

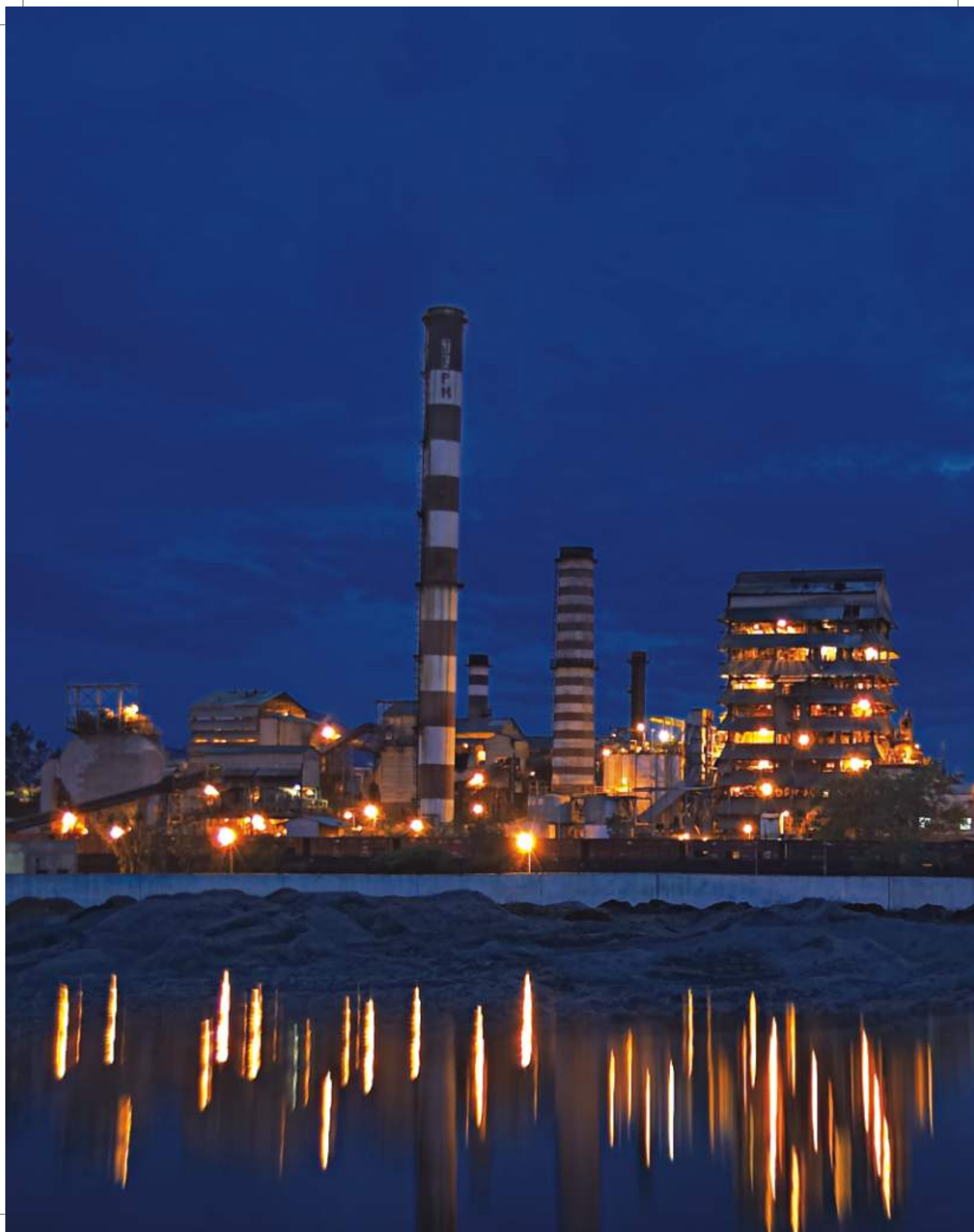
ANNUAL REPORT 2004 - 2005



Harnessing Technology
for Growth



JK PAPER LTD.



Spearheading Transformation

At JK Paper, we believe that leadership is not merely a matter of size. With leadership comes the responsibility to drive growth in all its possible dimensions. Leadership demands transformation. The ability to constantly move up the value chain from what is... to what can be. And to that extent, leadership shapes the very quality of growth.

Growth needs to be viewed in a holistic manner. At JK Paper, it is this ceaseless quest for holistic growth that takes us into a completely new era in the Indian paper industry - an era of unprecedented investments in world-class technologies.

Technology upgradation means more than just better business sense. We have moved beyond enhanced productivity, wider product range and better value, to investing in and nurturing a future-ready organisation that is driven by its two core growth engines - Customers and Environment.

Even more than the technology, it is how well equipped we are to harness it, that will determine the road to transformation. It is for this reason our investments focus on continuous improvement of processes, human skills and care for the environment. Be it converting wastelands into productive plantations to produce world-class pulp, or scouting for and mentoring professionals who can drive the technology movement at JK Paper.

This, we believe will continue to keep us as a dynamic benchmark in the Indian Paper Industry.

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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

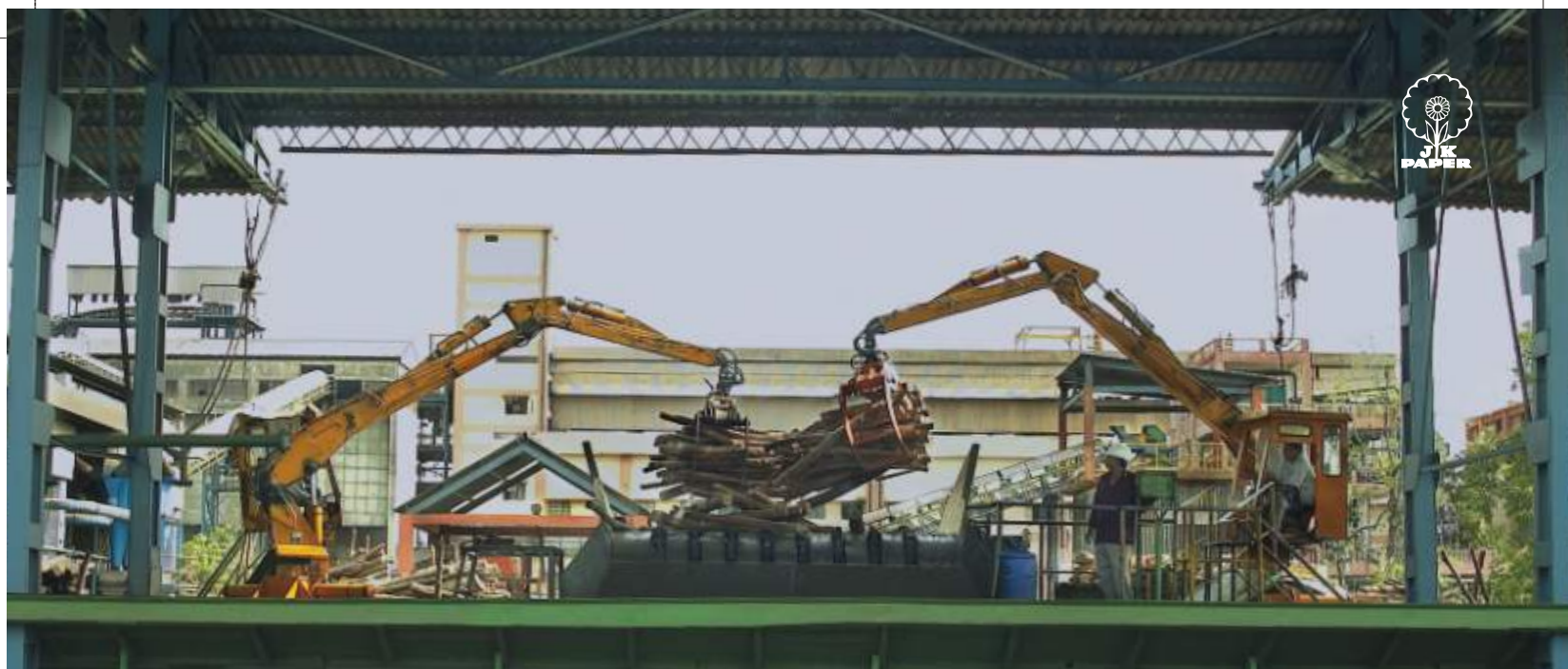


Paper in forming stage

Leveraging Technology

If performance is the benchmark and global competitiveness the operating word, then surely technology is the key driver. A true reflection of JK Paper's commitment and resolve to fulfil its vision of continuously creating dynamic benchmarks in the Indian Paper Industry. One of the strategic technological advancements made by JK Paper has been the setting up of a state-of-the-art Blade Coating plant to trigger the demand growth of the value added coated paper segment in the Indian market. This initiative will enable the Company to significantly leverage technology for product enrichment.

Over the last decade the constant endeavour of JK Paper has been to upgrade its manufacturing processes at grass-root levels to help create customer value. Be it the most modern Pulp Mill or an automatic cut-size line for branded products, it has been a saga of continuous development with an eye on the customer.



State-of-the-art chipping operations

Beyond this, the Company has been doing pioneering work in the area of plantations using Clonal Technology to develop high-yield varieties of clonal plants that substantially increase the productivity of farmers.

These pioneering moves have given JK Paper pride of place as the change leader, ushering in a phase of makeover in the Indian Paper Industry. Moving focus from commodity to branded and high value categories. And in the process, making the organisation even more receptive to the ever-evolving needs of the customer and the community at large. In an era, where productivity is more about how flexible the processes can become without compromising on product quality and consistency of delivery.

These new initiatives would empower JK Paper to upgrade its offerings to customers in terms of value added products. Simultaneously, it would also add value to the existing product basket by making even better quality products at more competitive costs. It will also institutionalise a more proactive, transparent and receptive customer service culture and process across the organisation. This enhanced production capability and improved manufacturing practices will further add to our ongoing commitment to a better environment.

Advanced R & D



Lush green plantations





View of the Coating Machine

Expanding Horizons

Our newly operational state-of-the-art Coated Paper manufacturing facility at Jaykaypur, Orissa, is expected to drive the next big revolution in the Indian Paper Industry. A project that employs Blade Coating technology. This major initiative was led by the Company's rich talent pool of technocrats. Clearly, a demonstration of JK Paper's commitment to re-define the quality benchmarks in coated paper.

With trial production successfully completed, the plant has rapidly moved up on the quality assurance scale. This plant earns its distinction from its fully automated coating colour kitchen that ensures world-class quality. Besides the advantage of using the high quality base paper made in-house at our JKPM Unit, it derives its strength from the well controlled, feature-laden coating plant with features like three-stage online controls for GSM coat weight, moisture etc. It is also equipped with electronic controls for cross profile and gloss.



Modern Synchro-fly cutter

Besides, due attention has also been given to the finishing and packaging end by installing state-of-the-art Synchro-fly sheet cutters, to ensure perfect cutting and finishing. This additional investment has been made keeping in mind the customer's need to minimise pre-print waste and maximise machine productivity.

This newly erected Rs.80 crore plant, with an annual production capacity of 46,000 tonnes, ranks among the most contemporary coated paper production facilities in India, at par with international standards. Managed by handpicked professionals, the plant promises a wide range of high-end coated papers - in both matt and gloss varieties.

Apart from commissioning the Coating Plant, this has been a watershed year, considering the path-breaking initiative from JK Paper in committing a substantial Rs.235 crore investment to set up a state-of-the-art Packaging Board Plant at its CPM Unit, in Songadh, Gujarat. This plant of 60,000 TPA capacity will be equipped with the most contemporary technology sourced from global leaders like Voith of Germany and several other leading names in the paper board machinery sector. Once again, technology will be the key driver to revolutionize packaging in India.

International quality coated paper





Dedicated Copier Paper Machine

Adding Value

In its constant endeavour to raise the quality benchmarks in the Indian Paper Industry, JK Paper has taken yet another bold initiative of upgrading the paper manufacturing process at JKPM Unit from the traditional acid sizing to alkaline sizing. An initiative that will enhance the paper quality in terms of brightness, strength and durability. This will make our JKPM Unit the only Indian paper mill to shift its entire production to international quality alkaline sizing process.

Besides this investment in technology, the Company has also invested significantly in technological upgradation at its CPM Unit by setting up an Oxygen De-lignification system. This will enhance key product features such as brightness and shelf life, while improving the quality of effluents.



Contemporary A4 converting line

Apart from this, JK Paper continues to invest in development of new value added products like JK Cote, its high end coated paper and premium multipurpose communication papers- JK Copier Plus and JK Savannah. The Company has also successfully developed MICR Cheque paper which has been well accepted by India's leading banks. The quality standards of its flagship brands- JK Copier, JK Easy Copier, Sparkle, JK Excel Bond and the high quality printing and writing papers such as JK SS Maplitho and JK Evervite are being continuously upgraded to meet the demand of changing printing technologies.

