

# ANNUAL REPORT 2006 - 2007

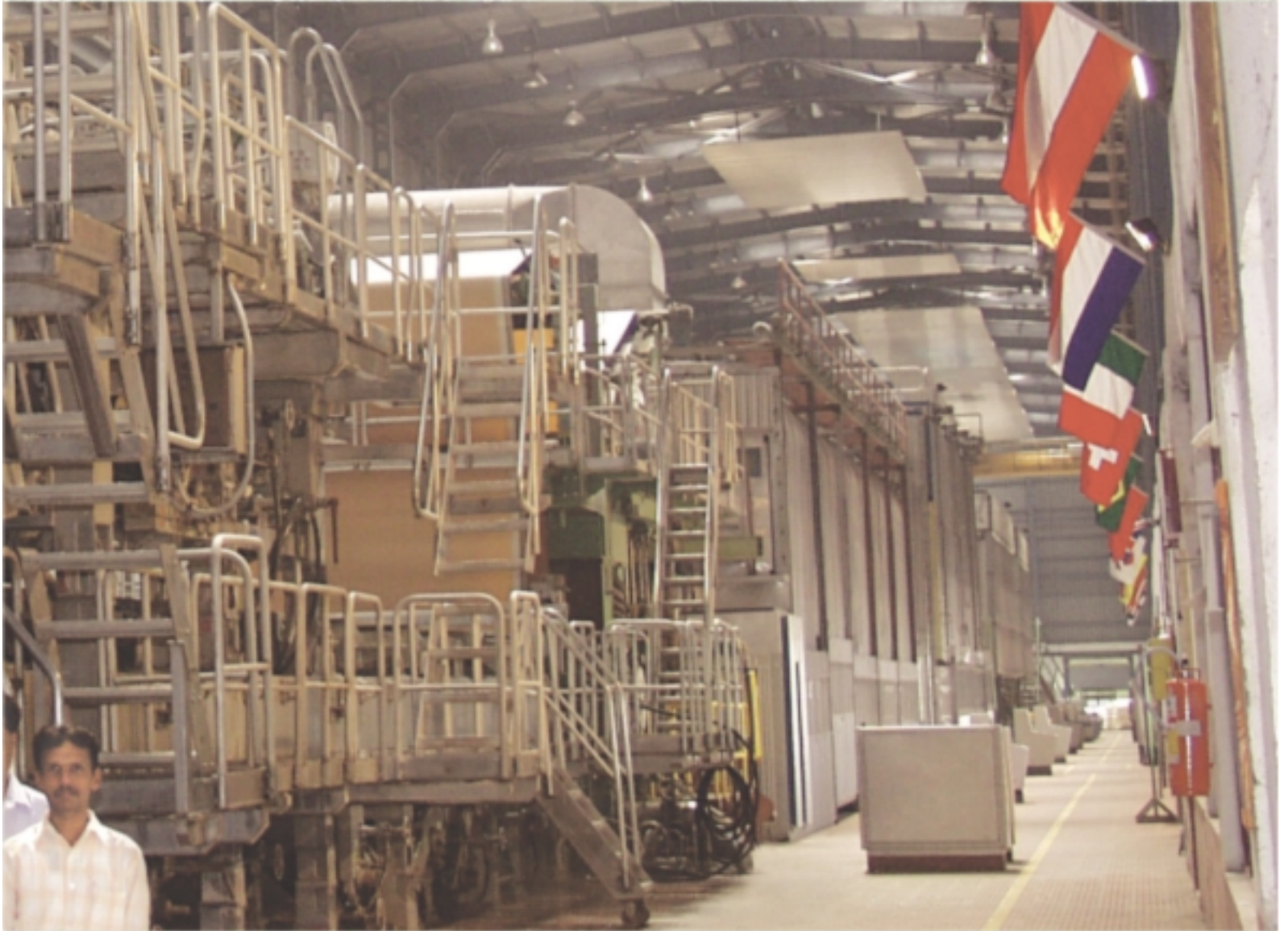
working with customers



**JK PAPER LTD.**

*Yes, we make paper. But what we really deliver, is better business and profitability for our customers.  
Much more than paper makers, we believe we are solution providers.*





*To us, the customer is not at the end of the value chain.  
The customer is the origin of all that we are.*

# CONTENTS

Board of Directors .....	01
Working with Customers .....	02
Chairman's Statement .....	14
Managing Director's Message .....	15
Directors' Report .....	16
Management Discussion and Analysis .....	23
Corporate Governance Report .....	30
Auditors' Report .....	37
Balance Sheet .....	40
Profit and Loss Account .....	41
Schedules to the Accounts .....	42
Cash Flow Statement .....	59



# Board of Directors

**HARI SHANKAR SINGHANIA**

*Chairman*

**HARSH PATI SINGHANIA**

*Managing Director*

**OM PRAKASH GOYAL**

*Whole-time Director*

**ARUN BHARAT RAM**

**DHIRENDRA KUMAR**

**GAJANAN KHAITAN**

**R. V. KANORIA**

**S. K. PATHAK**

**SHAILENDRA SWARUP**

**UDAYAN BOSE**

## *Offices*

### **Registered Office**

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

### **Administrative Office**

Nehru House,

4, Bahadur Shah Zafar Marg

New Delhi - 110 002

## *Bankers*

State Bank of India

Bank of Maharashtra

Canara Bank

Axis Bank

## *Company Website*

[www.jkpaper.com](http://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. Tapi (Gujarat)

## *Auditors*

Lodha & Co.

Chartered Accountants

New Delhi

S. S. Kothari Mehta & Co.

Chartered Accountants

New Delhi

## *Company Secretary*

S. C. Gupta



*"We take immense pride in our four decade association with JK Paper. Their willingness to understand our business needs coupled with innovative solutions are some of the key things that have helped this relationship grow stronger."*

*Mr. Navin Shah and Mr. Raju Gala, Navneet Publications (India) Limited, Mumbai*

IN





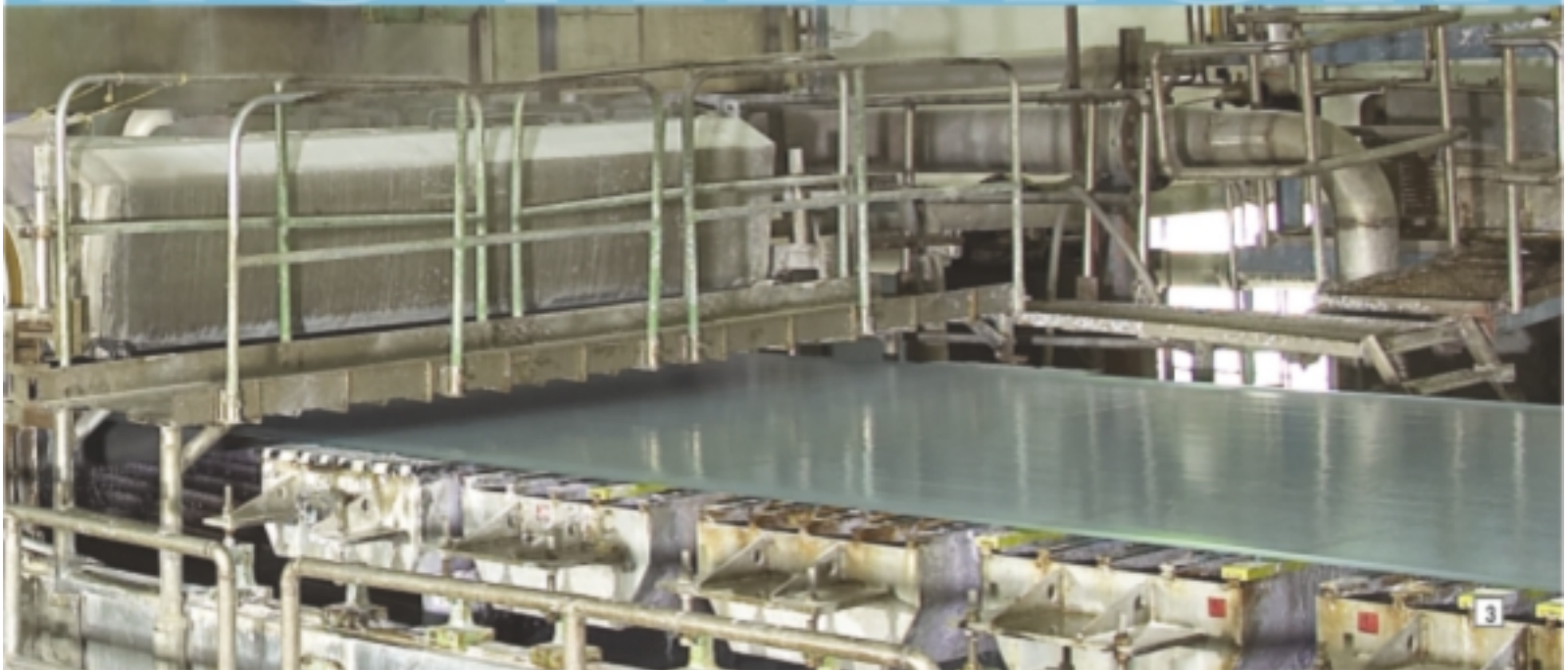
Since inception in 1962, JK Paper has continually worked on innovating solutions for its customers. In the past, we have done this through our pioneering products like Surface Sized Maplitho, and Branded Cut-Size papers. Our understanding of the technological advances in photocopying and desktop printing has reinforced JK Copier's status as India's largest selling multifunctional office paper. To cater to the needs of our customers for high quality graphic paper, we launched JK Cote, a premium range of coated papers.

We have always aimed to move beyond production and profitability, driven by a single growth engine - customers. A cross section of our personnel from both our manufacturing units visit our customers on a regular basis to understand what improvement measures can be implemented in order to respond to the changing demands of the marketplace.

We believe that we are ready for the future, with a foundation built on customer obsession which remains at the core of our vision.

## Leadership through Products and Processes

# NOVATION





*"I really value my association with JK Paper... I think we have a strong mutual respect for each other. The personal touch in their service and their willingness to lend a patient ear to our suggestions is what distinguishes JK Paper from other paper companies."*

*Mr. Arune Goenka, Box Printers, Bhopal*





We believe in making a difference through the quality of our Services.

A massive distribution network comprising more than 3100 wholesalers and dealers, helps us serve customers throughout the country, including in the rapidly growing upcountry markets.

Our technical service team works closely with end users like printers and advises them on best practices on paper usage.

We conduct customer contact programs to understand their needs better. This helps us improve ourselves continuously.

We have adopted an ERP system for optimising our customer serviceability, enabling seamless flow of information resulting in enhanced management efficiency. The retail van operations where customers are served right at their doorsteps is testimony of our efforts to reach out.

## Delivering Value at Customers' Doorsteps

# SERVICE





*"Ours is a relatively new association with JK Paper. We really like their hands-on approach, and unrelenting allegiance to customers. We earnestly hope to work together to reach new levels of customer satisfaction."*

*Mr. Rajiv Chaudhury, Himalaya Paper Company, Kolkata*





Being an industry leader involves taking on many commitments. Like that of continuously delivering better value to our customers at all times. Or, our resolve to make TPM a way of life, which has resulted in JK Paper being the first integrated paper manufacturing company in India to achieve the First category JIPM award for TPM excellence.

Our commitment towards the new Packaging Boards business started well before the start up of production. We commenced market seeding, customer contact programs and product development efforts well in advance, enabling us to exceed our customers' expectations on quality and performance.

## Striving for Excellence

# COMMITMENT





*"Their quality is matchless and today it is among the leading paper brands in the country. The paper scores on being dust free, reliable, its durability in printing and minimal jamming."*

*Mr. Suresh Kumar, Hewlett Packard, Bangalore*





Customers today expect, and rightfully so, no less than the best. That is what drives us continuously to raise the bar. The views of our Chairman emanate from his vision, "Excellence comes not from mere words or procedures. It comes from an urge to strive and deliver the best every time. A mindset that says, 'When it is good enough, improve it!'"

This has led us to improve the quality of several of our products which are already market leaders, e.g., the quality of an established product like JK Bond was further enhanced and improvements were made in the premium JK Excel Bond. In the economy Copier segment, JK Easy Copier and Sparkle underwent a significant upgradation with the commencement of Chlorine Dioxide bleaching and an automatic packaging line at Unit CPM.

## Raising the Bar

# QUALITY





*"I think their people make all the difference..."*

*It was very pleasant and rewarding to meet JK's manufacturing people from their Rayagada factory."*

*Mr. Rishidev Choudhary, S.D. Choudhary & Sons*





Clearly, the fervour of our people has fuelled the success of this enterprise. It is visible everywhere within the organisation, from the group of youngsters that take their oath as they begin their day... to the finance and manufacturing teams as they engage with their marketing counterparts in finding solutions to take the company's performance to higher levels.

At JK Paper, a customer centric attitude is deeply ingrained in employees across all levels. Our people are sensitized through a culture of constant questioning of our understanding of customers' needs and our commitment to satisfy them.

What comes naturally to each member of JK Paper is a seamless and transparent teamwork. Sustained HR initiatives like competency development, people development, cross functional job rotations etc., clearly help us gear up for the challenges of tomorrow.

## Passion and Teamwork

# PEOPLE





EN



They say, as you sow, so shall you reap.

At JK Paper, we have always believed in an enterprise that benefits humanity at large. The past year saw us add 5800 hectares to our plantation activities, while distribution of clonal plants registered an increase of 80%.

Our initiatives for greening 'wastelands' are boosted through various activities like 'Vanmahotsava', farmer meets, exhibitions, media campaigns, NGO interactions, and even involvement of our school children.

Much emphasis is given on demonstration plantations of various agro-forestry models with inter-cropping of medicinal and aromatic plants, as well as cultivation of agricultural crops through treated effluent.

In a unique development, we signed an Emission Reduction Purchase Agreement (ERPA) with the Bio Carbon Fund of the World Bank, for sale of emission reductions under a Clean Development Mechanism (CDM) project involving development of plantations. This will provide additional income to the farmers participating in this project, in the shape of Carbon Credits revenue; besides reducing harmful green house gases and global warming.

In our contribution to our environment, we bring better values to life.

## Bringing Better Values to Life

# VIROONMENT



# Chairman's Statement

Dear Shareholder,

The world continues to witness India's rapid transformation and emergence as a potential economic power house. The enormous demographic advantage together with a rich and diverse industrial base is expected to sustain the high economic growth achieved in the last 4 years. Once the existing infrastructural bottlenecks are removed, I believe that we will have a solid foundation for still higher growth rates in the future years.

Clearly, the remarkable growth story of India has triggered fundamental changes in demand growth for paper. This is reflected in the increasing preference for better quality and high-end papers, which is growing at 10 to 15% per annum compared to the overall paper demand growth of around 8%. Growing purchasing power, rapid industrialization and increasing emphasis on literacy is expected to further accelerate growth for paper and paperboards in India. The strong revenue growth of JK Paper of over 14% last year, backed by nearly 30% increase in net profits reinforces my confidence that the Company is moving on the right path.

