
b. Other Income	13	41,900,488	42,069,040
c. Increase/(Decrease) in Stocks	14	6,155,389	(3,488,040)
<b>Total 'A'</b>		<b>861,785,310</b>	<b>874,934,671</b>
<b>2. EXPENDITURE</b>			
a. Raw Material Consumed	15	249,950,563	265,861,768
b. Manufacturing, Administrative, Selling and Distribution Expenses	16	547,054,174	576,036,634
c. Depreciation on Fixed Assets		63,478,163	62,921,980
<b>Total 'B'</b>		<b>860,482,900</b>	<b>904,820,382</b>
<b>3. PROFIT/(LOSS) BEFORE TAX (A-B)</b>		1,302,410	(29,885,711)
Provision for Taxation			
– Current Tax		201,000	500,000
– Deferred Tax		241,000	(8,891,000)
<b>4. PROFIT/(LOSS) AFTER TAX</b>		<b>860,410</b>	<b>(21,494,711)</b>
Income Tax relating to earlier year Credit/(Debit)		(66,039)	(15,113)
Balance of Profit/(Loss)		794,371	(21,509,824)
Balance brought forward from Previous Year		(17,621,565)	3,888,259
<b>5. PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>(16,827,194)</b>	<b>(17,621,565)</b>
Appropriations		–	–
Balance carried to Balance Sheet		(16,827,194)	(17,621,565)
<b>6. EARNING PER SHARE (EPS)</b>			
Net Profit/(Loss)	(A)	860,410	(21,494,711)
Weighted average no. of equity shares	(B)	24,000,000	23,339,737
EPS - Basic and Diluted (Nominal value - Rs. 10/- per Share)	(A/B)	0.04	(0.92)
Significant Accounting Policies and Notes on Accounts	17		

The Schedules referred to above form an integral part of the Profit and Loss Account.  
As per our report of even date attached.

For **Kapoor Tandon & Co.**  
Chartered Accountants

For and on behalf of the Board

**Rajesh Parasramka**  
Partner  
Membership No. 74192  
Camp: Faizabad  
Date: August 12, 2010

**Ved Krishna**  
Managing Director

**R. N. Chkraborty**  
Executive Director

**P. Mukhopadhyay**  
Chief Financial Officer

## Schedules forming part of Balance Sheet

		Amount in Rupees	
		As at 31-03-2010	As at 31-03-2009
Schedule	<b>1 SHARE CAPITAL</b>		
<b>Authorised</b>			
5,60,00,000 (2,60,00,000) Equity Shares of Rs.10/- each		560,000,000	260,000,000
4,00,000 Preference Shares of Rs.100/- each		40,000,000	40,000,000
<b>Total</b>		<b>600,000,000</b>	<b>300,000,000</b>
<b>Issued, Subscribed and paid up</b>			
2,40,00,000 Equity Shares of Rs. 10/- each fully paid up		240,000,000	240,000,000
<b>Of the above :</b>			
568,000 Equity Shares have been allotted as fully paid up Bonus Shares by capitalisation of reserves			
<b>Total</b>		<b>240,000,000</b>	<b>240,000,000</b>

Schedule	<b>2 RESERVES AND SURPLUS</b>		
<b>A. Capital Reserve</b>			
Balance as per last Account	6,819,550		6,819,550
Add: Forfeiture of Preferential Warrant Money	–	6,819,550	6,087,500
<b>B. Securities Premium</b>			
Balance as per last Account	77,322,028		77,322,028
Add: Received during the year	–	77,322,028	75,887,528
<b>C. General Reserve</b>			
Balance as per last Account	55,000,000		37,378,435
Less: Debit Balance in Profit & Loss Account			55,000,000
As per account annexed	16,827,194	38,172,806	17,621,565
<b>Total</b>		<b>122,314,384</b>	<b>121,520,013</b>

## Schedules forming part of Balance Sheet

		Amount in Rupees	
		As at 31-03-2010	As at 31-03-2009
Schedule	<b>3 SECURED LOANS</b>		
<b>A. Term Loans</b>			
<b>From Banks</b>			
a) United Bank of India		243,784,687	272,448,397
b) Oriental Bank of Commerce		183,079,308	204,112,934
c) Union Bank of India		142,082,071	158,505,691
d) UCO Bank		121,680,501	135,703,980
e) State Bank of India		498,981	—
<b>B. Working Capital Loans</b>			
a) State Bank of India		129,910,144	120,981,889
b) Oriental Bank of Commerce		29,850,762	30,078,879
<b>Total</b>		<b>850,886,454</b>	<b>921,831,770</b>

### Note:

- Term Loans repayable during next 12 months are Rs. 1097.31 Lacs (Rs. 1076.04 Lacs)
- Working Capital Loan from SBI include Rs. 457.43 Lacs (Rs. 876.29 Lacs) being FCNR(B) Demand Loan of USD 10,00,000 (USD 18,00,000).

#### DETAILS OF SECURITY GIVEN AGAINST LOANS

##### A. FOR TERM LOANS

to Banks - for (a) to (d)

first charge - hypothecation, ranking pari-passu, of fixed assets, plant and machinery and other immoveable properties (both present and future) and equitable mortgage of land and building; second charge - hypothecation, ranking pari-passu, of entire current assets (both present and future); corporate guarantee of two companies, pledge of equity shares held by a company and Managing Director and personal guarantee of Managing Director.

to Banks - for (e)

hypothecation of vehicle financed.

##### B. FOR WORKING CAPITAL LOANS

to Banks - for (a) to (b)

first charge-hypothecation, ranking pari-passu, of book debts, stock of raw materials, finished goods, stock in process, consumable stores and spares and other current assets (both present and future);

second charge - hypothecation, ranking pari-passu, of entire fixed assets (both present and future);

personal guarantee of two Directors.