JK Paper's strategic investments to enhance customer satisfaction are well appreciated by industry peers and customers alike. The superior quality of its entire range of products has enabled several paper based stationery product manufacturers to create leading brands.

India's leading brands





Touching People

Customer obsession is at the core of JK Paper's mission statement **to be a world-class company**. It is in line with this philosophy that the Company has taken a major step towards implementation of an Enterprise Resource Planning system. This transformational technology will bring in best practices across all functions of the organisation to deliver the highest value to all external and internal customers. The ERP System will tie-up the total supply chain, enabling seamless flow of information in 'Real time'.

It will also open a transparent dialogue between the supplier and the customer, bringing in greater efficiency, responsibility and effectiveness to the entire system at JK Paper. Truly it is the customer who is taking JK Paper into the future.



JK Paper's Marketing strength-its dedicated wholesalers

JK Paper recognises the need to accelerate the learning process within the organisation. As people are the company's most valuable asset, extensive investment is being made in people and people practices. Towards this end, the Company has been implementing a number of HR initiatives like Competency based assessment of Senior Executives, a talent management system and leadership development programmes. In addition, the focus on TPM at both the Units and tools like cross-functional teams, quality circles etc. continue to enhance the performance in all areas of operations. The talent pool at JK Paper would rank among the very best in the Indian Paper Industry today. Fostering the spirit of entrepreneurship among these professionals has enabled JK Paper to establish the role of true leadership guiding the future growth and development of the industry.

JK Paper's intellectual talent pool





Beyond Paper

Any improvement in technology has an impact on the environment. At JK Paper we have always been indebted to Mother Nature and have worked ceaselessly towards sustainable development. This passion and sense of responsibility is evident in various initiatives that the Company has taken.

Our technology-based plantation movement with in-house R&D along with the involvement of thousands of farmers across several states has taken firm root. JK Paper has been developing raw material resources in several states like Orissa, Andhra Pradesh, West Bengal, Gujarat etc. covering a total area of 45,000 hectares



JK Paper's technology-based plantations

of plantations. It has resulted in enhancing raw material availability, greening of surroundings and generating nearly 25 million man-days of employment among the rural masses. It has been part of JK Paper's corporate philosophy to protect the environment through process innovations rather than end-of-the-pipe treatment. The results of our investments in environment have been widely recognized at various fora winning us numerous awards over the years.

A series of initiatives in community development have paid rich dividends, motivating local farmers, villages and Government at large, to participate in the movement. Be it the 'Van Mahotsav' to educate farmers for better yield or about empowering their children with the gift of knowledge, education and health through local schools and health camps. At JK Paper, we are moving along with the people who actually write our success story.

Community development at heart



Chairman's Statement

Dear Shareholder,

The Indian Paper Industry has been witnessing a steady growth of around 6% per year. With India set on a high growth trajectory, the future growth potential of the Paper Industry appears bright. The focus on Education is bound to stimulate the low per capita consumption of 6.5 Kg. of paper (compared to 29 Kg. in China).

A demand growth of nearly 7% during the last year confirms this linkage. Beyond this, the spurt in industrial production and exports is driving rapid growth in the Packaging Board segment.

JK's association with the paper industry dates back to 1938 when it commenced production with Straw Boards at Bhopal. This was later expanded to produce Duplex Boards and Kraft Paper. In 1962, JK Paper Mills was set up in Rayagada, Orissa, to manufacture high quality white printing papers. Thus, we bring considerable experience of the industry. Over the decades, JK has introduced a wide range of premium products like surface sized Maplitho, Airmail, watermarked bond, photocopying paper, etc. - all brand leaders in their respective categories. JK Paper is thus well positioned to take advantage of growth opportunities in this industry.

The Company's strategy has been to participate in the high growth and high value-added paper segments. In pursuance of this strategy, the Company continues to make aggressive investments in enlarging its product spectrum, which include its recently introduced high end coated papers from the new coating plant. In addition, JK Paper is executing a major expansion project of around Rs.235 crore to produce value-added coated packaging boards. The Company will continue to consolidate its market leadership in the branded paper segment. Underlying all these initiatives is the organisational commitment to continuously strengthen the Quality culture, ensuring that customers get world-class products from the house of JK Paper.

In keeping with industry growth, JK Paper has been consistently growing - enhancing production from 1,50,000 TPA to 1,80,000 TPA. The expansion project of 60,000 TPA board plant at CPM Unit, will hike the capacity to 2,40,000 TPA in the next year.

To manage future growth and challenges, a high level of professionalism has been injected in the organisation by inducting high quality professionals in all key areas; be it Technology, Finance, Marketing, Materials or Projects. The Company is also focusing on the youth which will help build a younger

organisation for the future. A number of Human Resource Development initiatives are being implemented to create the competencies required in a world-class enterprise. Information Technology is being harnessed through implementation of an Enterprise Resource Planning (ERP) system. This will help provide world-class service levels. Further, Business Process Re-engineering (BPR) has also been taken up to make the organisation competitive and more efficient.

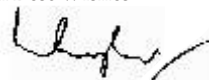
Your Company has established benchmarks in several key operating parameters such as Capacity Utilization, Chemical Recovery Efficiency, Water Consumption norms and

Environmental Compliance, etc.

One of the key elements of future strategy is to establish a strong raw material base through technology based plantations to augment availability at reduced cost. Emphasis is on developing raw material sources in the neighbouring areas of our factories, both in Orissa as well as in Gujarat. The visionary initiative of developing clonal plantations and encouraging social forestry several years ago by harnessing technology, is paying dividends. This effort is being considerably enhanced to meet the increasing requirement of raw materials based on valuable experience gained as well as the possibility of using contract farming.

The future of the Indian Paper Industry is bright and your Company's thrust on growth and continued leadership in high quality and valued-added products with emphasis on Technology and People gives me confidence in our future.

With Best Wishes



HARI SHANKAR SINGHANIA



Managing Director's Message

Dear Shareholder,

The Indian economy exhibited healthy growth in the year gone by and in line with this, demand for Paper also grew strongly. Exports recorded significant growth. Notwithstanding this, Paper Industry as a whole suffered a drop in operating margins due to sharp increase in raw material, chemicals and energy costs. While the industry increased prices, it was not sufficient to fully absorb the input cost rise. Despite having recorded highest ever Production, Sales and Exports, your Company witnessed reduced operating profits after four consecutive years of increase. Start-up and trial runs of the Company's new Coating Plant also impacted profits during the year.

I am happy to inform you that the Coating Plant has since been commissioned and stabilized. The product, which is being marketed under the brand name of 'JK Cote', has been well accepted in the market. With this and the Company's high plant capacity utilization at both its units coupled with a richer product-mix, operating profits should once again increase this year. The restructuring of the Company's balance sheet over the last 2 years has also started bearing fruit. As a result, profit available to Equity Shareholders has more than doubled and has enabled your Directors to recommend a higher dividend.

While the Company's emphasis in building brands in a largely commodity-led industry and its strong distribution have been important contributory factors for its success, Technology has been the corner stone of its edifice. Ever since the inception of JK Paper Mills in 1962, the Company has continuously harnessed technology for growth and leadership. Be it introduction of India's first surface sized Maplitho or JK Airmail made from bamboo pulp or the well known JK Bond and India's largest selling copier paper, JK Copier - all bear testimony to this core belief. Use of contemporary technology along with continuous upgradation and modernization over the last 40 years has enabled the Company to remain cost competitive and a producer of international quality papers.



Starting from raw material where JK Super Clone plants have been developed through R&D, to setting up India's largest and most modern Pulp Mill, technology usage permeates the whole value chain. Your Company was one of the first to install Moisture and Basis Weight Measurement on Paper Machines in India. It uses

contemporary converting facilities to manufacture its high-end branded papers and its new off-line Coating Plant utilizes state-of-the-art Blade Coating technology. Your Company's unique quality culture, supported by this technology focus has made it an undisputed leader in the branded paper market with a portfolio of value-added products. During the year, JK Copier reinforced its leadership in the cut-size branded paper market while JK Excel Bond remains the country's fastest growing watermarked Bond.

After establishing its leadership in fine papers, your Company has embarked on yet another major project to

manufacture high-end Coated Packaging Boards at the CPM unit. This project is expected to go on stream in 2006-07, and will use world-class board manufacturing technology, enabling the Company to meet the growing demand in India for international quality coated boards.

In its constant endeavour to give customers better quality products and services, the Company is leveraging Information Technology. An ERP System is being implemented which should give customers excellent connectivity and real time information besides improved supply chain management.

Your Company is set on an irreversible process of growth, value addition and product diversification - making JK Paper a one-stop-shop company for a wide range of papers. I do hope that you will participate with us in this exciting journey - which should be as rewarding for you, our most valued shareholders as it will be for us.

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, 2005.

FINANCIAL RESULTS

	Rs. in Crore (10 Million)	
	2004-05	2003-04
Gross Sales/Income from Operations	729.24	723.63
Other Income	1.16	9.21
Gross Sales and Other Income	730.40	732.84
Profit before Interest, Lease Rent and Depreciation	117.30	147.16
Interest & Lease Rent	39.35	40.78
Profit before Depreciation	77.95	106.38
Profit after Tax	38.53	41.22
Surplus brought forward	44.07	35.02
Total amount available for appropriation	<u>82.60</u>	<u>76.24</u>

APPROPRIATIONS

Debenture Redemption Reserve (Net)	1.62	0.47
General Reserve	30.00	2.06
Dividend:-		
- On Preference Shares (incl. Tax on Dividend)	2.57	23.73
- On Equity Shares @ 20% (incl. Tax on Dividend)	12.56	5.91
Surplus carried to Balance Sheet	35.85	44.07
TOTAL	<u>82.60</u>	<u>76.24</u>

DIVIDENDS

Your Directors are pleased to recommend a higher dividend of 20% on equity shares (Rs. 2 per share) amounting to Rs. 12.56 crore in addition to the Preference dividend at specified rates, amounting to Rs. 2.57 crore for the financial year ended 30th June 2005. The total outgo on account of dividend will be Rs. 15.13 crore.

PERFORMANCE REVIEW

During the period under review, JK Paper recorded a gross sales and other income of Rs. 730.40 crore, operating profit (PBIDT) of Rs. 117.30 crore and cash profit (PBDT) of Rs. 77.95 crore. The net outgo on account of financial charges was Rs. 39.35 crore excluding exceptional item of one time additional interest of Rs. 20.66 crore paid to Financial Institutions and Banks and provided from Reserves and Surplus. Profit after tax stood at Rs. 38.53 crore.

As a result of various measures taken by the Company to increase shareholder's wealth, the profit available to equity shareholders more than doubled to Rs. 35.96 crore in the current year.

The Company produced 1,80,089 tonnes (previous year 1,72,461 tonnes) of Paper and market Pulp, increasing its capacity utilisation to 120% and sold 1,82,818 tonnes (previous year 1,82,584 tonnes) of pulp and paper including outsourced products in its brands.

Market Demand remained healthy. JK Paper retained its leadership position in branded A4 size paper in India. Its market share is more than two times its nearest competitor. Exports at 17,303 tonnes, the highest ever, indicate growing preference of Company's branded products in international markets.

The Industry continued to witness a sharp rise in raw material cost, besides increase in energy, chemicals and freight costs. Prices of Paper did not increase to the extent of input cost rise, adversely impacting margins. JK Paper's margins were also

affected due to trial runs and stabilisation of its Coating Plant. The Plant has since been commissioned in July '05 and its product quality has been well accepted in the market.

The Company has been continuing to take initiatives to bring down costs, improve efficiencies and augment capacities.

It commissioned a highly efficient Recovery Boiler at CPM unit in record time of under fifteen months, enabling savings of coal for power and steam generation, besides increased pulp production.

The Company also refinanced high interest bearing loans aggregating to Rs.186.60 crore and converted Rs. 97 crore 10% Cumulative Redeemable Preference Shares (CRPS) into long dated loans resulting in substantial savings in cash outflow and lowering of cost of capital.

Resumption of Bamboo working contract by the Company with Orissa Forest Development Corporation will reduce demand pressure on costlier alternate sources of raw material and bring down logistic costs. This will also generate employment of over one million mandays per annum in the backward areas of Orissa.

In its continued efforts towards creating a more secure raw material base JK Paper raised and distributed increased number of saplings and clonal plants. During the year, nearly 30 million saplings/ clones of Eucalyptus & Casuarina were supplied to farmers in Orissa, Andhra Pradesh, Chhattisgarh, Gujarat and Maharashtra, covering over 5,000 hectares of land. Cumulatively the Company has covered more than 45,000 hectares under plantation. This will help in ensuring cost effective raw material availability in future and provide livelihood to several thousand farmers.