In response to a rapidly maturing domestic market, paper producers can only stay ahead through continuous product innovation, quality upgradation and a long-term commitment to customers by offering best value for their money. This is where, I feel that JK Paper has strong assets in its Technology, Manufacturing capabilities, and its pool of talented and experienced professionals. We will continue to invest in all of

these as we grow our business.

I am delighted to share with you, your company's success in executing the new state-of-the-art Board project which has gone into commercial production in October this year.

The expansion project is JK's first foray into high end packaging boards, a segment that holds much promise. With this, JK Paper's capacity stands enhanced to 240,000 TPA, making it the only domestic paper company participating in all the major value added and fast growing product segments-High Bright Maplitho, Cut-Size Papers, Coated Papers and high end Packaging Boards. These indeed also constitute our future growth areas.

Having said this, I believe that it is not just enough to offer high quality Products, but indeed, the quality of Services will be the key differentiator. Equally, the

quality of relationships with Customers should be such as to inspire confidence in them to regard JK as a reliable and long-term partner. Indeed, JK Paper remains committed at all times to treating its customer's business as its own, and in this manner, build up vibrant and enduring relationships.

The future of JK paper lies in the hands of all its stakeholders; be they our Customers, Vendors, Financial Institutions, People and finally you, our esteemed Shareholders.

As this relationship grows, I am confident that the Company will scale greater heights in the years to come.



With Best Wishes,

A handwritten signature in dark ink, appearing to read 'H. Singhania'.

HARI SHANKAR SINGHANIA

# Managing Director's Message

Dear Shareholder,

With the high growth of the Indian economy, prospects for the nation's Pulp and Paper Industry are good. The increased focus on education has resulted in significant progress of the Government schemes like "Sarva Shiksha Abhiyan" and the "National Literacy Mission". I believe that we can visualize India achieving near-complete functional literacy within the next 10-12 years.

India's Printing & Publishing Industry has also taken rapid strides in recent years, and is emerging as an international centre for publishing & printing activities. Overall industrial growth and growing consumerism have led to strong demand for high quality packaging.

All the above factors will drive up the per capita consumption and thus the demand for paper and boards. However, reducing import tariffs coupled with the appreciating rupee are expected to challenge the domestic industry. Increase in raw material cost and constraints on its availability make these challenges even more formidable.

JK Paper had a satisfactory financial year with highest ever Revenues, Profit Before Interest, Depreciation and Taxes (PBDIT) and Profit After Tax (PAT) for the year ended 30th June 2007. Production rose to a new high of 195,932 Tons along with sales volumes of 211,565 Tons. Capacity utilization was 108.9%. This growth was led by an increase in volumes of branded copier by 27% against a market growth of 15% per annum, resulting in increased market share. In the company's other high end coated paper segment, sales volumes jumped by 58% with a consequent 5 percentage points increase in market share. As a result of all of this and various other cost containment measures, the company registered 16.9% growth in operating profits.

JK Paper continues to strive for excellence in all areas of operations. The successful execution of the new Board Project is the outcome of the Company's excellent Planning and Project Management capabilities. The customers' response to the quality of the packaging boards produced right from the start-up phase has been a source of great encouragement to

the Company. Having successfully established the quality parameters in a remarkably short span of time, JK Paper stands committed to providing customers internationally competitive products in the high end packaging segment as well.

Customers continue to be at the core of JK Paper's success. Creating products and Brands to satisfy the needs of diverse

customers has been central to the strategy of the company. Exceeding customers' expectations is the constant endeavor of our people. All this has been possible through the deep-rooted customer centric approach among employees at all levels. The company continues to set new benchmarks through the quality of its products, service orientation of its people and their unrelenting commitment to customers.

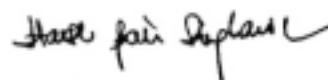
I am happy to state that JK Paper has become the first integrated Paper manufacturing company in India and amongst very few in the world to have attained the First Category Award

for TPM excellence from JIPM, Japan.

In another significant development, the company has tied up with the World Bank and an NGO for making Carbon Credits available to small farmers for their tree plantation. This will enable farmers, who are otherwise not able to access this market to get benefit of carbon trading. This is the first such project in India and will ensure better supplies of wood to the company.

I believe, JK Paper is poised well for the future. The team within is fully charged up, the vision is clear, and its execution is in place. This, for all stakeholders, should mean a brighter tomorrow.

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 30<sup>th</sup> June, 2007.

### FINANCIAL RESULTS

	Rs in Crore (10 million)	
	2006-07	2005-06
Gross Sales	<b>932.55</b>	844.62
Profit before Interest, Lease Rent and Depreciation	<b>157.88</b>	135.00
Interest & Lease Rent	<b>35.72</b>	33.80
Profit before Depreciation	<b>122.16</b>	101.20
Profit before Tax	<b>71.69</b>	54.33
Profit after Tax	<b>45.91</b>	35.52
Debenture Redemption Reserve Written back	<b>Nil</b>	4.85
Surplus brought forward	<b>54.74</b>	35.85
Total amount available for appropriation	<b>100.65</b>	76.22

### APPROPRIATIONS

Debenture Redemption Reserve	<b>0.35</b>	0.35
Capital Redemption Reserve	<b>0.76</b>	1.43
General Reserve	<b>5.00</b>	3.00
Dividend:		
- On Preference Shares (incl. Tax on Dividend)	<b>0.18</b>	2.56
- On Equity Shares @ 22.5% (incl. Tax on Dividend)	<b>20.58</b>	14.14
Surplus carried to Balance Sheet	<b>73.78</b>	54.74
TOTAL	<b>100.65</b>	76.22

## DIVIDENDS

During the year, the Company declared and paid an interim dividend on Preference Shares at the specified rates amounting to Rs. 0.09 crore.

Your Directors are pleased to recommend a final dividend of Rs. 0.09 crore at specified rates on Preference Shares and 22.5% on the Equity Capital, amounting to Rs. 20.58 crore for the year ended 30<sup>th</sup> June, 2007.

The total outgo, on account of dividend, for the year ended 30<sup>th</sup> June, 2007 would be Rs. 20.76 crore.

### PERFORMANCE REVIEW

During the year under review, the company recorded its highest ever Gross Sales, PBIDT, PBT and PAT. Gross Sales and Other Income increased by 10.4% to Rs. 932.55 crore and Operating Profit (PBIDT) went up to Rs 157.88 crore. Profit Before Tax (PBT) increased by 32% to Rs.71.69 crore. After provision for tax, Profit After Tax was Rs. 45.91 crore.

The Company produced 1,95,932 tons (previous year 1,84,982 tons) of Paper and Market Pulp, recording capacity utilization of over 108.9%. This was possible without any major investments and due to continuing operational improvements at both the Units. The company achieved record Sales of 2,11,565 tons (previous year 1,97,313 tons), reflecting strong market demand for all its products.

Overall Demand for paper exhibited a healthy growth at around 8% in 2006-07, in keeping with the country's growth rate. However, in the segments in which your company participates, i.e. value added cut-size Papers and Coated varieties, demand registered double digit growth rates. The market outlook for 2007-08 continues to exhibit buoyant demand growth, thanks to the continued strong performance of the Indian economy, increasing consumer demand, growth of organized retail and thrust on education both at the individual level and at Government level.

Your company consolidated its market position in its mainstay branded cut size paper, with volume growth of 27% during the year against a market growth of around 15%. The company's new high end Coated Paper in 2005 marketed under the brand name "JK Cote", has in a short span of 2 years managed to carve out a decent

market share. Volumes grew 58% during the year with capacity utilization of the coating plant operations reaching 100% by the end of the year. This performance was backed by improved price realisations and cost reduction – thus strengthening the overall profitability of Coating operations. Demand for Company's other value added products like JK Excel Bond and MICR Cheque Papers etc. also continued to be strong.

Despite reduced import duties and declining exports due to an appreciating rupee the domestic paper market continued to be buoyant. The company cut back its exports to meet the rising domestic demand. While there was an increase in overall price realization during the year in the domestic market on the back of strong demand trends, the Industry continued to witness a strong cost push, which more or less offset the impact of improving realizations, leaving margins practically unchanged. Prices of raw materials (wood and bamboo) continued to rise steeply. In order to minimize the impact, the company pursued measures to reduce cost and improve efficiency through programmes like TPM and Operational Excellence.

Availability of Raw material at affordable cost is a key success factor for the industry and continues to be a matter of concern for the industry players. In order to address this issue, JK Paper carries out extensive plantation activities in the nearby districts / States to educate the farmers on scientific methods of cultivation besides supplying quality saplings and clones. The company also offers buy back arrangements to the farmers. During the year in a unique development, the company has tied up with the World Bank and an NGO for making available the benefits of carbon trading to small farmers. Under the arrangements the company will supply know how and saplings and facilitate the farmers getting carbon credit which may benefit the farmers by getting better realization for their produce. During the year the company covered 5820 hectares of land through its farm forestry programmes to reach a cumulative 59,000 hectares. This is in addition to the bamboo the Company procures through working of leased forest areas in the States of Orissa and Gujarat.

Clearly, the Company continues to meet the various business challenges on the strength of its Brands, Manufacturing capabilities and quality of its Human Capital.

## **CAPITAL EXPENDITURE**

In order to maintain its leadership in the branded cut-size copier paper, the company installed a state of the art A-4 cutting line at its unit JKPM to further augment supplies of Copier paper which has seen significant growth as mentioned earlier. In addition, the Company commissioned its Chlorine Dioxide Plant (CLO<sub>2</sub>) at Unit CPM, which has further enhanced the product quality, besides improving environment friendliness.

The company's state of the art Multi Layer Packaging Board plant at its CPM unit commenced trial production in the 4th quarter of 2006-07. The customer response to the product quality achieved during trials has been extremely encouraging. Commercial production has commenced on 21<sup>st</sup> October, 2007. The market for high end boards is growing at a rapid pace of around 15% per annum which is expected to sustain at this rate thanks to the retail boom visible in all parts of India. The company hopes to capitalize on this surge in demand which will get a further boost with augmented availability of such high quality boards. To fully meet the energy requirements of the Board Plant, the Company is augmenting its power generation capacity by installing a 12 MW Turbine, which will commence production during the year 2007-08.

## **REDUCTION OF CAPITAL**

Pursuant to the Resolution at the Extra-Ordinary General Meeting on 17.3.2007, the Company had applied to the Hon'ble High Court of Gujarat for confirming the reduction of 3.75% Preference Share Capital amounting to Rs. 5200 lacs into unsecured loan of equivalent amount w.e.f. 1.7.2006. The Court has since approved the Scheme and the necessary formalities have been completed. The effect of the same has been considered in the audited accounts for the year ended 30.6.2007

## **CUSTOMER SATISFACTION AND QUALITY**

JK Paper has had a constant quest for enhancing its quality of products and customer service. During the year, Unit JKPM adopted Alkaline Sizing System (ASA Sizing) in all its machines manufacturing Copier brands and high end printing & writing paper like SS Maplitho (SHB) and JK Copier, resulting in enhanced whiteness and brightness. This has been a big step forward in upgrading the quality of our branded products to

international levels and thus provide competitive quality vis-à-vis imports

The Company has also improved the packaging quality of its Copier brands and Coated Papers which has enhanced customer satisfaction. In order to get a better appreciation of customer needs, Company has a system of periodic market visits by its Executives and Workmen, which further enhances customer's confidence in the Company's commitment to provide better products and services.

The company was conferred TPM Excellence Award First Category by the Japan Institute of Plant Maintenance (JIPM), the first integrated Paper mill in India to be so accredited and only the 3rd Paper mill in Asia. Company had implemented several Kaizens for the elimination of defects, which contributed towards improvement of product quality and loss reduction besides boosting operating efficiencies. In order to achieve further improvement in performance, the Company, is going ahead for TPM-Special Category award through process innovation in the entire business operation.

The company has ISO 9001 : 2000 QMS certificates from Det Norske Veritas (DNV).

## **HEALTH, SAFETY, ENVIRONMENT AND SOCIAL CAUSES**

JK Paper takes pride in providing a healthy and safe operating environment for its employees. Constant effort is made to conserve natural resources. During the year the Company was able to further reduce its energy and water consumption per unit. The Company deploys eco-friendly technology to provide a safe and clean environment in its neighbourhood. Both CPM and JKPM units are ISO 14001 certified. The company is in the process of installing Lime Kilns at both the Units to substantially reduce the disposal of lime sludge in the neighbourhood.

Company has received OHSAS 18001 certification from Det Norske Veritas (DNV).

The Company continued its efforts to increase literacy levels in and around its factory areas and its Social and Farm Forestry programme has provided improved livelihood opportunities to thousands of farmers.

As a part of Social Care Activity, the company organised more than 20 free camps for health checkup and treatment in nearby villages for treatment of Heart

Ailments, Dental, Anti-AIDS, Anti-Malaria, Eye Care & ENT Care. During one of the MEGA Eye Camp about 1500 patients were screened and 238 Cataract surgeries performed. The Company continued its programme of Mobile Health Care for the nearby villages, which has helped reduce the disease incidence in these areas.

## **AWARDS AND RECOGNITION**

- (i) JKPL received the 'Good Corporate Citizen' Award in recognition of Contribution towards society by way of Corporate Social Responsibility and Environmental Care from PHD Chamber of Commerce and Industry, New Delhi
- (ii) Unit CPM was awarded the prestigious "Energy Conservation Award 2005-06" by IPMA, the apex body of the Paper Manufacturers Association of the country, at its Annual General Meeting on January 11 2007 in New Delhi. The company is taking various energy conservation measures and putting relentless efforts as a responsible corporate entity to conserve energy.
- (iii) Unit JKPM received the State safety award for Best Occupational Health Care from Directorate of Factories and Boilers, Orissa.

## **DIRECTORS**

Pursuant to the amended Article 101, as approved by the Central Government under Section 268 of the Companies Act 1956, Shri Hari Shankar Singhania and Shri Harsh Pati Singhania have been appointed as Directors not liable to retire by rotation.

Shri Shailendra Swarup and Shri S.K. Pathak retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Shri R.V. Kanoria, a well known industrialist has joined the Board as Additional Director. He will hold office till the forthcoming Annual General Meeting at which he is proposed to be appointed as Director. This will further broaden the Composition of the Board.

Shri P.K. Kaul, a member of the Board, who had a very rich experience in public administration and economic and financial management, passed away on 28th February 2007. The Board places on record its sincere appreciation of the valuable services rendered by him to the Company.

## AUDITORS

M/s. Lodha and 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 2007 will be conducted by M/s. R.J. Goel & Co., Cost auditor and the reports will be submitted to the Ministry of Company Affairs, Government of India.

## 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 along with proper explanation relating to material departures;
- ii. the accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit & Loss of the Company for that period;
- 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

Industrial Relations continued to remain cordial throughout the year under review. A series of IR initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the entire workforce.