## Schedules forming part of Balance Sheet

Amount in Rupees

	As at 31-03-2010	As at 31-03-2009
<b>Schedule 4 UNSECURED LOANS</b>		
A. Fixed Deposits [Repayable within one year Rs. 99,20,230/- (Rs. 85,62,235/-)]	21,089,519	16,745,504
B. Other Loans		
From a Director	3,500,000	3,500,000
<b>Total</b>	<b>24,589,519</b>	<b>20,245,504</b>

<b>Schedule 5 FIXED ASSETS</b>										
Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2009	Additions	Sales/ discarded	As at 31.03.2010	Upto 31.03.2009	For the year	Deduction/ Adjustment	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible</b>										
1. Land Free Hold (incl. Site Development)	12,916,137	1,408,456	–	14,324,593	–	–	–	–	14,324,593	12,916,137
2. Land Lease Hold	20,031,377	–	–	20,031,377	444,672	222,565	–	667,237	19,364,140	19,586,705
3. Factory Building	177,841,720	8,697,466	8,615,142	177,924,044	22,705,178	5,697,964	–	28,403,142	149,520,902	155,136,542
4. Non Factory Building	26,879,267	–	–	26,879,267	2,860,302	437,116	–	3,297,418	23,581,849	24,018,965
5. Plant & Machinery	976,919,663	15,186,255	4,444,086	987,661,832	197,576,529	50,069,140	1,156,627	246,489,042	741,172,790	779,343,134
6. Electric Installation & Fittings	97,622,746	994,996	119,767	98,497,975	19,848,822	4,652,068	46,920	24,453,970	74,044,005	77,773,924
7. Furniture & Fittings	3,333,131	1,248,761	6,442	4,575,450	2,384,570	526,589	6,120	2,905,039	1,670,411	948,561
8. Office Equipment	7,008,984	906,243	258,707	7,656,520	4,304,433	670,686	140,512	4,834,607	2,821,913	2,704,551
9. Motor Car & Other Vehicles	9,283,522	1,945,572	1,859,143	9,369,951	5,151,859	601,146	915,911	4,837,094	4,532,857	4,131,663
<b>Intangible</b>										
10. Computer Software	3,131,417	5,629	–	3,137,046	2,121,941	600,889	–	2,722,830	414,216	1,009,476
<b>Total</b>	<b>1,334,967,964</b>	<b>30,393,378</b>	<b>15,303,287</b>	<b>1,350,058,055</b>	<b>257,398,306</b>	<b>63,478,163</b>	<b>2,266,090</b>	<b>318,610,379</b>	<b>1,031,447,676</b>	<b>1,077,569,658</b>
Previous Year	1,335,217,184	10,087,046	10,336,266	1,334,967,964	199,167,471	62,921,980	4,691,145	257,398,306	1,077,569,658	–
Capital Work in Progress (Including Rs. Nil (Rs. 46.01 lacs) towards advances for capital expenditure).									6,600,298	4,955,631



## Schedules forming part of Balance Sheet

	Amount in Rupees	
	As at 31-03-2010	As at 31-03-2009
<b>Schedule 6 INVESTMENT (Non trade) - Quoted</b>		
<b>Long Term Investments</b>		
Pudumjee Pulp & Paper Mills Ltd.		
100 Equity Shares of Rs.10/- each fully paid up	4,400	4,400
Rana Mohindra Papers Ltd.		
100 Equity Shares of Rs.10/- each fully paid up	380	380
Mukerian Papers Ltd.		
100 Equity Shares of Rs.10/- each fully paid up	600	600
Rama Newsprint & Papers Ltd.		
100 Equity Shares of Rs.10/- each fully paid up	555	555
<b>Total</b>	<b>5,935</b>	<b>5,935</b>
Total cost of quoted investments	5,935	5,935
Aggregate Market value of quoted investments	4,170	2,605

## Schedule 7 INVENTORIES

(As taken, valued and certified by the management)		
A. Stores and Spares	100,654,704	87,965,490
B. Loose Tools	215,966	593,609
C. Finished Goods	11,204,976	11,205,954
D. Pulp	19,324,140	13,397,114
E. Raw Material	49,204,049	58,376,398
F. Work in Process	4,221,927	3,992,586
G. Scrap	3,500,000	1,500,000
H. Import Entitlements/licence (DEPB)	567,511	1,578,598
<b>Total</b>	<b>188,893,273</b>	<b>178,609,749</b>

## Schedules forming part of Balance Sheet

	Amount in Rupees	
	As at 31-03-2010	As at 31-03-2009
<b>Schedule 8 SUNDRY DEBTORS</b>		
(Unsecured - considered good)		
Over six months	61,731	4,344,111
Other debts	66,928,595	73,673,904
<b>Total</b>	<b>66,990,326</b>	<b>78,018,015</b>

<b>Schedule 9 CASH AND BANK BALANCES</b>		
A. Cash Balances		3,092,569
i. Cash in hand	945,272	3,076,612
ii. Stamps/Cheque in hand	1,133	15,957
B. Balance With Scheduled Bank on		11,203,602
i. Current Accounts	474,659	598,262
ii. Fixed Deposit (Margin Money)	10,653,881	9,280,229
iii. Unpaid Dividend Accounts	905,346	1,085,263
iv. Unpaid Share Application Money Account	239,848	239,848
<b>Total</b>	<b>13,220,139</b>	<b>14,296,171</b>

<b>Schedule 10 LOANS AND ADVANCES</b>		
(Unsecured - considered good)		
A. Advances recoverable in cash or in kind or for value to be received	32,700,902	52,747,133
B. Security Deposits	93,255	92,255
C. Advance Income Tax less provisions		2,725,772
Advance Tax (including FBT)	12,857,738	14,480,772
Less: Provisions	9,956,000	11,755,000
<b>Total</b>	<b>35,695,895</b>	<b>55,565,160</b>

## Schedules forming part of Balance Sheet

	Amount in Rupees	
	As at 31-03-2010	As at 31-03-2009
<b>Schedule 11 LIABILITIES</b>		
A. Sundry Creditors		
– Due to Micro/Small Enterprises	–	–
– Other Creditors [Include amounts payable to capital goods supplier Rs. 260.78 Lacs (Rs. 563.80 Lacs)]	119,991,939	100,739,710
B. Investor Education and Protection Fund (No amount is due for transfer)		
i. Unclaimed Dividend	905,246	1,081,094
ii. Unclaimed Matured deposits	67,976	980,682
iii. Interest accrued on unclaimed matured Deposits	19,994	271,250
iv. Unpaid Share application money	239,848	239,848
C. Advance from Customers	11,779,050	4,620,943
D. Security Deposit from Customers	13,100,000	12,900,000
E. Other Liabilities	11,327,773	11,492,139
F. Interest accrued but not due	2,276,281	3,051,401
<b>Total</b>	<b>159,708,107</b>	<b>135,377,067</b>

<b>Schedule 12 PROVISIONS</b>		
For Excise Duty	18,368	15,800
For Gratuity	503,704	162,131
For Leave Encashment	1,874,006	1,445,034
<b>Total</b>	<b>2,396,078</b>	<b>1,622,965</b>

