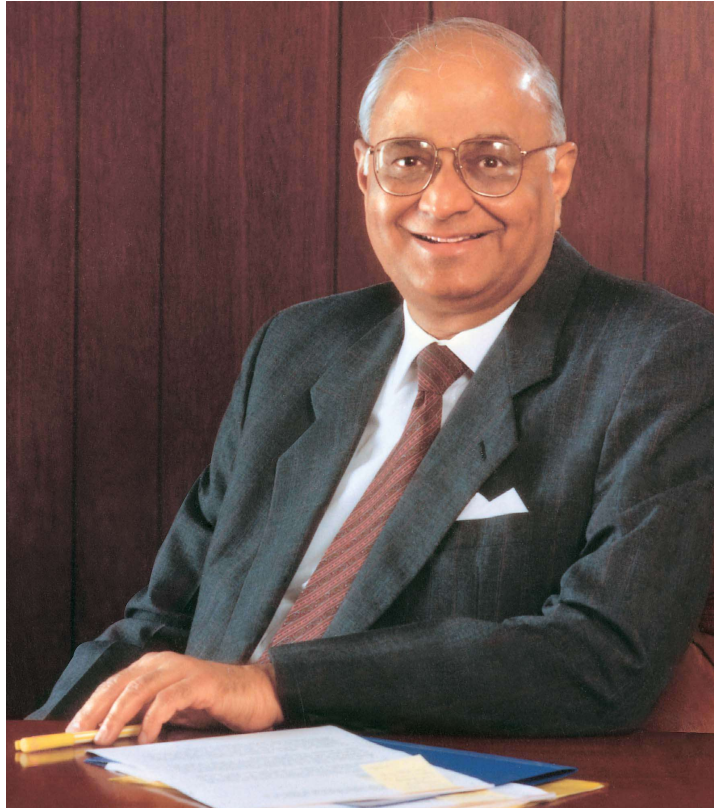


ANNUAL REPORT 2003 - 2004



JK PAPER LTD.

V VISION



“ A clear vision always shows you where you are going.

And with a strong value system it makes the journey worthwhile.”

Hari Shankar Singhania
Chairman

“It is our inspiring vision – **TO BE A DYNAMIC BENCHMARK**
IN THE INDIAN PAPER INDUSTRY that sets us apart from
the rest. But living this vision is not just about hard work.
It is about the commitment and conviction of our people
and their passion for quality in everything they do.”

Harsh Pati Singhania
Managing Director



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Board of Directors

Hari Shankar Singhania
Chairman

Harsh Pati Singhania
Managing Director

Om Prakash Goyal
Whole-time Director

Dhirendra Kumar

Gajanan Khaitan

Jitender Balakrishnan

P.K. Kaul

S.K. Pathak

Shailendra Swarup

Offices

Registered Office

P.O. Central Pulp Mills - 394 660
Fort Songadh
Dist. Surat (Gujarat)

Administrative Office

Nehru House,
4, Bahadur Shah Zafar Marg,
New Delhi- 110 002

Bankers

State Bank of India
Bank of Maharashtra
Canara Bank
UTI Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills

Jaykaypur- 765 017
Rayagada (Orissa)

Central Pulp Mills

P. O. Central Pulp Mills - 394 660
Fort Songadh
Dist. Surat (Gujarat)

Auditors

Lodha & Co.
Chartered Accountants
New Delhi
S. S. Kothari Mehta & Co.
Chartered Accountants
New Delhi

Company Secretary

S. C. Gupta

“Quality is not a process, but a state of mind.”

We have always believed that when you want to create world-class quality benchmarks it has to emerge from a value system that is driven by Quality.

This quality culture at JK Paper continues to drive every individual, from the highest levels of Management, to the hands-on employee on the shopfloor who act as CUSTODIANS OF QUALITY. Empowered to ensure that there is no compromise on quality at any level.

It is this unique mindset that has earned us the distinction of being a quality leader with all products sold being only of prime quality.



“When Quality is an obsession, you are never satisfied!”

It is the zest for continuously re-defining quality benchmarks that has been driving the organization right from its inception in proactively meeting the challenges of changing requirements of our customers. This spirit of leading from the front is amply reflected in the series of path breaking product development initiatives at JK Paper, over the last four decades.

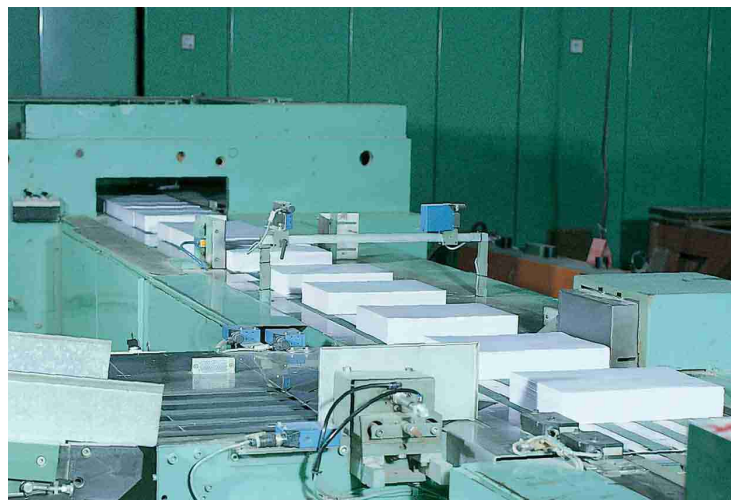
At a time when the rest of the industry was content in producing ordinary grades like creamwove paper, introduction of the surface-sized Maplitho paper by the Company re-defined the output quality benchmarks in Litho Printing Process. With the development of cut-size photocopying paper, JK Paper once again led the industry in creating products to meet the needs of the changing photocopying technology.

This quality movement got further strengthened with the installation of an automatic state-of-the-art A4 Cutting and Packing line, that enabled JK Paper create world-class brands like JK Copier.

But the boldest initiative that fuelled this quality movement was the decision to put up a world-class Pulp Mill at an investment of over Rs.200 crores at a time when the industry was reeling under the impact of a downturn.

While many thought it was way too ambitious, we knew we were gearing up to participate in the office automation and printing technology revolution in India.

This major investment enabled the Company upgrade all its products to international levels of quality. Which led to the building of JK Paper’s winning brands like JK Mapilitho-SHB, JK Copier and JK Excel Bond among several others.



"We are what we repeatedly do. Excellence, then, is not an act, but a habit."

At JK Paper, we have always believed that our people are our biggest organizational asset in creating a culture of excellence. It is this belief that provides the organization the strength to take on global competition.

Today, these world-class people practices have galvanized TPM, better known as Total Productive Maintenance into a Truly People's Movement at JK Paper.

A practice that is best exemplified by JK Paper's much acclaimed 'Quality Circle' practice that started way back in the 80s and actually paved way for the successful implementation of TPM. Today, JKPM Orissa alone has over 66 such Quality Circles that comprise all sections of employees, ensuring active involvement in decision making and implementation at all levels. At JK Paper, one can see in practice, people at grass-root level passionately involved in bringing up new ideas of improvement.

But like any other movement, the real momentum was fuelled by the Senior Management, who actually got down to the shopfloor to lead by example. So whether it was about cleaning and maintaining the machines and equipment, or helping workmen identify and plug daily problems on the shopfloor, the leaders demonstrated and practised what they were preaching. Three years of relentless pursuit has started to show results. Last year a phenomenal cost saving of over Rs.13 crores in mill losses was made possible at the JKPM plant in Orissa. Surely, this TPM movement which has spread to the CPM Plant also, has not only helped further the cause of quality commitment, but also brought about a total transparency, spirit of sharing and caring, and willingness to continuously improve and take on new challenges.



I “It’s always that EXTRA, which separates the ordinary from the EXTRA-ORDINARY.”

With leadership comes responsibility. At JK Paper, creating world-class quality standards has been a way of life.

Normally, world-class paper would require world-class fibrous raw material – a resource, scarce in India. However, despite this handicap, JK Paper has succeeded in producing international quality products. This has been made possible by the Company’s intensive investments in plantation and pulping technology.

Our technology based Plantations and Cloning Research Programme over the years has covered more than 35,000 hectares with superior quality plants. This has contributed significantly towards creating a strong base for high quality raw material. Further, the investment in state-of-the-art pulping technology enabled the company to successfully substitute the use of expensive imported long fibre pulp with its own pulp, to produce a range of value added products.

Building on this capability, JK Paper will soon be offering its high value coated papers and boards from its international quality coating plant. This will enable the Company to cater to the changing customer needs from uncoated to coated papers.



A “After all, there’s no short-cut to Quality.”

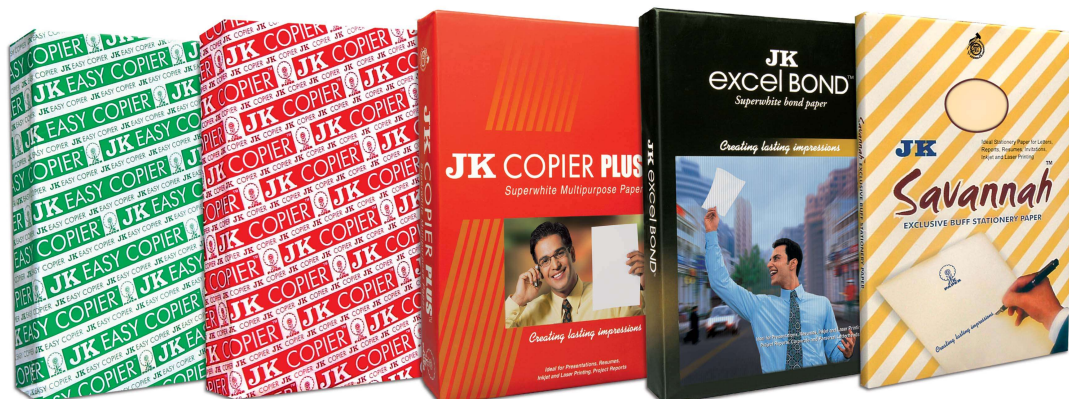
At JK Paper we have always listened to our customers with an open mind. This has enabled us to remain constantly ahead. Our Quality Culture places the customer at the very core of our business. Establishing international quality benchmarks and developing products to meet the unique needs of different customers has been the essence of our marketing and product development initiatives. This in turn led us to develop and enlarge our product portfolio across all quality and price points.

In the Printing & Writing segment, our journey which began with ‘**JK SS Maplitho**’ to address specific customer needs of quality, moved on to ‘**JK SS Maplitho SHB**’ in the High Bright category and thereafter to ‘**JK Evervite**’ for top-end customers.

Over the years, this journey has witnessed several milestones including the progressive shift from commodity to branded papers. The Company continuously developed new products to satisfy the emerging consumer needs. This led to the creation of winning brands like ‘**JK Copier**’ for the contemporary copier machines, ‘**JK Easy Copier**’ in the economy range and ‘**JK Copier Plus**’, a multi-purpose paper for the top end, reflecting the Company’s diversity of product portfolio and dominant leadership in the Branded Paper Segment.

In the Branded water-marked segment, the customer encouragement and loyalty for ‘**JK Bond**’, led to the development of premium products like ‘**JK Excel Bond**’, available in international consumer friendly packs. Recently, the launch of ‘**JK Savannah**’, an exclusive grade of office stationery paper reinforces the Company’s commitment to create dynamic benchmarks.

In all its product segments, the Company has led the way through undisputed Quality leadership. No wonder, JK Paper is constantly setting new quality benchmarks in the industry.



Chairman's Statement

Dear Shareholder,

The performance of the Indian economy last year with a GDP growth of 8.2% places it among the fastest growing economies. Foreign exchange reserves exceeding US\$115 billion and inflation within 5%, demonstrates the success of the economy's macro-economic management. The world's leading economies look at India with respect for her resilience in the face of global competition.

The Indian market for all products is rapidly aligning itself with global trends, reflecting the growing maturity of the Indian customer. Faced with an increasing choice, he is demanding the best in terms of Quality and Value.

For the last decade, the Indian Paper Industry has been operating in a buyer's market. This required urgent strategising, committing significant capital investments and changing work culture to manufacture quality products.

JK Paper, from the very inception of JK Paper Mills in 1962, dug deep in laying the foundations of the Quality Culture, institutionalising it throughout the organization. When all the leading Paper Mills were manufacturing ordinary grades of cream wove paper, JK developed the surface-sized Maplitho paper over 40 years ago to meet the customer's needs of quality in the Litho Printing segment. Over the decades, the Company developed a number of value added papers, such as JK Bond, JK Airmail, JK Maplitho SHB and JK Pulp Board and such winning brands like JK Copier, to name a few, that became household names in the Paper Market.

JK Paper has always been proactive in addressing the customers' needs for international quality products. As a result, the company set up a world class Pulp Mill at a cost of over Rs.200 crore when the industry was reeling

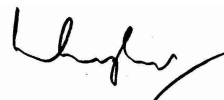
under the impact of a severe downturn. The Company's Quality Culture – bordering on obsession, places it in the no.1 position in the industry in respect of quality.

In keeping with the Company's philosophy of meeting the customers' growing demand for value added products, it has undertaken a project to produce international quality coated papers and boards, using contemporary blade coating technology. With this investment, JK Paper will participate in all the major categories of the printing and writing paper market, offering its customers a bigger product basket.

The Company's performance for the year 2003-04 is indeed a source of great satisfaction, considering that it recorded its highest sales, production and profits in a highly competitive business scenario. Clearly, this performance was possible as a result of several organizational initiatives, which included projects like 'Operational Excellence', 'Continuous Improvement', TPM and a sustained thrust on marketing of branded products.