## ACKNOWLEDGEMENT

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

We would also like to place on record our sincere appreciation of 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  
Date : 25<sup>th</sup> October, 2007

## ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2007

### Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

#### a) Energy Conservation

Your Company has taken the following measures for energy conservation:

(1) Replacement of Conventional Refiner by Energy Efficient Refiner, (2) Improvement in captive power generation, (3) Replacement of conventional vacuum pumps by Energy Efficient vacuum pumps, (4) Downsizing of over rated motors, (5) Replacement of conventional light fittings with Energy Efficient light fittings, (6) Replacement of old air conditioners with Energy Efficient air conditioners, (7) Replacement of old motors by new Energy Efficient motors, (8) Power saving by replacement of agitators and (9) Replacement of vacuum pumps with water separators. Total savings achieved in Lacs Kwh/yr : 62.52.

#### b) Research & Development Expenses

During the year, the Company has spent approx Rs 2.50 crores on Research & Development. Extensive application research continued through various plant trials including the following : (1) ASA Sizing to manufacture high quality writing and printing papers like JK Copier and Maplitho at both units, (2) Dry IGT pick value in coated papers improved for better printability and (3) Carton design change to improve the carton strength.

#### c) Technology Absorption, Adaptation and Innovation

Measures included the following: (1) Installation of ClO<sub>2</sub> generation plant and ClO<sub>2</sub> bleaching at CPM has improved paper and pulp brightness, (2) Introduction of Auto Cartonising machine at JKPM and (3) Using Carbide tipped knives in sheet cutters.

### d) Foreign Exchange Earnings and Outgo

Rs. in Lacs (0.1 Million)

(a)	Foreign exchange earned	2,986.65
(b)	Foreign exchange outgo:	
	- CIF Value of Imports	8,968.39
	- Others	890.25

## PARTICULARS OF CONSERVATION OF ENERGY

Sl. No.	Particulars	Unit	2006-07	2005-06
A	<b>POWER AND FUEL CONSUMPTION</b>			
I	<b>Electricity</b>			
a)	<b>Purchased Power</b>			
	- Units	KwH in lacs	<b>262.06</b>	257.69
	- Total Amount	Rs.Lacs	<b>1,165.04</b>	1,175.77
	- Rate / Units	Rs/KwH	<b>4.45</b>	4.56
b)	<b>Own Generation</b>			
i)	Through Steam Turbine / Generators			
	- Units	KwH in lacs	<b>2,458.11</b>	2,276.84
	- Cost / Units	Rs/KwH	<b>1.93</b>	1.75
ii)	Through Diesel Generator			
	- Units	KwH in lacs	<b>1.01</b>	6.99
	- Units per Litre of Diesel Oil	KwH	<b>3.62</b>	3.72
	- Cost / Units	Rs/KwH	<b>44.23</b>	12.25
2	<b>Coal</b>			
	- Quality (Grade)		<b>“B” to “F”</b>	“B” to “F”
	- Where Used		<b>CF Boiler</b>	CF Boiler
	- Quantity	MT	<b>3,17,680</b>	279,110
	- Total Amount	Rs.Lacs	<b>4,706.58</b>	3,827.44
	- Average Rate / MT	Rs./T	<b>1,481.55</b>	1,371.30
3	<b>Furnace Oil</b>			
	- Quantity	Kilo Ltr	<b>349.42</b>	281.10
	- Total Amount	Rs.Lacs	<b>72.29</b>	52.29
	- Average Rate / Ltr.	Rs./Ltr	<b>20.69</b>	18.60
4	<b>Others / Internal Generation</b>		<b>—</b>	—

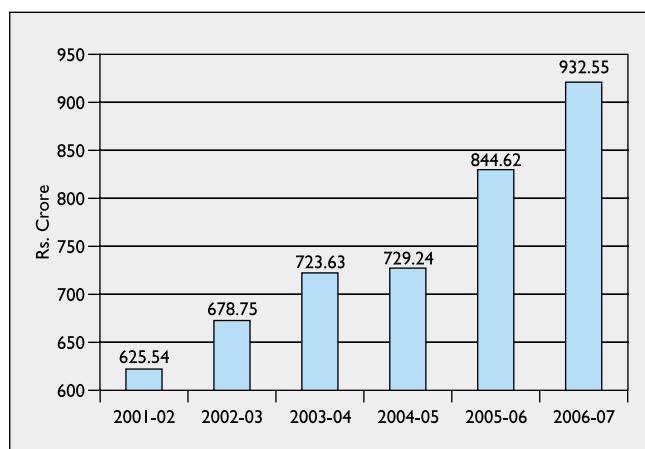
### B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Year	Electricity Kwh/MT	Coal Kg/MT	Furnance oil Lt./MT
Paper	<b>2006-07</b> 2005-06	<b>1,378</b> 1,426	<b>1,488</b> 1,530	<b>1.83</b> 1.53

# JK PAPER GROWTH PATH

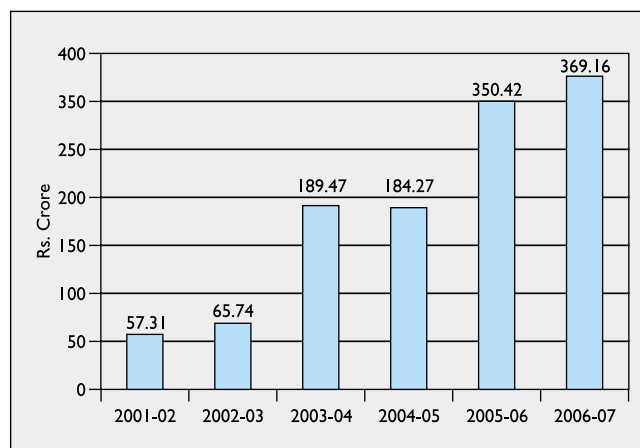
## Gross Sales

All time high of Rs. 932.55 crore against Rs. 844.62 crore in the previous year.



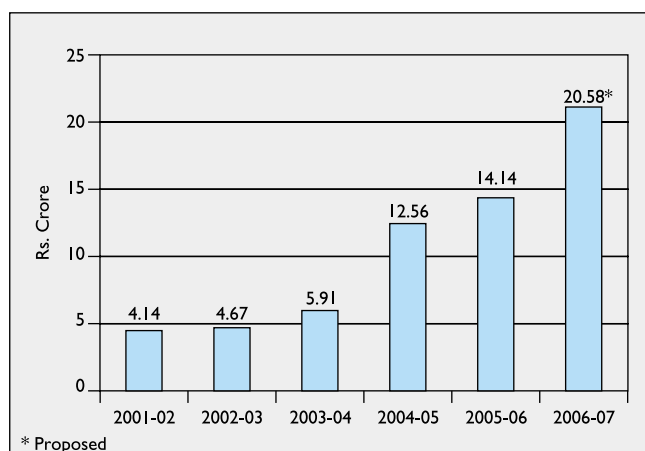
## Equity Shareholders Funds

Net Worth has increased more than six-fold since 2001-02



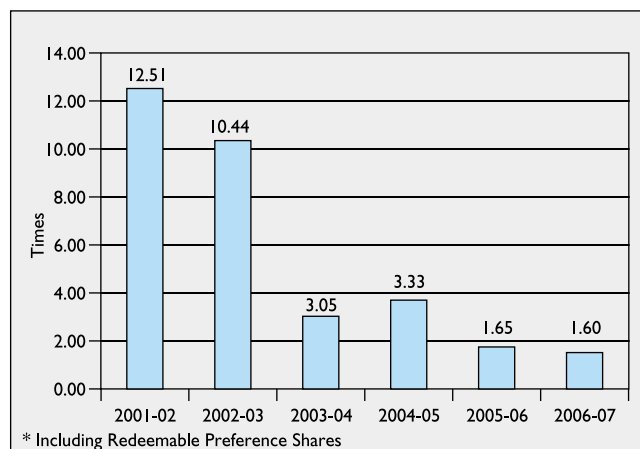
## Equity Dividend Distribution (incl. Tax)

Equity Dividends distributed have increased 5 times since 2001-02



## LT Debt\* - Equity Ratio

Debt - Equity has considerably improved from 12.51 to 1.60



## MANAGEMENT DISCUSSION AND ANALYSIS

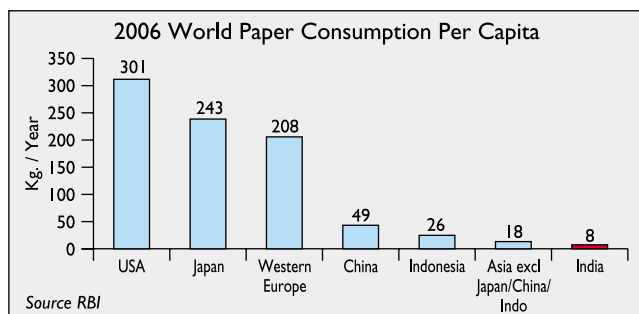
### OVERVIEW

The real growth in GDP in Japan, Europe and USA had been moderate, ranging between 2.2% and 3.2%. However, the overall world GDP growth at 5.3% stemmed from the robust economic conditions of the emerging markets like China, India and Russia. Growth in these markets continues to outpace developed nations with increasing influence on the global supply and demand equation. Significant factors that impacted the world economy were the sustained depreciation in US dollar, high energy and transportation costs and escalating commodity prices.

All of the above factors clearly had their bearing on the global pulp and paper demand and shifts in consumption pattern. On the supply side, competitive advantage, specially in pulp, continues to move towards low cost fibre producing regions like South America and South East Asian countries. On the demand side, growth in the industry is being driven by emerging markets like China and other Asian markets including India. Asia already accounts for almost 40% of global consumption of paper and boards while Europe and North America constitute almost a third. These trends will not only continue, they are likely to accelerate. The projections suggest that by 2015, China will surpass North America as a producer of paper and boards. The level in paper consumption in these emerging markets is estimated to account for over 50% of world consumption by 2015 from the present level of 40%.

Global demand for paper and paperboard is expected to grow from 365 million tons in 2005 to 494 million tons in 2020.

The per capita consumption of paper and paperboard varies significantly from country to country as well as regionally. The world average per capita consumption is about 55 kg and ranges from 300 kg in the US, 35 kg for Asia, and down to around 7 kg for Africa. (See Graph).



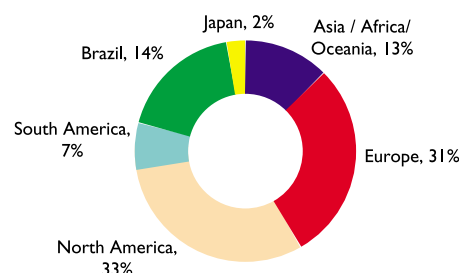
Asia's per capita consumption is low compared to global average but it dominates paper consumption in terms of absolute tonnage owing to its large population. Population growth, faster economic development and rising aspirations of its people provide a huge potential for accelerating the demand growth for paper.

### INDUSTRY SCENARIO AND OUTLOOK

#### Shift in Pulp production and consumption

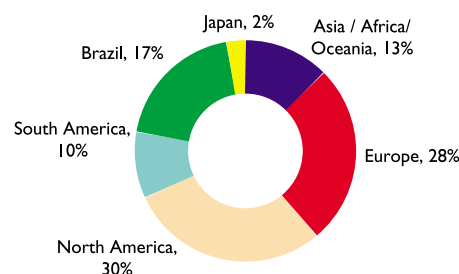
There is a shift in fibre supply towards South America and countries like Indonesia away from North America and Europe. South America including Brazil will account for 27% of world chemical market pulp capacity in 2010 as against present level of 21%.

#### 2006



Total Capacity, year 2006: 50.8 Million Tons

#### 2007



Total Capacity, year 2010: 57.6 Million Tons

Source:PPPC

Note: Statistic refers to World 19 countries - Norscan plus Argentina, Austria, Brazil, Chile, France, Belgium, Japan, South Korea, South Africa, Morocco, New Zealand, Swaziland, Canada, Spain, USA, Germany and Sweden

With the high forest productivity and development of sustainable plantation, the South American Region and countries like Brazil and Indonesia are emerging as low cost pulp producers replacing traditional regions like

North America and Europe. However, many Asian countries especially China will be net importers of pulp. Countries like China and India are making efforts to increase plantation activities and usage of non-wood pulp.

Share of mechanical / semi chemical pulp and Bleached Softwood Kraft Pulp (long fibre pulp BSKP) is decreasing in total consumption while that of recovered paper, non-wood fibres and Bleached Hardwood Kraft Pulp (short fibre pulp or BHKP) is rising. Recovered paper usage is rising due to its lower cost than virgin fibre pulps. Rise in the share of non-wood pulp is mainly due to availability of agro-fibres in China and India.

### **Indian Pulp and Paper Industry vis-à-vis Global industry**

- Ranks 15th among global paper producers (source: IPMA)
- Midst of a upswing driven by strong domestic demand
- Expected to grow (CAGR) at 8% over next 5 years i.e., 4 times the global average
- Capital expenditure estimated at Rs 10,000 crores over the next 5 years

### **India emerging as a Major Market for many commodities**

India is already the 3rd largest economy (PPP terms as per latest World Bank data). Projections suggest that India could catch up with US GDP by 2050. The demographic advantage - India's young population and its rising aspirations will mean higher consumer spending in the years to come.

Demand for Paper and Boards is likely to grow annually at around 8% in line with the expected GDP growth. This growth will be accompanied by shift in consumption towards better quality and value added papers, as illustrated below:

- Demand for branded copier / multipurpose papers finding new avenues in electronic, digital and PC based applications – like e-ticketing, mobile/bank statements etc.

- Carton packaging is bound to grow exponentially as demand for packaged consumer goods rises with affluence and greater rural-urban linkages. Penetration of organised retailing will further boost demand for value-added packaging boards.
- Indian printing and publishing industry is growing rapidly due to consumer preference for better quality printed products. India is also emerging as a hub for world class printing and publishing solutions. This is leading to significant demand growth for high quality coated and uncoated papers.
- Demand for speciality papers like photographic paper will rise significantly with the advent of digital cameras giving boost to consumption of inkjet/ photographic paper.
- Increased focus on education for e.g. National Literacy Mission has also provided impetus to paper consumption.

### **Paper industry's strategic importance in the Indian economy**

- Generates economic wealth in the hands of rural population (backward linkages)
- Paper is an important medium of education/ communication
- A vehicle to drive the National Literacy Mission
- Can contribute to Greening India Project through its social farm forestry program
- Paper packaging can potentially add to our export competitiveness through substitution of non environment friendly and more expensive packaging mediums like plastics
- It generates significant revenue for the exchequer in terms of excise duties and other government levies.

## **MARKET FOR COMPANY'S PRODUCTS**

### **Moving up the Value Chain**

To cope with the growing consumption and proactively meet the demands of high quality paper and boards, the

company has been consistently following a strategy of moving up the value chain. Company's output mix has been increasingly geared towards value-added products.

### **Business Communication Papers**

'JK Copier' continued to be India's largest selling branded paper. It maintained its price leadership by providing customers with better value through superior product performance. The company has also been aggressive in the economy copier paper segment through its brands 'JK Easy Copier' and 'Sparkle'.

Products like 'JK Copier Plus' catered to the high end photocopying and multipurpose office paper segments, while 'JK Excel Bond' and 'JK Bond' met customers' needs for personal and business stationery.