## Schedules forming part of the Profit and Loss Account

	Amount in Rupees	
	Current Year ended 31.03.2010	Previous Year ended 31.03.2009
<b>Schedule 13 OTHER INCOME</b>		
A. Income from CERs (Certified Emission Reductions)	27,047,680	29,475,500
B. Miscellaneous Income	8,244,344	5,895,751
C. Interest on Fixed Deposit & Others [Including TDS Rs. 1,44,170 (Rs. 1,11,671)]	1,814,888	951,237
D. Profit on Fixed Assets sold	606,151	1,441,544
E. Self Consumed	874,795	395,293
F. Export Incentive (DEPB)	3,097,630	3,736,795
G. Dividend on investment (Non trade)	125	120
H. Rent Received	43,250	24,000
I. Exchange Fluctuation	171,625	148,800
<b>Total</b>	<b>41,900,488</b>	<b>42,069,040</b>

### Schedule 14 INCREASE/(DECREASE) IN STOCKS

<b>Stock at Commencement</b>		
i. Finished Goods	11,205,954	30,014,319
ii. Pulp	13,397,114	–
iii. Work In Process	3,992,586	2,069,375
<b>Total 'A'</b>	<b>28,595,654</b>	<b>32,083,694</b>
<b>Stock at Close</b>		
i. Finished Goods	11,204,976	11,205,954
ii. Pulp	19,324,140	13,397,114
iii. Work In Process	4,221,927	3,992,586
<b>Total 'B'</b>	<b>34,751,043</b>	<b>28,595,654</b>
Increase/(Decrease) 'B-A'	6,155,389	(3,488,040)

### Schedule 15 RAW MATERIAL CONSUMED

Opening Stock	58,376,398	53,289,784
Add: Purchases	240,778,214	270,948,382
	299,154,612	324,238,166
Less: Closing Stock	49,204,049	58,376,398
<b>Raw Material Consumed</b>	<b>249,950,563</b>	<b>265,861,768</b>

## Schedules forming part of the Profit and Loss Account

		Amount in Rupees	
		Current Year ended 31.03.2010	Previous Year ended 31.03.2009
<b>Schedule 16 MANUFACTURING, ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES</b>			
Salary, Wages and Bonus		44,318,786	41,100,553
Contribution to Provident and Other Funds		5,226,921	5,119,655
Workmen and Staff Welfare		3,243,583	2,501,110
Chemicals Consumed		111,953,676	142,317,907
Power and Fuel		128,465,589	162,070,598
Consumption of Stores and Spares		36,803,299	28,414,231
Rent		205,892	271,943
Printing and Stationery		1,687,774	1,020,740
Rates and Taxes		1,244,907	724,194
Postage, Telegram and Telephone		2,103,725	1,394,090
Repairs to :			14,822,099
Machinery	18,390,914		10,957,896
Building	1,280,396		861,841
Others	4,761,038	24,432,348	3,002,362
Insurance		1,272,454	1,529,016
Excise Duty provided on stocks - increase/(decrease)		2,568	(14,938)
Legal and Professional Charges		7,629,158	1,712,615
Payment to Statutory Auditors :			345,489
Audit Fee (including Tax Audit Fee)	152,500		102,500
Other Professional Services	127,750		58,250
Reimbursement of Expenses	178,564	458,814	184,739
Cost Audit Fee		22,500	22,500
Bank Charges		5,221,125	2,371,588
Interest on:			114,007,631
Term Loan and Fixed Deposits	83,761,971		97,595,134
Others	18,551,239	102,313,210	16,412,497
Directors' Remuneration		3,077,063	3,258,554
Travelling and Conveyance		8,887,858	5,980,830
Subscription and Donation		482,906	167,539
Commission on Sale - other		11,870,569	13,526,905
Packing and Forwarding		34,699,556	28,560,210
Advertisement		330,161	307,736
Exchange Fluctuation		4,845,748	1,552,063
Miscellaneous Expenses		3,344,103	1,563,143
Loss on Fixed Assets sold/discarded		1,414,725	357,328
Bad Debts written Off		-	554,373
Loss on Sale of Raw Material			-
Cost of Sales	915,887		-
Less: Sales	322,496	593,391	-
ETP Operation Expenses		901,765	476,932
<b>Total</b>		<b>547,054,174</b>	<b>576,036,634</b>

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES:

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

The accounts are prepared on accrual basis under the historical cost convention and to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

##### 2. Use of Estimates

The preparation of Financial Statements requires estimates and assumptions that affect the reported amount of assets and liabilities on the balance sheet date and the revenues and expenses during the year. Difference, if any, between the actual and the estimate is recognised in the year in which the same are acknowledged/ materialised.

##### 3. Fixed Assets

Fixed Assets are stated at cost (of acquisition/construction, as the case may be), net of CENVAT and Subsidy, less accumulated depreciation and accumulated impairment losses, if any. All costs including borrowing costs up to the date of commissioning of related assets and all direct and indirect expenses attributable to the assets are capitalised. (Also refer Para A-12 & A-17 on borrowing costs and CENVAT)

##### 4. Intangible Assets

Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation and impairment losses, if any. [Also refer Para 6 (iii)]

##### 5. Capital work in Progress

Capital work in progress comprises cost of fixed assets not yet commissioned, incidental pre-operative expenses, borrowing costs and advances for capital expenditure.

##### 6. Depreciation / Amortisation

- i. Depreciation on fixed assets is provided on 'Straight Line Method' at the rates specified under Schedule XIV to the Companies Act, 1956. Fixed assets costing below Rs. 5,000/- are fully depreciated in the year of addition. Depreciation is provided on pro-rata basis with reference to the date of addition / deletion in respect of addition to/ deletion from fixed assets.
- ii. Leasehold Land is amortised over the period of lease.
- iii. Computer Software being intangible asset is amortised over a period of 5 years on "Straight Line Method".

##### 7. Impairment of Assets

The Company assesses at each Balance Sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the "recoverable amount" of asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than the "carrying amount", the carrying amount is reduced to its recoverable amount. If at the Balance Sheet date there is an indication that a previously assessed/impaired loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount.

##### 8. Investments

Long Term Investments are stated at cost. A provision for diminution is made if in the opinion of the management, the diminution is other than temporary.

##### 9. Inventories

- i. Inventories other than Scrap and Import entitlements/licence are valued at lower of cost or net realisable value. For this purpose cost is determined as under:
  - a. Raw materials and paddy husk : Weighted Average Cost
  - b. Work in process: Direct Cost Method (estimated basis)

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

- c. Pulp: Direct Cost Method (estimated basis)
- d. Finished goods: Direct cost method
- e. Stores (excepting paddy husk), spares and loose tools: FIFO method
- ii. Scraps and Import entitlements/licence (DEPB) are valued at estimated realisable value.