With a view to broadening the company's product portfolio and participating in the new high growth and value added product segments, like boards, the Company is implementing its growth plans, which will involve significant capital investment over the next few years. The coated paper project is the first of these, which is fast approaching completion. I have no doubt that with the Company's continued focus on quality and growth initiatives, JK Paper will emerge a much stronger company.

With Best Wishes,

A handwritten signature in black ink, appearing to read "H. Singhania".

HARI SHANKAR SINGHANIA

M

Managing Director's Message

Dear Shareholder,

The year 2003-04 experienced considerable competitive pressures in the Paper Industry, including the issue of global overcapacity and the mixed performance of the leading economies. Keeping this in mind, I believe that your Company's results for the financial year can be considered satisfactory. The performance reflects improvement in all key areas, such as Manufacturing, Marketing and Financial Management. The company's flagship brand – JK Copier, recorded a growth of 25%, increasing its market share by being the consumer's 'no.1' choice. The share of branded products in our total sales recorded an increase this year, also resulting in market share consolidation in the branded segment. This performance is significant, considering the growing price premium over competition in a segment characterised by overcapacity and price competition, clearly confirming the growing consumer preference for JK's brands. JK Savannah and JK Copier Plus are some of the recent introductions in the premium segment.

Brands are built on quality and the key is consistency in features and product performance. The USPs in the brand enable in differentiating it by way of physical, aesthetics and performance parameters. It is the consistency and differentiation which results in positive consumer experience, in turn, building a relationship of trust and confidence. It is this edifice on which JK Paper's quality rests which largely explains the success of its brands. We must also not forget that quality does not mean just value, but is the economic value to the customer, which should add value to his needs and provide cost savings through productivity gains.



JK Paper has been constantly aware of its customer's changing needs, thereby creating a culture of quality and product development in all its manufacturing processes and marketing activities. Be it in the printing and writing segment, with products like JK Maplitho SHB, JK Evervite or JK Pulp Board, which are manufactured for the leading players in the printing and publishing industry, or the printed cut-size products like JK Copier, JK Easy or JK Excel Bond, which are supplied to offices, the prime concern has always been to meet the

customer's expectations of consistent quality. I believe that it is this intrinsic strength of JK Paper that has enabled it to create winning brands and has provided the much-needed confidence to the company's management for investment in the value added coated paper segment. Our state-of-the-art blade coating plant is expected to be commissioned during the first half of the financial year. The success of selling coated paper under the 'JK Cote' brand name through outsourcing has helped in gaining valuable market knowledge and establishing links with customers. I, therefore, expect that the international quality coated paper from our new plant will have a ready market.

I am confident that your Company's quality leadership and growth initiatives, especially in the high growth value added segment would strengthen your company's performance in future years.

With Best Wishes,

HARSH PATI SINGHANIA



DIRECTORS' REPORT

To the Members

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 30th June, 2004.

FINANCIAL RESULTS

The Financial Results are summarised below :

	Rs. in crore (10 million)	
	2003-04	2002-03
Gross Sales and Other Income	733.20	684.16
Profit before Interest, Lease Rent and Depreciation	147.16	135.39
Interest & Lease Rent	40.78	38.13
Profit before Depreciation	106.38	97.26
Profit before Tax	66.57	58.30
Profit after Tax	41.22	33.04
Surplus brought forward	35.02	28.58
Total amount available for appropriation	76.24	61.62
APPROPRIATIONS		
Debenture Redemption Reserve(Net)	0.47	1.00
General Reserve	2.06	1.70
Dividend		
- Interim Dividend (incl. tax on dividend)	23.96	15.59
- Proposed Dividend (incl. tax on dividend)	5.68	8.31
Surplus carried to Balance Sheet	44.07	35.02
TOTAL	76.24	61.62

DIVIDENDS

During the year, the Company declared and paid an interim dividend on Preference Shares amounting to Rs. 20.54* crore at specified rates and 11% on Equity Shares (Rs. 1.10 per share) amounting to Rs. 3.42* crore.

Your Directors are pleased to recommend a final dividend of Rs. 3.19* crore at specified rates on Preference Shares and at 4% on Equity Shares (Rs. 0.40 per share) amounting to

Rs. 2.49* crore for the financial year ended 30th June, 2004. Thus, the total outgo on account of dividend would be Rs. 29.64* crore for the year ended 30th June, 2004.

* Figures are inclusive of dividend distribution tax.

PERFORMANCE REVIEW

During the period under review, the Company recorded a gross sales and other income of Rs. 733.20 crore, an increase of 7.2% over the previous year. The operating profit (PBIDT) increased by 8.7% to Rs. 147.16 crore, accompanied by a growth of 9.4% in cash profit (PBDT) at Rs 106.38 crore. The outgo on account of financial charges was Rs 40.78 crore. Profit after tax (PAT) increased by 24.7% to Rs. 41.22 crore.

Despite no new capacity addition, significant increase in raw material cost and further reduction in import duty on paper to 20%, your Company achieved highest ever Sales, Production, Profits and Exports in the year under review. Innovation in all areas and relentless pursuit by team JK to excel enabled the Company to achieve this.

With a production of 1,72,461 tonnes (previous year 1,71,849 tonnes) of Paper and saleable Pulp, Company maintained its eminent position of achieving highest capacity utilization of 115% in the Industry.

The Company strengthened its track record of continuously enhancing its sales beyond its own production by selling 1,82,619 tonnes (previous year 1,79,362 tonnes) of pulp and paper by outsourcing products made to JK's specification in Europe and India. This signifies increasing demand for the Company's high quality products as well as widening of product range.

JK Paper's market share of branded A4 size paper in India increased to 43%, which is more than two and half times its nearest competitor. Exports at 17,228 tonnes recorded a healthy growth of 67%, showing growing confidence in Company's branded products in international markets.

Company achieved a major milestone towards a more efficient capital structure by conversion of Rs 162 crore, 8% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) to Equity Shares and 3.75% Cumulative Redeemable Preference Share(CRPS). This has resulted in significant increase in equity shareholders' funds, removal of convertibility overhang from the Company's balance sheet, substantial improvement in Company's Debt : Equity ratio and enhancement in fund raising capability for growth.

JK Paper continued its efforts towards creating a more secure raw material base by raising and distributing during the year, over 24 million saplings of Eucalyptus & Casuarina (including high quality JK clonal plants) to the farmers of Orissa, Andhra Pradesh, Chhattisgarh, Gujarat and Maharashtra covering 4,453 hectares of land. Till date, the Company has covered an area of 35,764 hectares under plantation. This initiative will help in ensuring cost effective raw materials availability in future.

Detailed analysis of the Company's performance is covered in the "Management Discussion and Analysis", a part of this Annual Report.

EXPANSION AND MODERNISATION PROGRAM

The Company's strategy continues to be to offer more and more value added products, continuously modernize and upgrade its plants for achieving better efficiencies, improved quality of products and internationally recognized environmental standards. Towards this end, the Company is implementing an Offline Coated Paper Project with a capacity of 46,000 tonnes per annum at JKPM unit. This plant will utilize contemporary blade coating technology and would be the second largest in India. High quality base paper of the Company shall provide competitive edge to its coated paper and board.

The Company is also commissioning a modern Recovery Boiler at its CPM unit, which would result in higher chemical recovery and increased pulp production. These projects along with other modernization measures would cost around Rs. 100 crores and would result in reduced cost and higher production. The projects are scheduled for commissioning during the current financial year 2004-05.

COMMITMENT TO QUALITY AND CUSTOMER SATISFACTION

JKPM was the first Paper Mill in the Country to get the upgraded version of ISO-9001 : 2000 Quality Management System Certificate from M/s Det Norske Veritas (DNV) which is more customer focused and demands continual improvement in Quality Management System and revalidation every six months.

Through a constant up gradation of technology and focus on the delivered Quality to Customer J K Paper has acquired capability of an International Quality Paper and Paper Board

producer. The Company regularly carries out customer satisfaction survey leading to better understanding of customer's needs and improvement in its products and services.

COMMITMENT TO HEALTH, SAFETY, ENVIRONMENT AND SOCIAL MEASURES

JKPM was the first Paper Mill in Indian Paper Industry to have achieved ISO 14001 Environment Management System (EMS) and both the manufacturing units of the Company are ISO 14001 EMS certified.

Both units achieved lowest ever water consumption per ton of paper resulting in further reduction in effluent and water use. The Company was awarded with the PRASANS PATRA by the National Safety Council of India. Several safety & environment friendly measures as enumerated in Management Discussion and Analysis were taken to further contribute in improving environment, health and safety practices.

Company sponsored LPS High School at Jaykaypur continued to get more accolades and received the distinction of having National Award Winner "Teacher of Outstanding Merit" and ISO 9001 certification during the year. Thousands of farmers, including tribals, are experiencing increasing level of income from the Company's aggressive Social forestry initiative in the backward areas. This has also helped in converting considerable fallow land to green cover. Company will continue to take steps for improving environment & safety measures and contributing to the social causes.

DIRECTORS

Shri P.K. Kaul and Shri Gajanan Khaitan retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Shri Jitender Balakrishnan (Executive Director- IDBI) joined the Board of the Company during the year. Shri S.K. Pathak was appointed as Additional Director of the Company and will hold office up to the next Annual General Meeting (AGM). He is proposed to be appointed as a Director liable to retire by rotation at the said AGM.

AUDITORS

M/s. S.S. Kothari Mehta & Co. and M/s. Lodha & Co., Chartered Accountants, the auditors of the Company are eligible for re-appointment at the ensuing Annual General



Meeting. The appointment of auditors is required to be made by a special resolution pursuant to Section 224A of the Companies Act, 1956.

The observations of the Auditors in their Report on Accounts read with the relevant notes are self explanatory.

COST AUDIT

The Cost audit for the year ended 30th June, 2004 will be conducted by the Cost Auditor and the reports will be submitted to the Department of Company Affairs, Government of India.

PUBLIC DEPOSITS

The amount of Public Deposits has grown to Rs. 31.79 crore as on 30th June, 2004 (previous year Rs. 22.52 crore) indicating continued confidence of investors in the Company. Repayment of Fixed Deposit on maturity and the interest due thereon were made in time and in accordance with the terms and conditions of the Company's Fixed Deposit Schemes.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation, technology absorption, foreign exchange earnings and outgo, required to be disclosed 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 is annexed to this Report and forms part of it.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Company's New Delhi address.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis, Corporate Governance Report and Auditors' Certificate

regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii. the accounting policies selected and applied are consistent and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company;
- iii. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

INDUSTRIAL RELATIONS

The industrial relations at both the units of your Company remained cordial throughout the year under review.

ACKNOWLEDGMENT

The Directors wish to place on record their gratitude to the Central Government, State Governments, participating Financial Institutions and Banks, Customers, Suppliers, Dealers and Shareholders for their continued support, co-operation and encouragement.

Your Directors have full confidence in team JK's dedication and passion, which has enabled the Company to remain at the forefront of the industry despite increased competition and challenges.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA
Chairman

New Delhi
The 23rd August, 2004

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30th JUNE, 2004

Energy Conservation, Technology Absorption And Foreign Exchange Earnings & Outgo

a) Energy Conservation

Your Company has taken the following measures for energy conservation-

1. One low head and more efficient pump is in use in place of two old Mill water pumps. Power saving - 70 KW.
2. Replaced canal water pump with more efficient pump. Power saving - 12 KW.
3. Automatic level control installed for overhead colony water tank. Power saving - 300 units / day.
4. Flash steam absorption system installed at Recovery Boiler to conserve heat.
5. Diameter of Machine Chest pump impeller of PM-I reduced resulting in power saving of 3.70 KW.
6. Machine flat box seal pump replaced with lower head pump resulting in power saving of 5 KW.
7. Auto switching of Cooling Tower Fan in winter season to achieve saving of 16 KW.
8. Installing variable frequency drive for fan motor. Power saving - 31 KW.

b) Research & Development Expenses

During the year, the Company has spent Rs. 5.70 crore on Research and Development inclusive of Rs 4.80 crore spent on capitalised Intangible Asset of Performance Development.

c) Technology Absorption, Adaptation & Innovation

1. Enzyme pre-bleaching at CPM unit has been standardised, which improved brightness of pulp without reduction of strength properties.
2. Use of Hydrogen Peroxide stabilizer has been standardised, which has reduced consumption of Hydrogen Peroxide by 15-20%.
3. A new product under the brand name of "JK Savannah" has been introduced. This is exclusive buff stationery paper of premium grade meant for elite customers.
4. With the help of McKinsey, JKPL specific Performance Development methodology has been developed and with its application in select areas JKPL has registered significant savings or improvements in targeted parameters.

d) FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in lac)

(a)	Foreign exchange earned	4,768.84
(b)	Foreign exchange outgo :	
	– CIF Value of Imports	2,100.49
	– Others	268.72

PARTICULARS OF CONSERVATION OF ENERGY

Sl. No.	Particulars	Units	2003-2004	2002-2003
A.	POWER & FUEL CONSUMPTION			
1.	ELECTRICITY			
(a)	Purchased			
	Units	(KWH in lac)	173.39	395.13
	Total Amount	(Rs. lac)	844.55	1,531.44
	Rate/ Unit	(Rs.)	4.87	3.88
(b)	Own Generation			
I.	Through Steam Turbine/ Generators :			
	Units	(KWH in lac)	2,216.02	1,996.28
	Cost / Unit	(Rs.)	1.41	1.42
II.	Through Diesel Generator :			
	Units	(KWH in lac)	3.87	21.18
	Unit Per Litre of Diesel Oil	(KWH)	3.65	3.88
	Cost/ Unit	(Rs.)	14.91	5.95
2.	COAL			
	Quality (Grade)		"B" to "F"	"B" to "F"
	Where used		CF Boiler	CF Boiler
	Quantity	(MT)	2,94,840	2,52,559
	Total Cost	(Rs. lac)	3,762.61	3,128.11
	Average Cost	(Rs. / MT)	1,276.15	1,238.57
3.	FURNACE OIL			
	Quantity	(KL)	375.50	353.98
	Total Cost	(Rs. lac)	45.18	39.52
	Average Rate	(Rs./ Lt.)	12.03	11.16
4.	OTHERS/ INTERNAL GENERATION	—	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT	Year	Electricity KWH/MT	Coal Kg./ MT	Furnace Oil Lt. / MT
Paper	2003-2004	1,416	1,682	2.32
	2002-2003	1,448	1,424	2.24

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the Company continued to record improvement in overall performance and achieved highest ever Sales, Production, Profits and Exports.