Consequent to various capital expenditure programs undertaken by the company in the last few years towards modernisation and debottlenecking, it is

considered appropriate to enhance the installed capacity of the Company from 150,000 TPA to 180,000 TPA of Paper and Boards including Pulp for sale effective July 05.

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

EXPANSION AND MODERNISATION PROGRAM

JK Paper's strategy is to enlarge its premium product portfolio and focus on high growth and high value added product segments. In line with this, it has recently commissioned a 46,000 TPA Coating plant at a cost of over Rs. 80 crore. This plant which is India's second largest blade coating facility will produce high end Coated Papers and meet the growing market demand for value added printing papers.

Further, JK Paper has embarked upon a Rs. 235 crore, major expansion project at CPM unit to enter the high end paperboard segment. This plant with a capacity of 60,000 TPA will manufacture international quality coated packaging boards. The plant will use contemporary Multi Fourdrinier technology for high end multilayer coated boards. The products will offer end users significant cost and quality advantage. The Company has placed orders with M/s Voith and other reputed equipment suppliers for delivery of the plant and machinery. This expansion will help JK Paper in enlarging its product range beyond the printing and writing segment.

The Company's modernisation plan for CPM unit is on course with installation of Oxygen delignification facility and Chlorine Di-oxide plant. This will enhance the product quality and provide greater value proposition to its customers while improving environment friendliness.

Company wide initiative to implement an ERP system is under progress and the same will result

in better serviceability of Company's customers and help improve supply chain efficiency.

AWARDS

CPM Unit of the Company has been honoured with "Paper Mill of the Year" Award for the year 2003-04 from the Indian Paper Manufacturers' Association. JKPM unit was also conferred with the prestigious 3 Leaves Award by Centre for Science and Environment for leadership in efficient process management, reduction in water use and promotion of Farm Forestry.

COMMITMENT TO QUALITY AND CUSTOMER SATISFACTION

JK Paper's products are well recognised in the market for their high and consistent quality. In its pursuit to further improve Quality and Customer Satisfaction, the Company continued its effort to deploy technology for upgrading its products and delivery systems.

During the year, meticulous care was taken to ensure that the quality of the newly launched Coated Paper met the benchmark standards. This was achieved through extensive trials and implementation of Quality assurance systems. The Company thanks its customers for providing ready support in carrying out the post production printing trials on coated paper and working with the Company in attaining high quality standards.

Both the units of the Company continue to maintain their ISO 9000:2000 accreditation.

COMMITMENT TO HEALTH, SAFETY, ENVIRONMENT AND SOCIAL MEASURES

The Company is committed to pursue its growth objectives in a sustainable manner and provide a safe and healthy environment for its employees. It focuses on employing cleaner technology and reducing per unit consumption of natural resources. During the year, JK Paper was able to reduce coal, power and water consumption per tonne of paper

and increase its chemical recovery. The Company continues to follow TPM which has resulted in safer working environment besides improvement in productivity.

The social and farm forestry programme of the Company provides employment opportunities and improvement in livelihood in tribal areas. Throughout the year, the Company undertakes various programmes around its Units focusing on issues like community health and literacy.

Both JKPM unit and CPM unit are ISO 14001 EMS certified.

DIRECTORS

Shri O.P. Goyal and Shri Shailendra Swarup retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s. Lodha & Co. and M/s. S.S. Kothari Mehta & Co., Chartered Accountants, the auditors of the Company are eligible for re-appointment at the ensuing Annual General Meeting. 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 2005 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. 33.59 crore as on 30th June 2005 (previous year Rs. 31.79 crore) despite rate reduction, 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 Auditor's 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

During the year, the Company signed long term Wage Agreements at both its units and was able to work out improved productivity norms at both plants.

ACKNOWLEDGEMENT

The Directors wish to acknowledge the continued support and cooperation received from the Central Government, State Governments, participating Financial Institutions and Banks, Customers, Suppliers, Dealers and Shareholders.

Your Directors would also like to place on record their sincere appreciation for the total commitment, dedication and hard work, put in by every member of Team JK.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA
Chairman

New Delhi
The 22nd August, 2005

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE, 2005

Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

a) Energy Conservation

Your Company has taken the following measures for energy conservation:

	Savings
1. Installation of Variable Frequency Drive in Causticizing Plant	3.06 lac KWh/Yr.
2. Installation of Variable Frequency Drive in CF Boiler V Primary Air Fan	0.92 lac KWh/yr.
3. Flash Steam Recovery System installed for air pre-heater of LF Boiler IV	6910 T/annum of flash steam generation
4. Use of LP Steam instead of MP Steam in hot water heater of RDH Cooking Plant	2790 T/annum of MP steam
5. Use of treated effluent for internal use of ET Plant and chip washing system	480 M3/day water
6. Replacement of old vacuum pumps with energy efficiency new vacuum pumps	16 KW

b) Research & Development Expenses

During the year, the Company has spent Rs 0.91 Cr. on Research and Development. In addition extensive application research continued through various trials on the shop floor.

c) Technology Absorption, Adaptation & Innovation

1. New state-of-the-art Coating Plant for high quality graphic papers is commissioned.
2. New size press additives have been introduced for substantial reduction of internal sizing chemical in paper making.
3. New chemical recovery boiler with high energy efficiency and low emission installed.
4. Solid waste generated at mills has been evaluated for effective utilization as Bio-fertilizer and soil conditioner.
5. Under the programme of "Operational Excellence (OE)", many small schemes of technology improvement, innovation have been implemented in various sections of the mill operations.

d) Foreign Exchange Earnings and Outgo

Rs. in Lac (0.1 Million)

(a)	Foreign exchange earned	5028.46
(b)	Foreign exchange outgo:	
	- CIF Value of Imports	1873.41
	- Others	541.38

PARTICULARS OF CONSERVATION OF ENERGY

Sl. No.	Particulars	Units	2004-2005	2003-2004
A.	POWER & FUEL CONSUMPTION			
1.	ELECTRICITY			
(a)	Purchased :			
	Units	(KWH in lac)	165.47	173.39
	Total Amount	(Rs. lac)	890.32	844.55
	Rate / Units	(Rs.)	5.38	4.87
(b)	Own Generation :			
I.	Through Steam Turbine/ Generators :			
	Units	(KWH in lac)	2224.45	2216.02
	Cost / Units	(Rs.)	1.51	1.41
II.	Through Diesel Generator :			
	Units	(KWH in lac)	9.65	3.87
	Units per Litre of Diesel Oil	(KWH)	2.79	3.65
	Cost / Units	(Rs)	11.59	14.91
2.	COAL			
	Quality (Grade)		"B" to "F"	"B" to "F"
	Where used		CF Boiler	CF Boiler
	Quantity	(MT)	2,86,966	2,94,840
	Total Amount	(Rs lac)	3850.04	3762.61
	Average Rate	(Rs./MT)	1341.64	1276.15
3.	FURNACE OIL			
	Quantity	(KL)	374.30	375.50
	Total Amount	(Rs.lac)	48.69	45.18
	Average Rate	(Rs./Lt)	13.01	12.03
4.	OTHERS/INTERNAL GENERATION	—	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT	Year	Electricity KWH/MT	Coal Kg. / MT	Furnace Oil Lt. / MT
Paper	2004-2005	1,404	1,615	2.28
	2003-2004	1,416	1,682	2.32

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the Company recorded its highest ever Production, Sales and Exports.

Gross Sales / Income from operations stood at Rs. 729.24 crore, Operating Profit (PBIDT) at Rs. 117.30 crore and Profit after Tax (PAT) was Rs. 38.53 crore. Profit would have been higher, but for the adverse impact of steep increase in raw material, chemicals, energy and freight costs, as well as due to the trial production of the new Coating Plant.

Production of Paper and Market Pulp of 1,80,089 tonnes was a result of consistently high plant capacity utilization of 120% and adoption of progressive work practices like Total Productive Maintenance (TPM) and “Operational Excellence”. Sales increased to 1,82,818 tonnes and the Company bettered its Export performance by shipping 17,303 tonnes.

Despite the increasing competitive intensity in the branded paper market, JK Paper grew its share of Branded products in its total volumes from 38% in 2003-04 to 40% in 2004-05. Besides this, the Company progressively increased prices, resulting in growing price premium over competing brands. This was possible because of the Company’s sustained thrust on value added and branded products. The Company continued to invest in Brand Building through a combination of several key marketing initiatives such as advertising in the print media, trade and consumer campaigns at the national level, road shows and select customer meets. The Company has treated this effort as an investment in the market place, enabling it to maintain its Leadership in the branded market along with strengthening of the Brand Equity of its leading products like JK Copier, JK Excel Bond and JK Easy Copier.

The Company commenced trial production of its 46,000 TPA state-of-the-art Coating Plant at unit JKPM during the third quarter of the financial year. The trial product, which was supplied to several

leading printers across the country, was very well received. Sales volume of outsourced coated paper recorded a healthy growth of 28%. The Company has since commissioned its Coating Plant in July 2005 and has commenced marketing the coated paper under the brand name of “JK Cote”. With continuing focus on Quality Upgradation, the Company expects to improve its quality further and roll out JK Cote nationally by the second quarter of the current financial year.

With the increase in pulp production at both units JKPM and CPM, the Company stepped up its sales of Market Pulp.

As part of the Company’s long-term strategy to attain self-sufficiency in raw materials, JK Paper intensified its efforts under its Social Forestry Programme, covering over 5,000 hectares of additional land under Plantation and distributed nearly 30 million saplings.

INDUSTRY SCENARIO AND OUTLOOK

Global Pulp and Paper Market

The Global Pulp and Paper Industry displayed signs of consistent growth with relatively stable prices of pulp & paper compared to 2004. The buoyancy in the Global Economy, led by Asia, and more specifically China, was a major factor that contributed to the fortunes of the pulp and paper industry during the year. The global demand for paper jumped to around 4.5% in 2004, compared to the previous year when the demand growth was estimated at 2%. As a result, pulp and paper prices remained firm through the year.

The rising price trend in the first half of 2004, which was particularly marked in Coated Wood Free Papers and Newsprint was sustained in the second half of 2004 also. Although prices on the whole have remained reasonably stable, there has been some sign of weakening in newsprint prices recently.

Prices of uncoated papers, coated papers and boards remained firm through the first half of 2005.

The new major pulp capacities that have come up recently, mainly in Latin America, have resulted in some overcapacity, leading to softening of pulp prices from the second half of 2005. Prices of paper and boards are likely to be firm throughout 2005, with the leading Asian economies expected to sustain their strong performance.

Domestic Market

In line with the growth in the Indian Economy, demand for Paper and Boards grew at around 6.5% in 2004, which is higher than the expected rate of 6%. The price trends in all major varieties were more upbeat in the first half of 2005, especially after the implementation of VAT in several States. Firm international prices also contributed to the hardening of domestic prices. The coated paper segment witnessed a sharp recovery in prices during this period, continuing the trend from the first half of 2004. The overall hardening of domestic prices of both coated and uncoated grades was sustained despite the reduction in import duties on paper from 20% to 15% at the beginning of 2005. This was however, insufficient to fully offset the increase in input costs. Leading Indian paper companies recorded a sharp rise in exports of paper and board of about 35% compared to the previous year, enabling the Industry to participate in the strong global demand.

Consequent upon the increasing globalization of the Indian market and intensifying competition, end consumers are driving demand for all products and services. Be it in the Manufacturing or the Services sector, companies are spending an ever-increasing amount on packaging and promotional materials by which they seek to add value to their products and attract customers. The resultant impact on the paper industry is a strong demand for value added products such as coated papers, coated boards, and high quality branded papers. The demand in these segments is growing in double digits compared to an overall average growth of paper and boards of

6.5%. The increasing domestic availability of high-end coated papers and branded papers is expected to not only meet the consumer's higher demand growth but also expand the markets for these products.

The market for uncoated printing and writing paper will continue to grow at a healthy rate considering the Government's thrust on education and consequent rising literacy levels. While there is a fairly significant increase in production capacity of lower/medium-end paper (creamwove), the investment in adding capacity in premium High Bright Maplitho Paper segment in which your Company operates, appears to be relatively limited. As a result of this, the lower-end market is expected to witness competitive price trends, while the High Bright segment in which your Company operates, should remain relatively firm. The growing export of paper from India is also expected to contribute towards price stability leading to a positive outlook for the domestic market.