#### 10. Revenue Recognition

- i. Sales are recognised on despatch of goods to customers. Sales are net of discount / rebate and sales tax but include Excise Duty.
- ii. Exports Incentives (DEPB etc.) are accrued in the year in which the goods are exported and accounted to the extent considered receivable.
- iii. All other incomes are accounted for on accrual basis.

#### 11. Foreign Currency Transactions

Outstanding foreign currency assets and liabilities, other than those covered by Forward Exchange Contract, are translated at the exchange rate prevailing as on Balance Sheet date. Foreign Exchange asset / liability covered by Forward Exchange Contract are translated at the rate prevailing at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of contract. Gains or loss on these assets and liabilities are recognised in the Profit and Loss Account except in case of long term liabilities, where they relates to acquisition of fixed assets, in which case they are adjusted to the carrying cost of respective assets.

#### 12. Borrowing Costs

Borrowing costs that are attributable to the acquisition/construction of qualifying assets are capitalised as part of cost of such assets. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

#### 13. Government Grants

Government Grant related to fixed assets are adjusted with the Gross Block / Cost of fixed assets and Grants of revenue nature is are adjusted with the respective expenditure/ treated as income as the case may be.

#### 14. Employee Benefits

- a. Company's contributions to Provident Fund and Family Pension Fund are charged to Profit and Loss Account.
- b. Provision for Gratuity is determined on the basis of actuarial valuation at the end of the year and is debited to the profit and loss account each year.
- c. Provision for leave encashment (treated as short term in nature) is done on the basis of leaves accrued as at the end of the year.
- d. Termination benefits are recognised as an expense as and when incurred.

#### 15. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in respect of obligations where, based on the evidences available, their existence at the Balance Sheet date is considered probable. Contingent liabilities are disclosed by way of notes on accounts in respect of obligations where, based on the evidences available, their existence at the Balance Sheet date is considered not probable. Contingent assets are not recognised in the accounts.

#### 16. Taxes on Income

Provision for tax on income for the year (i.e. Current Tax) is made after considering the various deductions/relief admissible under the Income Tax Act, 1961. Provision for tax effect of timing difference (i.e. Deferred Tax) is made in accordance with the provisions of the Accounting Standard 22, Accounting for Taxes on Income (AS-22) issued by the Institute of Chartered Accountants of India.

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

17. CENVAT credit availed in respect of capital goods is adjusted from cost of assets and in respect of other items is adjusted from related expenses.

18. Prior period items, if material, are shown separately.

#### B. NOTES

1. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances)

Rs. Nil

(Rs. Nil)

2. Contingent Liability not provided for:

Rupees in lacs

a. Claims against the Company not acknowledged as debt:		
	Current Year	Previous Year
i. Excise duty	2.47	(1.29)
ii. Trade Tax, Appeals pending with Hon'ble High Court, Allahabad	NIL	(1.64)
iii. Trade Tax, Appeals pending with Tribunal/ Jt. Commissioner (Appeals), Faizabad	4.62	(2.55)
iv. Commissioner of Income Tax (Appeal), Kanpur	12.50	(36.85)
v. Others	3.03	(5.50)
b. Custom Duty in respect of future export obligation in accordance with Exim Policy	24.97	(23.48)
c. Guarantee given by Banks	20.13	(32.58)
d. Loss on Derivative (Structured USD/CHF option)	158.95	(134.42)

Above claims are likely to be decided in favour of the Company, hence not provided for.

3. In the opinion of the Board and to the best of their knowledge and belief the value on realisation of the current assets, loans and advances, if realised, in the ordinary course of business would not be less than the amount at which they are stated in the Balance Sheet. The provisions for all known liabilities are adequate and not in excess of amount considered reasonably necessary.

4. Confirmation of balances with sundry debtors/creditors, loans and advances and other parties have not been received in few cases.

5. Disclosure in terms of AS 15 (Employee Benefits):

Defined Contribution Plan – Provident Fund and Family Pension Fund

Contribution to recognised Provident Fund and Family Pension Fund amounting to Rs. 35.00 lacs (Rs. 27.28 lacs) has been recognised as an expense and included in Schedule 16 "Contribution to Provident and Other Funds".

Defined Benefit Plan - Gratuity

Company's Gratuity Trust is administered through the Life Insurance Corporation of India (LIC). Contributions are provided on the basis of actuarial valuation as per the Projected



## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Unit Credit (PUC) method and included in Schedule 16 "Contribution to Provident and Other Funds". The details are as under:

Rupees in lacs

	2009-10	2008-09
I. Net Asset / Liability recognised in the balance sheet		
1. Present value of obligations as at the year end	85.75	63.11
2. Fair value of Plan Assets – B	80.71	61.49
3. Funded status [Surplus/(Deficit)]	(5.04)	(1.62)
4. Net asset/(liability) recognised in Balance Sheet	(5.04)	(1.62)
II. Expense recognised in Profit and Loss Account		
1. Current Service Cost	10.37	7.95
2. Interest Cost	5.05	3.89
3. Expected returns on plan assets	(4.92)	(3.42)
4. Net Actuarial Losses/(Gains)	1.85	15.50
5. Past Service Cost (Plan amendments)	5.10	–
6. Expenses recognised in Profit and Loss Account	17.45	23.92
III. Change in Present Value of Obligations during the year		
1. Opening Present Value of Obligation	63.11	48.70
2. Current Service Cost	10.37	7.95
3. Interest Cost	5.05	3.89
4. Actuarial Losses/(Gains)	3.14	15.68
5. Plan Amendments	5.10	–
6. Benefits Paid	(1.02)	(13.11)
7. Closing Defined Benefit Obligation	85.75	63.11
IV. Change in fair value of Plan Assets during the year		
1. Opening fair value of plan assets	61.49	42.79
2. Expected Return	4.92	3.42
3. Actuarial (Losses)/Gains	1.28	0.18
4. Contributions by employer	14.04	28.21
5. Benefits Paid	(1.02)	(13.11)
6. Closing fair value of plan asset	80.71	61.49
V. Principal actuarial assumptions		
1. Discount rate (per annum compounded)	8%	8%
2. Expected rate of return on Plan Assets	8%	8%
3. Rate of increase in Salaries	5%	5%
VI. The employees are assumed to retire at the age of 58 years		
VII. The mortality rates considered in accordance with the standard table LIC (1994-96) ultimate.		
VIII. Withdrawal Rate is assumed at 1% to 3% (depending on age)		

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### 6. Disclosure in terms of AS 28 (Impairment of Assets)

Recoverable amount of the assets or the recoverable amount of the cash generating unit to which the asset belongs is not less than the carrying amount; hence no provision is required on account of impairment of assets as on the date of Balance Sheet.