The Company recorded a gross sales and other income of Rs. 733.20 crore, an increase of 7.2% over the previous year. The operating profit (PBIDT) increased by 8.7% to Rs. 147.16 crore and Profit after tax (PAT) increased by 24.7% to Rs. 41.22 crore. The increased profitability was achieved despite significant increase in cost of raw material and other inputs such as coal, power etc.

Production of paper & market pulp of 1,72,461 tonnes and sales at 1,82,619 tonnes were an all time high. Plant capacity utilization continued to be high at 115%. The Company recorded its best ever export performance by shipping 17,228 tonnes of its high quality products overseas. This performance was possible because of new initiatives like '**Operational Excellence**' which included several projects related to continuous improvement. In addition, the continuing TPM programme which enabled improvement in operating parameters and the sustained thrust on marketing of branded products enhanced the Company's profitability.

In line with its Business Plan, the Company continued to focus on value added and branded products, the volumes of which grew at 12% compared to the previous year. This was achieved despite an increasing price premium that the Company's brands enjoyed over competition, resulting in overall net sales realization per ton going up by 5% over last year. The thrust on various other marketing activities, including promotions and media presence resulted in enhanced brand equity and high demand growth with better realizations. This improved performance comes in a competitive year, during which, several players in the industry were compelled to reduce prices across various product segments.

The Company continued with its outsourcing initiative to meet the growing demand for coated papers, besides

increasing overall sales volume. The Company's thrust on exports which increased by more than 60% over the previous year enabled it to achieve its highest ever sales in 2004.

Under social forestry programme, the Company covered 4,453 hectares of additional land under plantation and distributed more than 24 million saplings including high yielding clonal plants developed through JK Paper's R&D efforts.

INDUSTRY SCENARIO AND OUTLOOK

Global Pulp and Paper Market

The Global Pulp and Paper Industry exhibited volatile trends largely due to inconsistent growth of the Global Economy during the year 2003. The first half of 2003 was impacted by low growth of the global economy and such serious issues like the war in Iraq and the outbreak of SARS in South East Asia. However, the second half of 2003 turned out to be much better with China recording strong growth. Globally, demand for paper in 2003 increased by only 2% compared to 3% in 2002. This reduction in demand growth kept pulp and paper prices soft through most of 2003. But towards the end of the year, prices started hardening.

The rising price trend continued in the first half of 2004. This recovery can be attributed mainly to the revival of the US economy along with elections in several countries across the world in 2004, leading to rise in demand for paper. The price increase has been more noticeable in coated woodfree papers, newsprint and market pulp. Prices of other grades such as uncoated woodfree paper have also been hardening.

The outlook for the current year appears to be positive, as the leading global economies are expected to perform better. The Asian Region in particular is exhibiting strong macro-economic trends.

Domestic Market

The demand for paper in the domestic market grew at the expected rate of 6%. Prices fluctuated, with the second half of 2003 being directly impacted by the soft international prices of coated paper and newsprint in particular. The most seriously affected segment was coated woodfree paper. The oversupply in the Global market led to low priced imports,



subjecting the domestic industry to intense price competition leading to sharp drop in selling prices. Moreover, the reduction in import duties on paper from 25% to 20% at the beginning of 2004 made imported paper more competitive. However, the revival of global demand for coated paper from early 2004 led to a hardening of international prices, which triggered a recovery in domestic prices in the first half of 2004.

The market for High Bright Uncoated (Maplitho) Paper also witnessed competitive conditions. However, in line with the overall improved market conditions in paper and board, the High Bright segment displayed hardening of prices from second quarter of 2004. The growth in export of paper from India also helped in this recovery. The high GDP growth of 8.2% of the Indian economy in 2003-04 has created a strong base and momentum for higher demand growth for paper in the current year. Consequently, the outlook for the domestic market appears positive.

Market for Company's Products

The Company continued to perform well in the domestic market. The demand for high end papers has been experiencing higher growth as customers seek better quality products. Recognizing this trend, the Company's marketing effort during the year was directed at upgrading its customers to higher quality products. This endeavour has been led by an intensive product and market development process, involving manufacturing and marketing, working closely together. This ongoing effort covers all products. The Company's initiative has involved quality upgradation supported by creative advertising, innovative consumer and trade promotional campaigns and close customer interface. The Company's product development activities resulted in introduction of new value added products in the premium cut-size segment. During the year, the Company also augmented its distribution network for both printing & writing and branded segments enabling it to enhance its market reach and service levels. As a result, JK Paper significantly strengthened its market leadership, customer relationships and brand equity.

● Business Communication Papers

The Business Communication segment continues to be the fastest growing in line with global trends. Increasingly, consumption of paper in offices is shifting to branded cut-size papers. The Company identified the growth potential of cut-size papers several years ago, positioning itself as a pioneer and leader in this category. Despite a number of new players entering this market, JK Copier remains the undisputed leader with sales growth of 25% compared to segment growth of 15% per annum. JK Easy Copier retained its No. 2 position in the market and continued to be the leader in the economy segment. Consequently, the Company increased its overall market share in the branded copier segment from 40% to 43% in the year under review. Exports of JK Copier also went up by 12% reflecting its growing popularity in the international markets. This also signifies a gradual shift in the company's exports from unbranded to branded products.

JK Excel Bond - the Company's premium watermarked paper recorded growth of over 10%. Notably, its sales in consumer packs went up by 24%. This reinforces the consumer's preference for the company's brand, thanks to the product quality and its excellent packaging. The ever popular JK Bond continued to enjoy customer confidence.

As a result of the Company's continued thrust on branded products, the share of branded products in the Company's total sales increased from 40% to 43%, reflecting improved margins and substantial value addition.

● Printing & Writing Papers

With the growing demand for premium quality Printing & Writing papers, the Company strengthened its quality leadership through its JK Evervite - an international quality High Bright uncoated (Maplitho) Paper. The Company's other leading brands - JK Maplitho SHB & HB and JK Pulp Board are the printer's first choice for quality paper. JK Paper maintained its quality leadership by constantly upgrading its product quality. CPM's Ledger & Parchment Paper are examples of products which have been developed keeping in mind the user's needs. In all the marketing strategies, the Company has always ensured that the consumer gets best

value for money. This has enabled the company to build a large base of loyal customers.

● **New Products**

The Company constantly works on building a wide portfolio of differentiated products for different user segments. JK MICR Cheque Paper - a speciality product, which was launched in the year 2001-02, recorded a high growth of 39% during the current year. The quality has been highly appreciated by its customers - leading banks & security printers.

The Company introduced a top-of-the-line 'JK Copier Plus' with International Packaging Quality at the end of last year. This product - widely accepted as 'India's Brightest' copy Paper has been well received by all discerning customers. The demand for JK Copier Plus is expected to grow in the current year.

Towards the end of the year, the Company introduced an entirely new product by the name of 'JK Savannah' - a premium buff coloured stationery paper with laid mark in attractive consumer friendly packs of 100 sheets. Positioned as a highly differentiated & value added product, JK Savannah is expected to appeal to the niche users and is yet another manifestation of the Company's innovative Product Development efforts. The response thus far has been highly encouraging.

The Company successfully developed the market for coated papers with two products - 'JK Cote' & 'JK Eco Cote'. In the last one-year, JK Cote and JK Eco Cote volumes have grown significantly by 25% and 250% respectively. With both products finding ready customer acceptance, the Company introduced a higher end art paper by the name of 'JK Cote Premium', which has been widely appreciated by all customers.

● **Outsourcing**

The Company's pioneering efforts in Outsourcing in the Indian Paper Industry were amply rewarded by a significant volume growth of 85% over last year. These outsourced products consisted mainly of the above Coated Papers, which are produced by other manufacturers to the company's specifications and in the JK brand name. The Company plans to strengthen its outsourcing arrangements in order to meet the growing demand for these products.

● **Market Pulp**

The Company has been marketing its surplus pulp to some of the domestic paper mills who have substituted their requirements of imported pulp.

OPPORTUNITIES & STRENGTHS OF THE COMPANY

Demand for Paper & Boards

Following an 8.2% increase in GDP last year, the Indian economy is poised to grow at a steady rate of 6-7% per annum. Clearly, India is set to be among the highest growth economies in the world after China. Demand for paper being closely linked to GDP, and per capita consumption (6.5 Kgs.) being among the lowest in the world (world average 54 Kgs.) increase in consumption of paper in India is inevitable. The Government's commitment to education, particularly at the primary level and the rapid increase in production of consumer products is bound to significantly increase demand for paper and boards.

Demand for High Quality & Value Added Paper

Demand in the high end & value added product segments, is set to grow much faster. These include branded cut-size papers, growing at 15% per annum, coated papers & boards at 12% per annum and high brightness paper at 8% per annum, compared to overall average growth of paper & boards at 6.5%. With JK's established market leadership in the branded and high bright segment and the Company's new expansion project of high end Coated Paper of 46,000 tons per annum, the Company will be participating in all the high growth and value added segments of the paper market.

The Company's existing manufacturing and distribution strengths together with new investments in contemporary technology provides it quality and cost competitiveness. Along with strong brand equity, the Company is well equipped to combat global competition.

Distribution Network

Distribution is the Company's key competitive strength. Its network has been established over four decades with dedicated wholesalers, several of whom are exclusive to the Company. The Company has been continuously expanding its reach across the country and today has 101 wholesalers and over 2000 dealers. Its ability to cover the total paper market,



especially in the upcountry areas differentiates it from other paper companies and provides it a key competitive edge. The Company provides product level training and know-how to its wholesalers, enabling them in turn to serve their customers better.

Quality

JK Paper is synonymous with Quality. The Company's total culture is based on Quality. It is this organizational commitment to quality that is at the core of the Company's enduring success and its unmatched brand equity. The Company's Quality Policy ensures continuous upgradation of the manufacturing processes and product quality. It is due to this that JK has been the undisputed Quality Leader, enjoying customer confidence, resulting in it being the price leader in almost all its product categories.

MAJOR CONCERNS

With the increasing globalization and continued trend of India signing bilateral agreements promoting near free trade, Indian Paper Industry's competitiveness continues to be under pressure because of high cost of energy, raw-material and other infrastructural costs such as transportation. Raw-material availability remains a concern as companies are not allowed to raise captive plantations. In the absence of captive plantations, it may be difficult for Indian industry to be competitive with other Asian companies, who have access to large and cheap raw material base. Rising cost of energy and its inputs e.g. Coal, Power etc. which constitute a major portion of the industry's cost structure, is also a concern, despite significant captive generation undertaken by your Company.

RAW MATERIAL

Fierce competition continuing in the market for sharing the raw material between several forest based industries has led us to shape our social forestry program into a thrust area with increased content of technology development. This involves identification and multiplication of superior clones of various pulp wood species and evaluation of several multi-pronged strategies for effective coverage in the core catchments areas.

During the year 2003 - 04, over 24 million saplings of Eucalyptus & Casuarina were distributed to farmers in Orissa,

AP, Chhattisgarh, Gujarat and Maharashtra effectively covering over 4,453 hectares of land. Till date, the Company has covered a total area of over 35,764 hectares under plantation. In pursuance of its vision, it has promoted afforestation efforts for over a decade, which has contributed towards changing the rural landscape by generating direct and indirect employment and effective utilization of wastelands, thus bringing about rural development and overall improvement in the quality of environment.

Technology based plantations introduced in the year 1998 in a small way through selected JK Superclones increasingly gained the confidence of the farming community in all areas where they have been introduced due to their inherent strength of high productivity and the commercial viability of the plantations. During this year, JK Paper distributed over 821 thousand clonal plants of different varieties and in the current year we aim to distribute more than a million. Additional infrastructure like state-of-the-art Mist chambers are being added periodically to meet the demand of farming community for clonal plants.

ENVIRONMENT PROTECTION

JK Paper Mills, since its inception, has been striving hard for Continual Improvement and Sustainable Development of the environment. JK Paper Mills unit was the first paper mill to introduce and implement the ISO 14001 Environment Management System in 1998 and it was re-certified in the years 2001 and 2004. It also secured the distinction of being the 'Greenest Paper Mill' in the first ever Green Rating Project of Pulp and Paper industry by the Center for Science and Environment in 1999. CPM unit of the Company is also ISO 14001 certified. The Company has initiated major improvements in all areas of environmental management. Some of the recent initiatives taken by the Company include:

1. Installation of Dust extraction system at Lime and Coal handling area;
2. Installation of pH neutralization system for effluent;
3. Fly ash brick making using 20-23 % of ash generated;
4. Black liquor heat recovery - Increased Steam generation from 30 to 38%;

5. Scrubber system in pulp mill to reduce the gas pollution;
6. Risk Management auditing of chlorine storage and handling system by external faculty;
7. Use of treated effluent water for agriculture of paddy, cotton, banana, vegetables, and sugar cane.