Market for Company's Products

The Company maintained its thrust on the value added paper segment, increasing the share of branded products from 38% to 40% in its total volumes. Besides this, the Company also increased its sales of coated paper from both outsourcing and commencement of the trial production from its new Coating Paper Plant in JK Paper Mills. The Company's sustained marketing efforts in Brand Building through various innovative initiatives enabled it to maintain its dominant leadership in the branded paper market. Sales of Copier, Bond and Coated Papers went up. Close coordination was maintained between Marketing and Manufacturing, which contributed towards improved customer satisfaction on product quality and service.

● Business Communication Papers

The recent capacity additions by some of the leading industry players in the cut-size segment have stimulated a higher demand growth of 18% in this category. The business communication segment is predominantly led by demand for photocopying and

desktop printing papers. JK Copier continues to be the undisputed brand leader in this area by a large margin. Despite numerous brands being available and introduction of new ones, JK Copier remains the consumer's first choice, setting the benchmark for consumer experience in product performance, availability and total value delivered. The increasing competition has helped in the strengthening of JK Copier brand equity because of this factor. The Company continuously invests in the quality upgradation of this core brand to provide the customer the ideal solution for his Business Communication requirements. The Company's leading brand in the economy segment, JK Easy Copier continued to grow both in terms of volume and value. Higher price realizations of up to 5% during the year, compared to around 2-3% effected by other manufacturers enhanced the price premium and value of JK's Brands.

In the premium watermarked business stationery segment, JK Excel Bond continued to grow faster at 18% compared to overall segment growth of 5 to 6%. This was due to focused marketing and distribution efforts, which led to sales growth of consumer packs by 53% over last year. The well-established JK Bond watermarked paper continued to be popular amongst a cross section of users.

● **Printing & Writing Papers**

Consequent upon the Company's strategy to enrich its product-mix through more aggressive marketing of branded products and new value added coated papers, the volumes of JK Maplitho SHB and JK Evervite had to be rationalized. This was however, partly mitigated by tying up volumes through outsourcing arrangements. Due care was taken to see that quality standards were met. JK Paper continues to be the Quality and Price leader in this segment. The Company's Ledger and Parchment Papers remained the preferred choice of customers.

● **New Products**

The Company's Coating Plant at JK Paper Mills commenced trial production of its international quality coated art paper from its new state-of-the-

art blade Coating Plant during the second half of the financial year. This coated paper was supplied to several hundred customers across the country and was extremely well received both in aesthetics and functionality. This was possible because of the unique features of the plant and the total quality assurance system that was instituted from the first day of operation.

After having commissioned the coating plant in July 2005, the Company now plans to market the product nationally under the name of 'JK Cote'. The Company's experience in marketing outsourced coated papers over the last three years has laid the foundations for its success in this high value product category which is growing at over 12% per annum. The Company's outsourced coated chromo paper – "JK Eco Cote" has established itself as a leader in the one side coated paper segment. The volumes of this product have grown by 28% over last year.

The Company's other premium products - JK Copier Plus and JK Savannah which were launched in the previous year, have been widely acclaimed for their quality and packaging. JK MICR Cheque Paper continued to find ready acceptance by India's leading banks. During the second half of the year, the Company developed a new variant of JK Maplitho SHB – High Bulk. This product development evoked a good market response, enabling the Company achieve significant volumes within a few months from its introduction.

● **Outsourcing**

The Company's outsourcing strategy took firm root in augmenting its overall volumes over the last 3 years. Besides outsourcing of coated papers, the Company successfully developed High Bright Maplitho paper, using its own high quality pulp, technical know-how and strategic tie-up with other paper mills. The key to outsourcing strategy has been the Company's success in establishing quality standards at these Mills through its time tested Quality assurance system. The Company now plans

to step up the outsourcing efforts to further augment its total volumes as well as provide customers a wider basket of products.

● **Market Pulp**

The Company had been selling its surplus pulp for the last few years. This effort received a major boost through an increase in production at both its units – JKPM and CPM. As a result, the Company was able to increase its sales of market pulp by 100% over last year. This has led to several leading and smaller paper mills successfully substituting their requirements of imported pulp.

OPPORTUNITIES & STRENGTHS OF THE COMPANY

Demand for Paper & Boards

A continuing robust growth in GDP of around 7% last year enabled India to remain in the league of the fastest growing economies of the world. In line with the remarkable growth in several sectors such as Steel, Cement and Automobiles the demand for paper grew at a faster rate of 6.5%. Being closely linked to literacy levels, per capita income, industrial growth and exports, the consumption of paper is bound to grow in line with the overall performance of the Indian economy. The low per capita consumption of paper in India at 6.5 kgs is, in fact, an opportunity for growth for the paper industry in future and the Company in particular.

Demand for High Quality and Value Added Paper

The customer's increasing preference for better quality paper and boards, backed by growing availability of such products in the domestic market has expanded this segment at a much faster rate. The branded cut-size paper, which was earlier growing at 15% per annum, has grown by 18% in the last year. Demand for coated papers and boards from 12% per annum is now set to grow at much higher pace of 15 – 20%, with greater domestic

supply. JK's market leadership in branded papers and its new foray into the high-end coated paper segment provides it a ready opportunity to grow in value added products. The Company's proposed entry in the packaging board segment has also been planned with a view to participate in the high value coated board market.

The Company's sustained focus on Technology, Development and Marketing along with an established Distribution network enabled it to maintain its quality and cost competitiveness. The Company's strong brand equity has provided the ability to successfully leverage the market opportunities in a globalizing Indian paper market.

Distribution Network

Distribution clearly ranks among the leading assets of the Company. The vast network of wholesalers spread across the length and breadth of the Indian market has been established over more than 40 years. These wholesalers, numbering more than 100 have been carefully nurtured by the Company and treated as its Business Partners. With a high mutual commitment between the Company and wholesalers, the smaller upcountry markets which are confined to the interiors of the country are also efficiently covered by JK Paper. This strength has enabled the Company to not only grow the volumes of its existing products but equally, successfully market its new products in these fast growing areas. The expansion of the dealer network from 2000 numbers last year to over 2500 has imparted immense depth and width to its distribution network. It is this unique network, which has been the key to the marketing effort of JK Paper's newly introduced coated paper.

Quality

Apart from the distribution strength, the Manufacturing area has been the other strong asset for the Company. JK's brand equity is built around these two core strengths. It is the commitment to quality that places the Company well ahead of the

industry. The constant benchmarking commitment to International quality standards for all its products and a well established Quality assurance system, have been instrumental in establishing JK as a Quality leader. In JK Paper the Quality culture, which is firmly embedded across the organization, ensures that Quality upgradation is a never-ending process. The success in establishing the quality from the first trial production of its coated paper at JK Paper Mills is ample testimony to JK's commitment to quality where technology is carefully and continuously harnessed to provide the customer an experience of value addition all the way.

MAJOR CONCERNS

Indian Paper industry continues to be under pressure on account of high raw material, energy and infrastructure costs. The growing number of bilateral agreements promoting near free trade will expose the industry to increasing competition from countries like Indonesia and China who have significant cost advantages in raw material, energy and infrastructure. Further, the large-scale capacity creation in China, in particular, among other countries, is likely to intensify competition in the region. In these conditions, the core issues impeding the industry's growth and competitiveness need to be urgently addressed through Policy measures such as allowing companies to raise Captive Plantations.

Notwithstanding this, several leading industry players are investing in technology and capacity addition to meet the domestic market needs of quality and cost competitiveness. In this direction, JK Paper has made a significant investment in a coating plant, which is only the second such facility offering international quality coated papers after the first one which was set up nearly a decade ago. This facility will meet the gap in supply through substitution of imports.

RAW MATERIAL

The Company continued its efforts to add to the future availability of raw material by aggressively

promoting high yielding clonal/sapling plantations in the States of Orissa, Chhattisgarh, West Bengal, Andhra Pradesh, Maharashtra and Gujarat.

During the year, the Company sold 28.7 million clones/saplings to more than 6000 farmers, covering an area of over 5000 hectares. High yielding clonal saplings supply registered an increase of 45% over previous year. So far a total area of over 45,000 hectare has been planted by both units of the Company. This has helped generate nearly 25 million mandays of employment among the rural masses, resulting in overall development and improvement in the quality of the environment.

The Company signed an agreement with Orissa Forest Development Corporation to resume Bamboo operations whereby a sizeable portion of raw material needs of JKPM unit would be met. This will help in arresting the rising cost of raw materials by not only bringing down the logistic cost of procuring Bamboo from elsewhere but would also reduce the demand pressure on hardwood sources. Supply from nearly 45,000 tonnes of bamboo material felled during the previous bamboo season has commenced from first quarter of the current year.

ENVIRONMENT PROTECTION

JK Paper has been in the forefront in adopting and improving the practices contributing to continual improvement and sustainable development. Both units of the Company are ISO 14001 certified and the JKPM unit of the Company won the prestigious 3 Leaves award from the Centre for Science and Environment during the year.

Some of the recent initiatives taken by the Company to further improve the environment include the following:

- Oxygen delignification system and Chlorine Dioxide system being implemented at CPM unit to reduce elemental chlorine consumption in the process.
- Installation of high efficiency, DCS controlled modern Recovery Boiler at CPM Unit to

significantly improve upon the chemical recovery efficiency and also help in conserving coal for steam generation.

- Use of treated effluent for internal use of Effluent Treatment Plant and chips washing, resulting in water saving.
- Increase in fly ash utilization by 25%.

The Company is pursuing efforts to avail of Carbon credits for relevant operations. Ministry of Forest & Environment has given in-principle approval to a CDM project, with the Company as a partner agency.

HUMAN RESOURCE DEVELOPMENT

JK Paper has always treated its people as the most valuable asset, continuously investing in their training and development for creating a world-class organization. Towards this end, the following major initiatives have been taken:

- Assessment of Competency needs and Competency mapping of all senior executives of the Company by an international management development consulting company. The gap between the need and current level of competency is being addressed through suitable measures including individual development plans for each employee based on the competency map.
- Adoption of a Talent Management System targeted at attracting, retaining and growing talent for the organization.
- Introduction of Business Processes Re-engineering for significant reduction in the layers, inculcating a culture of multi-skilling and multi-tasking amongst members of the organization and for creating a more responsive process based organization structure compared to a functional structure.
- Conducted leadership development programmes for General Managers at Management Development Institute, Gurgaon

and organization-wide IT proficiency acquisition training for all employees.

- Implementation of the Performance Management System supported by Goal-setting workshops for the members of the organization to align their goals with the strategic goals of the organization.

In addition, the Company continues to focus on TPM at both the units and employs all such tools like Cross Functional Teams, Quality Circle, Suggestion Schemes, etc. to enhance performance in all areas of operations.

FINANCIAL HIGHLIGHTS

Rs. in crore (10 million)

	2004-05	2003-04	Increase/decrease (%) over previous year
Gross Sales and Other Income	730.40	732.84	(0.4%)
Net Sales and Other Income	634.68	633.82	0.1%
Profit before Interest, Lease Rent and Depreciation	117.30	147.16	(20.3%)
Profit After Tax	38.53	41.22	(6.6%)
Profit available to shareholders	35.96	17.49	105.6%
Retained earnings	23.40	11.58	102.0%

The Company more than doubled the profit available to equity shareholders as well as its retained earnings, largely due to savings achieved through various financial restructuring measures undertaken by the Company during the year.

Profitability was impacted on account of increased cost of raw materials, coal, chemicals and freight. The Company's efforts to bring down the cost of capital have paid rich dividends. The Company successfully refinanced Rs. 186.60 crore of high cost loans and converted 10% CRPS into loans, thereby reducing the cost of capital and conserving cash flow. During the year, the Company took additional new loans of

Rs.146 crore (*net*) (including Rs.97 crore of converted loan from CRPS) for its expansion/restructuring measures.

The above measures along with significant reduction in deferred tax liability for the year has resulted in more than doubling of EPS on a fully diluted basis.

INTERNAL CONTROL SYSTEM

JK Paper has a comprehensive review system to continuously strengthen its internal controls. The recent initiative of implementing ERP would further add to ensuring strict compliance with the systems.

The Company has significantly upgraded its comprehensive Risk Measurement and mitigation framework to continuously monitor, assess and take steps to mitigate various risks. The same is being put to use during this year.

The Company's Internal Audit Department, supplemented by external auditors, carries out internal audits throughout the year and the same is reviewed by the Management, including the Board's Audit Committee to monitor effective implementation of remedial measures.

EXPANSION

The coated packaging Board segment in India is growing at a rate of around 11% per annum with the high-end and value-added coated boards growing much faster. The demand for coated packaging boards in India is estimated to be around 12 lakh tonnes per year. The upper-end of this segment is dominated by a single producer, with share of over 25% of the total board market. The rest of the market is shared between a handful of players in the middle quality and around 50% is in low-end segment with a highly fragmented supplier base. Imports of packaging boards are negligible.