#### 7. Disclosure in terms of AS 29 (Provisions, Contingent Liabilities and Contingent Assets)

The Company has recognised contingent liabilities as disclosed in Note No. B-2 above and as such no provision is required to be made. No provision was outstanding as at the beginning and at the end of the period.

#### 8. Disclosure in terms of Clause 32 of the Listing Agreement

The Company has not granted any loan / advances in the nature of loan as stipulated in Clause 32 of the Listing Agreement with the Stock Exchanges.

#### 9. Additional information as required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are as under:-

##### a. Details for each class of goods manufactured, sold and stocks during the period (as certified by the management)

##### i. Capacity

Product	Unit	Licensed Capacity	Installed Capacity
Kraft, Writing Printing and other uncoated Paper	MT	50,600	39,100
	MT	(50,600)	(39,100)

##### ii. Production, sales and stocks of finished goods:

Class of Goods	Unit	Opening Stock		Production Quantity
		Quantity	Value (Rs.)	
Kraft and Poster paper	MT	418 (1,298)	1,12,05,954 (3,00,14,319)	26,598 (29,751)
Pulp	MT	1,050 (Nil)	1,33,97,114 (Nil)	3,603 (1,455)

Self Consumed		Closing Stock		Sales	
Quantity	Value(Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)
53*	8,74,366	458	1,12,04,976	26,505	77,62,51,728
(25*)	(3,95,293)	(418)	(1,12,05,954)	(30,606)	(87,22,57,317)
**	429	1,500	1,93,24,140	3,153	6,24,89,529
(Nil)	(Nil)	(1,050)	(1,33,97,114)	(405)	(78,58,753)

\* Includes 44 MT (11MT) aggregating to Rs. 7,38,977 (Rs. 2,20,790) for re-pulping

\*\* Quantity less than 1MT.

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### b. Raw material consumed

Raw material	Current year		Previous Year	
	Quantity (MT)	Amount (Rs.)	Quantity (MT)	Amount (Rs.)
Bagasse	9,504	2,14,58,656	29,039	5,13,20,026
Old Gunny/Jute Goods	2,862	1,21,88,031	1,853	85,57,236
Wheat Straw	62,406	15,83,92,395	44,589	11,23,43,751
Imported Waste Paper/Pulp	2,052	5,71,72,504	2,967	9,34,19,965
Finished Goods Re-pulped	44	7,38,977	11	2,20,790
<b>Total</b>		<b>24,99,50,563</b>		<b>26,58,61,768</b>

**Note:** Consumption includes wastage during processing of wheat straw (dust) 5,169 MT (1,933 MT), Old Gunny/Jute Goods (dust) 39 MT (NIL) and bagasse (pith) 1,643 MT (4,803 MT) used as fuel.

#### c. Value of material consumed

Raw material	Imported value		Indigenous value	
	Rs.	%	Rs.	%
i. Raw Material	5,71,72,504 (9,34,19,965)	22.87 (35.14)	19,27,78,059 (17,24,41,803)	77.13 (64.86)
ii. Stores & Spares	61,15,307 (79,92,802)	4.11 (4.68)	14,26,41,668 (16,27,39,336)	95.89 (95.32)

	Current year (Rs.)	Previous Year (Rs.)
<b>d. CIF Value of Imports</b>		
i. Capital Goods	Nil	(66,95,701)
ii. Raw Materials and consumables	5,24,65,096	(8,84,43,457)
<b>e. Remittance in Foreign Currency on account of Dividend</b>	Nil	(Nil)
<b>f. Earnings in Foreign Exchange</b>		
FOB Value of Exports	7,24,11,320	(5,50,51,529)
<b>g. Expenditure in Foreign Currency</b>		
i. Travelling	4,77,852	(1,08,416)
ii. Interest – Others	70,75,322	(54,27,829)
iii. Foreign Bank Charges	2,05,805	(2,36,819)
iv. Others	NIL	(9,349)

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### h. Forward Exchange Contracts and unhedged Foreign Currency Exposure Outstanding as on 31st March, 2010

Particulars	Currency	Amount	Nature of Exposure	Underlying Risk Coverage
Forward Contract	USD	10,00,000	FCNR(B) Demand Loan	USD / INR
Unhedged Foreign Currency Exposure	USD	1,76,697	Outstanding Export Bills	USD / INR
	AUD	40,348	Outstanding Export Bills	AUD / INR
	EURO	14,885	Outstanding Export Bills	EURO / INR
	USD	4,01,374	Outstanding Import Bills	USD / INR
	USD	9,641	Advance for Spares (Import)	USD / INR
	EURO	10,82,071	Receivable of CERs	EURO / INR

10. Fixed deposit receipts for Rs. 30,000 (Rs. 30,000) are pledged with the Assistant Commissioner, Trade Tax (Assessment), Faizabad as security and fixed deposit receipts for Rs. 5,05,000 (Rs. 17,53,600) are pledged with the banks against the Guarantees given to the following parties:-

Amount in Rupees

	FDR Amount		Value of Guarantee	
Hon'ble High Court, Allahabad	NIL	(2,80,000)	NIL	(2,77,414)
Commissioner, Customs, Mumbai/Kanpur	5,05,000	(5,05,000)	20,12,500	(20,12,500)
U P State Industrial Corporation Ltd.	NIL	(9,68,600)	NIL	(9,68,600)

11. Fixed deposits include Rs. 16,88,161 (Rs. 7,89,980), Interest accrued but not due Rs. 2,84,776 (Rs.1,94,571) and other liabilities include Rs.2,38,129 (Rs.66,680) due to directors.
12. Loans and Advances include Rs. 1,88,722 ( NIL ) due to a director. Maximum amount outstanding at any time during the year was Rs. 12,21,670.

#### 13. Directors' Remuneration:

Amount in Rupees

	Current year	Previous Year
a. Salary	24,15,123	(25,87,834)
b. Contribution to Provident Fund *	17,940	(18,720)
c. Compensation / Pension	4,80,000	(4,80,000)
d. Sitting fee	1,64,000	(1,72,000)
Total	30,77,063	(32,58,554)
e. Value of perquisites (as per the Income Tax Rules)	1,59,099	(1,80,784)

\* Directors are also covered under the Companies Group Gratuity Policy along with other employees of the Company. Contributions made for directors have not been considered since the amount is not ascertained individually.

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

14. As the Company's business activity falls within a single segment viz. 'Paper', the disclosure requirements of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.