HUMAN RESOURCE DEVELOPMENT

JK Paper recognizes the vital role its Human Resource plays in achieving sustained competitiveness and profitability of the business. The Human Resource Strategies of the company are aligned with business strategies. The management of the company envisions, promotes, reviews and realigns all people processes such as competence development, performance management, talent management, reward and motivation management through a Corporate HRD Committee. The Company's Top Management regularly reviews HR Processes and provides direction for implementation of HR strategies that are aimed at improving business performance and enhancing well being of its employees. Employee Satisfaction Surveys are periodically conducted by an external agency to assess the extent to which employees are satisfied with regard to the work environment. Findings of the survey are shared with employees and their views are taken in improving human resource processes. Implementation of TPM at both the units is done through involvement of employees at all levels and relentless efforts are being made to pursue the ultimate goal of zero accident, zero breakdown, zero defect and zero losses. The Company employs tools such as Quality Circle, Cross Functional Teams, Suggestion Schemes etc. to bring about improvement in work place. Training is focused towards cost management and leadership development.

A team of 3059 employees has been contributing to your Company's growth. The Company's commitment to maintain harmony in Industrial Relations has resulted in achieving high productivity standards in the industry.

OPERATIONAL COST REDUCTION

The Company took a number of steps towards cost reduction during the year. Significant among them was **"Operational Excellence"** Programme, developed with the

help of McKinsey, which has resulted in tangible cost reduction in select areas and has the potential to deliver further cost reduction in many more areas. Steps were taken to effect reduction in bleaching chemical costs, alkali demand, packaging cost, logistics cost, water consumption etc. In addition significant gains were registered in productivity through TPM. Several projects were undertaken under Quality Circle, Suggestion Scheme and Kaizen.

FINANCIAL HIGHLIGHTS

Rs. in crore (10 million)

	2003-04	2002-03	Increase/decrease (%) over previous year
Gross Sales and Other Income	733.20	684.16	7.2%
Net Sales and Other Income	634.18	590.74	7.4%
Profit before Interest, Lease Rent and Depreciation	147.16	135.39	8.7%
Interest & Lease Rent	40.78	38.13	6.9%
Profit before Depreciation	106.38	97.26	9.4%
Profit before Tax	66.57	58.30	14.2%
Profit after Current Tax	64.76	53.93	20.1%
Profit after Tax	41.22	33.04	24.7%

The Company recorded Gross Sales and Other Income of Rs. 733.20 crore, an increase of 7.2% over the previous year. This was contributed by better product mix, higher sale of outsourced products and higher production.

The operating profit (PBIDT) increased by 8.7% to Rs. 147.16 crore due to improved raw material yield, higher share of branded products, increased captive power generation and decline in power consumption per ton of paper produced.

The outgo on account of financial charges was Rs. 40.78 crore, which was higher by 6.9%.

Profit after tax (PAT) increased by 24.7% to Rs. 41.22 crore. The increased profitability was achieved despite significant increase in cost of raw materials and other inputs such as coal, power etc. Continuous thrust on quality improvement enabling better realizations and sharp focus on cost reduction helped in improving the profitability.



The Company achieved a major milestone towards a more efficient capital structure by conversion of Rs. 162 crore, 8% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) to Equity Shares and 3.75% Cumulative Redeemable Preference Shares (CRPS). The new Equity Shares were issued consequent to exercise of conversion rights by OCCRPS holders. This has resulted in significant increase in equity share holder's funds, removal of convertibility overhang from the Company's balance sheet, substantial improvement in Company's Debt : Equity ratio and enhancement in fund raising capability for growth.

Market capitalization of the Company improved significantly after conversion of OCCRPS into Equity Shares. This will pave the way for increased investor interest in the future.

Company was successful in reducing its working capital interest rates by availing different low cost demand loan products. Income from the treasury operations also contributed to improved results.

INTERNAL CONTROL SYSTEM

Your Company has an Internal Control System aimed at ensuring effective internal checks and provides assurance of the efficiency of operations, security of assets and risk mitigation. Your Company's well established Internal Audit Department carries out internal audits throughout the year, which is supplemented by independent internal auditors appointed by the Company. The Internal Audit Department continuously monitors adequacy, effectiveness and compliance of the internal control environment across various business units and branches. It also assists in formulation of risk management policies and is supplemented by a networked IT environment in your Company. Reports of the internal auditors are reviewed by the Management to take remedial measures, formulate and revise policies as may be necessary. The internal audit reports along with status of the implementation are reviewed by the Audit Committee of the Board on a regular basis.

EXPANSION

At the global level the coated paper segment forms around

35 - 40% of the total printing and writing paper market. In India it is much smaller at only 10% but is growing rapidly at 12-15% per year. Demand for coated paper in India is estimated at 2.25 lakh tonnes per annum. Currently the upper end is dominated by a single domestic producer with a share of over 50%. While imports represent 18%, the balance is supplied by smaller off-line independent coaters who produce coated paper of a lower quality using old Air Knife technology.

Your Company is installing a Coating Plant with a current capacity of 46,000 TPA in order to cater to the growing market demand. This plant is slated to be commissioned during the first half of the Financial Year. The plant will utilize the superior Blade Coating technology and coupled with the Company's high quality base paper, will be able to offer the product in the upper segment of the market. With this your Company will become the second largest coated paper producer in the country. The Company has already been selling coated paper under the 'JK Cote' brand through outsourcing for the last two years. This has helped in gaining valuable market knowledge and establishing links with leading customers.

CAUTIONARY STATEMENT

"Management Discussion and Analysis Report" contains forward-looking statements, which may be identified by the use of words in that direction or connoting the same. All statements that address expectation or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements.

The Company's actual results, performance or achievement could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are :-

- Commitment to excellence and customer satisfaction
- Maximising long term shareholders' value
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholders' value and remaining committed to high standards of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

2. BOARD OF DIRECTORS:

The Board of Directors presently consists of nine Directors of which three are Executive Directors and six are Non-executive Independent Directors. Other details are as given hereunder:

Director	Category	No. of Board Meetings attended during 2003-04	Whether attended last A.G.M.	No. of other Directorships and Committee Memberships / Chairmanships		
				Other Directorships*	Other Committee Memberships**	Other Committee Chairmanships**
Shri Hari Shankar Singhania Chairman	Executive	5	No	2	—	—
Shri Dharendra Kumar	Non-Executive Independent	5	Yes	8	2	—
Shri Gajanan Khaitan	Non- Executive Independent	4	No	—	—	—
Shri Jitender Balakrishanan, (IDBI Nominee w.e.f. 08.09.2003) #	Non- Executive Independent	4	No	5	2	—
Shri P. K. Kaul	Non- Executive Independent	5	No	10	2	4
Shri Shailendra Swarup	Non- Executive Independent	5	No	5	3	—
Shri S. K. Pathak (w.e.f. 24.04. 2004)	Non- Executive Independent	—	N.A.	—	—	—
Shri Harsh Pati Singhania Managing Director	Executive	5	Yes	4	—	—
Shri O. P. Goyal, Whole-time Director	Executive	5	No	2	1	—

Lender/Investor

* excludes Directorships in Private Ltd Companies, Foreign Companies, memberships of Managing Committees of various Chambers/bodies/ Section 25 Companies.

** only covers Memberships/Chairmanships of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee.

DATE AND NUMBER OF BOARD MEETINGS HELD: -

Five Board Meetings were held during the year 2003-04 on 9th August 2003, 21st October 2003, 24th January 2004, 19th March 2004 and 24th April 2004.

3. AUDIT COMMITTEE:

Terms of Reference of the Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The Committee presently consists of four Non-executive Independent Directors namely Shri Dharendra Kumar (Chairman), Shri Jitender Balakrishnan, Shri P. K. Kaul and Shri Shailendra Swarup. Shri Gajanan Khaitan ceased to be member of Audit Committee during the year. Shri Harsh Pati Singhania, Managing Director and Shri O. P. Goyal, Whole-time Director are the permanent invitees.

Four meetings of the Audit Committee were held during the year 2003-04 as detailed hereunder :

Dates of meetings	No. of members attended
9 th August 2003	4
21 st October 2003	4
24 th January 2004	4
24 th April 2004	4

4. REMUNERATION COMMITTEE:

The Remuneration Committee of Directors consists of three Non-executive Independent Directors namely Shri Gajanan Khaitan (Chairman), Shri Dharendra Kumar and Shri Shailendra Swarup. The 'Terms of Reference' of the Committee in brief are to consider, determine and approve the remuneration of Executive Directors, on a reference being made in this behalf by the Board or the Chairman or Managing Director. One meeting of Remuneration Committee was held during the year and all the members were present.

Details of Remuneration to Directors for the year

A. Executive Directors

The aggregate value of salary and perquisites for the year ended 30th June, 2004 to the Chairman, Managing Director and Whole-time Director is as follows: Shri Hari Shankar Singhania, Rs. 90.27 lac plus Rs. 143.15 lac payable as commission, Shri Harsh Pati Singhania, Rs. 78.90 lac plus Rs.143.15 lac payable as commission, Shri O. P. Goyal, Rs. 36.28 lac plus Rs. 14.12 lac payable as commission (including arrear of Rs. 4.21 lac). The above amounts include Company's contribution to Provident Fund and Superannuation Fund.

The Company does not have any Stock Option Scheme. In the case of Executive Directors, notice period is 6 months. Severance fee for the Chairman and the Managing Director is remuneration for the unexpired residue of term or for 3 years, whichever is shorter and for the Whole-time Director, 6 months salary in lieu of notice period.

B. Non-executive Directors

The company has paid sitting fees aggregating to Rs. 1.65 Lac to all Non Executive Directors for attending the meetings of the Board and/or Committee(s) thereof. Besides the sitting fees, a commission to the said Directors is proposed to be paid of Rs. 1.00 lac each to of Shri P. K. Kaul, Shri Shailendra Swarup, Shri Dharendra Kumar and Shri Gajanan Khaitan, Rs.0.80 lac to Shri Jitender Balakrishnan and Rs.0.20 lac to Shri S. K. Pathak.

The Non-executive Directors did not have any other material pecuniary relationship or transactions vis-a-vis the Company during the year.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee presently consists of four Directors, namely Shri Shailendra Swarup (Chairman), Shri P. K. Kaul, both Non-executive Independent Directors, Shri Harsh Pati Singhania, Managing Director and Shri O. P. Goyal, Whole-time Director. Four meetings of the said Committee were

held during the year 2003-04 as detailed hereunder:

Dates of meetings	No. of members attended
9 th August 2003	4
21 th October 2003	4
24 th January 2004	4
24 th April 2004	4

Shri S.C. Gupta, Company Secretary, is the Compliance Officer.

No investor complaints were received during the year. All valid requests for share transfer received during the year have been acted upon by the Company. No such transfer is pending.

6. GENERAL BODY MEETINGS:

Location and time for last three Annual General Meetings were :

Year	Location	Date	Time
2000-01	P. O. Central Pulp Mills - 394 660 Fort Songadh, Distt. Surat, Gujarat	10.12.2001	10.00 A.M
2001-02	Same as above	19.09.2002	10.00 A.M.
2002-03	Same as above	27.09.2003	12.30 P. M.

No special resolutions were required to be put through postal ballot last year.

7. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. None

Suitable disclosure as required by Accounting Standard (AS-18) - Related Party Disclosures, has been made in the Annual Report.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. None

8. MEANS OF COMMUNICATION:

Quarterly, half yearly and annual financial results are normally published in leading English Dailies like Economic Times, Business

Standard and Gujarati Newspaper Sandesh, etc. The results are also displayed on the web-site of the company "www.jkpaper.com". As the results are published in newspapers having wide circulation and also displayed on the Company's website, quarterly and half yearly results are not sent separately to each shareholder. Full version of the Annual Report, Corporate Governance Report, financial results and shareholding pattern of the Company are/shall be posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website namely "www.sebiedifar.nic.in". The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, "www.sebi.gov.in". Management Discussion & Analysis forms part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION :

(i) Annual General Meeting (AGM) :-

(a) Date and Time : Wednesday, 29th September, 2004 at 2:00 P.M.

Venue : P. O. Central Pulp Mills- 394 660, Fort Songadh, Distt. Surat, Gujarat.

(b) As required under Clause 49 VI (A), a brief resume and other particulars of Directors seeking appointment or retiring by rotation and seeking re-appointment at the aforesaid AGM are given in the Notes to the Notice convening the said Meeting.

(ii) Book Closure : 24th Sept. 2004 to 29th Sept. 2004 (both days inclusive)

(iii) Dividend

Payment Date : Before 20th October 2004.

(iv) Financial Calendar (tentative):

Financial Reporting for the Quarter Ending :

September 30, 2004 : By end of October 2004

December 31, 2004 : By end of January 2005

March 31, 2005 : By end of April 2005

June 30, 2005 (if unaudited) : By end of July 2005

(if audited) : By September 2005

Annual General Meeting : Between September and for the year ending December 2005

June 30, 2005

(v) **Listing of Equity Shares (including Stock Code):**

The Equity Shares of the Company are listed on Vadodara Stock Exchange (Stock Code 16026) and The Stock Exchange, Mumbai (Stock Code 532162). Listing Fee for the year 2004-05 has been paid to both the Stock Exchanges.