In this scenario, JK Paper has identified a strong opportunity for growth and product diversification from the existing range of cultural papers to packaging boards. Your Company has decided to install a state-of-the-art coated packaging board plant of 60,000 TPA based on contemporary multi-fourdrinier and blade coating technology to cater to the fast growing market requirements of international quality packaging boards. Orders for various machines and equipments have been placed. The board plant is being set up at the Company's CPM unit, which has an excellent location, being close to the market to meet the requirements of the customers.

With this expansion, the Company's total installed capacity will go up to 2,40,000 TPA.

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
- Maximizing 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 2004-05	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	4	No	2	–	–
Shri Dharendra Kumar	Non- Executive Independent	4	Yes	7	3	–
Shri Gajanan Khaitan	Non-Executive Independent	4	No	–	–	–
Shri Jitender Balakrishnan (IDBI Nominee)#	Non-Executive Independent	3	No	5	2	–
Shri P. K. Kaul	Non-Executive Independent	4	No	13	4	5
Shri Shailendra Swarup	Non-Executive Independent	2	No	4	2	–
Shri S. K. Pathak	Non-Executive Independent	1	No	–	–	–
Shri Harsh Pati Singhania Managing Director	Executive	4	Yes	4	–	–
Shri O. P. Goyal Whole-time Director	Executive	4	Yes	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: -

Four Board Meetings were held during the year 2004-05 on 23rd August 2004, 26th October 2004, 25th January 2005 and 23rd April 2005.

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 Balakrishanan, Shri P. K. Kaul and Shri Shailendra Swarup. 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 2004-05 as detailed hereunder:

Dates of meetings	No. of members attended
23 rd August 2004	3
26 th October 2004	4
25 th January 2005	3
23 rd April 2005	3

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, 2005 to the Chairman, Managing Director and Wholetime Director is as follows: Shri Hari Shankar Singhania, Rs. 97.05 lac plus Rs. 84.78 lac payable as commission, Shri Harsh Pati Singhania, Rs. 86.65 lac plus Rs 84.77 lac payable as commission, Shri O. P. Goyal, Rs.38.08 lac plus Rs. 15.16 lac payable as commission. 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. 1.45 Lac to all Non Executive Directors for attending the meetings of the Board and/or Committee(s) thereof. Besides the sitting fees, a commission of Rs. 1.00 lac each is proposed to be paid to Shri Dharendra Kumar, Shri Gajanan Khaitan, Shri Jitender Balakrishanan, Shri P. K. Kaul, Shri Shailendra Swarup and 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 2004-05 as detailed hereunder:

Dates of meetings	No. of members attended
23 rd August 2004	3
26 th October 2004	4
25 th January 2005	4
23 rd April 2005	3

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
2001-02	P.O. Central Pulp Mills – 394 660 Fort Songadh, Distt. Surat, Gujarat	19.09.2002	10.00 A.M.
2002-03	Same as above	27.09.2003	12.30 P.M.
2003-04	Same as above	29.09.2004	2.00 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: Saturday, 24th September, 2005 at 12.30 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 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** : 27th August 2005 to
29th August 2005
(both days inclusive)

(iii) **Dividend**

Payment Date : Before 20th October 2005.

(iv) **Financial Calendar (*tentative*) :**

Financial Reporting for the Quarter Ending :

September 30, 2005 : By end of October 2005

December 31, 2005 : By end of January 2006

March 31, 2006 : By end of April 2006

June 30, 2006

(if unaudited) : By end of July 2006

(if audited) : By September 2006

Annual General Meeting for the : Between September and
year ending December 2006

June 30, 2006

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

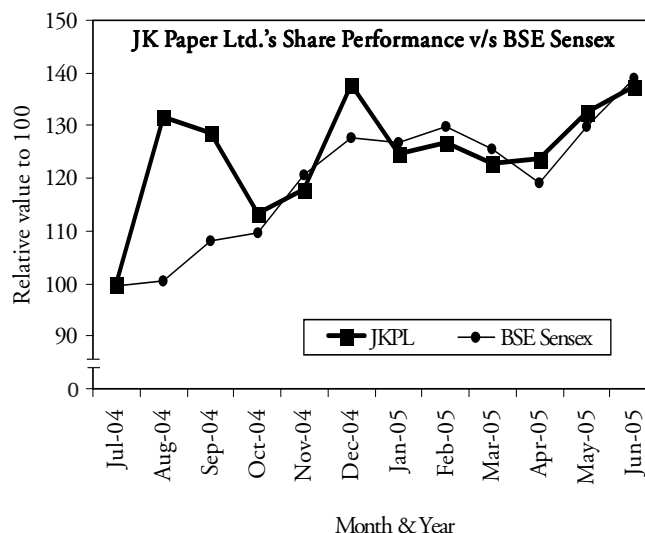
The Equity Shares of the Company are listed on National Stock Exchange of India Limited (Stock Code JK Paper), The Stock Exchange, Mumbai (Stock Code 532162) and Vadodara Stock Exchange Limited (Stock Code 16026). Listing Fee for the year 2005-06 has been paid to all the said Stock Exchanges.

(vi) **Stock Market Price Data**

Month	Stock Market Price on Stock Exchange, Mumbai (BSE)	
2004	High (Rs.)	Low (Rs.)
July	42.85	37.45
August	52.00	38.00
September	56.00	40.05
October	52.90	41.15
November	51.25	43.80
December	55.50	45.00
2005		
January	60.80	46.00
February	55.25	39.00
March	56.50	45.00
April	54.75	45.95
May	58.40	48.00
June	63.00	50.50

(Source: www.bseindia.com)

(vii) **JK Paper Ltd.'s Share Performance v/s BSE Sensex (July'04- June'05)**



(viii) **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 2005, 90.14% 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.

(ix) **Share transfer system**

The transfer / transmission of shares in physical form is normally 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.



(x) (a) **Distribution of Equity Shareholding (both in physical and electronic form) as on 30th June 2005 :**

Number of Equity Shares held	Shareholders		Shareholding	
	Numbers	%	No. of Shares	%
1 to 500	4,751	80.44	7,23,081	1.31
501 to 1,000	545	9.23	4,88,879	0.89
1,001 to 5,000	455	7.70	11,24,335	2.04
5,001 to 10,000	72	1.22	5,51,151	1.00
Over 10,000	83	1.41	5,21,82,493	94.76
Total	5,906	100.00	5,50,69,939	100.00

(b) **Pattern of Equity Shareholding (both in physical and electronic form) as on 30th June 2005 :**

Category	No. of Equity Shares held	Percentage of Shareholding
Domestic Companies	2,45,91,653	44.65
FIs, Mutual Funds & Banks	66,53,407	12.08
Foreign Investors/ FIIs / NRIs	28,01,757	5.09
Resident Individuals	34,56,629	6.28
Others	1,75,66,493	31.90
Total	5,50,69,939	100.00

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

(xii) **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)

(xiii) **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

2. Company Secretary
JK Paper Limited
Gulab Bhawan (Rear Block - 3rd Floor)
6A, Bahadurshah Zafar Marg
New Delhi-110 002
E-mail: sharesjkpaper@jkmall.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 2005, 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 grievance 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 : 22nd August, 2005

(N.K.Lodha)
Partner
Membership No.: 85155

(Atul Seksaria)
Partner
Membership No.: 86370

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.

JK Corp Ltd., Mayfair Finance Ltd., Sidhi Vinayak Investment Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd., JK Industries Ltd., Hansdeep Investment Ltd., Panchanan Investment Ltd., Radial Finance Ltd., Hidrive Finance Ltd., Fenner India Ltd., BMF Beltings Ltd., JK Agri Genetics Ltd., JK Sugar Ltd., Bengal & Assam Company Ltd., Nav Bharat Vanijya Ltd., Juggilal Kamlapat Udyog Ltd., JK Agents Ltd., Pranav Investment (MP) Company Ltd., Param Subham Vanijya Ltd., JK Credit & Finance Ltd., Ashim Investment Company Ltd., Juggilal Kamlapat (Agency) Ltd., Orlop Investment Ltd., Ethnic Investment Ltd., Sthenic Investment Ltd., Habras International, Juggilal Kamlapat 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, 2005, 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 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:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors of the company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2005 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

(f) Attention is invited to:

- i) Provision for deferred tax liability for the transitional period up to 30th June, 2001 amounting to Rs. 258.06 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)
- ii) Provision for diminution (amount unascertainable) in value of long term investments has not been made, since in the opinion of Board, such diminution is temporary in nature. (Note no. B.15, Schedule 20)
- iii) Charging off one time additional interest (exceptional) amounting to Rs. 2066.43 lac to the profit and loss account and transferring an equivalent amount from the General Reserve to the Profit and Loss account as stated in Note no. B.7 of Schedule 20.

Without considering item (f) (ii) above, the impact of which could not be determined, had the item (f) (i) and (iii) above been considered, profit for the year would have been lower by Rs. 2066.43 lac, General Reserve would have been higher by Rs 2066.43 lac, Reserve and Surplus would have been lower by Rs 258.06 lac, Deferred Tax Liability would have been higher by Rs. 258.06 lac.

- (g) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 30th June 2005;
 - 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 Cash Flow Statement, of the Cash Flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

N. K. LODHA
Partner
Membership No.: 85155
New Delhi
Date: 22nd August, 2005

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

ATUL SEKSARIA
Partner
Membership No.: 86370

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our Report of even date of JK PAPER LIMITED for the year ended 30th June 2005.)

- 1) (a) The Company has maintained proper records in respect of its fixed assets showing full particulars including quantitative details and situation of fixed assets.
(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, no substantial part of fixed assets has been disposed off during the year.
- 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 and according to the information and explanations given to us, 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 business.
(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. As far as we can ascertain and according to information and explanations given to us by the management, the discrepancies whenever material noticed on such 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 covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) to (d) and (f) & (g) of the Order are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is reasonable internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5) (i) According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that the particulars of contracts or arrangements that needs to be entered into register maintained pursuant to Section 301 of the Act have been so entered; and
(ii) In our opinion and according to information and explanations 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 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 directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under with regard to deposits accepted from the public. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal 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 and records 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 in respect of the Company's products to which the said rules are made applicable and 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 and complete.
- 9) (a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Income Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material 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 become payable as at 30th June 2005.

- (b) According to the records and information and explanation given to us, there are no dues in respect of Wealth Tax, Service Tax and Custom Duty that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of Sales Tax, Income Tax, Excise Duty and Cess that have not been deposited with the appropriate authority on account of dispute and the forum where the dispute is pending are given below:-

Nature of statute	Nature of dues	Period to which the amount relates	Amount Involved (Rs. in lacs)	Forum where dispute is pending
Sales Tax Act	Sales Tax	2003-04	112.85	Commissioner Sales Tax, Cuttack
		1983-88/2002-03	5.66	Dy. Commissioner, Delhi
		2000-01/2002-03	48.58	Sales Tax Tribunal, Cuttack
		2001-02/2003-04	115.94	ACCT, Jeypore
		1995-96/1997-99/2002-03	137.48	Sales Tax Tribunal, Cuttack
Central Excise Act	Excise duty	1979-80/ 1981-82	89.20	High Court, Delhi
		1982-83	40.75	Supreme Court
		1992-93/ 1997-98	1.90	CESTAT, Kolkata
		2003-04	142.15	Commissioner, Bhubneshwar
		1987-94	130.63	High Court, Kolkata
		1989-94	231.15	Asst. Commiss., Surat
		1980-86	20.44	Collector(Appeal), Mumbai
		1997-01	110.29	CESTAT, Mumbai
		1997-03	62.75	Commissioner, Surat
Income Tax Act	Income tax	1997-98	8.82	CESTAT, Delhi
		2000-02	71.32	CIT (Appeals), Surat
Water (PCP) Cess Act, 1977	Cess	2000-05	49.00	Cess Appellate Committee, OPCB, Bhubneshwar

- 10) The company does not have accumulated losses and has not incurred cash losses during the current financial year and in the immediately preceding financial year.
- 11) In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has not defaulted in repayment of any dues to banks, financial institutions and debenture holders.
- 12) According to the information and explanations given to us, the company has not granted any loans and 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 Order are not applicable to the company.
- 14) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which they were obtained.
- 17) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, not been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
- 19) On the basis of records made available to us and according to information and explanations given to us, the Company is in process of creating security or charge in respect of debentures issued during the year as stated in footnote no. B.1 (b)(ii) of Schedule 3. Save for the above the company has created security in respect of debentures outstanding during the year-end.
- 20) The company has not raised any money through a public issue during the year.
- 21) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA & CO.
Chartered Accountants

N. K. LODHA
Partner
Membership No.: 85155
New Delhi
Date: 22nd August, 2005

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

ATUL SEKSARIA
Partner
Membership No.: 86370

BALANCE SHEET

As at 30th June, 2005

Rs. in Crore (10 Million)