15. Interest on Term Loan and Fixed Deposits include Rs. 1,61,835 (Rs. 1,00,336) paid to Directors on Fixed deposits accepted by the Company.

16. Related parties disclosures as required under Accounting Standard 18 "Related Parties Disclosure" issued by the Institute of Chartered Accountants of India are given as below:

- a. List of related parties with whom transactions have taken place during the Year:
  - i. Key management personnel and relatives:  
Mr. Ved Krishna (Managing Director), Mr. R.N. Chakraborty (Executive Director), Mrs. Manjula Jhunjhunwala (Director), Mrs. Shailja Krishna (relative)
  - ii. Entities & Associates  
Megha Agro Products Limited, Satori Global Private Limited (formerly Sargam Exim Private Limited) and M/s Jingle Bell Nursery School Society
- b. Transactions with related parties
  - i. Key management personnel and their relatives

	Current year (Rs.)	Previous Year (Rs.)
Directors Remuneration	29,13,063	(30,86,554)
Rent paid	48,000	(48,000)
Fixed deposits received	9,00,000	(1,58,341)
Fixed deposits repaid	NIL	(2,70,590)
Interest paid on fixed deposits	89,290	(27,693)
Fixed deposits at the Balance Sheet date	10,58,341	(1,58,341)
Accrued interest at the Balance Sheet date	89,832	(65,264)
Unsecured Loans at the Balance Sheet date	35,00,000	(35,00,000)
Salary	2,19,882	(2,01,131)

- ii. With related entities & associates

	Current year (Rs.)	Previous Year (Rs.)
Satori Global Private Limited		
– Rent received	24,000	(24,000)
– Sale of goods and services	NIL	(2,70,24,258)
– Receivable at the Balance Sheet date	5,22,475	(44,12,169)
– Preferential Issue of Shares	NIL	(1,42,01,550)
– Forfeiture of Upfront Preferential Warrant Money	NIL	(7,32,050)
– Commission Paid on Sale	7,52,941	(9,40,553)

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Current year (Rs.)	Previous Year (Rs.)
Megha Agro Products Limited		
– Paid for vehicle hire charges	1,44,000	(1,44,000)
– Receivable at the Balance Sheet date	6,62,092	(7,69,993)
M/s Jingle Bell Nursery School Society		
– Fixed deposits received	60,46,057	(11,36,830)
– Fixed deposits repaid	47,40,114	(8,74,448)
– Interest paid on fixed deposits	12,35,829	(11,12,613)
– Fixed deposits at the Balance Sheet date	1,08,70,167	(95,64,224)
– Accrued interest at the Balance Sheet date	29,54,465	(21,60,902)
– Salary reimbursement of teaching staff	NIL	(6,00,000)

- Note:**
- Details of remuneration to directors are given in note B-13 above.
  - No amounts pertaining to related parties have been written off or provided for as doubtful assets.

17. The Company has not received any intimation from suppliers regarding status under Micro, Small and Medium Enterprises Development Act, 2006 and hence the disclosure required under the Act could not be compiled and disclosed.

18. The Deferred Tax Liability comprises of tax effect of timing differences on account of:

	Amount in Rupees	
	As on 31.03.2010	As on 31.03.2009
Deferred Tax Liabilities on account of		
– Higher depreciation claimed under Tax laws	154,412,000	159,818,000
<b>Sub Total `A'</b>	154,412,000	159,818,000
Deferred Tax Assets on account of		
– Unabsorbed Depreciation	143,244,000	146,305,000
– Unabsorbed Business Loss	–	3,010,000
– Expenses allowable in subsequent periods	179,000	–
– MAT Credit	1,043,000	7,98,000
<b>Sub Total `B'</b>	144,466,000	150,113,000
Net Deferred Tax Liability (A– B) @	9,946,000	9,705,000
Net increase / (decrease) in liability debited / (credited) to Profit and Loss Account	241,000	(8,891,000)

@ In accordance with clause 29 of AS 22 Deferred Tax Assets and Deferred Tax Liability have been set off.

## Schedules forming part of the accounts

### Schedule 17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

19. Income tax assessment has been completed up to the assessment year 2007-08.
20. A sum of Rs. 270.48 lacs (Rs. 294.75 lacs) has been recognised as income accrued for the year ended 31st March, 2010 based on Agreement (Emission Reduction Purchase Agreement) with Belgian State for sale of CERs (Certified Emission Reductions) generated from the 6MW Co-generation Power Plant Project registered as CDM (Clean Development Mechanism) with UNFCCC (The United Nations Framework Convention on Climate Change). Total amount receivable as at the year end Rs. 654.81 lacs has been disclosed as Other Current Assets in the Balance Sheet.
21. The Company has disputed a Derivative transaction (Structured USD/CHF Option) entered into with ICICI Bank Ltd. in the year 2007-08. Loss of Rs. 55.84 lacs on account of unwinding charges (partial unwinding), Rs. 64.12 lacs on account of 'Mark to Market' valuation of outstanding exposure and Rs. 38.99 lacs (including Rs. 24.53 lacs for the current year) on account of unpaid interest accrued on above; aggregating to Rs. 158.95 lacs has not been provided in the books. On the basis of legal opinion no provision has been considered necessary by the management. However the same has been disclosed as contingent liability in Note no. B-2(d) above.
22. Intangible Assets – Expenditure on Research and Development (AS 26)

(Amount in Rs.)

Capital Expenditure	NIL	NIL
Revenue Expenditure (included in Miscellaneous Expenses in Schedule-16)	9,59,378	6,60,600

23. During the year, the Authorised Capital has been increased from Rs. 30.00 Crore to Rs.60.00 Crore. The Company has paid a fee of Rs.15,06,000/- to the Registrar of Companies. This has been disclosed under Miscellaneous Expenditure in the Balance Sheet. The same will be transferred to Share Premium Account on issue of shares.
24. Figures in bracket pertain to previous year and have been regrouped / rearranged wherever necessary to make them comparable.
25. The Balance Sheet Abstract and Company's general business profile as required by Part IV of Schedule VI to the Companies Act, 1956 are given in the annexure attached.