Clear leadership in the Copier Paper market was demonstrated by the fact that the company grew its market share through 27% increase in volume against an estimated market growth of 15%. This could be achieved through a combination of communication programs and initiatives directed at both trade channels and user groups.

### **Coated Paper**

The company successfully established a strong presence in the coated paper market for its range of coated papers – 'JK Cote'. Sales volume of 'JK Cote' rose by 58% taking its market share up from 13% to 18% presently.

Marketing efforts focused on identifying the right customer segments and providing tailor-made solutions. This was supplemented by on time deliveries and proactive after sales services.

'JK Eco Cote' maintained its position in the one sided coated paper segment.

### **Printing & Writing Papers**

To meet the growing demand for high bright papers, the Company has taken a number of initiatives. In order to improve the brightness of the products manufactured at the CPM Unit, the Company commissioned the Chlorine Dioxide plant at this Unit. With this on stream, the company now has the ability to produce high bright papers at both the units.

### **Market Pulp**

The company continued to sell wood pulp produced in excess of production requirements. In the coming year however, the company is likely to use a significant portion for its packaging board production.

### **Outsourcing**

Outsourcing continued to receive increased attention in the company's business strategy. The outsourced volumes growth by 32% last year clearly demonstrated this commitment. Our outsourcing activities enlarged its product basket. Besides the existing coated segment it also covered the newly developed Maplitho and Pulp Board.

## **OPPORTUNITIES & STRENGTHS OF THE COMPANY**

### **Demand for Paper & Boards**

Though the overall domestic paper market is poised to grow at 8%, the demand for high-end products is growing faster at by double digits. This gives the company an obvious advantage as its products are largely in these fast growing segments. The Indian market is also witnessing a paradigm shift in the quality of demand, with users showing increasing preference for world class products at globally competitive prices. As a consequence, Indian paper companies are upgrading their technology to cater to the needs of these customers.

### **QUALITY & BRAND EQUITY**

The customer remains at the very core of its business for JK Paper. The company continues to set new benchmarks for quality, thereby establishing an enviable leadership position in the domestic industry. Towards this end, it installed new automated cutting lines at both of its manufacturing units. The commissioning of the Chlorine Dioxide Facility at Unit CPM has resulted in a significant improvement in the whiteness and brightness levels of the products.

Brand creation has been an obsession for JK Paper over the years. Beyond developing new product applications to meet the varying needs of the consumers, the company has invested in several innovative promotional campaigns to communicate the product benefits to its users and channel partners. As a result of these efforts, the Company's products enjoy a price premium in the market.

The company's leading brands – 'JK Copier' and 'JK Easy Copier' reinforced their positions as the largest and second largest selling brands in the cut-size segment.

### **Distribution Network**

In line with the fast market growth and company's continuous efforts to consolidate its market leadership, a number of new distributors were inducted to improve market coverage, specially in the semi-urban areas and smaller towns. This has enabled the company to serve the customers' needs in a more efficient manner, leading to growth in market share.

The company has worked extensively in building a strong network of dealers which has imparted great depth and width to the distribution of its products.

JK Paper continues to view its distributors as its Strategic Business Partners with a long term focus and commitment to the company's main product segments, thus ensuring a win-win for the company, its distributors and the end customers.

### **Locational Advantage**

In the increasingly competitive markets, locational advantage will be a key factor in realising cost and service competitiveness. Clearly, both transportation costs and faster deliveries will be a critical success factor.

Unit CPM has a natural advantage of being located in the heart of India's largest market of the Western Region. It also serves customers in the North on a highly cost efficient basis. On the other hand, Unit JKPM is located close to its key markets of Eastern and Southern India.

Because of the excellent location of Unit CPM, the company decided to install its state of the art multilayer packaging board plant there, giving it a relative advantage. The plant will serve the high quality carton packaging needs of consumers in the West, besides other parts of the country.

### **EXPANSION**

The company commenced trial production runs at its state of the art, Rs 300 crores, 60,000 TPA Multilayer Packaging Board Plant at Unit CPM in April 2007. The product quality achieved in the start-up stage of the production was much better than anticipated, which

was validated by product trials at the customers' end. The stabilisation of the board machine was achieved in a remarkably short time.

Based on the successful plant stabilisation, quality ramp-up and the encouraging market response, the company commenced commercial production in October 2007.

The market for upper end, multilayer packaging board is growing rapidly at 20% per annum. This investment is expected to contribute significantly to the Company's growth in future years.

With this, JK Paper has become the only major Indian company to have a presence in all the key value-added and high growth segments in the Paper Industry – Copier / Cut Size Papers, High Bright Maplitho, Coated Papers and High end Packaging Boards.

### **MAJOR CONCERNS**

Scarcity and consequent high cost of fibrous raw materials continue to be the biggest concern for the Indian Paper Industry. The lack of a favourable Government Policy has been adversely impacting raw material availability and costs. The threat of competition through imported alternates has also become real owing to the steadily declining import tariff (current tariff at 10%) and strong rupee appreciation (8-10% vis-à-vis the US Dollar, over the last twelve months). International companies enjoy better economy of scale and better availability of raw material. China, which has already emerged as a major player in the global paper industry, may increasingly be focusing on other Asian markets including India, following the recent US decision to levy anti-dumping duties on Chinese imports to US.

Unless adequate steps are taken, these imports will nullify the domestic industry's tireless effort in the past in building up a strong domestic manufacturing capability.

### **RAW MATERIAL AND OTHER PURCHASES**

The Company currently relies on Bamboo obtained through working the forests in the State of Orissa and Gujarat under contractual arrangements. These contribute about 35% of the raw material requirements of approximately 5.5 lac tonnes. The balance requirement of raw material – mixed hardwoods is procured through open market purchases and farm forestry programmes.

During the year, plantation activities of the company were scaled up with coverage of an additional 5800 hectares and distribution of more than 39 million saplings including Clonal Plants developed by JK. This was achieved through a network of decentralized nurseries supplying to farmers across the states of Orissa, Andhra Pradesh, Chhattisgarh, West Bengal, Gujarat and Maharashtra. Distribution of JK Super clonal plants registered an increase of over 80% compared to last year proving the acceptance of technology based high yielding plantations amongst farmers.

Till date the company has covered 59,000 Ha under plantations in association with farmers. In addition to saplings, about 2.4 million fully grown Bamboo rhizomes were also distributed to various government agencies and NGOs for planting and restocking of blank bamboo forest areas and other lands in Orissa and Gujarat.

In a unique development, JK Paper alongwith a local NGO signed an Emission Reduction Purchase Agreement (ERPA) with the Bio Carbon Fund of World Bank for sale of emission reductions. The project is a unique Public-Private partnership covering 3,500 hectares of severely degraded lands owned mainly by small and marginal farmers associated with our plantation program in six districts of Orissa and Andhra Pradesh. The farmers involved in this project get the benefits of the Carbon Credits earned.

In the area of chemicals also, the costs continue to go up. Certain minerals like Soap Stone Powder are becoming scarce due to new mining restrictions imposed in the country. The Company used E-Procurement and reverse auctions extensively to curtail input costs.

## FINANCIAL HIGHLIGHTS

Rs Cr. (10 million)

	2006-07	2005-06	Increase/decrease( ) over previous year
Gross Sales	<b>932.55</b>	844.62	10.4%
Net Sales and Other Income	<b>760.72</b>	665.12	14.4%
Profit before Interest, Lease Rent and Depreciation	<b>157.88</b>	135.00	16.9%
Profit Before Depreciation	<b>122.16</b>	101.20	20.7%
Profit Before Tax	<b>71.69</b>	54.33	32.0%
Profit After Tax	<b>45.91</b>	35.52	29.3%

Both Production (195,932 tons) and Sales (211,565 tons) were the highest achieved by the company in its history. Net sales and other income went up by 14.4% on the strength of volume increase, price buoyancy, and improved product mix. Operating Profit (PBITD) went up by 16.9% indicating a slight improvement in margins despite a fairly strong cost push. The Net profit stood at Rs 45.91 crores.

The company continues to focus its efforts at cost compression and product mix optimization. Key initiatives like TPM, Business Process Reengineering (BPR), Operational Excellence Program, implementation of ERP systems continue to contribute significantly to the company's overall performance.

The Multi-layer packaging Board project at Unit CPM went into trial production during the last quarter of the year. Commercial production commenced in October 2007 after having achieved the stated machine operating parameters. The company is also installing a new boiler and turbine to augment its steam and electricity generating capacity for the Board project. Investments in the CIO2 project at Unit CPM and automated A4 cutting lines at both the plants are expected to result in better realizations from the market due to improved product quality.

Funds for the above projects were tied up through issue of equity and GDRs as reported last year, internal accruals and loans from Banks.

Due to various measures initiated by the Reserve Bank of India to contract money supply and contain inflation, the Indian economy has seen a sharp increase in interest rates. The company is pursuing various measures like cheaper import finance, extended credits etc., to contain the increase in interest rates.

## ENVIRONMENT PROTECTION

JK Paper believes in clean and sustainable development. Environmental protection is an integral part of the planning, design, construction, operation & maintenance of all our projects. The Company is proactive in its approach towards the Environment and acts ahead of rules and regulations formulated for protection of environment. Both units of the Company are certified for ISO-14001. Unit CPM was awarded the prestigious

“ENERGY CONSERVATION AWARD 2005-06” by IPMA, the apex body of Paper Manufacturers.

Use of modern technology has resulted in Unit JKPM achieving AOX level of about 0.5 kg per tonne of Paper which is much below the National standard of 1.5 kg per tonne. Water consumption is less by 40% and 15% at unit JKPM and unit CPM respectively, compared to National standards.

JKPM Unit has further reduced stack emission level from 90µg/NM<sup>3</sup> to 70µg/NM<sup>3</sup> by installing Multi-peak electrodes at LF Boiler-5. The Orissa State Pollution Control Board regulating norm is 150µg/NM<sup>3</sup>

Company conducts various in-house programs and simulated trials to enforce safety and health measures.

The Company is in the process of installing Lime Kilns at both its Units to recover Lime from the Lime Sludge. When completed, these will bring down the quantity of Lime Sludge disposed by about 85%, besides reducing the requirement of Lime by equivalent quantities which is presently being transported from long distances.

## **HUMAN RESOURCE DEVELOPMENT**

JK Paper's human resource management aims to find a balance between employees' career aspirations and identifying appropriate manpower to carry out its operations in the most effective manner. This includes providing a motivating and satisfying environment for its employees. To this end, the Company carried out its 2nd Employee Satisfaction Survey in February and March 2007. Implementation of Action plan drafted has started in right earnest to improve satisfaction levels and results are expected in due course.

The company has continued to deploy latest scientific methods to acquire and retain its talent through Assessment and Development of competencies. In its effort to build future leadership pipeline, the company has been making constant efforts in identifying talent with focus on identification of individual development needs as well as Business and Functional development needs. These are also being suitably addressed with the overall objective of up-gradation and enhancement of skills.

In the area of employee involvement, the Company had made significant progress on TPM at both the units. Due to untiring efforts, both the Units of the company were conferred TPM Award (First Category) by Japan Institute of Plant Maintenance (JIPM). The company had deputed 4 workmen to receive the Award in Yokohama, Japan which was highly commended by JIPM. In order to bring about greater understanding of the market realities to the shop-floor the company periodically sends its workmen for field visits and interaction with customers and distributors. This has enhanced the quality consciousness amongst the shop-floor employees

One of the major focus areas of HRM in the last 2 years has been recruitment and development of Management Cadre Staff and Operative as well as Maintenance crew for the new Packaging Board Plant. About two-thirds of the total number of employees recruited for the new plant are fresh diploma and degree holders from technical institutes as well as engineering colleges. The fresh recruits were put through an intensive on-the-job as well as off-the-job training to enhance their effectiveness. It is gratifying to note that the young team has worked with outstanding passion, motivation and zeal to contribute towards smooth start-up and faster stabilization of operations.

## **INTERNAL CONTROL SYSTEM**

The company has an internal audit department which is supplemented by independent outside internal auditors. Together they conduct regular audits based on annual audit program agreed with the Audit Committee of the Board. The Committee further reviews the findings and the Action Taken Reports of these audits. The system ensures adequacy of the control systems for ensuring efficient utilization of company's resources and protection of assets from loss, theft, misappropriation and relevant risks. It also ensures that the accounts reflect the true and fair picture and the financial information is reliable.

The company's budgetary control system ensures that there are predefined goals on all Key Result areas which are measured at monthly intervals and reasons for variances are analyzed. Budgets and variances are discussed in Audit Committee meetings and Board meetings.

All transactions are authorized at appropriate levels based on defined authority limits.

## **RISK MANAGEMENT**

The company follows a structured approach to managing risks. The risks attended in the existing operations have been mapped after extensive internal discussions and examination of various records of break downs, failures, delays and accidents. Proper preventive measures have been mapped for due implementation. The process is repeated for new projects and initiatives by going into all the operating risks for formulation of proper risk management measures which are documented, followed and reviewed.

## **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

## I. 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 Ten Directors of which three are Executive Directors and seven are Non-executive Directors. Details are as given hereunder:

Director	Category	No. of Board Meetings attended during 2006-07	Whether attended last A.G.M. (21.11.2006)	No. of other Directorships and Committee Membership/Chairmanships		
				Other Directorships*	Other Committee Member-ships **	Other Committee Chairman-ships **
Shri Hari Shankar Singhania, Chairman	Executive	5	Yes	2	–	–
Shri Arun Bharat Ram	Non- Executive Independent	3	No	9	3	1
Shri Dharendra Kumar	Non- Executive non-Independent	5	No	7	1	–
Shri Gajanan Khaitan	Non- Executive Independent	5	No	–	–	–
Shri S. K. Pathak	Non- Executive Independent	–	No	–	–	–
Shri Shailendra Swarup	Non- Executive Independent	5	No	4	1	–
Shri Udayan Bose	Non- Executive Independent	5	Yes	7	2	–
Sh. R.V. Kanoria (w.e.f. 24.07.2007)	Non- Executive Independent	–	–	8	–	–
Shri Harsh Pati Singhania, Managing Director	Executive	4	Yes	3	1	–
Shri O. P. Goyal, Whole-time Director	Executive	5	Yes	2	1	–

Shri P. K. Kaul, Director expired on 28-02-2007 (attended 3 Board Meetings)

\* 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 and Shareholders/Investors Grievance Committee.

### DATE AND NUMBER OF BOARD MEETINGS HELD:

Five Board Meetings were held during the year 2006-07 on 29<sup>th</sup> July 2006, 25<sup>th</sup> September 2006, 28<sup>th</sup> October 2006, 22<sup>nd</sup> January 2007 and 21<sup>st</sup> April 2007.

The Board periodically reviews Compliance Reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non – compliances, if any.

The Company already has a Code of Conduct in position for Management Cadre Staff (including Executive Directors). In terms of the revised Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, the Board has laid down a code of conduct for all Board Members and Senior Management of the Company and the same is available on the website ([www.jkpaper.com](http://www.jkpaper.com)). All the Board Members and Senior Management Personnel have affirmed compliance with the code. This report contains a declaration to this effect signed by Managing Director.