	Schedule	30th June, 2005	30th June, 2004
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	110.07	207.07
Reserves and Surplus	2	144.31	149.63
		254.38	356.70
LOANS			
Secured Loans	3	570.93	452.49
Unsecured Loans	4	49.31	58.18
		620.24	510.67
DEFERRED TAX LIABILITY (Net)			
		50.41	55.59
	TOTAL	925.03	922.96
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		890.03	844.20
Less: Depreciation		285.10	233.43
Net Block		604.93	610.77
Capital work-in-progress		93.67	58.91
		698.60	669.68
INVESTMENTS			
	6	19.53	34.01
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	72.63	64.23
Sundry Debtors	8	91.42	90.58
Cash and Bank Balances	9	4.59	5.77
Loans and Advances	10	161.61	156.38
		330.25	316.96
LESS: CURRENT LIABILITIES AND PROVISIONS			
	11	130.56	104.19
NET CURRENT ASSETS			
		199.69	212.77
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		7.21	6.50
	TOTAL	925.03	922.96

NOTES ON ACCOUNTS

20

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

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

H.S. SINGHANIA

Chairman

H.P. SINGHANIA

Managing Director

N.K. LODHA
Partner

ATUL SEKSARIA
Partner

S.C. GUPTA
Company Secretary

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

Directors

New Delhi, the 22nd August, 2005



PROFIT AND LOSS ACCOUNT

For the Year Ended 30th June, 2005

Rs. in Crore (10 Million)

	Schedule	2004-05	2003-04
INCOME			
Sales		729.24	723.63
Less: Trade Discount		24.16	25.52
		705.08	698.11
Less: Excise Duty		71.56	73.50
Net Sales		633.52	624.61
Other Income	12	1.16	9.21
		634.68	633.82
Increase / Decrease() in Stocks	13	(0.57)	0.43
		634.11	634.25
EXPENDITURE			
Employees	14	71.53	72.73
Materials and Manufacturing	15	347.69	328.69
Other Expenses	16	97.59	85.67
		516.81	487.09
PROFIT BEFORE INTEREST, LEASE RENT AND DEPRECIATION			
Interest and Lease Rent	17	117.30	147.16
Exceptional Item: One Time Additional Interest	20.66	39.35	40.78
Less: Transfer from General Reserve (Note no. B.7)	20.66	-	-
PROFIT BEFORE DEPRECIATION & TAX		77.95	106.38
Depreciation	18	39.35	39.81
PROFIT BEFORE TAX		38.60	66.57
Provision for Current Tax		1.51	1.81
Provision for Fringe Benefit Tax		0.10	-
PROFIT BEFORE DEFERRED TAX		36.99	64.76
Provision for Deferred Tax		(1.54)	23.54
PROFIT AFTER TAX		38.53	41.22
Debenture Redemption Reserve Written Back		0.60	0.60
Surplus brought forward		44.07	35.02
		83.20	76.84
APPROPRIATIONS:			
Debenture Redemption Reserve		2.22	1.07
General Reserve		30.00	2.06
Dividend	19	13.26	26.27
Corporate Dividend Tax		1.87	3.37
Surplus carried to Balance Sheet		35.85	44.07
		83.20	76.84
Basic / Diluted Earning Per Share (Rs.)		6.53	5.40

NOTES ON ACCOUNTS

20

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

S.C. GUPTA
Company Secretary

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

Directors

New Delhi, the 22nd August, 2005

Schedule 1**30th June, 2005**Rs. in Lac (0.1 Million)
30th June, 2004**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 5,50,69,939) of Rs. 10 each fully paid up	5506.99	5506.99
10% Cumulative Redeemable Preference Shares - 3,00,000 (Previous Year 1,00,00,000) of Rs.100 each fully paid-up (a),(b) and (c)	300.00	10000.00
3.75% Cumulative Redeemable Preference Shares - 52,00,000 (Previous Year 52,00,000) of Rs. 100 each (d)	5200.00	5200.00
	11006.99	20706.99

Notes :

- (a) These shares have been allotted as fully paid-up pursuant to the Scheme of Compromise and/or Arrangement sanctioned by the Hon'ble High Courts of Orissa & Gujarat.
- (b) Pursuant to the Order of Hon'ble High Court of Gujarat confirming reduction of Preference Share Capital, the Company has converted 97,00,000 10% Cumulative Redeemable Preference Share of Rs. 100 each into Term Loans / Non-Convertible Debentures w.e.f. 01.07.2004.
- (c) The Company has varied the terms of balance 3,00,000 10% Cumulative Redeemable Preference Share of Rs. 100 each aggregating to Rs. 300 Lac as under :
- Series A, B, C & D of Rs. 143 Lac, Rs. 76 Lac, Rs. 40 Lac and Rs. 21 Lac are redeemable on 30th day of June, 2006, 2007, 2008 and 2009 respectively alongwith premium on redemption of Rs. 545 Lac with each Series. Series E, F and G of Rs. 11 Lac, Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2010, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.
- (d) Redeemable in three annual instalments of Rs. 30, Rs. 30 and Rs. 40 each respectively on 29th November 2017, 29th November 2018 and 29th November 2019.

Schedule 2**RESERVES AND SURPLUS**

	1st July, 2004	Additions	Transfers/ Adjustments	30th June, 2005
Debenture Redemption Reserve	496.90	222.08	(a) 59.78	659.20
Revaluation Reserve	872.61	—	(b) 82.15	790.46
Securities Premium	8158.91	—	(c) 73.99	8084.92
General Reserve	1027.10	3000.00	(d) 2,715.12	1311.98
Surplus in Profit and Loss Account	4407.32	3584.46	(a) 4407.32	3584.46
	14962.84	6806.54	7338.36	14431.02

- (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
- (d) Impairment Loss of Rs. 648.69 Lac (note no. B.14 Schedule 20) & Transfer of Rs. 2066.43 Lac to Profit & Loss Account (note no. B.7 Schedule 20).



30th June, 2005

Rs. in Lac (0.1 Million)
30th June, 2004

Schedule 3

SECURED LOANS

Non-convertible Debentures	3369.03	2254.62
Zero Coupon Bonds	1144.22	1144.22
Term Loans from Financial Institutions	4224.86	18996.89
Term Loans from Banks	42230.22	14323.63
Working Capital Loans from Banks	6124.84	8529.65
	57093.17	45249.01

Notes:

A. Terms of redemption of Debentures/Bonds

1. (a) Non-convertible Debentures (NCDs) of Rs. 1000 each aggregating to Rs. 1161.47 Lac are redeemable as under :
Series D (Rs. 136.64 Lac), Series E (Rs. 273.29 Lac), Series F (Rs. 341.61 Lac), Series G (Rs. 204.96 Lac) and Series H (Rs. 204.97 Lac) in 4 equal quarterly instalments commencing from July 2005, July 2006, July 2007, July 2008 & July 2009 respectively.
 - (b) Non-convertible Debentures (NCDs) of Rs. 1000 each aggregating to Rs. 854.03 Lac are redeemable as under :
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 2005, July 2006, July 2007, July 2008 & July 2009 respectively.
- Interest on above Debentures is provided considering varying rate of interest, as per terms.
- (c) 12.5% Non-convertible Debentures (NCDs) of Rs. 100 each aggregating to Rs. 1353.53 Lac are redeemable in three equal instalment payable on 31st March 2008, 31st March 2009 and 31st March 2010.
 2. 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.
 3. 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

1(a) Term Loans

- (i) Subsisting charges in respect of Term Loans of Rs. 7746.19 Lac (Financial Institutions - Rs. 1492.69 Lac, Banks - Rs. 6253.50 Lac) 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 are created in terms of the Scheme of Compromise & Arrangement.
The said term loans are secured / to be secured by way of hypothecation of the movable assets acquired after 01.04.2000 of unit Central Pulp Mills of the Company.
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.
- (ii) The Term Loan of Rs. 30544.29 Lac (Financial Institutions - Rs. 899.30 Lac, Banks - Rs. 29644.99 Lac) are secured/ to be secured by means of first pari passu mortgage / charge on the fixed assets of the company save and except specific assets exclusively charged in favour of specified term lenders as mentioned in sub clause (iii) & (iv).

The charges created / to be created over such immovable and movable assets shall rank pari passu with the charges created / to be created in favour of trustees for holders of debentures and be subject to charges in favour of the Company's bankers for working capital on specified movables.

- (iii) Term Loan of Rs. 3927.28 Lac (Financial Institutions - Rs. 33.05 Lac, Banks - Rs. 3894.23 Lac) and Direct discounting facility (equipment) of Rs. 1799.82 Lac from Financial Institution are secured by an exclusive charge by way of hypothecation of the specified assets of the company.
 - (iv) Term Loan of Rs. 2437.50 Lac from Bank is secured by first pari passu charge on immovable and movable assets of CPM Unit existing before 01.04.2000.
- (b) **Non-Convertible Debentures (NCD's) / Zero Coupon Bonds (ZCBs)**
- (i) NCDs of Rs. 2015.50 Lac and Zero Coupon Bonds of Rs. 1144.22 Lac are secured by a first mortgage and charge on all the immovable properties of the company situated at Dist. Mehsana, Gujarat.
 - (ii) 12.5% NCDs of Rs. 1353.53 Lac shall be secured by second mortgage / charge on the fixed assets of JK Paper Mills unit of the company. The NCDs are also to be secured by first pari passu mortgage / charge on the specified properties of the company situated at Dist. Mehsana, Gujarat.

Schedule 3 (Contd.)

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.

2. Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the immovable assets of the Company.
- C. Instalments of Term Loans repayable within one year - Rs. 6506.12 Lac.
- D. Terms loans from Financial Institutions and Banks include Rs. 4890.35 Lac foreign currency loans.

Schedule 4

UNSECURED LOANS

	30th June, 2005	30th June, 2004
Fixed Deposits	3359.25	3179.07
Interest free Deferred Payment Liabilities	1571.58	2638.71
	4930.83	5817.78

Schedule 5

FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st July, 2004	Additions/ Adjust-ments	Sales/ Adjust-ments	As at 30th June, 2005	Upto last year	For the year	On Sales/ Adjust-ments	To date	As at 30th June, 2005	As at 30th June, 2004
Land- Freehold	37.13	–	–	37.13	–	–	–	–	37.13	37.13
- Leasehold	20.60	–	–	20.60	1.10	0.26	–	1.36	19.24	19.50
Buildings	8734.21	346.20	–	9080.41	1374.82	223.04	–	2067.94	7012.47	7359.39
Plant & Machinery	73557.21	4379.74	340.28	77596.67	21454.52	3752.39	5.49	25742.94	51853.73	52102.69
Furniture, Fixtures & Equipments	528.34	95.66	23.84	600.16	237.78	34.32	9.10	263.00	337.16	290.56
Vehicles & Locomotives	609.44	164.70	57.78	716.36	138.72	58.50	17.28	179.94	536.42	470.72
Railway Sidings	446.32	18.09	–	464.41	79.47	20.71	–	100.18	364.23	366.85
Intangible Assets - Performance Improvement & Development	486.89	–	–	486.89	56.81	97.38	–	154.19	332.70	430.08
Total	84420.14	5004.39	421.90	89002.63	23343.22	4186.60	31.87	28509.55	60493.08	61076.92
Previous year	82868.83	1943.38	392.07	84420.14	19441.62	4173.37	271.77	23343.22	61076.92	

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 (Note B.6 Schedule 20).
- c) Intangible Asset - Performance Improvement & Development is being depreciated @ 20% p.a.
- d) Depreciation to date include impairment in the value of Building Rs. 470.08 Lac & Plant & Machinery Rs. 541.52 Lac (Note B.14 Schedule 20).
- e) Depreciation for the year aggregating to Rs. 169.02 Lac has been allocated to pre-operative expenses.