Signatures to Schedules 1 to 17

For **Kapoor Tandon & Co.**  
Chartered Accountants

For and on behalf of the Board

**Rajesh Parasramka**  
Partner  
Membership No. 74192  
Camp: Faizabad  
Date: August 12, 2010

**Ved Krishna**  
Managing Director

**R. N. Chkraborty**  
Executive Director

**P. Mukhopadhyay**  
Chief Financial Officer

# Balance Sheet Abstract

Annexure to the Notes to the Accounts

Balance Sheet Abstract and Company's General Business Profile (Information pursuant to Part IV of Schedule VI of the Companies Act, 1956)

## I. Registration Details

Registration No.  Balance Sheet Date  State Code

## II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

Bonus Shares

Rights Issue

Private Placement

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

### Sources of Funds

Paid-up Capital \* including

Preferential warrant money)

Secured Loans

Deferred Tax Liability

### Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Total Assets

Reserves and Surplus

Unsecured Loans

Investments

Miscellaneous Expenditure

## IV. Performance of the Company (Amount in Rs. Thousands)

Total Income

Profit before Tax

Earnings per Share ( In Rs.)

Total Expenditure

Profit after Tax

Dividend rate @ %

## V. Generic Names of three Principal Products of the Company (as per monetary terms)

1. Item Code No. (ITC Code)

Product Description Kraft Paper in rolls or sheets

2. Item Code No. (ITC Code)

Product Description Paper weighing 40gsm but less than 150gsm

3. Item Code No. (ITC Code)

Product Description Pulp

For Kapoor Tandon & Co.  
Chartered Accountants

For and on behalf of the Board

Rajesh Parasramka  
Partner  
Membership No. 74192  
Camp: Faizabad  
Date: August 12, 2010

Ved Krishna  
Managing Director

R. N. Chkraborty  
Executive Director

P. Mukhopadhyay  
Chief Financial Officer



## Cash Flow Statement For the year ended 31st March, 2010

(Pursuant to Clause 32 of the Listing Agreement)

Rupees in thousands

	Current Year ended 31-03-2010		Previous Year ended 31-03-2009	
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before tax		1,302		(29,886)
<b>Adjustment for:-</b>				
Depreciation	63,478		62,921	
Profit on Sale of Fixed Assets	(606)		(1,442)	
Interest Income	(1,815)		(951)	
Interest Expenses	102,313		114,008	
Loss on Sale of Fixed Assets/Investments	1,415	164,785	357	174,893
<b>Operating Profit before Working Capital changes</b>	<b>166,087</b>		<b>145,007</b>	
<b>Adjustment for:-</b>				
Inventories	(10,284)		(23,686)	
Trade and Other Receivables	31,073		(17,588)	
Other Assets	(24,199)		(29,476)	
Trade Payable and Other Liabilities	25,104		1,150	
Income Tax Paid (Including tax on dividend)	(443)	(21,251)	(1,258)	(70,858)
Cash generated from operations		187,338		74,149
Interest Received		1,815		951
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>189,153</b>		<b>75,100</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets (Including CWIP)		(32,038)		(7,928)
Sale of Fixed Assets		12,228		6,730
Sale of Investments		—		—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(19,810)</b>		<b>(1,198)</b>

## Cash Flow Statement (Contd.) For the year ended 31st March, 2010

	Rupees in thousands	
	Current Year ended 31-03-2010	Previous Year ended 31-03-2009
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Paid	(102,313)	(114,008)
Proceeds from issue of Preferential shares/warrants	–	14,202
Fee for increase in Authorised Capital	(1,506)	–
Proceeds from Working Capital Borrowings	8,700	24,892
Proceeds of Short Term Borrowings	4,344	(1,980)
Proceeds of Long Term Borrowings	28,150	21,826
Repayment of Long Term Borrowings	(107,794)	(12,674)
Dividend Paid	–	–
<b>Net Cash (Used in)/From Financing Activities</b>	<b>(170,419)</b>	<b>(67,742)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(1,076)</b>	<b>6,160</b>
<b>Cash and Cash Equivalents (Opening Balance)</b>	<b>14,296</b>	<b>8,136</b>
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>13,220</b>	<b>14,296</b>

(Refer Schedule-9, Cash and Bank balances)

### Note:

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.

As per our report of even date attached.

For **Kapoor Tandon & Co.**  
Chartered Accountants

For and on behalf of the Board

**Rajesh Parasramka**  
Partner  
Membership No. 74192  
Camp: Faizabad  
Date: August 12, 2010

**Ved Krishna**  
Managing Director

**R. N. Chkraborty**  
Executive Director

**P. Mukhopadhyay**  
Chief Financial Officer



## Yash Papers Limited

Regd. Office: 47/81, Hatia Bazar, Kanpur-208001

# NOTICE

## 30th Annual General Meeting

NOTICE is hereby given that the 30th Annual General Meeting of the Members of Yash Papers Limited will be held at Hotel Little Chef, 15/198, Civil Lines, Kanpur – 208 001 on Saturday, the 25th day of September, 2010 at 1:00 P.M. to transact the following businesses:

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Manjula Jhunjhunwala, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Gyanendra Nath Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Yash Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

### Special Business:

6. To consider and, if thought fit, to pass with or without modification(s) following resolution as special resolution:

**"RESOLVED THAT** pursuant to the provisions of section 198, 269, 309, 310, 311 read with Schedule XIII & other applicable provisions, if any, of the Companies Act, 1956, the approval of the company be and hereby accorded to the appointment of Mr. R. N. Chakraborty, as an Executive Director of the company for a period of 2 years w.e.f. 01.07.2010 i.e. upto 30.06.2012 on the following terms and conditions :-

(a) Salary: Rs.28,000/- per month in the grade of Rs.28,000/- - Rs.35,000/- Increment will be effective from 1st June each year.

(b) Variable Dearness Allowance (V.D.A.): As applicable from time to time.

(c) **Production Incentive:** As per applicable scheme for the employees, as amended from time to time.

(d) **Perquisites :** In addition to the above, Mr. R. N. Chakraborty, shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for himself and his family, club fees, medical insurance etc.; in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Mr. R. N. Chakraborty, such perquisites shall however be paid as per applicable provisions of Income Tax Act and rules and in the absence of any such Rules, perquisites shall be evaluated at actual cost to the company.

Provision for use of the Company's car and telephone at residence (including payment for local calls and long distance official calls) for official duties shall not be included in the computation of perquisites for the purpose of calculating the said ceilings.

(e) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, gratuity payable as per rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(f) **Minimum Remuneration:** If in any accounting year, the Company has no profits or its profits are inadequate or in any case, remuneration by way of salary, perquisites and other allowances will be subject to the ceilings set out in para 1(A), 2 & 3 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

(g) **Leave:** On full pay and allowances, as per rules of the Company. Encashment of leave shall not be included in the computation of the ceiling on perquisites.

(h) Mr. R. N. Chakraborty shall also be entitled to reimbursement of entertainment, traveling, hotel and other expenses actually incurred by him in performance of the duties on behalf of the Company.