### 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 Shri Udayan Bose (Chairman), Shri R.V. Kanoria, Shri Shailendra Swarup and Shri Dharendra Kumar, as members. Shri P.K. Kaul, a member of the Committee, expired on 28<sup>th</sup> February, 2007. The Composition of the Committee is in conformity with Clause 49 II (A) of the Listing Agreement. Shri Harsh Pati Singhania, Managing Director and Shri O.P. Goyal, Whole-time Director are the permanent invitees.

Five meetings of the Audit Committee were held during the year 2006-07 as detailed hereunder:

Dates of meetings	No. of members attended
29 <sup>th</sup> July 2006	4
25 <sup>th</sup> September 2006	4
28 <sup>th</sup> October, 2006	4
22 <sup>nd</sup> January 2007	3
21 <sup>st</sup> April 2007	3

### 4.1 REMUNERATION COMMITTEE (NON MANDATORY):

Remuneration Committee comprising of three Independent Directors, namely Shri Shailendra Swarup, Chairman, Shri R.V. Kanoria, and Shri Gajanan Khaitan was constituted on 25<sup>th</sup> October, 2007 to determine and approve the performance linked incentive to, and increments in the salary of Shri Hari Shankar Singhania, Chairman (Whole-time Director) and Shri Harsh Pati Singhania, Managing Director of the Company.

### 4.2 REMUNERATION PAID TO DIRECTORS:

#### A. Executive Directors

The aggregate value of salary and perquisites for the year ended 30<sup>th</sup> June, 2007 to the Chairman, Managing Director and Wholetime Director is as follows: Shri Hari Shankar Singhania, Rs.117.54 lac plus Rs.156.53 lac payable as commission, Shri Harsh Pati Singhania, Rs.123.82 lac plus Rs.156.53 lac as commission and Rs. 21 lac payable as performance linked incentive, Shri O. P. Goyal, Rs. 48.81 lac plus Rs.19.96 lac as commission and Rs.12 lac payable as performance linked incentive. 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 Non - Executive Directors are paid sitting fees of Rs. 5,000 for each meeting of the Board and Rs. 2,500 for each meeting of the Committees of the Board attended by them and the company has paid Rs. 2,12,500/- towards sitting fees to them during the year 2006-07. Besides the sitting fees, they are also paid commission. At the AGM of the Company held on 19<sup>th</sup> September, 2002, the members had

approved payment of commission not exceeding 1% per annum of the net profits of the Company to the Non - Executive Directors. Each year, the Board fixes the amount to be paid as commission to them. For FY 2006- 07, the Board has approved a commission of Rs. 3 lac each to be paid to Shri Arun Bharat Ram, Shri Dharendra Kumar, Shri Gajanan Khaitan, Shri Shailendra Swarup, Shri Udayan Bose and Shri S. K. Pathak and Rs. 2 lac to Shri P.K. Kaul.

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

Number of Equity Shares held by Non-Executive Directors: Nil.

## 5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee presently consists of four Directors, namely Shri Shailendra Swarup (Chairman), Shri Arun Bharat Ram, Shri Harsh Pati Singhania, Managing Director and Shri O.P. Goyal, Whole-time Director. Shri P.K. Kaul, a member of the Committee, expired on 28<sup>th</sup> February, 2007. The Composition of the Committee is in conformity with Clause 49 IV (G) (iii) of the Listing Agreement. Five meetings of the said Committee were held during the year 2006-07 as detailed hereunder:

Dates of meetings	No. of members attended
29 <sup>th</sup> July 2006	4
25 <sup>th</sup> September 2006	4
28 <sup>th</sup> October, 2006	4
22 <sup>nd</sup> January 2007	2
21 <sup>st</sup> April 2007	3

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

No investor complaints were received during the year. The Board has delegated the power of share transfer to a committee of Directors and the share transfer formalities are attended as required. All valid requests for transfer of shares in physical form were processed in time and there were no pending transfers of shares.

## 6. GENERAL BODY MEETINGS:

- (i) Location and time for last three Annual General Meetings were:

Year	Location	Date	Time
2003-04	P.O. Central Pulp Mills-394 660 Fort Songadh, Distt. Tapi (formerly Distt. Surat), Gujarat	29-09-2004	2.00 P.M.
2004-05	Same as above	24-09-2005	12.30 P.M.
2005-06	Same as above	21-11-2006	12.30 P.M.

- (ii) No Special Resolutions were required to be put through postal ballot last year. No Special Resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

- (iii) Special Resolutions passed in previous 3 Annual General Meetings:

- (a) At the last Annual General Meeting of the Company held on 21<sup>st</sup> November 2006, Special Resolutions were passed unanimously:

{(i) to (iii)} to reappoint and determine the Terms of Remuneration of Chairman, Managing Director and Whole-time Director.

- (iv) to authorise to get delisted voluntarily from Vadodara Stock Exchange Limited.

- (b) At the Annual General Meeting of the Company held on 24<sup>th</sup> September 2005, Special Resolutions were passed unanimously to make certain amendments to Articles of Association of the Company.

- (c) At the Annual General Meeting of the Company held on 29<sup>th</sup> September 2004, a Special Resolution was passed unanimously for appointment of Auditors.

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*

The Company has strengthened its risk management system and has further laid down procedures to inform Board Members about risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

## 8. MEANS OF COMMUNICATION:

Quarterly, half-yearly and annual financial results are normally published in leading English Dailies like Economic Times, Business Standard, Hindu and Gujarati Newspaper Sandesh, etc. and are promptly furnished to the Stock Exchanges for display on their respective websites. The results are also displayed on the web-site of the company “www.jkpaper.com”. As the results are published in newspapers having wide circulation and also displayed on the Company’s website, quarterly and half yearly results are not sent separately to each shareholder. Full version of the Annual Report, Corporate Governance Report, financial results and shareholding pattern of the Company are/shall be posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website namely “www.sebiedifar.nic.in”. The website is also accessible through a hyperlink ‘EDIFAR’ from SEBI’s official website, “www.sebi.gov.in”. Management Discussion & Analysis forms part of the Annual Report.

## 9. GENERAL SHAREHOLDERS’ INFORMATION:

### (i) Annual General Meeting (AGM) :-

(a) Date and Time : Wednesday, 12<sup>th</sup> Dec., 2007 at 2.00 P.M.

Venue : P.O. Central Pulp Mills-394660, Fort Songadh, Distt. Tapi, Gujarat.

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

(ii) **Book Closure :** 3<sup>rd</sup> December 2007 to 12<sup>th</sup> December 2007 (both days inclusive)

(iii) **Dividend Payment Date :** Upto January 2008

(iv) **Financial Calendar :** Year Ending June 30  
Annual General Meeting for the year ending June 30, 2008 Between September and December 2008

### (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) and Bombay Stock Exchange Limited (Stock code 532162). Listing Fee for the year 2007-08 has been paid to the said Stock Exchanges. The Company got voluntary delisted from Vadodara Stock Exchange Limited w.e.f. 30<sup>th</sup> March, 2007

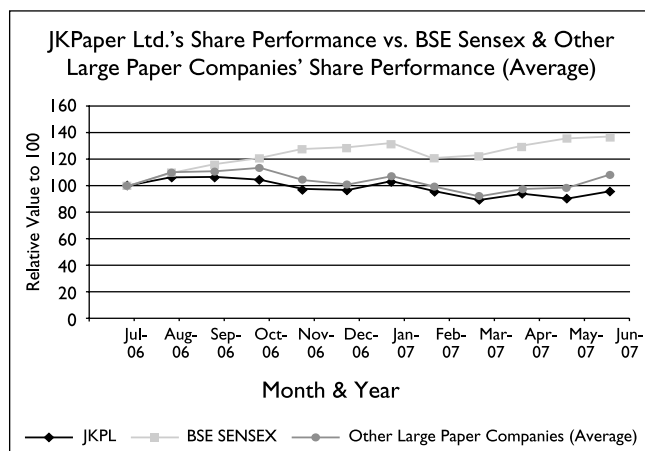
### (vi) Stock Market Price Data :

Month	Stock Market Price on Bombay Stock Exchange Limited (BSE)		Stock Market Price on National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
<b>2006</b>				
July	48.00	41.30	47.50	41.10
August	54.30	42.75	57.90	42.60
September	51.95	45.80	52.00	45.10
October	50.90	46.30	51.00	46.20
November	48.00	42.75	47.80	41.15
December	46.00	40.10	45.50	40.00
<b>2007</b>				
January	47.50	42.55	47.60	42.10
February	46.40	41.50	46.45	40.15
March	47.70	38.35	43.80	39.00
April	43.55	38.60	43.40	37.50
May	43.00	39.75	42.90	39.75
June	46.00	39.20	46.95	38.05

(Source: www.bseindia.com)

(Source : www.nseindia.com)

**(vii) JK Paper Ltd.'s Share Performance vs. BSE Sensex & Other Large Paper Companies' Share Performance (Average) [July'06 to June'07]:**



(Source: www.bseindia.com)

**(viii) Dematerialisation of shares and liquidity:**

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 30<sup>th</sup> June 2007, 90.10% 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 30<sup>th</sup> June 2007:**

Number of Equity Shares held	Shareholders		Shares Held	
	Number	%	Number	%
1 to 500	12,765	82.07	21,98,866	2.81
501 to 1,000	1,431	9.20	12,40,020	1.59
1,001 to 5,000	1,060	6.82	24,30,908	3.11
5,001 to 10,000	159	1.02	12,29,699	1.57
Over 10,000	138	0.89	7,10,50,446	90.92
<b>Total</b>	<b>15,553</b>	<b>100.00</b>	<b>7,81,49,939</b>	<b>100.00</b>

**(b) Pattern of Equity Shareholding (both in physical and electronic form) as on 30<sup>th</sup> June 2007:**

Category	No. of Equity Shares held	Percentage of Shareholding
Domestic Companies	3,33,14,447	42.63
Resident Individuals	1,87,93,481	24.05
FIs, Mutual Funds & Banks	75,58,766	9.67
Custodian for GDRs	77,00,000	9.85
Foreign Investors/ FIIs / NRIs	1,07,83,245	13.80
<b>Total</b>	<b>7,81,49,939</b>	<b>100.00</b>

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

**GDRs :** 77 lacs Global Depository Receipts (GDRs) issued by the Company on 30<sup>th</sup> March 2006 @ US \$ 1.544 per GDR at a price of Rs. 69 per Equity Share represent one equity share of the nominal value of Rs. 10 per Share and are backed by the underlying 77,00,000 Equity Shares which form part of the existing paid up Capital of the Company.

**FCCBs :** 1.25% Foreign Currency Convertible Bonds (FCCBs) issued by the Company on 30<sup>th</sup> March 2006 redeemable on the expiry of five years (due 2011) aggregating to US \$ 5 Million are convertible into 23,52,105 Equity Shares at conversion price of Rs. 95/- per share at the option of the Bond holder(s), on receipt of conversion notice.

The GDRs and FCCBs are listed on the Luxembourg Stock Exchange (Stock Code: US 4662081052)

**(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. Tapi (Gujarat)

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

- I. Registrar and Share Transfer Agent (RTA)  
M/s. MCS Ltd.,  
Sri Venkatesh Bhawan, W-40, Okhla  
Indl. Area, Phase – II, New Delhi-110 020  
Ph. (011) 41406149/51/52  
Fax No. (011)-41709881  
E-mail: mcsdel@vsnl.com

- 2. CGM & Company Secretary  
JK Paper Limited  
Gulab Bhawan (Rear Block - 3rd Floor)  
6A, Bahadurshah Zafar Marg  
New Delhi-110 002  
Ph. 011-41011116, 23311112-15  
(ext : 274, 392, 677)  
Fax No. 91-11-23739475

**(xiv) Exclusive e-mail ID for redressal of investors complaints:**

In compliance of Clause 47(f) of the Listing Agreement, “sharesjkpaper@jkmil.com” is the e-mail ID exclusively for the purpose of registering complaints by investors.

**10. DECLARATION:**

This is to confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for Directors and Senior Management adopted by the Board.

Harsh Pati Singhania  
Managing Director

**11. 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 30<sup>th</sup> June 2007, 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 : 25<sup>th</sup> October 2007

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 Lakshmi Cement Ltd., J.K. Tyre & Industries Ltd., JK Paper Ltd., JK Agri Genetics Ltd., JK Sugar Ltd., Ashim Investment Company Ltd., Mayfair Finance Ltd., Sidhi Vinayak Investment Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd., Netflier Finco Ltd., Hansdeep Investment Ltd., Panchanan Investment Ltd., Radial Finance Ltd., Hidrive Finance Ltd., Fenner India Ltd., Modern Cotton Yarn Spinners Ltd., Southern Spinners and Processors Ltd., BMF Investments Ltd., Bengal & Assam Company Ltd., Nav Bharat Vanijya Ltd., Juggilal Kamalapat Udyog Ltd., Pranav Investment (MP) Company Ltd., Param Subham Vanijya Ltd., J.K. Credit & Finance Ltd., Accurate Finman Services Private Ltd., Florence Alumina Ltd., Sago Trading Limited, Habras International, Juggilal Kamalapat Lakshmiapat, 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 and 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 30<sup>th</sup> June, 2007, 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 (Auditor's 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 30<sup>th</sup> June 2007 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 Note no. B-13, schedule 20, "Provision for diminution (amount unascertainable) in value of certain long term strategic investments of Rs. 5 Crore has not been made, since in the opinion of Board, such diminution is temporary in nature".*
- (g) *Subject to the clause (f), 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 30<sup>th</sup> June 2007;
  - 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

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

(ATUL SEKSARIA)  
Partner  
Membership No.: - 86370

Place : New Delhi  
Date : 25<sup>th</sup> October , 2007

## 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 2007)

- 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 30<sup>th</sup> June 2007.
- (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, excise duty, income tax 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	1983-88/ 2002-03 2003-04 1995-96/1997-99/ 2002-03 2004-07	0.73 1.73 145.82	Dy. Commissioner, Delhi ACCT, Jeypore Sales Tax Tribunal, Cuttack
Central Excise Act	Excise duty	1979-80/1981-82/ 1982-83 1987-94 1980-86	89.20 40.75 130.63 20.44	High Court, Delhi Supreme Court High Court, Kolkata Collector(Appeal), Mumbai
Income Tax Act	Income Tax	2003-04	202.80*	Commissioner of Income Tax (Appeals), Surat
Provident Fund Act	Provident Fund	2004-06	28.24	Court of Orissa, Cuttack
Water (PCP) Cess Act, 1977	Cess	2000-05	19.34	Cess Appellate Committee, OPCB, Bhubneshwar

\* since been paid after year end.