Rs. in Lac (0.1 Million)

30th June, 2005

30th June, 2004

Schedule 6

INVESTMENTS (Non-trade)

	Nos.	Book Value	Nos.	Book Value
Long-term Investments (Quoted)				
(Equity Shares fully paid up)				
JK Corp Limited	1,20,000	57.29	1,20,000	57.29
JK Udaipur Udyog Ltd.	50,00,000	500.00	50,00,000	500.00
Long-term Investments (Unquoted)				
JK Drugs & Pharmaceuticals Limited				
Zero Coupon Redeemable Preference Shares	8,00,000	800.00	8,00,000	800.00
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 (Unquoted) (Units)				
SBI - Magnum Institutional Income Fund - Floating (Purchased 34,41,698 units and sold 34,22,280 units)	19,418	1.97	–	–
ABN AMRO Cash Fund - Institutional Fund (Purchased 48,32,552 units and sold 48,16,677 units)	15,875	1.64	–	–
IL & FS Liquid Institutional Plan (Purchased 4,19,308 units and sold 41,95,342 units)	–	–	37,76,034	450.00
LIC Liquid Fund (Purchased 94,99,476 units and sold 1,47,19,954 units)	–	–	52,20,478	600.41
SBI - Magnum Institutional Income Fund - Growth (Purchased 29,68,08,038 units and sold 29,56,43,379 units)	54,78,054	591.45	43,13,395	442.97
Chola Liquid Fund (Purchased 52,95,238 units and sold 95,34,269 units)	2,495	0.34	42,41,526	550.00
Total		1952.74		3400.72
Aggregate book value of quoted investments		557.29		557.29
Aggregate book value of unquoted investments		1395.45		2843.43
Aggregate market value of quoted investments		118.96		64.18

Purchased and Sold during the year

Deutsche Floating Rate Fund Regular Plan - 9,65,456 units, UTI Liquid Advantage Fund Institutional Plan - 12,58,389 units, Reliance Floating Rate Fund Growth Plan - 13,23,670 units, Birla Floating Rate Short Term Fund - 27,96,478 units, Kotak Liquid Institutional Plan - Growth - 44,66,486 units, Prudential ICICI Liquid Institutional Plan - 26,13,827 units, ING Vysya Liquid Fund Growth Fund - 28,67,931 units, RLF Treasury Plan Institutional Growth - 30,74,974 units.

Rs. in Lac (0.1 Million)

30th June, 2005

30th June, 2004

Schedule 7**INVENTORIES**

(As certified by the Management)

Raw Materials	2607.68	2001.24
Stores, Spares and Chemicals	2424.21	2394.54
Finished Goods	1520.44	1273.33
Stock-in-process	710.49	753.67
	<u>7262.82</u>	<u>6422.78</u>

Schedule 8**SUNDRY DEBTORS**(Unsecured and considered good,
net of provision)

Exceeding six months	1298.13	1435.10
Other Debts	7843.69	7623.32
	<u>9141.82</u>	<u>9058.42</u>

Schedule 9**CASH AND BANK BALANCES**

Cash on hand (includes Stamps on hand - Nil, previous year Rs. 7515)	23.10	27.01
Cheques/Drafts on hand	91.08	225.23
Balances with Scheduled Banks :		
On Current Accounts	26.74	18.34
On Unpaid Dividend Accounts	8.71	8.88
On Deposit Accounts (Lodged with Government Authorities and Others Rs. 61.82 Lac, Previous year Rs. 68.70 Lac)	306.66	295.32
On Savings Bank Accounts (Employees Security Deposit)	2.46	2.06
	<u>458.75</u>	<u>576.84</u>



Rs. in Lac (0.1 Million)

30th June, 2005 30th June, 2004

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	15346.71	15008.16
Income Tax (net)	119.44	79.72
Deposits with Government Authorities and Others	694.82	550.42
	<u>16160.97</u>	<u>15638.30</u>

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities:

Acceptances	201.25	374.60
Sundry Creditors	6238.06	4896.37
Unclaimed Dividends @	8.71	8.88
Unclaimed Matured Deposits @	57.62	33.19
Interest accrued on Unclaimed Matured Deposits @	12.37	7.90
Other Liabilities	2434.29	2300.81
Interest accrued but not due on Loans	495.32	356.07
	<u>9447.62</u>	<u>7977.82</u>

Provisions:

Provision for Retirement benefits	2085.62	1873.61
Provision for Fringe Benefit Tax	10.04	—
Proposed Dividend	1326.40	503.02
Tax on Proposed Dividend	186.03	64.45
	<u>13055.71</u>	<u>10418.90</u>

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

	2004-05	2003-04
		Rs. in Lac (0.1 Million)
Schedule 12		
OTHER INCOME		
Profit on sale of Assets (net)	—	16.17
Provisions of earlier years no longer required (net)	38.20	374.53
Profit on sale of Current Investments	57.71	523.22*
Miscellaneous Income	20.08	6.85
	115.99	920.77

* Net of dividend income of Rs. 4800.35 Lac and loss on sale of current investments of Rs. 4723.67 Lac.

Schedule 13		
INCREASE / DECREASE () IN STOCKS		
Opening Stocks :		
Stock-in-process	753.67	643.25
Finished Goods	1273.33	1340.98
	<u>2027.00</u>	<u>1984.23</u>
Closing Stocks :		
Stock-in-process	696.18	753.67
Finished Goods	1273.63	1273.33
	<u>1969.81</u>	<u>2027.00</u>
Increase / Decrease ()	(57.19)	42.77

Schedule 14		
EMPLOYEES		
Salaries, Wages, Bonus and Gratuity etc.	5764.82	5988.65
Contribution to Provident and Other Funds	430.23	414.73
Employees' Welfare and other benefits	957.45	869.33
	<u>7152.50</u>	<u>7272.71</u>



Rs. in Lac (0.1 Million)

2004-05 2003-04

Schedule 15

MATERIALS AND MANUFACTURING

Raw Materials Consumed	13201.14	11868.30
Excise Duty on variation of Stock	12.74	(13.30)
Consumption of Stores, Spares and Chemicals	11864.58	11931.70
Purchase of Finished Goods	3854.38	4001.93
Power, Fuel and Water	5372.48	4643.97*
Repairs to Buildings	234.78	227.64
Repairs to Machinery	228.68	208.93
	34768.78	32869.17

* 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. 2.08 Lac)	126.30	103.34
Rates & Taxes	190.40	147.06
Insurance	120.91	111.57
Transport, Clearing and Forwarding Charges	931.08	753.00
Discounts	6343.28	5602.70
Commission on Sales	128.55	107.77
Directors' Fee	1.48	1.65
Directors' Commission	6.00	5.00
Assets written off	8.73	0.52
Loss on Sale of Assets (net)	10.60	—
Deferred Revenue Expenditure Written off	372.27	295.75
Bad Debts	12.50	—
Bank charges, Printing & Stationery, Postage, Telephone and Other Misc. Expenses	1507.33	1438.34
	9759.43	8566.70

Rs. in Lac (0.1 Million)

2004-05

2003-04

Schedule 17

INTEREST AND LEASE RENT

Interest on :

Term Loans, Debentures and Fixed Deposits

3555.08

3328.34

Others

554.26

341.40

4109.34

3669.74

Less: Interest Income

(Include Tax deducted at Source - Rs. 54.63 Lac –
Previous year Rs. 17.39 Lac)

586.69

296.30

3522.65

3373.44

Lease-rent on Machinery

412.29

704.13

3934.94

4077.57

Schedule 18

DEPRECIATION

Depreciation on Fixed Assets

4017.58

4173.37

Less: Transferred from Revaluation Reserve

82.15

191.93

3935.43

3981.44

Schedule 19

DIVIDENDS

On Preference Shares – Interim

–

1820.74

– Proposed

225.00

282.74

On Equity Shares – Interim

–

303.27

– Proposed

1101.40

220.28

1326.40

2627.03

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 stated at exchange rate prevailing at the end of the year. Exchange difference in respect of indigenous fixed assets acquired upto 30.06.2004 and fixed assets acquired from outside India are 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. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable amount. An impairment loss is charged to the profit and loss account when an asset is identified as impaired. Reversal of impairment loss recognised in prior periods is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.
12. Gratuity & leave encashment benefits are accounted for on the basis of actuarial valuation. Other retirement benefits are accounted on accrual 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 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.

Schedule 20 (Contd.)

15. 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.
17. Provisions involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes.
18. Premium on redemption of preference share is accounted for in the year of redemption.

B. Notes on Accounts

1. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 10186.09 Lac (Previous year Rs. 2499.72 Lac).
2. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

	Rs. in lac (0.1 Million)	
	30 th June, 2005	30 th June, 2004
a) Excise duty liability in respect of matters in appeals	577.67	1036.85
b) Sales tax liability in respect of matters in appeals	674.03	501.81
c) Other Matters	881.15	903.39
d) Foreign Exchange Fluctuation Liability (Pertaining to Pre-take over period)	422.68	455.95

Above claims are likely to be decided in favour of 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 Company has only one business segment i.e. Paper and Boards and geographical reportable segment i.e. Operations within India, hence Segment Reporting as defined in Accounting Standard (AS – 17) is not given.
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. During the year, company has replaced Rs. 16302 Lac of high cost loans with lower cost loans and has paid Rs. 2066.43 Lac as one time additional interest to compensate Financial Institutions and Banks towards lower interest charged in the earlier years as per step-up interest schedule approved under the Scheme of Compromise and / or Arrangement sanctioned by the Hon'ble High Court of Orissa & Gujarat. Accordingly, the same has been charged to profit and loss account as exceptional item and equivalent amount has been transferred from General Reserve.
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.12150 Lac (Previous year Rs. 13000 Lacs), amount due from a Director and an Officer of the Company Rs. 0.53 Lac (Previous year Rs. 1.33 Lac), loan to employees of Rs.57.79 Lac (Previous year Rs. 13.33 Lac) in the ordinary course of business and as per service rules of the Company.



Schedule 20 (Contd.)

Maximum amounts outstanding from Director & Officer and from employees at any time during the year were Rs. 1.33 Lac (Previous year Rs. 2.13 Lac) and Rs.64.13 Lac (Previous year Rs. 18.00 Lac) respectively.

10. Sales include export incentives of Rs. 404.36 Lac (Previous year Rs. 277.49 Lac). The company has discontinued the practice of including inter divisional transfer of goods as independent marketable product of separate divisions for captive consumption in respective head of accounts. The change in accounting treatment has no impact on profit of the year.
11. Capital Work in progress includes machinery in stock, fee for technical assistance, building under construction, advance to suppliers, development cost of intangible asset, pro-rata cost of base-paper (process stock) netted off from respective head of accounts & other pre-operative expenses pending allocation/capitalization. Pre-operative expenses pending allocation/capitalisation are as follows:

	Rs. in Lac (0.1 Million)	
	30 th June, 2005	30 th June, 2004
Base Paper (process stock)	1308.45	–
Power and Fuel	124.94	–
Consumption of Chemicals, Stores & Spares	589.76	–
Salaries & Wages	94.11	13.45
Contribution to P F & Other Funds	7.38	2.19
Employee Welfare & Other benefits	18.35	4.83
Fees for Technical Assistance	382.70	–
Insurance	3.82	15.87
Foreign Exchange Fluctuation	26.61	39.62
Travelling expenses	68.36	47.94
Excise Duty	249.32	–
Miscellaneous & Other Expenses	130.45	69.15
Interest	537.36	109.00
Less: Net Sales (inclusive of excise duty Rs.210.72 Lac)*	1465.10	–
Finished Stock	246.81	–
Stock-in-process	14.31	–
Add: Expenditure upto previous year	302.05	–
Total	2117.44	302.05
Less: Allocated to the Fixed Assets	86.64	–
	2030.80	302.05

* Net of discounts – Rs. 228.52 Lac.

12. Stocks of Stores and Spares include in-transit Rs. 2.89 Lac (Previous year Rs. 8.67 Lac).
13. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs. 58.79 Lac (Previous year Rs. 58.79 Lac).
14. In accordance with AS – 28 on “Impairment of Assets”, which became mandatory for the company w.e.f. 01.07.2004, the company has carried the impairment test on that date. Considering the market conditions & future plans of the company, certain plant & machinery and building on the basis of cash generating units have been identified for impairment, as value in use (discount rate 7%)/net selling price is lower than its carrying value. The impairment loss aggregating to the Rs. 648.69 Lac (net of deferred taxes of Rs. 362.91 lac) has been provided & adjusted against the opening balance in the General Reserve account as per the transitional provision.
15. 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.

Schedule 20 (Contd.)

16. Fixed Assets taken on lease amount to Rs.1871.99 Lac (Previous year Rs. 1871.99 Lac). Future obligations towards lease-rentals under the lease agreements as on 30th June 2005 are Rs. 0.05 Lac (Previous year Rs. 403.46 Lac).
17. Sundry Creditors include Rs. 75.74 Lac (Previous year Rs. 58.18 Lac) due to small scale industrial undertakings to the extent such parties have been identified from available information and Rs.6162.32 Lac (Previous year Rs. 4838.19 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.
18. Consumption of Stores, Spares and Chemicals is net of scrap sale of Rs.304.93 Lac (Previous year Rs.176.60 Lac).
19. (a) Exchange difference (net debit) amounting to Rs.14.87 Lac (Previous year net credit Rs. 9.84 Lac) has been included in respective heads of account in Profit and Loss Account.
- (b) Sale / Adjustment to fixed asset include Rs. 323.22 Lac (Previous year Rs. 71.27 Lac) on account of foreign exchange rate fluctuations.
20. Research and Development expenditure amounting to Rs.90.88 Lac (Previous year Rs.84.07 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)	
	30 th June, 2005	30 th June, 2004
a) 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.	311.07	516.20
ii) Compensation paid to employees under VRS	181.61	133.43
b) Syndication Fee, Upfront Fee etc. amortised over tenure of loans	228.39	—
Consequent to treatment of (b) above as deferred revenue expenditure the impact on profit for the year is Rs. 228.39 lac.		