(vi) **Stock Market Price Data and Share Price Performance**

Month	Stock Market Price on Stock Exchange, Mumbai (BSE)		BSE Sensex
2003	High (Rs.)	Low (Rs.)	Close (Rs.)
July	57.00	49.50	3792.61
August	69.90	52.00	4244.73
September	60.00	50.35	4453.24
October	63.95	54.15	4906.87
November	61.65	56.55	5044.82
December	83.50	57.70	5838.96
2004			
January	77.75	52.00	5695.67
February	58.75	47.05	5667.51
March	50.80	35.00	5590.60
April	50.90*	37.85*	5655.09
May	52.00*	37.30*	4759.62
June	47.80*	37.00*	4795.46

(Source: www.bseindia.com)

* Number of Equity Shares increased from 2,75,69,939 to 5,50,69,939 w.e.f. 28th April 2004

(vii) **Dematerialisation of shares :**

The Equity Shares of the Company are presently tradeable in compulsory demat segment. The ISIN No. for Equity Shares of the Company for both the depositories is INE789E01012. As on 30th June 2004, 89.25% of the Company's Equity Share Capital was in dematerialised form.

In respect of Shares held in electronic form, all the requests for nomination, change of address and rematerialisation etc. are to be made only to the Depository Participant with whom the Shareholders have opened their Demat Account. The Company will not be in a position to process such requests.

(viii) **Share transfer system :**

The transfer / transmission of shares in physical form is processed and completed within a period of 15-20 days from the date of receipt thereof. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through the respective Depository Participants.

(ix) (a) **Distribution of Equity Shareholding (both in physical and electronic form) as on 30th June 2004:**

Number of Equity Shares held	Shareholders		Shareholding	
	Numbers	%	No. of Shares	%
1 to 500	1900	92.32	1,31,467	0.24
501 to 1,000	68	3.30	56,830	0.10
1,001 to 5,000	50	2.43	1,14,343	0.21
5,001 to 10,000	4	0.20	29,676	0.05
Over 10,000	36	1.75	5,47,37,623	99.40
Total	2058	100.00	5,50,69,939	100.00

(b) **Pattern of Equity Shareholding (both in physical and electronic form) as on 30th June 2004 :**

Category	No. of Equity Shares held	Percentage of Shareholding
Domestic Companies	2,39,01,731	43.40
Fls, Insurance Companies & Banks	2,39,58,546	43.51
Central/ State Government	4,58,595	0.83
Foreign Investor/NRI	25,00,500	4.54
Resident Individuals	4,13,251	0.75
Others	38,37,316	6.97
Total	5,50,69,939	100.00

(x) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:**

Nil

(xi) **Plant locations :**

- (i) JK Paper Mills
Jaykaypur-765 017,
Distt. Rayagada (Orissa).
- (ii) Central Pulp Mills
P. O. Central Pulp Mills - 394 660
Fort Songadh,
Distt. Surat (Gujarat)

(xii) **Address for correspondence for Share Transfer and related matters :**

1. Registrar and Share Transfer Agent (RTA)
M/s. MCS Ltd.
Sri Venkatesh Bhawan,
W - 40, Okhla Industrial Area,
Phase - II, New Delhi-110 020
Ph. (011) 2638 4909 - 11
Fax No.(011)-2638 4907
E-mail: mcsdel@vsnl.com
(Company's RTA w.e.f 01.10.2003, on transfer of RTA
Division of Computech International Ltd. to them).

2. Company Secretary
JK Paper Limited
Gulab Bhawan (Rear Block - 3rd Floor)
6A, Bahadurshah Zafar Marg
New Delhi-110 002
E-mail: sharesjkpaper@jkmil.com

10. CODE FOR PREVENTION OF INSIDER TRADING:

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Board of Directors of the Company has adopted a Code of Conduct for Prevention of Insider Trading in the securities of the Company by its employees in terms of Schedule I to the said Regulations.



AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of JK Paper Limited

We have examined the compliance of conditions of Corporate Governance by JK Paper Limited for the year ended on 30th June 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was 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 according to the explanations given to us, we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per records maintained by the shareholders/Investors grievances committee.

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

For LODHA & CO.
Chartered Accountants

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

Place : New Delhi
Date : 23rd August 2004

N.K.Lodha
Partner

Atul Seksaria
Partner

Disclosure of names of persons constituting group in relation to JK Paper Limited pursuant to Regulation 3 (1)(e) (i) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997.

J.K. Corp Ltd., Mayfair Finance Ltd., Sidhi Vinayak Investment Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd., J.K. Industries Ltd., Hansdeep Investment Ltd., Panchanan Investment Ltd., Radial Finance Ltd., Hidrive Finance Ltd., Fenner India Ltd., JK Agri Genetics Ltd., JK Sugar Ltd., Bengal & Assam Company Ltd., Nav Bharat Vanijya Ltd., Juggilal Kamlatpat Udyog Ltd., J.K. Agents Ltd., Pranav Investment (MP) Company Ltd., Param Subham Vanijya Ltd., J.K. Credit & Finance Ltd., Ashim Investment Company Ltd., Juggilal Kamlatpat (Agency) Ltd., Orlop Investment Ltd., Ethnic Investment Ltd., Sthenic Investment Ltd., Habras International, Juggilal Kamlatpat Lakshmipat, Shri Hari Shankar Singhania, Shri Bharat Hari Singhania, Smt. Sharda Devi Singhania, Smt. Vinita Singhania, Shri Raghupati Singhania, Smt. Sunanda Singhania, Shri Harsh Pati Singhania, Smt. Mamta Singhania, Shri Vikrampati Singhania, Smt. Swati Singhania, Shri Anshuman Singhania, Shri Shrivats Singhania.

AUDITORS' REPORT

To the Members of JK PAPER LIMITED

We have audited the attached Balance Sheet of JK PAPER LIMITED as at 30th June, 2004, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. 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 enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi)
 - (a) *Provision for deferred tax liability for the transitional period up to 30th June, 2001 amounting to Rs. 275.04 Lac has not been made, since the same has been challenged and the case is pending in the Hon'ble High Court of Kolkata (Note no. B-25(b), schedule 20)*
 - (b) *Provision for additional liability on account of foreign exchange fluctuation of Rs.455.95 lac as on 30th June, 2004 (till 30.06.2003 Rs. 469.05 lac) on the import of materials has not been made, as the same is disputed. (Note no. B-5, schedule 20)*
 - (c) *Provision for diminution (amount unascertainable) in value in respect of long term investments has not been made since in the opinion of Board, such diminution is temporary in nature. (Note no. B-12, schedule 20).*

Without considering item (vi) (c) above, the impact of which could not be determined, had the item (vi) (a) and (b) above been considered, profit for the year would have been lower by Rs. 455.95 lac, Reserve and Surplus would have been lower by Rs.730.99 lac, Current Liabilities would have been higher by Rs. 455.95 lac and Deferred Tax Liability would have been higher by Rs. 275.04 lac.

(vii) *Subject to above, 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 accounting policies and notes on accounts thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 30th June, 2004;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

N. K. LODHA
Partner

ATUL SEKSARIA
Partner

Membership No.: 85155

Membership No.: 86370

New Delhi

The 23rd August, 2004

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date on the accounts of JK PAPER LIMITED for the accounting year ended on 30th June, 2004.)

1. (a) The Company has maintained proper records in respect of its fixed assets showing full particulars including quantitative details and location thereof.
- (b) We have been informed by the management that major portion of the fixed assets have been physically verified as per the programme which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets and no material discrepancies was found on such physical verification.
- (c) As per the records and information and explanations given to us, fixed assets disposed off during the period were not substantial.
2. (a) We have been explained by the management that the inventory have been physically verified at reasonable intervals during the year and confirmations are obtained where inventory are lying with third parties.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its activities.
- (c) On the basis of our examination of records, we are of the opinion that the Company is maintaining proper records of inventory. As far as we can ascertain and according to the information and explanations given to us by the management, the discrepancies whenever material noticed on the physical verification of inventory as compared to book records were properly dealt with in the books of accounts.
3. The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d) of The Order are not applicable.

4. There are reasonable internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
5. (a) According to the information and explanations given to us and based upon audit procedures performed, we are of the opinion that the transactions that need to be entered into register in pursuance of section 301 of The Act have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of The Act and exceeding the value of five lac rupees in respect of each party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of The Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. No order has been passed by the Company Law Board in this regard.
7. The Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of The Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
9. (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the date they became payable as at 30th June, 2004.
- (b) According to the records and information & explanations given to us, there are no dues in respect of custom duty and wealth tax that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of sales tax, excise duty, income tax and cess that have not been deposited with the appropriate authorities on account of dispute and the forum where the dispute is pending are given below:

Name of the Statute	Nature of the dues	Amount (Rs. in lac)	Forum where dispute is pending
Sales Tax Act	Sales Tax	168.79	Asst. Commissioner (ST), Koraput
		0.73	Dy. Commissioner, Delhi
		4.93	Deputy Commissioner (Appeal), Delhi
		137.67	Tribunal, Cuttack
Central Excise Act	Excise Duty	94.71	Commissioner- Appeals, Rayagada
		231.71	Asstt. Commissioner - Surat
		163.09	CESTAT, Mumbai
		8.82	CESTAT, Delhi
		256.49	Commissioner, Surat
		20.44	Collector (Appeal), Mumbai
		1.01	CEGAT, Kolkata
		219.83	High Court, Bhubaneshwar
Income Tax Act	Income Tax	40.75	Supreme Court
		31.55	Commissioner, Surat
Water (PCP) Cess Act, 1977	Cess	6.50	Cess Appellate Committee, OPCB, Bhubaneshwar



10. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. Based on our audit procedures and the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of its dues to financial institutions or banks or debenture holders.
12. According to the information and explanations given to us, 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.
13. The Company is not a chit fund or a nidhi /mutual benefit fund /society, therefore, the provisions of clause 4 (xiii) of the said Order are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of The Order are not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion, on the basis of information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
17. According to information and explanations given to us, and on an overall examination of the financial statements of the company, no funds raised from short - term sources have been used for long- term investment and vice-versa.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. On the basis of records made available and information and explanations given to us, the company has created securities in respect of debentures outstanding during the year.
20. The company has not raised any money through a public issue during the period.
21. Based on the audit procedure performed and on the basis of information and explanations provided by the management, no fraud, on or by the company, has been noticed or reported during the year.

For LODHA & CO.
Chartered Accountants

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

N. K. LODHA
Partner
Membership No.: 85155

ATUL SEKSARIA
Partner
Membership No.: 86370

New Delhi
The 23rd August, 2004

BALANCE SHEET

As at 30th June, 2004

Rs. in crore (10 million)

	Schedule	30 th June, 2004	30 th June, 2003
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	207.07	289.57
Reserves and Surplus	2	149.63	58.38
		356.70	347.95
LOANS			
Secured Loans	3	452.49	383.55
Unsecured Loans	4	58.18	55.64
		510.67	439.19
DEFERRED TAX LIABILITY			
		55.59	32.04
TOTAL		922.96	819.18
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	844.20	828.69
Less: Depreciation		233.43	194.42
Net Block		610.77	634.27
Capital work-in-progress including Advances		58.91	4.65
		669.68	638.92
INVESTMENTS			
	6	34.01	39.08
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	64.23	69.74
Sundry Debtors	8	90.58	87.19
Cash and Bank Balances	9	5.77	52.12
Loans and Advances	10	156.38	27.12
		316.96	236.17
LESS: CURRENT LIABILITIES AND PROVISIONS			
NET CURRENT ASSETS	11	104.19	104.55
		212.77	131.62
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		6.50	9.56
TOTAL		922.96	819.18

Notes on Accounts

Schedules 1 to 11 and 20 attached to the Balance Sheet are an integral part thereof.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N. K. LODHA
Partner

New Delhi, the 23rd August, 2004

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

ATUL SEKSARIA
Partner

S.C. GUPTA
Company Secretary

H.S. SINGHANIA

H.P. SINGHANIA

DHIRENDRA KUMAR
GAJANAN KHAITAN
JITENDER BALAKRISHNAN
O.P. GOYAL
P. K. KAUL

Chairman

Managing Director

Directors



PROFIT AND LOSS ACCOUNT

For the Year Ended 30th June, 2004

Rs. in crore (10 million)

	Schedule	2003-04	2002-03
INCOME			
Sales		723.99	678.75
Less: Trade Discount		25.52	24.03
		698.47	654.72
Less: Excise Duty		73.50	69.39
Net Sales		624.97	585.33
Other Income	12	9.21	5.41
		634.18	590.74
Increase/Decrease() in Stocks	13	0.43	6.08
		634.61	596.82
EXPENDITURE			
Employees	14	72.73	66.26
Materials and Manufacturing	15	329.05	309.31
Other Expenses	16	85.67	85.86
		487.45	461.43
PROFIT BEFORE INTEREST, LEASE RENT AND DEPRECIATION		147.16	135.39
Interest and Lease Rent	17	40.78	38.13
PROFIT BEFORE DEPRECIATION & TAX		106.38	97.26
Depreciation	18	39.81	38.96
PROFIT BEFORE TAX		66.57	58.30
Provision for Current Tax		1.81	4.37
PROFIT BEFORE DEFERRED TAX		64.76	53.93
Provision for Deferred Tax		23.54	20.89
PROFIT AFTER TAX		41.22	33.04
Debenture Redemption Reserve Written Back		0.60	—
Surplus brought forward		35.02	28.58
		76.84	61.62
APPROPRIATIONS:			
Debenture Redemption Reserve		1.07	1.00
General Reserve		2.06	1.70
Dividend	19	26.27	22.96
Corporate Dividend Tax		3.37	0.94
Surplus carried to Balance Sheet		44.07	35.02
		76.84	61.62
Earnings Per Share (Rs.) - Cash		24.97	26.71
- before Deferred Tax		12.67	12.58
- after Deferred Tax		5.40	5.01

Notes on Accounts

Schedule 12 to 20 attached to the Profit and Loss Account are an integral part thereof.

This is the Profit and Loss Account referred to in our report of even date.