- 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/bond 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) According to the information and explanations given to us and the records examined by us, security or charge has been created in respect of the debentures/bonds issued.
- 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

Place : New Delhi  
Date : 25<sup>th</sup> October , 2007

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

(ATUL SEKSARIA)  
Partner  
Membership No.: - 86370

# BALANCE SHEET

AS AT 30<sup>TH</sup> JUNE, 2007

Rs. in crore (10 Million)

	Schedule	30 <sup>th</sup> June, 2007	30 <sup>th</sup> June, 2006
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	<b>78.96</b>	131.72
Reserves and Surplus	2	<b>300.25</b>	283.65
		<b>379.21</b>	415.37
<b>LOANS</b>			
Secured Loans	3	<b>595.49</b>	496.13
Unsecured Loans	4	<b>107.29</b>	61.64
		<b>702.78</b>	557.77
Deferred Tax Liability (net)		<b>95.20</b>	68.35
	<b>TOTAL</b>	<b>1,177.19</b>	1,041.49
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	<b>1,071.20</b>	1,012.65
Less: Depreciation		<b>375.17</b>	326.80
Net Block		<b>696.03</b>	685.85
Capital work-in-progress		<b>265.57</b>	108.94
		<b>961.60</b>	794.79
<b>INVESTMENTS</b>	6	<b>5.57</b>	13.61
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	<b>96.41</b>	89.60
Sundry Debtors	8	<b>107.24</b>	116.99
Cash and Bank Balances	9	<b>4.83</b>	6.75
Loans and Advances	10	<b>176.80</b>	142.10
		<b>385.28</b>	355.44
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	11	<b>177.65</b>	126.36
<b>NET CURRENT ASSETS</b>		<b>207.63</b>	229.08
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		<b>2.39</b>	4.01
	<b>TOTAL</b>	<b>1,177.19</b>	1,041.49

## NOTES ON ACCOUNTS

20

Schedules I to II and 20 attached to the Balance Sheet are an integral part thereof.

As per our report of even date

FOR LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner

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

ATUL SEKSARIA  
Partner

S.C. GUPTA  
Company Secretray

H.S. SINGHANIA  
H.P. SINGHANIA

DHIRENDRA KUMAR  
GAJANAN KHAITAN  
O.P. GOYAL  
R.V. KANORIA  
SHAIENDRA SWARUP  
S.K. PATHAK

Chairman  
Managing Director

Directors

New Delhi, the 25<sup>th</sup> October, 2007



# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2007

Rs. in crore (10 Million)

	Schedule	2007	2006
<b>INCOME</b>			
Sales		932.55	844.62
Less: Discounts		93.92	96.10
		838.63	748.52
Less: Excise Duty		82.22	84.77
Net Sales		756.41	663.75
Other Income	12	4.31	1.37
		760.72	665.12
Increase / Decrease ( ) in Stocks	13	(0.87)	5.74
		759.85	670.86
<b>EXPENDITURE</b>			
Employees	14	89.88	80.47
Materials and Manufacturing	15	485.09	425.98
Other Expenses	16	27.00	29.41
		601.97	535.86
<b>PROFIT BEFORE INTEREST, LEASE RENT AND DEPRECIATION</b>		157.88	135.00
Interest and Lease Rent	17	35.72	33.80
<b>PROFIT BEFORE DEPRECIATION &amp; TAX</b>		122.16	101.20
Depreciation	18	50.47	46.87
<b>PROFIT BEFORE TAX</b>		71.69	54.33
Provision for Current Tax		5.02	4.61
Provision for Fringe Benefit Tax		1.51	0.87
MAT Credit Entitlement		(5.02)	(4.61)
<b>PROFIT BEFORE DEFERRED TAX</b>		70.18	53.46
Provision for Deferred Tax		24.27	17.94
<b>PROFIT AFTER TAX</b>		45.91	35.52
Debenture Redemption Reserve Written Back		—	4.85
Surplus brought forward		54.74	35.85
		100.65	76.22
<b>Appropriations:</b>			
Debenture Redemption Reserve		0.35	0.35
Capital Redemption Reserve		0.76	1.43
General Reserve		5.00	3.00
Dividend	19	17.74	14.65
Corporate Dividend Tax		3.02	2.05
Surplus carried to Balance Sheet		73.78	54.74
		100.65	76.22
<b>Earning per Share (Rs.):</b>			
- Basic		5.85	5.35
- Diluted		5.68	5.30

## NOTES ON ACCOUNTS

20

Schedules 12 to 20 attached to the Profit and Loss Account 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  
H.P. SINGHANIA

Chairman  
Managing Director

N.K. LODHA  
Partner

ATUL SEKSARIA  
Partner

DHIRENDRA KUMAR  
GAJANAN KHAITAN  
O.P. GOYAL  
R.V. KANORIA  
SHAIENDRA SWARUP  
S.K. PATHAK

Directors

S.C. GUPTA  
Company Secretary

New Delhi, the 25<sup>th</sup> October, 2007

Rs. in Lac (0.1 Million)

30<sup>th</sup> June, 200730<sup>th</sup> June, 2006**Schedule I****CAPITAL****Authorised :**

Equity Shares - 20,00,00,000	20,000.00	20,000.00
(Previous year - 20,00,00,000) of Rs.10 each		
Redeemable Preference Shares - 3,00,00,000	30,000.00	30,000.00
(Previous Year - 3,00,00,000) of Rs.100 each		
	<b>50,000.00</b>	<b>50,000.00</b>

**Issued, Subscribed and Paid-up :**

Equity Shares - 7,81,49,939 (Previous year 7,81,49,939) of Rs. 10 each fully paid up (a)	7,814.99	7,814.99
10% Cumulative Redeemable Preference Shares - 81,000 (Previous Year 1,57,000) of Rs.100 each fully paid-up (b)	81.00	157.00
3.75% Cumulative Redeemable Preference Shares - NIL, (Previous Year 52,00,000) of Rs. 100 each fully paid up (c)	—	5,200.00
	<b>7,895.99</b>	<b>13,171.99</b>

Notes :

- (a) Includes 77,00,000 Equity Shares of Rs. 10/- each allotted as a fully paid up against Global Depository Receipts (GDR's).
- (b) These shares were allotted as fully paid-up pursuant to the Scheme sanctioned by the Hon'ble High Courts of Orissa & Gujarat. Company has redeemed 10% Cumulative Redeemable Preference Shares (Series B) of Rs.76 Lac with premium of Rs. 545 Lac. Series C & D of Rs. 40 Lac and Rs. 21 Lac are redeemable on 30th day of June, 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.
- (c) Pursuant to the Order of Hon'ble High Court of Gujarat confirming reduction of Preference Share Capital, the Company has converted 52,00,000 3.75% Cumulative Redeemable Preference Shares of Rs. 100 each into 3.75% Unsecured Loan w.e.f. 01.07.2006.

**Schedule 2****RESERVES AND SURPLUS**

Description	1 <sup>st</sup> July 2006	Additions	Transfers/ Adjustments	30 <sup>th</sup> June, 2007
Debenture Redemption Reserve	209.54	34.92	—	244.46
Capital Redemption Reserve	143.00	76.00	—	219.00
Revaluation Reserve	737.10	—	(b) 52.29	684.81
Securities Premium	20,349.36	—	(c) 545.00	19,804.36
General Reserve	1,452.98	500.00	(d) 258.06	1,694.92
Surplus in Profit and Loss Account	5,473.54	7,377.72	(a) 5,473.54	7,377.72
	<b>28,365.52</b>	<b>7,988.64</b>	<b>6,328.89</b>	<b>30,025.27</b>

- (a) To Profit and Loss Account
- (b) To Profit and Loss Account towards additional Depreciation arising out of revaluation of Fixed Assets (Previous year Rs. 53.36 Lac).
- (c) Premium on Redemption of Preference Shares adjusted (Previous year Rs. 545 Lac).
- (d) Deferred tax for the transitional period up to 30.06.2001 charged (note no. B 23 (b) Schedule 20).

Rs. in Lac (0.1 Million)

30<sup>th</sup> June, 2007

30<sup>th</sup> June, 2006

### Schedule 3

#### SECURED LOANS

Zero Coupon Bonds	1,144.22	1,144.22
Term Loans from Financial Institutions	5,941.43	3,991.97
Term Loans from Banks	41,269.95	41,236.71
Working Capital Loans from Banks	11,193.80	3,240.34
	<b>59,549.40</b>	<b>49,613.24</b>

#### NOTES:

##### A

- (i) Zero Coupon Bonds - I (ZCBs – I) of Rs. 1000 each aggregating to Rs.586.06 Lac, Series A & Series B (each of Rs. 293.03 Lac) are redeemable in 2 equal half yearly installments commencing from October 2008 and October 2009 respectively.

Zero Coupon Bonds - II (ZCBs – II) of Rs. 1000 each aggregating to Rs. 558.16 Lac, Series A, Series B (each of Rs. 186.03 Lac) & Series C (Rs. 186.10 Lac) are redeemable in 2 equal half yearly installments commencing from October 2007, October 2008 and October 2009 respectively.

ZCBs - I & ZCBs - II are secured by a first Mortgage and charge on all the immovable properties of the Company situated at Distt. Mehsana, Gujarat.

- (ii) Term Loans of Rs. 5,232.51 Lac (FIs – Rs. 732.44 Lac, Banks Rs. 4,500.07 Lac) are secured by first pari passu mortgage/charge created on the immovable & movable assets of Unit JK Paper Mills and immovable & moveable assets acquired after 01.04.2000 of Unit Central Pulp Mills of the Company.

Necessary steps and formalities to extinguish the charges on Paper Undertaking (JK Paper Mills) transferred to the Company continuing since the scheme of de-merger for debts not relating to Paper Undertaking are being taken in consultation with the Financial Institutions/Banks.

- (iii) Terms Loans of Rs 36,769.02 Lac (FIs – Rs 4,008.91 Lac, Banks Rs 32,760.11 Lac) are secured by means of first pari passu mortgage/charge created on the fixed assets of the company save and except specific assets exclusively charged in favour of specified lenders as mentioned in clause B and C.

- B** Term Loan of Rs 3,072.27 Lac from banks and Direct discounting facility (equipment) of Rs. 1,200.08 lac from Financial Institution are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.

- C** Term Loan of Rs 937.50 Lac from bank is secured by exclusive charge on the specific and movable assets of Unit Central Pulp Mills (CPM) existing before 01.04.2000. The said term loan is further secured by first pari passu charge on immovable assets of Unit CPM existing before 01.04.2000.

- D** Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured by a second charge on the immovable assets of the Company.

- E** Installments of Term Loans repayable within one year - Rs. 10,021.87 Lac.

- F** Term loans from Financial Institutions and Banks include Rs. 10,156.17 Lac foreign currency loans.

Rs. in Lac (0.1 Million)

30<sup>th</sup> June, 200730<sup>th</sup> June, 2006**Schedule 4****UNSECURED LOANS**

Fixed Deposits	<b>1,947.25</b>	2,789.68
1.25% Foreign Currency Convertible Bonds Due 2011 (FCCB's)	<b>2,051.50</b>	2,322.00
Buyers Credit facilities from Bank	<b>952.43</b>	—
Interest free Deferred Payment Liabilities	<b>578.05</b>	1,052.59
Term Loan from Others	<b>5,200.00</b>	—
	<b>10,729.23</b>	6,164.27

**NOTES:**

- (i) The bondholders have an option to convert FCCB's into equity shares at an initial conversion price of Rs. 95 per equity share at a fixed rate of exchange of Rs. 44.69=US \$ 1, from April 4, 2006 to March 17, 2011. The bonds are redeemable on March 30, 2011 at 130.441 percent of the principal amount, unless previously converted or purchased and cancelled. Premium on redemption, if any, will be provided in the year of redemption.
- (ii) Installments of Buyers Credit repayable within one year - Rs. 952.43 Lac.

**Schedule 5****FIXED ASSETS**

Rs. in Lac (0.1 Million)

Description	GROSS BLOCK (b)				DEPRECIATION				NET BLOCK	
	As at 1 <sup>st</sup> July, 2006	Additions/ Adjust-ments	Sales/ Adjust-ments	As at 30 <sup>th</sup> June, 2007	Upto last year	For the year	On Sales/ Adjust-ments	To date	As at 30 <sup>th</sup> June, 2007	As at 30 <sup>th</sup> June, 2006
	(a)									
Land - Freehold	37.13	289.17	-	<b>326.30</b>	-	-	-	-	<b>326.30</b>	37.13
- Leasehold	20.60	-	-	<b>20.60</b>	1.62	0.26	-	1.88	<b>18.72</b>	18.98
Buildings	10,253.63	345.06	-	<b>10,598.69</b>	2,333.34	278.09	-	2,611.43	<b>7,987.26</b>	7,920.29
Plant & Machinery	87,452.48	5,375.56	624.40	<b>92,203.64</b>	29,349.60	4,405.06	245.41	33,509.25	<b>58,694.39</b>	58,102.88
Furniture, Fixtures & Equipments	1,115.19	239.23	18.58	<b>1,335.84</b>	419.51	128.00	6.39	541.12	<b>794.72</b>	695.68
Vehicles & Locomotives	867.57	242.57	103.49	<b>1,006.65</b>	202.23	82.63	37.23	247.63	<b>759.02</b>	665.34
Railway Sidings	464.41	-	-	<b>464.41</b>	121.38	21.20	-	142.58	<b>321.83</b>	343.03
Intangible Assets										
- Performance Improvement & Development (c)	486.89	-	-	<b>486.89</b>	251.57	97.38	-	348.95	<b>137.94</b>	235.32
- Software (c)	566.78	110.20	-	<b>676.98</b>	0.62	113.43	-	114.05	<b>562.93</b>	566.16
						(d)				
Total	101,264.68	6,601.79	746.47	<b>107,120.00</b>	32,679.87	5,126.05	289.03	37,516.89	<b>69,603.11</b>	68,584.81
Previous year	89,002.63	13,309.08	1,047.03	101,264.68	28,509.55	4,755.53	585.21	32,679.87	68,584.81	

**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 are being depreciated @ 20% p.a.
- d) Depreciation for the year aggregating to Rs. 26.88 Lac (Previous year Rs. 15.03 Lac) has been allocated to pre-operative expenses.



Rs. in Lac (0.1 Million)  
30<sup>th</sup> June, 2006

30<sup>th</sup> June, 2007

## Schedule 6

### INVESTMENTS (Non-trade)

Nos. Book Value

Nos. Book Value

#### Long-term Investments (Quoted)

(Equity Shares fully paid up)

JK Lakshmi Cement Ltd.

108,000

51.56

108,000

51.56

J.K. Udaipur Udyog Ltd.