(i) Any other benefits, facilities, allowances and expenses may be allowed under Company rules/schemes and available to other employees.

(j) No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or Committees thereof.

(k) Payment of all the allowances including production incentive shall be limited to Rs1,25,000/- p.m.

(l) Mr. R. N. Chakraborty, subject to approval of Board of Directors, shall also be entitled to a commission upto 1% of the net profit as permitted under section 309 of the Companies Act, 1956.

**“RESOLVED FURTHER** that the Board of Directors of the company be and are hereby authorized to vary, modify or alter the terms and conditions of enhanced remuneration of Mr. R. N. Chakraborty, Executive Director of the Company to comply with Schedule XIII of the Companies Act, 1956 and other applicable provisions and laws, if any.”

#### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ONLY ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956, in respect of the business set out above is annexed hereto.
3. The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from 6th September, 2010 to 8th September, 2010 (both days inclusive).
5. The unclaimed/unencashed dividends for the following financial years shall be transferred by the Company, to Investor Education and Protection Fund (IEPF) constituted by the Central Government under applicable provisions of the Companies Act, 1956, on the dates specified against the year:

31st December, 2002	- 13th July, 2010
31st December, 2003	- 10th June, 2011
31st December, 2004	- 11th May, 2012

Please note that under the amended provisions of Section 205B of the Companies Act,

1956 no claim shall lie for the unclaimed dividend from IEPF by the shareholders.

Shareholders who have not encashed the dividend warrant(s) for the above year(s) are therefore, requested to approach the company for issue of duplicate in lieu thereof by surrendering the original warrant(s).

6. Members holding shares in physical form are requested to inform the change of their registered address to our Registrar and Transfer Agent (RTA), M/s Skyline Financial Services Private Limited at its D-153/A, 1st floor, Okhla Industrial Place, Phase-1, New Delhi-110020 by quoting their folio number.
7. Members desirous of obtaining any information with regard to the accounts and operations of the Company are requested to write to the Company at least ten days before the meeting, so that the information could be made available at the meeting.
8. Company has been allotted ISIN No. INE551D01018. Members are requested to approach their DPs for dematerialisation of equity shares of the Company.
9. All material documents referred to in notice and explanatory statement are open for inspection by the members on all working days between 11:00 AM to 1:00 PM at the Registered Office of the Company.

10. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders and fixed deposit holders in respect of the shares or deposits held by them. The nominations can be made by filing the prescribed Form No. 2B. Such form may be requisitioned from the Company.

11. scn@yash-papers.com has been designated for the purpose of registering complaints by investor, pursuant to clause 47(f) of the Listing Agreement.

12. Members/ Proxies are requested to bring the attendance slip duly filled in along with their copies of Annual Report in the meeting.

13. Details, under clause 49 of the Listing Agreement with the Stock Exchanges, in respect of Directors seeking appointment/ re-appointment at the Annual General Meeting is separately annexed thereto.

By Order of the Board

Place : Faizabad

Date : 12th August, 2010

**Ved Krishna**

*Managing Director*

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item No. 6

Mr. R.N. Chakraborty was appointed as an Executive Director in the year 2005 and his present tenure expired on 30.06.2010 having regard to his contribution in the Company and rich experience in different fields and specialization in Management and Industry and he is associated with the company since 28 years, The Board has reappointed him, subject to your approval, for a further period of 2 years w.e.f. 01.07.2010 i.e. upto 30.06.2012 on terms and conditions as decided by remuneration committee. Therefore, necessary resolution under section 198, 269, 309, 310, 311 read with schedule xiii and other applicable provisions, if any, of the Companies Act, 1956, is being placed before you for your approval. Board recommended the above resolution.

Save and except Mr. R. N. Chakraborty, none of the Director of the Company is, in any way, concerned or interested in this resolution.

By Order of the Board

Place : Faizabad

Date : 12th August, 2010

**Ved Krishna**

*Managing Director*

## Details of the Directors Seeking Re-Appointment / Appointment at Annual General Meeting

1. Name	Mrs. Manjula Jhunjunwala
Age (Date of Birth)	58 years (19.03.1952)
Qualification	B.A. (Hons), B.Ed.
Occupation	Educationist
Date of appointment	17.06.1981
Directorship in other Companies	Megha Agro Products Limited
2. Name	Mr. Gyanendra Nath Gupta
Age (Date of Birth)	79 Years (23.07.1931)
Qualification	M.Sc., LL.M..
Occupation	Tax Consultant
Date of appointment	16.05.1994
Directorship in other Companies	1) Asian Fertilizers Ltd.
	2) Flex Foods Ltd.
	3) Manoj Housing Finance Co. Ltd.
	4) Rlvi Stock & Services Pvt. Ltd.
	5) Hiranyamai Investments Pvt. Ltd.
3. Name	Mr. Yash Krishna
Age (Date of Birth)	33 years (19.11.1977)
Qualification	M.B.A.
Occupation	Industrialist
Date of appointment	20.04.2005
Directorship in other Companies	None



**Yash Papers Limited**

Regd. Office: 47/81, Hatia Bazar, Kanpur-208001

## PROXY

I/We..... of .....in the district of .....being a member/members of Yash Papers Limited, hereby appoint ..... of ..... in the district of ..... or failing him/her .....of ..... in the district of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the 30th Annual General Meeting of the Company to be held on Saturday, the 25th day of September, 2010 at 1:00 P.M and at any adjournment thereof..

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

Signature .....

Re. 1/-  
Revenue  
Stamp

Folio No. .... DPID ..... Client ID ..... No. of Shares .....

Note: The Proxy form duly completed and signed should be deposited at the Registered/Corporate Office of the Company, not later than 48 hours before the time of the meeting.



**Yash Papers Limited**

Regd. Office: 47/81, Hatia Bazar, Kanpur-208001

## ATTENDANCE SLIP

To be handed over at the entrance of Meeting Hall

I hereby record my presence at the 30th Annual General Meeting of the Company at Hotel Little Chef, 15/198, Civil Lines, Kanpur - 208 001 on Saturday, the 25th day of September, 2010 at 1:00 P.M.

Name of the Member ..... Folio/Client ID No. .... No. of Shares .....

Name of the Proxy/Representative (In Block Letters) (To be filled in if the Proxy/Representative attends instead of the Member) .....

SIGNATURE OF THE MEMBER OR PROXY/REPRESENTATIVE





“ Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”

*Benjamin Franklin*

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

# Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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Pdf copies of the annual report may be downloaded from our website [www.yash-papers.com](http://www.yash-papers.com) or obtained by contacting our corporate office (see back cover).



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