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

H.S. SINGHANIA

Chairman

N. K. LODHA
Partner

ATUL SEKSARIA
Partner

H.P. SINGHANIA

Managing Director

DHIRENDRA KUMAR
GAJANAN KHAITAN
JITENDER BALAKRISHNAN
O.P. GOYAL
P. K. KAUL

Directors

New Delhi, the 23rd August, 2004

S.C. GUPTA
Company Secretary

Rs. In lac (0.1 million)

30th June, 200430th June, 2003**Schedule 1****CAPITAL****Authorised :**

Equity Shares - 20,00,00,000 (Previous year - 20,00,00,000) of Rs.10 each	20000.00	20000.00
Redeemable Preference Shares - 3,00,00,000 (Previous Year - 3,00,00,000) of Rs.100 each	30000.00	30000.00
	50000.00	50000.00

Issued, Subscribed and Paid-up :

Equity Shares - 5,50,69,939 (Previous year 2,75,69,939) of Rs. 10 each fully paid up (a)	5506.99	2756.99
8% Optionally Convertible Cumulative Redeemable Preference Shares - Nil (Previous Year 1,62,00,000) of Rs.100 each fully paid-up (a) & (b)	-	16200.00
10% Cumulative Redeemable Preference Shares - 1,00,00,000 of Rs.100 each fully paid-up (b) & (c)	10000.00	10000.00
3.75% Cumulative Redeemable Preference Shares - 52,00,000 of Rs. 100 each (a)	5200.00	-
	20706.99	28956.99

Notes :

- (a) During the year, the Company has converted 1,10,00,000, 8% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs. 100 each into 2,75,00,000 equity shares of Rs. 10 each at a share premium of Rs. 30 per share, and has by variation of terms changed 52,00,000, 8% OCCRPS to 52,00,000, 3.75% Cumulative Redeemable Preference Shares of Rs. 100 each redeemable in 3 annual instalments of Rs. 30, Rs. 30 and Rs. 40 each respectively on 29th November, 2017, 29th November, 2018 and 29th November, 2019.
- (b) These shares have been allotted as fully paid-up, without payment being received in cash, pursuant to the Scheme of Compromise and/or Arrangement sanctioned by the Hon'ble High Courts of Orissa & Gujarat.
- (c) Redeemable in 3 annual instalments of Rs.33, Rs.33 and Rs.34 respectively on 31st March, 2008, 31st March, 2009 and 31st March, 2010 with premium on redemption of Rs. 10 payable with each instalment of redemption.

Schedule 2**RESERVES AND SURPLUS**

	1 st July, 2003	Additions	Transfers/ Adjustments	30 th June, 2004
Debenture Redemption Reserve	450.00	106.68	(a) 59.78	496.90
Revaluation Reserve	1064.54	-	(b) 191.93	872.61
Securities Premium	-	8,250.00	(c) 91.09	8158.91
General Reserve	821.00	206.10	-	1027.10
Surplus in Profit and Loss Account	3501.98	4407.32	(a) 3501.98	4407.32
	5837.52	12970.10	3844.78	14962.84

- (a) To Profit and Loss Account.
- (b) To Profit and Loss Account towards additional Depreciation arising out of revaluation of Fixed Assets.
- (c) Share Issue Expenses adjusted.



Rs. in lac (0.1 million)

30th June, 200430th June, 2003**Schedule 3****SECURED LOANS**

Non-convertible Debentures	2254.62	2493.74
Zero Coupon Bonds	1144.22	1144.22
Term Loans from Financial Institutions	18985.52	20501.43
Term Loans from Banks	14335.00	12711.88
Working Capital Loans from Banks	8529.65	1503.92
	45249.01	38355.19

NOTES:**A. Terms of redemption of Debentures/Bonds**

- (a) Non-convertible Debentures (NCDs) of Rs. 1000 each aggregating to Rs. 1229.79 lac are redeemable as under :
Series C (Rs. 68.32 lac), Series D (Rs. 136.64 lac), Series E (Rs. 273.29 lac), Series F (Rs. 341.61 lac), Series G (Rs. 204.96 lac), Series H (Rs. 204.97 lac) in 4 equal quarterly instalments commencing from July 2004, July 2005, July 2006, July 2007, July 2008 & July 2009 respectively.
- (b) Non-convertible Debentures (NCDs) of Rs. 1000 each aggregating to Rs. 1024.83 Lac are redeemable as under :
Series UC, Series UD, Series UE, Series UF, Series UG (each of Rs. 170.80 Lac) and Series UH (Rs. 170.83 Lac) in 4 equal quarterly instalments commencing from July 2004, July 2005, July 2006, July 2007, July 2008 & July 2009 respectively.
Interest on above Debentures is provided considering varying rate of interest, as per terms.
- Zero Coupon Bonds - I (ZCBs - I) of Rs. 1000 each aggregating to Rs. 586.06 lac are redeemable as under:
Series A and Series B (each of Rs. 293.03 lac) in 2 equal half yearly instalments commencing from October 2008 and October 2009 respectively.
- Zero Coupon Bonds - II (ZCBs - II) of Rs. 1000 each aggregating to Rs. 558.16 lac are redeemable as under:
Series A, Series B (each of Rs. 186.03 lac) and Series C (Rs. 186.10 lac) in 2 equal half yearly instalments commencing from October 2007, October 2008 and October 2009 respectively.

B. Security

- (a) Subsisting charges in respect of Term Loans over immovable and movable assets of the JK Paper Mills, Jaykaypur shall continue to be in force and effect as before upto the date fresh charges for Restructured debt are created in terms of the Scheme of Compromise & Arrangement. The charges created/to be created over such immovable and movable assets shall rank pari passu subject to prior charges of the Company's bankers for working capital on specified movables.
Charges by way of hypothecation on the movable assets of unit Central Pulp Mills of the Company, acquired after 01.04.2000 have been created/ are to be created in respect of restructured Term Loans of unit JK Paper Mills. Necessary steps and formalities to extinguish the charges of debt not relating to the Paper Undertaking (JK Paper Mills) transferred to the Company are being taken in consultation with the Financial Institutions/Banks.
- (b) Non-convertible Debentures and Zero Coupon Bonds are secured by a first mortgage and charge on all the immovable and movable properties of the company situated at Dist. Mehsana in the State of Gujarat. The said mortgage and charge shall rank pari passu with the mortgages and charges created and/or to be created in favour of other participating Financial Institutions/Banks.
- Term Loan of Rs. 6320.00 lac from Banks is secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured/ are to be secured by a second charge on the immovable assets of the Company.
- Instalments of Term Loans repayable within one year - Rs. 3726.85 lac.
- Term loans from Financial Institutions and Banks include Rs. 6433.67 lac foreign currency loans.

30th June, 2004

Rs. in lac (0.1 million)
30th June, 2003

Schedule 4

UNSECURED LOANS

Fixed Deposits	3179.07	2252.22
Interest free Deferred Payment Liabilities	2638.71	3311.68
	<u>5817.78</u>	<u>5563.90</u>

Schedule 5

FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1 st July, 2003	Additions/ Adjust- ments	Sales/ Adjust- ments	As at 30th June, 2004	Upto last year	For the year	On Sales/ Adjust- ments	To date	As at 30th June, 2004	As at 30 th June, 2003
Land - Freehold	(a) 37.13	-	-	37.13	-	-	-	-	37.13	37.13
- Leasehold	20.60	-	-	20.60	0.84	0.26	-	1.10	19.50	19.76
Buildings	8656.98	77.23	-	8734.21	1144.33	230.49	-	1374.82	7359.39	7512.65
Plant & Machinery	72819.18	1078.50	340.47	73557.21	17923.23	3786.46	255.17	21454.52	52102.69	54895.95
Furniture, Fixtures & Equipments	460.17	76.71	8.54	528.34	207.64	32.97	2.83	237.78	290.56	252.53
Vehicles & Locomotives	491.76	160.74	43.06	609.44	103.73	48.76	13.77	138.72	470.72	388.03
Railway Sidings	383.01	63.31	-	446.32	61.85	17.62	-	79.47	366.85	321.16
Intangible Assets - Performance Improvement & Development	-	486.89	-	486.89	-	56.81	-	56.81	430.08	-
Total	82868.83	1943.38	392.07	84420.14	19441.62	4173.37	271.77	23343.22	61076.92	63427.21
Previous year	81828.11	1724.76	684.04	82868.83	15485.65	4121.80	165.83	19441.62	63427.21	-

Notes:

- (a) Includes cost of 4.67 acres land given on lease to Employees' State Insurance Corporation for construction of Hospital for Employees.
(b) Gross Block includes amount of revaluation (Refer Note B.6 - Schedule 20).
(c) Intangible Asset - Performance Improvement & Development is being depreciated @ 20% p.a.



Rs. in lac (0.1 million)

30th June, 2004

30th June, 2003

Schedule 6

INVESTMENTS

(Non-trade)

Long-term Investments (Quoted)

(Equity Shares fully paid up)

JK Corp Limited

Nos.	Book Value	Nos.	Book Value
1,20,000	57.29	1,20,000	57.29

J.K. Udaipur Udyog Ltd.

50,00,000	500.00	50,00,000	500.00
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Long-term Investments (Unquoted)

J.K. Drugs & Pharmaceuticals Limited

Zero Coupon Redeemable Preference Shares

8,00,000	800.00	8,00,000	800.00
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J.K.Paper Mills Employees' Co-Operative Stores Ltd.

Equity Shares

250	0.02	250	0.02
-----	------	-----	------

Government Securities(Deposited with Government Departments)

—	0.03	—	0.03
---	------	---	------

Current Investments (Quoted) (Units)

IL & FS Liquid Institutional Plan

37,76,034	450.00	—	—
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(Purchased 5,13,35,886 units and sold 4,75,59,852 units)

LIC Liquid Fund

52,20,478	600.41	—	—
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(Purchased 5,28,23,602 units and sold 4,76,03,124 units)

SBI - Magnum Institutional Income Fund

43,13,395	442.97	—	—
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(Purchased 18,92,17,482 units and sold 18,49,04,087 units)

Chola Liquid Fund

42,41,526	550.00	—	—
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(Purchased 65,58,835 units and sold 23,17,309 units)

Alliance Short Term Plan Fund

—	—	9,17,541	100.00
---	---	----------	--------

(Purchased 56,48,804 units and sold 65,66,345 units)

Deutsche Short Maturity Fund

—	—	59,50,098	610.00
---	---	-----------	--------

(Purchased 1,97,96,441 units and sold 2,57,46,539 units)

Franklin Templeton IBA - Plan A

—	—	24,45,867	540.00
---	---	-----------	--------

(Purchased 20,88,554 units and sold 45,34,421 units)

IL & FS Bond Fund Short Term Plan

—	—	49,50,147	550.80
---	---	-----------	--------

(Purchased 98,76,942 units and sold 1,48,27,089 units)

Prudential ICICI Flexible Income Plan

—	—	66,35,306	749.92
---	---	-----------	--------

(Purchased 30,42,796 units and sold 96,78,102 units)

Total	3400.72		3908.06
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Aggregate book value of quoted investments

2600.67	3108.01
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Aggregate book value of unquoted investments

800.05	800.05
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Aggregate market value of quoted investments

2108.54	2624.63
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Purchased and Sold during the year

Alliance Cash Manager - Growth - 6914979 units; Alliance Cash Manager - Institutional Plan - 11231051 units; Birla Bond Plus Retail Plan - 877433 units; Birla Bond Plus Institutional Plan - 8619031 units; Birla Cash Plus Institutional Plan - 21205087 units; Birla Floating Long Term - 9563410 units; Birla Mid Cap - A Dividend - 8078012 units; Deutsche Insta Cash Plus Fund - 7191082 units; Deutsche Premier Bond Fund - Institutional - 942943 units; Deutsche Premier Bond Regular Fund - 2878071 units; DSP Merrill Lynch Bond Fund - Retail Growth - 556817 units; DSP Merrill Lynch Liquidity Fund - Growth - 10209196 units; DSP Merrill Lynch STP Fund - Growth - 8509620 units; GSBG Grindlays Dynamic Bond Fund - 1750808 units; GSTG GSSIF STP - Growth - 2660064 units; HSBC Cash Fund - Growth - 16663735 units; HSBC Cash Fund - Institutional Fund - Growth - 3982777 units; HSBC Income Fund - Short Term - 2849911 units; IL & FS Bond Fund Growth Plan - Growth - 3052876 units; IL & FS Growth & Value Semi Annual Dividend - 24838169 units; ING Vysya Income Fund - Growth Fund - 13623922 units; ING Vysya Investment Dividend Option - 53581543 units; ING Vysya Liquid Fund - Growth Option 52635477 units; JM Floater STP - 15759342 units; JM Income Fund - Growth - 1136872 units; JM Mutual Fund - High Liquidity Fund - 5824738 units; JM Mutual Fund - Short Term - Institutional - 9504780 units; JM Mutual Fund - Short Term - Growth - 11310088 units; Kotak Floater - Growth - 9410755 units; Kotak Liquid Institutional Plan - Growth - 812295 units; Kotak Liquid Scheme Plan - Growth - 6008717 units; Kotak K Bond Short Term Plan - 4536079 units; LIC - STP - 4924466 units; Principal Liquid Instalment - 5501497 units; Prudential ICICI Institutional STP - 17956058 units; Prudential ICICI Liquid Institutional Plan - 6082581 units; Prudential ICICI Liquid Plan Institutional Plan - Growth - 27071273 units; Prudential ICICI Power Dividend - 37641057 units; Prudential ICICI STP - 4797938 units; Reliance Growth Fund Dividend Plan - 14234404 units; Reliance Growth Plan - 34372053 units; Reliance Short Term Gilt Plan - Growth - 9039778 units; Reliance Treasury Institutional Plan - 13135597 units; Reliance Treasury Retail Optional - Growth - 29854669 units; SBI Magnum Insta Cash - 72068994 units; SBI Magnum Sector Fund Umbrella - 24308214 units; Standard Chartered Bank - Floating Rate Fund - Growth - 4801928 units; Standard Chartered Bank - Investment Plan - Growth Option - 669281 units; Standard Chartered Bank - Medium Term - Growth - 5934680 units; Standard Chartered Short Plan 2441916 units; Templeton India - Floating Rate Income Fund - Growth - 12938332 units; Templeton India - Treasury Management Account - Growth - 55186 units; Templeton India Govt. Sec. Fund - 5446064 units; Templeton India Short Term Income Plan - 116487 units.