22. Amount Paid to Auditors (including service tax):

	2004-05	2003-04
(i) Statutory Auditors :		
Audit Fee	4.96	4.86
Tax Audit Fee	1.10	1.08
Other Services	2.08	3.24
Reimbursement of expenses	0.54	1.19
	<u>8.68</u>	<u>10.37</u>
(ii) Cost Auditors :		
Cost Audit Fee	0.36	0.35
Reimbursement of expenses	—	0.03
	<u>0.36</u>	<u>0.38</u>



Schedule 20 (Contd.)

Rs in Lac (0.1 Million)

23. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956 :		2004-05
Profit before tax as per Profit & Loss Account		3859.36
Add : Managerial Remuneration	406.49	
Directors' Fee	1.48	
Commission to Non Executive Directors	6.00	
Wealth Tax	4.89	
Loss on sale of assets (net)	10.60	
Assets Written off	8.73	
		438.19
		4297.55
Less : Profit on sale of Current Investments		57.71
Net profit as per section 198 of the Companies Act, 1956		4239.84
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		184.71
b) Non Executive Directors, as approved by the Board of Directors		6.00
Based on the legal opinion, the charge referred in note no. B.7 of schedule 20 has been covered under Section 349(5)(c) of the Companies Act, 1956 and managerial remuneration has been computed accordingly.		
Managerial Remuneration #:	2004-05	2003-04
i) Salaries	135.16	122.12
ii) Commission	184.71	300.41
iii) Contribution to Provident and Other Funds	36.49	32.97
iv) Value of Perquisites(as per Income-Tax rules)	50.13	50.36
	406.49	505.86*
# Excludes actuarial provision of gratuity & leave encashment.		
* Includes arrear of Rs. 4.21 Lac (within the limit prescribed under Section 198 and 309 of the Companies Act, 1956).		
24. Expenses included under other heads of account:		
Salaries, Wages, Bonus and Gratuity etc.	417.33	350.71
Contribution to Provident and Other Funds	23.01	23.70
Employees' Welfare and Other benefits	49.72	43.69
Consumption of Stores and Spares	39.39	29.61
Power, Fuel and Water	0.35	0.45
Repairs to Buildings	0.04	0.15
Repairs to Machinery	-	0.71
Rent	6.04	15.79
Insurance	6.32	3.06
Freight and Transport Charges	335.85	286.11
Rates and Taxes	16.82	9.36
Royalty for Bamboo	268.34	199.20
Miscellaneous Expenses	44.65	31.68
Deferred Revenue Expenditure Written off	10.97	10.97
	1218.83	1005.19

Schedule 20 (Contd.)

Rs in Lac (0.1 Million)

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

	30 th June 2005	30 th June 2004
i) Difference between book value of depreciable assets as per books of account and written down value as per Income Tax.	(8659.45)	(8548.48)
ii) Carried forward unabsorbed depreciation	3316.28	2836.98
iii) Others	301.93	152.86
	<u>(5041.24)</u>	<u>(5558.64)</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. 258.06 Lac (Previous year Rs. 275.04 Lac) for the transitional period up to 30.06.2001.		
c) Based on the past performance and current plans, the Company expects to continue to generate taxable income which will enable it to utilise the carried forward unabsorbed depreciation.		

26. 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
- 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:

	Nature of Transactions	Associates		Key Management Personnel	
		2004-05	2003-04	2004-05	2003-04
(i)	Purchase of Fixed Assets	–	0.67	–	–
(ii)	Sale of Fixed Assets	0.26	0.25	–	–
(iii)	Sharing of Expenses - received	155.07	122.64	–	–
(iv)	Sharing of Expenses - paid	102.47	156.31	–	–
(v)	Purchase of Goods	22.23	102.65	–	–
(vi)	Sale of Goods	2.34	79.54	–	–
(vii)	Interest received	–	–	0.06	0.11

JK Agrigenetics Limited (Associate upto 27.04.2004)

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



Schedule 20 (Contd.)

c. Details of outstanding

Rs. in Lac (0.1 Million)

Nature of Outstanding	Associates		Key Management Personnel	
	30 th June 2005	30 th June 2004	30 th June 2005	30 th June 2004
Receivable	4.86	189.98	0.53	1.33

30th June 2005 30th June 2004

27. Earnings per Share:

a) Profit after tax	3853.15	4121.96
Less : Preference Dividend (including tax on Dividend)	256.56	2372.98
Profit attributable to Ordinary Shareholders	3596.59	1748.98
b) Weighted average no. of Ordinary Share (Nos.)	5,50,69,939	3,23,78,682
c) No. of Share outstanding at year end	5,50,69,939	5,50,69,939
c) Nominal Value of Ordinary Share (Rs.)	10.00	10.00
d) Basic and Diluted Earnings per Ordinary Share considering (b)	6.53	5.40
e) Earning per Ordinary Share considering (c) - Fully Diluted	6.53	3.18

28. Particulars of Capacity (as certified by the Management), Production, Sales and Stocks:

Description	Unit	Installed Capacity Quantity Per Annum	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	1,80,089	1,82,818	72923.70	4531	1273.33	4303	1273.63
Previous Year	Tonnes	1,50,000	1,72,461	1,82,584	72363.20	4453	1340.98	4531	1273.33

Notes:

- Production includes 6523 MT used as the internal transfer in Coated Paper Plant.
- Production, Sales & Closing stock excludes 3722 MT, 3198 MT (value Rs. 1465.10 Lac) and 524 MT (value Rs. 246.81 Lac) respectively on account of trial run of Coated Paper in current year.
- Coated Paper Capacity of 46000 TPA is under installation.

29. Purchase of finished goods (Paper and Board) during the year – 9024 tonnes (Previous year – 10201 tonnes).

30. Particulars of Raw Materials consumed:

	2004-05		2003-04	
	Quantity (Tonnes)	Amount Rs. in Lac (0.1 Million)	Quantity (Tonnes)	Amount Rs. in Lac (0.1 Million)
(i) Bamboo	1,70,965	3429.05	2,02,984	3745.08
(ii) Hardwood	4,13,680	9976.44	3,59,809	8064.72
(iii) Pulp & Others	203	56.25	350	58.50
		13461.74*		11868.30

* Including Rs. 260.60 Lac in base paper (process stock) cost transferred to Coated Paper

Schedule 20 (Contd.)

	2004-05	Rs. in Lac (0.1 Million) 2003-04
31. Other Particulars:		
(a) Earnings in Foreign Exchange on account of export of goods at FOB Value	5028.46	4768.84
(b) CIF Value of Imports :		
i) Raw Materials	301.71	0.98
ii) Stores, Spares and Chemicals	178.59	312.91
iii) Capital Goods	953.28	1207.17
iv) Others	439.83	579.43
	<u>1873.41</u>	<u>2100.49</u>
(c) Expenditure in Foreign Currency (as remitted) on account of:		
i) Interest payment in Rupee to Financial Institutions/ Banks on foreign currency loans	186.20	173.30
ii) Consultancy	276.42	8.45
iii) Others	78.76	86.97
	<u>541.38</u>	<u>268.72</u>
(d) Remittance in foreign currency on account of Dividend for the year – 2003-04		
Number of Non-resident Shareholders (No.)	1	–
Number of Equity Shares held by them (No.)	25,00,000	–
Amount of Dividend remitted	10.00	–

	2004-05		2003-04	
	Rs. in Lac (0.1 Million)	% of Total	Rs. in Lac (0.1 Million)	% of Total
(e) Raw Materials, Stores, Spares and Chemicals consumed:				
i) Raw Materials				
Imported	50.96	0.38	49.01	0.41
Indigenous	13410.78	99.62	11819.29	99.59
	<u>13461.74*</u>	<u>100.00</u>	<u>11868.30</u>	<u>100.00</u>
* Including Rs.260.60 Lac in base paper (process stock) cost transferred to Coated Paper				
ii) Stores, Spares and Chemicals:				
Imported	426.52	3.21	573.05	4.72
Indigenous	12866.90	96.79	11564.86	95.28
	<u>13293.42*</u>	<u>100.00</u>	<u>12137.91</u>	<u>100.00</u>

Includes Rs. 494.76 Lac base paper (process stock) cost transferred to Coated Paper, consumption, Rs. 304.93 Lac scrap sale & Rs. 39.39 Lac grouped in other head of account.

32. 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

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

New Delhi, the 22nd August, 2005



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	30.06.2005

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	9,250,324
Total Assets	9,250,324

SOURCES OF FUNDS

Paid-up Capital	1,100,699
Reserves & Surplus	1,443,102
Deferred Tax Liability	504,124
Secured Loan	5,709,316
Unsecured Loan	493,083

APPLICATION OF FUNDS

Net Fixed Assets	6,986,078
Investments	195,274
Net Current Assets	1,996,865
Miscellaneous Expenditure	72,107

IV. PERFORMANCE OF THE COMPANY

(Amount in Rs/Thousands)

Turnover including Other Income	6,346,763
Total Expenditure	5,960,827
Profit before Tax	385,936
Profit after Tax	385,315
Earnings Per Share (Rs.)	6.53
Dividend Rate (%)	20

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

S.C. GUPTA
Company Secretary

New Delhi, the 22nd August, 2005

CASH FLOW STATEMENT

For the year ended 30th June 2005

Rs. in Lac (0.1Million)

	2004-05	2003-04
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Taxes	3,859.36	6,657.13
Adjustments for :		
Depreciation	3,935.43	3,981.44
Loss/(Income) from Investment	(57.71)	4,277.13
Dividend Earned	—	(4,800.35)
Loss/(Profit) on sale of Assets (net)	10.60	(16.17)
Interest and Lease Rent (net)	3,934.94	4,077.57
Assets Written off	8.73	0.52
Bad Debts	12.50	—
Miscellaneous Expenditure Written off	372.27	306.72
Provision for earlier years no longer required (net)	(38.20)	(768.14)
Operating Profit before Working Capital Changes	12,037.92	13,715.85
Adjustments for :		
Trade and Other Receivables	(257.58)	(13,136.35)
Inventories	(840.04)	551.23
Trade and Other Payables	1,641.51	388.76
Cash generated from Operations	12,581.81	1,519.49
Taxes paid	(190.36)	(308.46)
Miscellaneous Expenditure	(134.63)	—
Net Cash from Operating Activities	12,256.82	1,211.03
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(8,327.66)	(6,992.86)
Sale of Fixed Assets	47.48	64.68
Sale/(Purchase) of Investments (net)	1,505.69	(3,769.79)
Interest Received	265.42	246.58
Dividend Received	—	4,800.35
Net Cash from Investing Activities	(6,509.07)	(5,651.04)



CASH FLOW STATEMENT (Contd.)

For the year ended 30th June 2005

Rs. in Lac (0.1 Million)

	2004-05	2003-04
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Share Issue Expenses	(123.69)	(41.39)
Proceeds of Long-term Borrowings	26,394.25	3,086.92
Repayment of Long-term Borrowings	(22,589.41)	(3,820.53)
Proceeds/(Repayment) from Short-term Borrowings (net)	(2,224.63)	7,952.58
Interest and Lease Rent	(4,377.92)	(4,145.73)
One Time Additional Interest (exceptional)	(2,066.43)	—
Syndication Fee etc. Paid	(309.09)	—
Dividend (including Dividend Tax)	(568.92)	(3,226.94)
Net cash from Financing Activities	(5,865.84)	(195.09)
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	(118.09)	(4,635.10)
E. Cash and Cash Equivalents as at the beginning of the year - Cash & Bank Balances (Schedule No. 9)	576.84	5,211.94
F. Cash and Cash Equivalents as at the close of the year - Cash & Bank Balances (Schedule No. 9)	458.75	576.84

Notes :

1. Previous year's figures have been re-grouped / re-arranged wherever necessary.
2. Conversion of Cumulative Redeemable Preference Share into Loans / Non-convertible Debenture is cash neutral (Note no. b of Schedule 1).

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

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O.P. GOYAL
P.K. KAUL

Chairman

Managing Director

Directors

New Delhi, the 22nd August, 2005

Industry Recognition



Paper Mill of the Year, awarded to CPM Unit, Gujarat, by Indian Paper Manufacturers Association



Three Leaves Award for leadership in environment friendly practices, awarded to JKPM Unit, Orissa, by Centre for Science & Environment



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