5,000,000

500.00

5,000,000

500.00

Ashim Investment Company Limited

12,000

5.73

12,000

5.73

#### Long-term Investments (Unquoted)

Radical Research Limited

Zero Coupon Redeemable Preference Shares

—

—

800,000

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 Nil and sold 19,418 units)

—

—

19,418

1.97

SBI - Magnum Institutional Income Fund - Growth

(Purchased 13,15,91,525 units and sold 13,16,02,659 units)

—

—

11,134

1.27

Total

557.34

1,360.58

Aggregate book value of quoted investments

557.29

557.29

Aggregate book value of unquoted investments

0.05

803.29

Aggregate market value of quoted investments

188.19

162.47

Purchased and Sold during the year

NIL

## Schedule 7

### INVENTORIES

(As certified by the Management)

Raw Materials

3,322.07

3,160.02

Stores, Spares and Chemicals

3,263.71

2,871.69

Finished Goods

2,253.51

2,218.79

Stock-in-process

801.42

710.06

9,640.71

8,960.56

	Rs. in Lac (0.1 Million)	
	30 <sup>th</sup> June, 2007	30 <sup>th</sup> June, 2006

#### Schedule 8

##### SUNDRY DEBTORS

(Unsecured and considered good, net of provision)

Exceeding six months	2,108.85	2,053.92
Other Debts	8,615.25	9,644.71
	<u>10,724.10</u>	<u>11,698.63</u>

#### Schedule 9

##### CASH AND BANK BALANCES

Cash on hand	29.43	29.24
Cheques/Drafts on hand	131.74	284.99
Balances with Scheduled Banks :		
On Current Accounts	5.15	6.49
On Unclaimed Dividend Accounts	8.14	8.71
On Deposit Accounts (Lodged with Government Authorities and Others Rs. 65.09 Lac, Previous year Rs. 63.24 Lac)	306.83	343.82
On Savings Bank Accounts (Employees Security Deposit)	1.24	1.45
	<u>482.53</u>	<u>674.70</u>

#### Schedule 10

##### LOANS AND ADVANCES

(Unsecured and considered good, net of provision)

Advances recoverable in cash or in kind or for value to be received	14,731.19	12,448.20
Income Tax (Net)	647.83	91.11
MAT Credit Entitlement	963.10	460.71
Deposits with Government Authorities and Others	1,338.04	1,209.94
	<u>17,680.16</u>	<u>14,209.96</u>

Rs. in Lac (0.1 Million)

30<sup>th</sup> June, 2007

30<sup>th</sup> June, 2006

## Schedule 11

### CURRENT LIABILITIES AND PROVISIONS

#### Current Liabilities :

Acceptances	18.64	61.55
Sundry Creditors	10,926.38	7,520.94
Unclaimed Dividends @	8.14	8.71
Unclaimed Matured Deposits @	101.95	88.88
Interest accrued on Unclaimed Matured Deposits @	13.60	20.18
Other Liabilities	2,674.41	2,234.87
Interest accrued but not due on Loans	509.83	369.36
	<u>14,252.95</u>	<u>10,304.49</u>

#### Provisions:

Provision for Retirement benefits	1,411.88	1,701.28
Provision for Fringe Benefit Tax (Net)	33.00	15.04
Proposed Dividend	1,766.47	539.14
Tax on Proposed Dividend	300.21	75.61
	<u>17,764.51</u>	<u>12,635.56</u>

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

## Schedule 12

### OTHER INCOME

Profit on sale of Fixed Assets (Net of Loss Rs. 10.37 Lac)	22.92	—
Provisions of earlier years no longer required (Net of Rs. 2.26 Lac, Previous year Rs. 3.84 Lac)	69.93	62.88
Profit on sale of Current Investments	5.54	26.62
Miscellaneous Income (Refer Note B 9 (a) Schedule 20)	332.11	47.42
	<u>430.50</u>	<u>136.92</u>

## Schedule 13

### INCREASE / DECREASE ( ) IN STOCKS

#### Opening Stocks

Stock-in-process	710.06	696.18
Finished Goods	2,218.79	1,273.63

#### Stock Carried from Pre-operation period :

Stock-in-process	—	55.61
Finished Goods	—	329.29
	<u>2,928.85</u>	<u>2,354.71</u>

#### Closing Stocks

Stock-in-process	801.42	710.06
Finished Goods	2,040.76	2,218.79
	<u>2,842.18</u>	<u>2,928.85</u>
Increase / Decrease ( )	<u>(86.67)</u>	<u>574.14</u>

	Rs. in Lac (0.1 Million)	
	2006-07	2005-06
<b>Schedule 14</b>		
<b>EMPLOYEES</b>		
Salaries, Wages, Bonus and Gratuity etc.	7,352.47	6,601.59
Contribution to Provident and Other Funds	496.32	453.36
Employees' Welfare and other benefits	1,138.98	991.54
	<u>8,987.77</u>	<u>8,046.49</u>

**Schedule 15**

**MATERIALS AND MANUFACTURING**

Raw Materials Consumed	17,485.50	15,977.08
Excise Duty on variation of Stock	18.13	90.50
Consumption of Stores, Spares and Chemicals	17,062.16	15,161.94
Purchase of Finished Goods	7,197.75	5,258.38
Power, Fuel and Water	6,036.48	5,649.20
Repairs to Buildings	394.19	253.49
Repairs to Machinery	314.74	207.77
	<u>48,508.95</u>	<u>42,598.36</u>

**Schedule 16**

**OTHER EXPENSES**

Rent (Net of realisation Rs. 4.94 Lac Previous year Rs. 2.54 Lac)	137.26	129.95
Rates & Taxes	29.87	101.01
Insurance	96.83	92.68
Commission on Sales	34.39	79.04
Directors' Fee	2.13	1.70
Directors' Commission	20.00	9.25
Assets written off	—	4.91
Loss on Sale of Fixed Assets (Net of Profit Rs. 26.81 Lac in Previous year )	—	87.43
Deferred Revenue Expenditure Written off	229.32	322.76
Share Issue Expenses	—	192.66
Less: Amount adjusted against Securities Premium	—	(192.66)
Bank charges, Printing & Stationery, Postage, Telephone and Other Misc. Expenses	<u>2,150.35</u>	<u>2,111.92</u>
	<u>2,700.15</u>	<u>2,940.65</u>

Rs. in Lac (0.1 Million)

**2006-07**

**2005-06**

**Schedule 17**

**INTEREST AND LEASE RENT**

Interest on :

Term Loans, Debentures and Fixed Deposits  
One Time Additional Interest - Exceptional Item  
Less: Transfer from General Reserve  
Others

	<b>3,349.08</b>	3,319.35
-		159.00
-	-	(159.00)
	<b>604.12</b>	574.76
	<b>3,953.20</b>	3,894.11

Less: Interest Income

(Include Tax deducted at Source - Rs. 72.96 Lac  
Previous year Rs. 110.41 Lac)

<b>384.00</b>	543.47
<b>3,569.20</b>	3,350.64
<b>2.61</b>	29.48
<b>3,571.81</b>	3,380.12

Lease-rent on Machinery

**Schedule 18**

**DEPRECIATION**

Depreciation on Fixed Assets  
Less: Transferred from Revaluation Reserve

<b>5,099.17</b>	4,740.51
<b>52.29</b>	53.36
<b>5,046.88</b>	4,687.15

**Schedule 19**

**DIVIDENDS**

On Preference Shares - Interim  
- Proposed  
On Equity Shares - Interim  
- Proposed

<b>7.60</b>	154.76
<b>8.10</b>	70.24
-	770.98
<b>1,758.37</b>	468.90
<b>1,774.07</b>	1,464.88

## 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 24.1.1987 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. The liability for gratuity is funded through a trust.

## Schedule 20 (Contd.)

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.
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. The Company is liable to pay Income-Tax for the year under the provisions of Section 115JB of the Income Tax Act, 1961. Based on expert opinion, Deferred Tax as provided in the books of accounts and Corporate Dividend Tax have been considered as admissible deduction from net profit for determining Book Profit under Section 115JB (2) of the Income Tax Act, 1961. However the same has no impact on the Profit and Loss Account of the current year.  
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 shares 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. 4,372.41 Lac (Previous year Rs. 15,902.96 Lac).
2. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

	Rs. in lac (0.1 million)	
	30 <sup>th</sup> June, 2007	30 <sup>th</sup> June, 2006
a) Excise duty liability in respect of matters in appeals	299.90	575.77
b) Sales tax liability in respect of matters in appeals	432.10	452.65
c) Other Matters	1,741.60	9,79.97
d) Foreign Exchange Fluctuation Liability (Pertaining to Pre-take over period)	379.94	455.17

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. 4,227.24 Lac, which has been transferred to Revaluation Reserve during the year ended 31.3.1994.

## Schedule 20 (Contd.)

7. 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. 7,870 Lac (Previous year Rs. 7,870 Lac), to a body corporate Rs. 112.65 Lac (Previous year 76 Lac), loan to employees of Rs. 51.74 Lac (Previous year Rs. 49.74 Lac) in the ordinary course of business and as per service rules of the Company.

Maximum amounts outstanding from employees at any time during the year were Rs. 64.38 Lac (Previous year Rs. 71.00 Lac).

8. a) Sales include export incentives of Rs. 142.45 Lac (Previous year Rs. 230.61 Lac).  
b) Discount includes Trade Discount Rs 3,176.98 Lac (Previous year Rs. 2,671.77 Lac) and other than Trade Discount Rs. 6,215.50 Lac (Previous year Rs. 6,938.07 Lac).  
c) Company is funding gratuity liability through a trust. Accordingly, payment made to trust has been adjusted from provision for retirement benefits.
9. a) Miscellaneous Income includes gain of Rs. 257.74 Lac on prepayment of loans and Rs. 0.12 Lac on account of dividend received during the year.  
b) Interest Income includes Rs. 18.15 Lac (Previous year Rs. 109.43 Lac) on deposits with banks, Rs. Nil (Previous year Rs. 7.49 Lac) on Income Tax refund & Rs. 365.85 Lac (Previous year Rs. 426.55 Lac) on others.
10. 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 pulp / 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 <sup>th</sup> June, 2007	30 <sup>th</sup> June, 2006
Cost of Pulp & Waste Paper	1,260.22	—
Base Paper (process stock)	—	92.67
Power and Fuel	555.22	11.75
Consumption of Chemicals, Stores & Spares	235.64	31.87
Salaries & Wages	309.53	115.29
Contribution to P F & Other Funds	48.25	2.89
Employee Welfare & Other benefits	0.82	13.79
Fees for Technical Assistance	223.73	461.19
Insurance	29.40	66.16
Foreign Exchange Fluctuation (net)	(253.68)	157.41
Travelling expenses	56.27	118.34
Excise Duty	196.74	1.34
Miscellaneous & Other Expenses	22.86	132.01
Borrowing Cost:		
Interest on Term Loans	313.16	186.86
On others	440.27	122.64
Add: Opening Stock (as on 01.07.2005)		
Finished Stock	—	246.81
Stock in process	—	14.31
	<b>3,438.43</b>	<b>1,775.33</b>
Less: Net Sales (inclusive of excise duty Rs. 183.20 Lac, Previous year Rs. 1.34 Lac)*	1,683.91	9.18
Finished Stock	212.75	329.29
Stock-in-process	—	55.61
Add: Expenditure upto previous year	1,119.80	2,030.80
<b>Total</b>	<b>2,661.57</b>	<b>3,412.05</b>
Less: Allocated to the Fixed Assets	336.74	2,292.25
	<b>2,324.83</b>	<b>1,119.80</b>

\*net of discounts – Rs. 300.85 Lac (Previous year Rs. 0.95 Lac).

## Schedule 20 (Contd.)

11. Stocks of Stores and Spares include in-transit Rs. 191.18 Lac (Previous year Rs. 138.37 Lac).
12. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs.58.79 Lac (Previous year Rs. 58.79 Lac).
13. The Company has not provided for the diminution (amount unascertainable) in the value of long term strategic investments of Rs. 5 Crore 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.
14. Fixed Assets taken on lease amount to Rs. 28.50 Lac (Previous year Rs. 1,871.99 Lac). Future obligations towards lease-rentals under the lease agreements as on 30<sup>th</sup> June 2007 are Rs. 31.72 Lac [Rs. 10.57 Lac within one year and Rs. 21.15 Lac later than one year but not later than five years] (Previous year Rs. 0.05 Lac within one year).
15. (a) Sundry Creditors include Rs. 198.15 Lac (Previous year Rs. 79.09 Lac) due to small scale industrial undertakings to the extent such parties have been identified from available information and Rs. 10,728.23 Lac (Previous year Rs. 7,441.85 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.
  - (b) Based on information so far available with the company upto 30<sup>th</sup> June 2007 in respect of SME (as defined in 'The Micro Small & Medium Enterprises Developments Act 2006') there is no delay in payment of dues to such enterprises.
  - (c) The Balances of certain Debtors, Advances, Security Deposits, Creditors and Other liabilities are in the process of confirmation/reconciliation.
16. Consumption of Stores, Spares and Chemicals is net of scrap sale of Rs. 325.64 Lac (Previous year Rs. 341.97 Lac).
17. (a) Exchange difference (net debit) amounting to Rs. 31.79 Lac (Previous year net debit Rs. 20.36 Lac) has been included in respective heads of account in Profit and Loss Account.
  - (b) Sales/Adjustments to fixed assets include 1,339.52 Lac (net) (Previous year Rs. 262.67 Lac (net) includes in addition) on account of foreign exchange rate fluctuations.
  - (c) Forward contracts US \$ 9.52 Million - Rs. 3,906.09 Lac (Previous year US \$ 4.54 Million - Rs. 2,474.11 Lac), EUR 0.58 Million - Rs. 320.68 Lac (Previous year Nil), YEN 1,284.59 Million - Rs. 4,280.26 Lac (Previous year Nil) taken for the purpose of hedging of the loans and US \$ 0.50 Million - Rs. 205.16 Lac (Previous year US \$ 1.03 Million - Rs. 479.11 Lac) taken for the purpose of hedging of debtors are outstanding as at 30<sup>th</sup> June 2007.
  - (d) Foreign currency exposure not hedged as at 30<sup>th</sup> June 2007 are US \$ 13.41 Million - Rs. 5,500.98 Lac [net of receivable US \$ 0.22 Million - Rs. 88.75 Lac] (Previous year US \$ 16.94 Million - Rs. 7,869.25 Lac [net of receivable US \$ 0.30 Million - Rs. 140.10 Lac]), GBP 0.001 Million - 0.97 Lac (Previous year GBP 0.03 Million - Rs. 28.72 Lac), EUR 2.91 Million - Rs. 1,607.15 Lac (Previous year EUR 3.01 Million - Rs. 1,779.83 Lac), CHF Nil (Previous year CHF 0.09 Million - Rs. 35.34 Lac) and YEN 0.09 Million - Rs. 0.29 Lac (Previous year Nil).
18. Research and Development expenditure amounting to Rs. 146.12 Lac (Previous year Rs. 103.69 Lac) has been charged to Profit and Loss Account.
19. Miscellaneous Expenditure to the extent not written off include:

		Rs. in lac (0.1 million)	
		30 <sup>th</sup> June, 2007	30 <sup>th</sup> June, 2006
a)	Deferred Revenue Expenditure amortised over the expected duration of benefit i.e. five years :		
	i) Expenditure relating to forestry development, expenditure relating to enhancement of business performance including cost compression and strategic planning having long term benefits.	40.62	145.44
	ii) Compensation paid to employees under VRS	86.52	116.54
b)	Syndication Fee, Upfront Fee etc. amortised over tenure of loans	111.96	139.13