Rs. in lac (0.1 million)
30th June, 2003

30th June, 2004

Schedule 7

INVENTORIES

(As certified by the Management)

Raw Materials	2001.24	2630.07
Stores, Spares and Chemicals	2394.54	2359.71
Finished Goods	1273.33	1340.98
Stock-in-process	753.67	643.25
	<u>6422.78</u>	<u>6974.01</u>

Schedule 8

SUNDRY DEBTORS

(Unsecured and considered good, net of provision)

Exceeding six months	1435.10	1642.56
Other Debts	7623.32	7076.44
	<u>9058.42</u>	<u>8719.00</u>

Schedule 9

CASH AND BANK BALANCES

Cash and Stamps on hand	27.01	29.98
Cheques / Drafts on hand	225.23	137.34
Balances with Scheduled Banks :		
On Current Accounts	18.34	36.45
On Unpaid Dividend Accounts	8.88	9.62
On Deposit Accounts (Lodged with Government Authorities and Others Rs.68.70 lac-Previous year Rs.79.86 lac)	295.32	4994.91
On Savings Bank Accounts (Employees Security Deposit)	2.06	3.64
	<u>576.84</u>	<u>5211.94</u>

Schedule 10

LOANS AND ADVANCES

(Unsecured and considered good, net of provision)

Advances recoverable in cash or in kind or for value to be received	15008.16	2039.51
Income Tax (net)	79.72	-
Deposits with Government Authorities and Others	550.42	672.42
	<u>15638.30</u>	<u>2711.93</u>



Rs. in lac (0.1 million)
30th June, 2003

30th June, 2004

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities :

Acceptances	374.60	90.15
Sundry Creditors	4896.37	5698.65
Unpaid Dividends @	8.88	8.62
Unpaid Matured Deposits @	33.19	12.30
Interest accrued on Unpaid Matured Deposits @	7.90	1.33
Other Liabilities	2300.81	1980.88
Interest accrued but not due on Loans	356.07	134.50
	7977.82	7926.43

Provisions:

Provision for Retirement benefits	1873.61	1649.83
Provision for Taxation (net)	-	47.72
Proposed Dividend	503.02	736.66
Tax on Proposed Dividend	64.45	94.39
	10418.90	10455.03

@ There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

Schedule 12

2003-04

2002-03

OTHER INCOME

Profit on sale of Assets (net)	16.17	-
Provisions of earlier years no longer required (net)	374.53	218.74
Income from Current Investments (net)	523.22*	270.40
Miscellaneous Income	6.85	51.73
	920.77	540.87

* Includes dividend income of Rs. 4800.35 lac and loss on sale of current investment of Rs. 4723.67 lac.

Schedule 13

INCREASE / DECREASE () IN STOCKS

Opening Stocks:

Stock-in-process	643.25	750.28
Finished Goods	1340.98	625.91
	1984.23	1376.19

Closing Stocks:

Stock-in-process	753.67	643.25
Finished Goods	1273.33	1340.98
	2027.00	1984.23
	42.77	608.04

Increase / Decrease ()

Rs. in lac (0.1 million)

2003-04

2002-03

Schedule 14**EMPLOYEES**

Salaries, Wages, Bonus and Gratuity etc.	5988.65	5445.60
Contribution to Provident and Other Funds	414.73	400.38
Employees' Welfare and other benefits	869.33	780.39
	<u>7272.71</u>	<u>6626.37</u>

Schedule 15**MATERIALS AND MANUFACTURING**

Raw Materials Consumed	11887.81	10482.19
Excise Duty on variation of Stock	(13.30)	26.17
Consumption of Stores, Spares and Chemicals	11931.70	11107.28
Purchase of Finished Goods	4018.43	3608.51
Power, Fuel and Water	4643.97*	5300.79
Repairs to Buildings	227.64	226.04
Repairs to Machinery	208.93	180.32
	<u>32905.18</u>	<u>30931.30</u>

* net of provision written back for earlier years amounting to Rs. 393.61 lac.

Schedule 16**OTHER EXPENSES**

Rent (net of realisation Rs. 2.08 lac - Previous year Rs. 1.99 lac)	103.34	93.35
Rates & Taxes	147.06	114.29
Insurance	111.57	84.99
Transport, Clearing and Forwarding Charges	753.00	377.95
Discounts	5602.70	6146.81
Commission on Sales	107.77	158.76
Directors' Fee	1.65	0.62
Directors' Commission	5.00	4.00
Assets written off	0.52	14.74
Loss on Sale of Assets (net)	-	27.30
Deferred Revenue Expenditure Written off	295.75	300.06
Provision for Doubtful Debt	-	16.08
Bank charges, Printing & Stationery, Postage, Telephone and Other Misc. Expenses	1438.34	1247.20
	<u>8566.70</u>	<u>8586.15</u>



Rs. in lac (0.1 million)

2003-04

2002-03

Schedule 17

INTEREST AND LEASE RENT

Interest on :		
Term Loans, Debentures and Fixed Deposits	3328.34	2893.63
Others	341.40	156.06
	3669.74	3049.69
Less: Interest Income	296.30	344.53
(Includes Tax deducted at Source - Rs. 17.39 lac – Previous year Rs. 33.43 lac)	3373.44	2705.16
Lease-rent on Machinery	704.13	1107.84
	4077.57	3813.00

Schedule 18

DEPRECIATION

Depreciation on Fixed Assets	4173.37	4121.80
Less: Transferred from Revaluation Reserve	191.93	225.59
	3981.44	3896.21

Schedule 19

DIVIDENDS

On Preference Shares	– Interim	1820.74	1559.19
	– Proposed	282.74	323.11
On Equity Shares	– Interim	303.27	-
	– Proposed	220.28	413.55
		2627.03	2295.85

Schedule 20

NOTES ON ACCOUNTS

A. Significant Accounting Policies

1. Accounts are maintained on accrual basis. Claims/Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
2. Fixed Assets are stated at cost adjusted by revaluation of certain assets.
3. Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/ erection.
4. Assets and liabilities related to foreign currency transactions are translated at exchange rate prevailing at the end of the year or at contracted rate. Exchange difference in respect of fixed assets is adjusted to the carrying cost of fixed assets and in respect of others is charged to Profit and Loss Account. The cost of forward exchange contract is spread over the period of the contract.
5. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management. The current investments are stated at lower of cost and quoted / fair value computed category-wise. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as a part of the cost of acquisition of the convertible portion of the debenture. Income in respect of securities with long-term maturities is accounted for as per contractual obligation.
6. Inventories are valued at the lower of cost and net realisable value (except scrap/ waste which are valued at net realisable value). The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
7. Export incentives, Duty drawbacks and other benefits are recognized in the Profit and Loss Account. Project subsidy is credited to Capital Reserve.
8. Revenue expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred and capital expenditure is added to Fixed Assets.
9. Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.
10. (a) Depreciation on Buildings, Plant & Machinery, Railway Siding and Other Assets of all Units is provided as per straight line method considering the rates in force at the time of respective additions of the assets made before 2.4.1987 and on additions thereafter at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Continuous Process Plants as defined in Schedule XIV have been considered on technical evaluation. Depreciation on addition due to exchange rate fluctuation is provided on the basis of residual life of the assets. Depreciation on assets costing up to Rs.5000/- and on Temporary Sheds is provided in full during the year of additions.

(b) Depreciation on the increased amount of assets due to revaluation is computed on the basis of the residual life of the assets as estimated by the valuers on straight-line method.

(c) Leasehold Land is being amortised over the lease period.
11. Inter-unit transfer of goods as independent marketable products produced by the Units for captive consumption are included in respective heads of account to reflect the true working of the respective Units. Any unrealised profit on unsold stock is eliminated while valuing the inventories. The aforesaid accounting treatment has no impact on the profit of the Company.



12. Retirement benefits are accounted on actuarial basis.
13. Lease rentals in respect of assets taken on finance lease are accounted for in reference to lease terms.
14. Miscellaneous expenditure are amortised as under:

Expenditure incurred upto 30.06.2003 against which benefit is expected to flow into future periods, are treated as Deferred Revenue Expenditure and charged to Revenue Account over the expected duration of benefit.
15. Intangible Assets

Intangible Assets are being recognised if the future economic benefits attributable to the asset are expected to flow to the company and the cost of the asset can be measured reliably. The same are being amortised over the expected duration of benefits.
16. Current tax is the amount of tax payable on the taxable income for the current year as per the provisions of Income Tax Act, 1961. Deferred tax assets and liabilities are recognised in respect of current year and prospective years. Deferred Tax Assets are recognised on the basis of reasonable certainty / virtual certainty as the case may be, that sufficient future taxable income will be available against which the same can be realised.

B. Notes on Accounts

1. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs.2499.72 lac (Previous year Rs. 1616.96 lac).
2. Claims (including Excise, Sales Tax etc.) against the Company estimated at Rs.2442.05 lac (Previous year Rs. 3085.66 lac) are disputed and not accepted by the Company, hence not provided for.
3. In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally determined.
4. In respect of levy of Octroi pertaining to Central Pulp Mills Unit by Songadh Group Gram Panchayat, the Company has paid Rs.125.07 lac till 31st March, 1997 under protest and also created a liability for the similar amount. As the matter is still pending in the court of law, the necessary adjustment, if any, would be made after its disposal.
5. The additional liability pertaining to Central Pulp Mills Unit on account of exchange fluctuation of Rs.455.95 lac as on 30th June, 2004 (previous year Rs. 469.05 lac) on the outstanding bills for import of materials made in pre-takeover period has not been provided, as the same is disputed.
6. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Central Pulp Mills Unit were revalued as on 30.09.1976. The revaluation in respect of these assets (other than Land and Roads) were updated and Plant & Machinery of Paper Machine I & II and Railway Sidings were revalued as on 31.3.1994 based on current replacement cost by the approved valuers appointed for the purpose. As a result, the book value of such assets has been increased by Rs. 4227.24 lac, which has been transferred to Revaluation Reserve during the year ended 31.3.1994.
7. Capital Work - in - progress includes pre-operative expenses pending allocation of Rs. 302.05 lac (including interest of Rs. 109.00 lac).
8. The Balances of certain Debtors, Advances, Security Deposits, Creditors and Secured Loans are in the process of confirmation/reconciliation.

9. Loans and Advances are net of provisions for doubtful advances of Rs. 43.17 lac (Previous year Rs. 43.17 lac) and include loans to JK Paper Employees' Welfare Trust of Rs.13000 lac (Previous year Rs. Nil), amount due from a Director and an Officer of the Company Rs. 1.33 lac (Previous year Rs. 2.13 lac), loan to employees of Rs. 13.33 lac (Previous year Rs. 8.00 lac) in the ordinary course of business and as per service rules of the Company.

Maximum amounts outstanding from Director & Officer and from employees at any time during the year were Rs. 2.13 lac (Previous year Rs. 2.96 lac) and Rs. 18.00 lac (Previous year Rs. 9.93 lac) respectively.

10. Stocks of Stores and Spares include in-transit Rs.8.67 lac (Previous year Rs. 14.19 lac).
11. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs.58.79 lac (Previous year Rs. 58.79 lac).
12. The Company has not provided for the diminution (amount unascertainable) in the value of long term strategic investments, including in a company which has become a BIFR company, since in the opinion of the Board such diminution in their value is temporary in nature considering the inherent value, nature of these investments and the investees' assets.
13. Dividend on relevant series of Preference Share Capital is provided for the period specified in the Scheme w.e.f. date of allotment.
14. Fixed Assets taken on lease amount to Rs.1871.99 lac (Previous year Rs. 4533.06 lac). Future obligations towards lease-rentals under the lease agreements as on 30th June, 2004 are Rs.403.46 lac (Previous year Rs. 1199.17 lac).
15. In compliance of Accounting Standard (AS-26) relating to Intangible Assets, Miscellaneous Expenditure is charged to revenue resulting in lower profits by Rs. 160.83 lac.
16. Sundry Creditors include Rs.58.18 lac (Previous year Rs. 32.35 lac) due to small scale industrial undertakings to the extent such parties have been identified from available information and Rs.4838.19 lac (Previous year Rs. 5666.30 lac) due to the creditors other than small scale industrial undertakings. There are no small-scale industrial undertakings where outstanding is more than 30 days.
17. Consumption of Stores and Spares is net of scrap sale of Rs.176.60 lac (Previous year Rs.168.19 lac).
18. a) Exchange difference (net credit) amounting to Rs.9.84 lac (Previous year net debit Rs.33.63 lac) has been included in respective heads of account in Profit and Loss Account.
- b) Sales/Adjustment to fixed assets includes of Rs.71.27 lac (Previous year Rs. 435.12 lac) on account of foreign exchange rate fluctuations.
19. Sales include:
- a) Export incentives of Rs.277.49 lac (Previous year Rs. 243.26 lac).
- b) Inter-unit transfers of Rs.36.02 lac at market rate (Previous year Rs. 61.83 lac).
20. Research and Development expenditure amounting to Rs.84.07 lac (Previous year Rs.52.67 lac) has been charged to Profit and Loss Account.
21. Miscellaneous Expenditure to the extent not written off include:

Rs. in lac (0.1 million)

30th June, 2004

30th June, 2003

Deferred Revenue Expenditure amortised over the expected duration of benefit i.e. five years :

i) Expenditure relating to forestry development, fee for increase in Authorised Capital and expenditure relating to enhancement of business performance including cost compression and strategic planning having long term benefits.	516.20	734.39
ii) Compensation paid to employees under VRS	133.43	221.95



Rs. in Lac (0.1 million)

22. Amount Paid to Auditors :	2003-04	2002-03
(i) Statutory Auditors :		
Audit Fee	4.86	4.86
Tax Audit Fee	1.08	1.07
Other Services	3.24	1.33
Reimbursement of expenses	1.19	0.47
	10.37	7.73
(ii) Cost Auditors :		
Cost Audit Fee	0.35	0.35
Reimbursement of expenses	0.03	0.05
	0.38	0.40
23. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956 :		
		2003-04
Profit before tax as per Profit & Loss Account		6657.13
Add : Managerial Remuneration	505.86	
Directors' Fee	1.65	
Commission to Non Executive Directors	5.00	
Wealth Tax	3.22	
Assets Written off	0.52	516.25
		7173.38
Less : Profit on sale of assets		16.17
Net profit as per section 198 of the Companies Act, 1956		7157.21
Commission payable, subject to overall ceiling of section 198 and 309 :		
a) Chairman (Whole-time Director), Managing Director and Whole-time Director as per terms of appointment		300.41
b) Non Executive Directors, as approved by the Board of Directors		5.00
Managerial Remuneration :	2003-04	2002-03
i) Salaries	122.12	104.40
ii) Commission	300.41	250.00
iii) Contribution to Provident and Other Funds	32.97	28.19
iv) Value of Perquisites(as per Income-Tax rules)	50.36	49.10
	505.86*	431.69

*Includes arrear of Rs. 4.21 lac (within the limit prescribed under Section 198 and 309 of the Companies Act, 1956).