## Schedule 20 (Contd.)

		Rs. in lac (0.1 million)	
20. Amount Paid to Auditors (including service tax):		2006-07	2005-06
(i)	Statutory Auditors :		
	Audit Fee	6.07	6.06
	Tax Audit Fee	1.35	1.35
	Other Services	1.14	2.84
	Reimbursement of expenses	0.69	0.26
		<u>9.25</u>	<u>10.51</u>
(ii)	Cost Auditors :		
	Cost Audit Fee	0.44	0.37
	Reimbursement of expenses	0.06	0.03
		<u>0.50</u>	<u>0.40</u>
21. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956:			2006-07
Profit before tax as per Profit & Loss Account			7,168.54
Add : Managerial Remuneration		656.20	
	Directors' Fee	2.13	
	Commission to Non Executive Directors	20.00	
	Wealth Tax	8.24	
			<u>686.57</u>
			7,855.11
Less : Profit on sale of Current Investments			22.93
	Less Profit on sale of assets (Net)		5.54
	Net profit as per section 198 of the Companies Act, 1956		<u>7,826.64</u>
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		333.03
b)	Non Executive Directors, as approved by the Board of Directors		20.00
Managerial Remuneration #:		2006-07	2005-06
i)	Salaries	202.96	149.56
ii)	Commission	333.03	257.92
iii)	Contribution to Provident and Other Funds	45.89	40.38
iv)	Value of Perquisites(as per Income-Tax rules)	74.32	48.03
		<u>656.20</u>	<u>495.89</u>
# excludes actuarial provision of gratuity & leave encashment.			
22. Expenses included under other heads of account:			
	Salaries, Wages, Bonus and Gratuity etc.	288.37	338.85
	Contribution to Provident and Other Funds	21.41	21.58
	Employees' Welfare and Other benefits	47.87	27.86
	Consumption of Stores and Spares	31.86	32.97
	Power, Fuel and Water	0.59	0.59
	Repairs to Buildings	0.10	0.03
	Repairs to Machinery	—	0.99
	Rent	5.93	9.58
	Insurance	5.73	6.97
	Rates and Taxes	19.73	16.97
	Royalty for Bamboo	448.52	349.83
	Miscellaneous Expenses	411.88	356.16
	Deferred Revenue Expenditure Written off	—	10.97
		<u>1,281.99</u>	<u>1,173.35</u>

## Schedule 20 (Contd.)

Rs. in lac (0.1 million)

**30<sup>th</sup> June, 2007**    30<sup>th</sup> June, 2006

23. a) Pursuant to the Accounting Standard for 'Taxes on Income' (AS 22), deferred tax liability ( ) /assets for the current financial year is:
- |  |                          |                          |
|--|--------------------------|--------------------------|
| i) Difference between book value of depreciable assets as per books of account and written down value as per Income Tax. | <b>(11,843.31)</b>       | (9,089.95)               |
| ii) Carried forward unabsorbed depreciation  | <b>1,737.40</b>          | 1,982.04                 |
| iii) Others  | <b>586.09</b>            | 273.04                   |
|  | <b><u>(9,519.82)</u></b> | <b><u>(6,834.87)</u></b> |
- b) The Company has provided deferred tax liability of Rs. 258.06 Lac for the transitional period up to 30.06.2001 during the current year against opening balance of general reserve.
- 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 and MAT credit entitlement.

24. 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 Tyre & Industries Limited  
JK Lakshmi Cement Limited

Both these parties ceased to be related parties w.e.f. 18<sup>th</sup> April 2007 as per AS 18.

ii. Key Management Personnel

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

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

Rs. in Lac (0.1 million)

Nature of Transactions	Associates		Key Management Personnel	
	2006-07	2005-06	2006-07	2005-06
(i) Sale of Fixed Assets	<b>7.75</b>	—	—	—
(ii) Sharing of Expenses - received	<b>149.87</b>	172.74	—	—
(iii) Sharing of Expenses - paid	<b>195.47</b>	110.09	—	—
(iv) Purchase of Goods	<b>244.88</b>	97.33	—	—
(v) Sale of Goods	<b>9.06</b>	17.02	—	—
(vi) Interest received	—	—	—	0.02
Outstanding as on 30th June Receivable	<b>23.21</b>	19.28	—	—

Details of remuneration to Key Management Personnel are given in the note 21 above.

## Schedule 20 (Contd.)

### 25. Earnings per Share:

		Rs. in Lac (0.1 million)	
		30 <sup>th</sup> June 2007	30 <sup>th</sup> June 2006
a)	Profit after tax	<b>4,590.55</b>	3,552.14
	Less : Preference Dividend (including tax on Dividend)	<b>18.37</b>	256.56
	Profit attributable to Ordinary Shareholders @	<b><u>4,572.18</u></b>	<u>3,295.58</u>
b)	Weighted average No. of Ordinary Shares		
	- Basic	<b>7,81,49,939</b>	6,16,24,788
	- Effect of Conversion Option	<b>23,52,105</b>	5,99,304
	- Diluted	<b>8,05,02,044</b>	6,22,24,092
c)	Nominal Value of Ordinary Share (Rs.)	<b>10.00</b>	10.00
d)	Earnings per Ordinary Share considering		
	- Basic	<b>5.85</b>	5.35
	- Diluted	<b>5.68</b>	5.30

@ Profit for calculation of diluted EPS is same since the interest on FCCB has been capitalized

### 26. 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	1,80,000	1,95,932*	2,11,565	93,255.04	6,462	2,218.79	5,458	2,040.76
Previous Year	Tonnes	1,80,000	1,84,982	1,97,313	84,461.87	4,303	1,273.63	6,462	2,218.79

\*includes 2,922 MT used as internal transfer in Packaging Board

#### Notes:

- (a) Production, Sales & Closing stock excludes 7,097 MT (Previous year -344 MT), 6,466 MT (Previous year -20 MT) (value Rs. 1,984.76 Lac- Previous year -Rs 9.18 lac) and 631 MT (Previous year - NIL) (value Rs. 212.75 Previous year - NIL) respectively on account of trial run of Packaging Board (Previous year on Coated Paper).

### 27. Purchase of finished goods (Paper and Board) during the year 17,551 tonnes (Previous year – 13,432 tonnes).

### 28. Particulars of Raw Materials consumed:

		2006-07		2005-06	
		Quantity (Tonnes)	Amount Rs. in Lac (0.1 million)	Quantity (Tonnes)	Amount Rs. in Lac (0.1 million)
(i)	Bamboo	<b>1,79,095</b>	<b>6,255.35</b>	1,56,981	5,110.72
(ii)	Hardwood	<b>2,75,996</b>	<b>11,395.36</b>	2,84,876	10,798.45
(iii)	Pulp & Others	<b>5,736</b>	<b>829.14</b>	393	102.68
			<b><u>*18,479.85</u></b>		<b><u>*16,011.85</u></b>

\*includes Rs. 264.86 Lac in pulp cost transferred to Packaging Board (Previous year -Rs 34.77 Lac in base paper cost transferred to Coated Paper) and Rs. 729.49 Lac trial run consumption.

## Schedule 20 (Contd.)

		Rs. in Lac (0.1 million)	
		2006-07	2005-06
29. Other Particulars:			
(a) Earnings in Foreign Exchange on account of export of goods at FOB Value		<b>2,986.65</b>	3,419.81
(b) CIF Value of Imports :			
i) Raw Materials		<b>622.86</b>	43.88
ii) Stores, Spares and Chemicals		<b>1,330.00</b>	856.29
iii) Capital Goods		<b>7,015.53</b>	3,804.72
iv) Others		<b>—</b>	<b>—</b>
		<b><u>8,968.39</u></b>	<b><u>4,704.89</u></b>
(c) Expenditure in Foreign Currency (as remitted) on account of:			
i) Interest payment in Rupee to Financial Institutions/Banks on foreign currency loans		<b>327.15</b>	185.77
ii) Consultancy		<b>420.83</b>	115.75
iii) Others		<b>142.27</b>	86.50
		<b><u>890.25</u></b>	<b><u>388.02</u></b>
(d) Remittance in foreign currency on account of Dividend for the year – 2005-06 (Previous year 2005-06 & 2004-05)			
Number of Non-resident Shareholders (No.)		<b>1</b>	2
Number of Equity Shares held by them (No.)		<b>25,00,000</b>	25,00,500
Amount of Dividend remitted		<b>15.00</b>	85.01

		2006-07		2005-06	
		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		<b>548.39</b>	<b>2.97</b>	58.23	0.36
Indigenous		<b>17,931.46</b>	<b>97.03</b>	15,953.62	99.64
		<b><u>*18,479.85</u></b>	<b><u>100.00</u></b>	<b><u>*16,011.85</u></b>	<b><u>100.00</u></b>
ii) Stores, Spares and Chemicals:					
Imported		<b>1,455.11</b>	<b>8.18</b>	912.73	5.85
Indigenous		<b>16,333.80</b>	<b>91.82</b>	14,677.60	94.15
		<b><u>*17,788.91</u></b>	<b><u>100.00</u></b>	<b><u>*15,590.33</u></b>	<b><u>100.00</u></b>

\*includes Rs. 264.86 Lac in pulp cost transferred to Packaging Board (Previous year –Rs 34.77 Lac in base paper cost transferred to Coated Paper) and Rs. 729.49 Lac trial run consumption.

\*includes Rs. 133.61 Lac in pulp cost transferred to Packaging Board (Previous year –Rs 21.58 Lac base paper (process stock) cost transferred to Coated Paper), Rs. 235.64 Lac (Previous year –Rs 31.87 Lac) trial run consumption, Rs. 325.64 Lac (Previous year –Rs 341.97 Lac) scrap sale & Rs. 31.86 Lac (Previous year –Rs 32.97 Lac) grouped in other head of account.

30. 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 Secretray

H.S. SINGHANIA  
H.P. SINGHANIA  
DHIRENDRA KUMAR  
GAJANAN KHAITAN  
O.P. GOYAL  
R.V. KANORIA  
SHAIENDRA SWARUP  
S.K. PATHAK

Chairman  
Managing Director

Directors

New Delhi, the 25<sup>th</sup> October, 2007

## 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	30.06.2007

### 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	11,771,971
Total Assets	11,771,971
<b>SOURCES OF FUNDS</b>	
Paid-up Capital	789,599
Reserves & Surplus	3,002,527
Deferred Tax Liability	951,982
Secured Loan	5,954,940
Unsecured Loan	1,072,923
<b>APPLICATION OF FUNDS</b>	
Net Fixed Assets	9,616,028
Investments	55,734
Net Current Assets	2,076,299
Miscellaneous Expenditure	23,910

### IV. PERFORMANCE OF THE COMPANY

(Amount in Rs./Thousands)

Turnover including Other Income	7,607,165
Total Expenditure	6,890,311
Profit before Tax	716,854
Profit after Tax	459,055
Earnings Per Share (Rs.)	5.85
Dividend Rate (%)	22.5%

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

(As per Monetary terms)

Item Code No.	4907.00
Product Description	Paper and Board

As per our report of even date

S.C. GUPTA  
Company Secretray

H.S. SINGHANIA	Chairman
H.P. SINGHANIA	Managing Director
DHIRENDRA KUMAR	
GAJANAN KHAITAN	
O.P. GOYAL	
R.V. KANORIA	
SHAILENDRA SWARUP	
S.K. PATHAK	

Directors

New Delhi, the 25<sup>th</sup> October, 2007

# CASH FLOW STATEMENT

For the year ended 30<sup>th</sup> June 2007

Rs. in Lac (0.1 Million)

	2006-07	2005-06
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit before Tax and Extra-ordinary Items	7,168.54	5,432.97
<b>Adjustments for :</b>		
Depreciation	5,046.88	4,687.15
Income from Investment	(5.54)	(26.62)
Profit on sale of Assets (Net)	(22.92)	87.43
Interest and Lease Rent (Net)	3,571.81	3,380.12
Assets Written off	-	4.91
Miscellaneous Expenditure Written off	229.32	333.73
Provision for earlier years no longer required	(69.93)	(62.88)
Operating Profit before Working Capital Changes	15,918.16	13,836.81
<b>Adjustments for :</b>		
Trade and Other Receivables	(1,635.61)	(387.03)
Inventories	(680.15)	(1,697.74)
Trade and Other Payables	2,342.60	678.18
Cash generated from Operations	15,945.00	12,430.22
Taxes paid	(1,192.25)	(513.88)
Miscellaneous Expenditure	(67.31)	(13.77)
<b>Net Cash from Operating Activities</b>	<b>14,685.44</b>	<b>11,902.57</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(22,290.12)	(14,537.86)
Sale of Fixed Assets	480.36	369.48
Sale/(Purchase) of Investments (Net)	808.78	618.78
Interest Received	583.00	756.93
<b>Net Cash from Investing Activities</b>	<b>(20,417.98)</b>	<b>(12,792.67)</b>

# CASH FLOW STATEMENT (Contd.)

For the year ended 30<sup>th</sup> June 2007

Rs. in Lac (0.1 Million)

	2006-07	2005-06
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Issue of Equity Share Capital	-	15,310.10
Redemption of Preference Share Capital incld. Premium	(621.00)	(688.00)
Share Issue Expenses	-	(192.66)
Proceeds of Long-term Borrowings	12,718.43	7,940.68
Repayment of Long-term Borrowings	(10,174.39)	(11,041.25)
Proceeds/(Repayment) from Short-term Borrowings (Net)	8,063.46	(3,454.07)
Interest and Lease Rent	(3,821.92)	(4,041.74)
One Time Additional Interest (exceptional)	-	(159.00)
Dividend (including Dividend Tax)	(624.21)	(2,568.01)
<b>Net Cash from Financing Activities</b>	<b>5,540.37</b>	<b>1,106.05</b>
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	(192.17)	215.95
E. Cash and Cash Equivalents as at the beginning of the year - Cash & Bank Balances (schedule No. 9)	674.70	458.75
F. Cash and Cash Equivalents as at the close of the year - Cash & Bank Balances (Schedule No. 9)	482.53	674.70

## Notes :

I. 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 Secretray

H.S. SINGHANIA  
H.P. SINGHANIA

DHIRENDRA KUMAR  
GAJANAN KHAITAN  
O.P. GOYAL  
R.V. KANORIA  
SHAILENDRA SWARUP  
S.K. PATHAK

Chairman  
Managing Director

Directors

New Delhi, the 25<sup>th</sup> October, 2007



## High Points of 2006-07

- *The first integrated pulp & paper mill in India to receive the First Category TPM Award from JIPM , Japan.*
- *Emission Reduction Purchase Agreement (ERPA) with Bio Carbon Fund of World Bank for sale of emissions reductions under a Clean Development Mechanism Project.*
- *Successful commissioning of the 60,000 TPA Coated Packaging Board plant.*
- *Unit CPM awarded the prestigious “Energy Conservation Award 2005-06” by Indian Paper Manufacturers Association (IPMA).*
- *Additional plantation coverage of 5800 hectares and distribution of more than 39 million saplings including Clonal plants.*
- *Growth of market share of Copier Papers through 27% increase in volumes against a market growth of 15%*
- *Highest ever Sales (211,565 tons) and Production (195,932 tons) volumes.*



**JK PAPER LTD.**

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

Ph.: 011-23311112/3 Fax: 011-23712680

**[www.jkpaper.com](http://www.jkpaper.com)**

Cover and inside pages printed on JK Cote - international quality coated paper manufactured by JK Paper Ltd.