Rs. in lac (0.1 million)
2002-03

2003-04

24. Expenses included under other heads of account:

Salaries, Wages, Bonus and Gratuity etc.	350.71	337.37
Contribution to Provident and Other Funds	23.70	13.07
Employees' Welfare and Other benefits	43.69	27.54
Consumption of Stores and Spares	29.61	36.77
Power, Fuel and Water	0.45	0.59
Repairs to Buildings	0.15	0.05
Repairs to Machinery	0.71	0.27
Rent	15.79	6.85
Insurance	3.06	2.26
Freight and Transport Charges	286.11	341.71
Rates and Taxes	9.36	9.07
Royalty for Bamboo	199.20	231.44
Miscellaneous Expenses	31.68	19.29
Deferred Revenue Expenditure Written off	10.97	9.14
	<u>1005.19</u>	<u>1035.42</u>

25. a) Pursuant to the Accounting Standard for 'Taxes on Income' (AS - 22),
deferred tax liability () /assets for the current financial year is:

30th June, 2004

30th June, 2003

i) Difference between book value of depreciable assets as per books of account and written down value as per Income Tax	(8548.48)	(6718.74)
ii) Carried forward unabsorbed depreciation	2836.98	3344.80
iii) Others	152.86	169.45
	<u>(5558.64)</u>	<u>(3204.49)</u>

b) The Company has filed a Writ Petition challenging retrospective validity of Accounting Standard for 'Taxes on Income' (AS - 22) and the case is pending in the Hon'ble High Court of Kolkata. Pending decision on the said Writ Petition, the Company has not provided deferred tax liability of Rs. 275.04 lac (Previous year Rs. 275.04 lac) for the transitional period up to 30.06.2001.

c) The above Deferred Tax Liability excludes Rs. 113.83 lac on account of Proposed Education Cess yet to be enacted.

d) The Company expects to generate taxable income in the coming years which will enable it to utilise the carried forward unabsorbed depreciation.

26. The Company has only one business segment i.e. Paper, hence Segment Reporting as defined in Accounting Standard (AS - 17) issued by The Institute of Chartered Accountants of India is not given.

27. Disclosure as required under 'Related Party Disclosures' (AS 18) issued by The Institute of Chartered Accountants of India are as below:

a. List of Related Parties

i. Associates

- JK Industries Limited
- JK Corp Limited
- JK Agrigenetics Limited (w.e.f. 10.10.2003 & upto 27.04.2004)

ii. Key Management Personnel

- Shri Hari Shankar Singhania – Chairman
- Shri Harsh Pati Singhania – Managing Director
- Shri Om Prakash Goyal – Whole-time Director

b. The following transactions were carried out with related parties in the ordinary course of business:

Rs. in lac (0.1 million)

	Nature of Transactions	Associates		Key Management Personnel	
		2003-04	2002-03	2003-04	2002-03
(i)	Purchase of Fixed Assets	0.67	--	--	--
(ii)	Sale of Fixed Assets	0.25	3.29	--	--
(iii)	Sharing of Expenses - received	122.64	75.10	--	--
(iv)	Sharing of Expenses - paid	156.31	221.27	--	--
(v)	Purchase of Goods	102.65	10.73	--	--
(vi)	Sale of Goods	79.54	9.05	--	--
(vii)	Loan / Advance given	--	300.00	--	--
(viii)	Interest received	--	25.10	0.11	0.15

Details of remuneration to Key Management Personnel are given in the note 23 above

c. Details of outstanding

Rs. in lac (0.1 million)

Nature of Outstanding	Associates		Key Management Personnel	
	30 th June, 2004	30 th June, 2003	30 th June, 2004	30 th June, 2003
Receivable	189.98	651.35	1.33	2.13

28. Earnings per Share:

Rs. in lac (0.1 million)

	30 th June, 2004	30 th June, 2003
a) Profit after tax	4121.96	3304.15
Less : Preference Dividend (including tax on Dividend)	2372.98	1923.70
Profit attributable to Ordinary Shareholders	1748.98	1380.45
b) Weighted average no. of Ordinary Share (Nos.)	3,23,78,682	2,75,69,939
c) Nominal Value of Ordinary Share (Rs.)	10.00	10.00
d) Basic and Diluted Earnings per Ordinary Share		
- Cash	24.97	26.71
- Before Deferred Tax	12.67	12.58
- After Deferred Tax	5.40	5.01

29. Particulars of Capacity (Per annum), Production, Sales and Stocks:

Description	Unit	Installed Capacity Quantity(a)	Production Quantity	Sales		Opening Stocks		Closing Stocks	
				Quantity	Rs. in lac	Quantity	Rs. In lac	Quantity	Rs. in lac
Paper & Board incl. Pulp for sale	Tonnes	1,50,000	1,72,461	1,82,619	72399.21	4,453	1340.98	4,531	1273.33
Previous Year	Tonnes	1,50,000	1,71,849	1,79,362	67874.99	2,306	625.91	4,453	1340.98

Note :

(a) As certified by the Management.

30. Purchase of finished goods (Paper and Board) during the year - 10,236 tonnes (Previous year - 9,660 tonnes).

31. Particulars of Raw Materials consumed:

	2003-04		2002-03	
	Quantity (Tonnes)	Amount Rs. in lac (0.1 million)	Quantity (Tonnes)	Amount Rs. in lac (0.1 million)
(i) Bamboo	2,02,984	3745.08	1,59,050	2502.58
(ii) Hardwood	3,59,809	8064.72	3,90,579	7828.24
(iii) Pulp & Others	350	78.01	669	151.37
		11887.81		10482.19



Rs. in lac (0.1 million)

	2003-04		2002-03
32. Other Particulars:			
(a) Earnings in Foreign Exchange on account of export of goods at FOB Value	4768.84		2958.77
(b) CIF Value of Imports :			
i) Raw Materials	0.98		242.62
ii) Stores, Spares and Chemicals	312.91		224.12
iii) Capital Goods	1207.17		128.38
iv) Others	579.43		668.91
	<u>2100.49</u>		<u>1264.03</u>
(c) Expenditure in Foreign Currency (as remitted) on account of:			
i) Interest payment in Rupee to Financial Institutions/Banks on foreign currency loans	173.30		248.22
ii) Consultancy	8.45		34.34
iii) Others	86.97		72.92
	<u>268.72</u>		<u>355.48</u>
(d) Raw Materials, Stores, Spares and Chemicals consumed:	2003-04	% of Total	2002-03
i) Raw Materials			% of Total
Imported	49.01	0.41	100.02
Indigenous	11838.80	99.59	10382.17
	<u>11887.81</u>	<u>100.00</u>	<u>10482.19</u>
ii) Stores, Spares and Chemicals:			
Imported	573.05	4.79	559.55
Indigenous	11388.26	95.21	10584.50
	<u>11961.31</u>	<u>100.00</u>	<u>11144.05</u>

33. Previous year's figures have been re-grouped/re-arranged wherever necessary.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N. K. LODHA
Partner

New Delhi, the 23rd August, 2004

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

ATUL SEKSARIA
Partner

S.C. GUPTA
Company Secretary

H.S. SINGHANIA

H.P. SINGHANIA

DHIRENDRA KUMAR
GAJANAN KHAITAN
JITENDER BALAKRISHNAN
O.P. GOYAL
P. K. KAUL

Chairman

Managing Director

Directors

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI,
PART IV OF THE COMPANIES ACT 1956**

I. REGISTRATION DETAILS:

Registration No.	04-18099
State Code	04
Balance Sheet Date	30.06.2004

II. CAPITAL RAISED DURING THE YEAR :

(Amount in Rs./Thousands)

Public Issue	Nil
Rights Issue	Nil
Private Placement	Nil

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUND:

(Amount in Rs./Thousands)

Total Liabilities	9,229,526
Total Assets	9,229,526

SOURCES OF FUNDS

Paid-up Capital	2,070,699
Reserves & Surplus	1,496,284
Deferred Tax Liability	555,864
Secured Loan	4,524,901
Unsecured Loan	581,778

APPLICATION OF FUNDS

Net Fixed Assets	6,696,748
Investments	340,072
Net Current Assets	2,127,744
Miscellaneous Expenditure	64,962

IV. PERFORMANCE OF THE COMPANY

(Amount in Rs./Thousands)

Turnover including Other Income	6,341,796
Total Expenditure	5,676,083
Profit before Tax	665,713
Profit after Tax	412,196
Earnings Per Share (Rs.)	
— Cash	24.97
— before Deferred tax	12.67
— after Deferred tax	5.40
Dividend Rate (%)	15%

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(As per Monetary terms)

Item Code No.	4907.00
Product Description	Paper and Board

H.S. SINGHANIA

Chairman

H.P. SINGHANIA

Managing Director

DHIRENDRA KUMAR
GAJANAN KHAITAN
JITENDER BALAKRISHNAN
O.P. GOYAL
P. K. KAUL

Directors

New Delhi, the 23rd August, 2004

S.C. GUPTA
Company Secretary



CASH FLOW STATEMENT

For the year ended 30th June, 2004

Rs. in lac (0.1 million)

	2003-04	2002-03
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extra-ordinary Items	6,657.13	5,829.77
Adjustments for :		
Depreciation	3,981.44	3,896.21
Loss/(Income) from Investment	4,277.13	(270.40)
Dividend Earned	(4,800.35)	—
Loss/(Profit) on sale of Assets	(16.17)	27.30
Interest and Lease Rent (Net)	4,077.57	3,813.00
Assets Written off	0.52	14.74
Provision for Doubtful Debt	—	16.08
Miscellaneous Expenditure Written off	306.72	300.06
Provision for earlier years no longer required	(768.14)	(218.74)
Operating Profit before Working Capital Changes	13,715.85	13,408.02
Adjustments for :		
Trade and Other Receivables	(13,136.35)	2,754.64
Inventories	551.23	(1,385.53)
Trade and Other Payables	388.76	1,520.17
Cash generated from Operations	1,519.49	16,297.30
Tax paid	(308.46)	(447.96)
Miscellaneous Expenditure	—	(370.98)
Net Cash from Operating Activities	1,211.03	15,478.36
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(6,992.86)	(1,638.30)
Sale of Fixed Assets	64.68	41.05
Sale/(Purchase) of Investments (net)	(3,769.79)	(367.04)
Interest Received	246.58	370.48
Dividend Received	4,800.35	—
Net Cash from Investing Activities	(5,651.04)	(1,593.81)

CASH FLOW STATEMENT (Contd.)

For the year ended 30th June, 2004

		Rs. in lac (0.1 million)
	2003-04	2002-03
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Share Issue Expenses	(41.39)	—
Proceeds of Long-term Borrowings	3,086.92	—
Repayment of Long-term Borrowings	(3,820.53)	(3,854.71)
Proceeds from Short-term Borrowings (net)	7,952.58	474.28
Interest and Lease Rent paid	(4,145.73)	(3,919.55)
Dividend paid (including Dividend Tax)	(3,226.94)	(2,724.32)
Net cash from Financing Activities	(195.09)	(10,024.30)
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	(4,635.10)	3,860.25
E. Cash and Cash Equivalents as at the beginning of the year - Cash & Bank Balances	5,211.94	1,351.69
F. Cash and Cash Equivalents as at the close of the year - Cash & Bank Balances	576.84	5,211.94

Note :

1. Previous year's figures have been re-grouped/re-arranged wherever necessary.
As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N. K. LODHA
Partner

New Delhi, the 23rd August, 2004

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

ATUL SEKSARIA
Partner

S.C. GUPTA
Company Secretary

H.S. SINGHANIA

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GAJANAN KHAITAN
JITENDER BALAKRISHNAN
O.P. GOYAL
P. K. KAUL

Chairman

Managing Director

Directors

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Chief Manager - Commercial
Thomson Press (India) Ltd.

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