

ANNUAL REPORT 2009 - 2010



A better paper. A greener world...



JK PAPER LTD.



Aerial view of JK Paper Mills, Rayagada (Orissa)

*Our world is standing
at the crossroads.*

*The question is, which path
do we take?*

*Enterprise at the price of
the environment?*

*Environment at the price
of enterprise?*

*Or, a viable middle path
enterprise in partnership
with the environment?*

*At JK Paper Limited, we have
written a saga of leadership
on paper that is truly green.*

*Today, our obsession with
raising the bar in paper production
is matched, equally,
by our passion for creating
a greener tomorrow...*

...we also plant trees

also plant trees
plant trees
plant trees

Remembering A Visionary

The Company is celebrating the birth centenary of its Founder, Lala Lakshmipat Singhania, one of the key architects of JK Organisation. As a true visionary, he laid the foundation for taking the Organisation to new heights in the journey of building a self reliant India. He was a dynamic leader who championed the cause of domestic industry with Indian ownership and management.

The JK Organisation became one of the top four private sector Groups in the country during his lifetime. He pioneered the manufacturing of many products, for the first time in India. Through a plant set up in West Bengal in 1944, he started the production of aluminium metal in India from Indian Bauxite for the first time. This metal was further converted into a complete range of aluminium products including aluminium foils. The company, Aluminium Corporation of India Limited, was one of the few integrated Aluminium plants in the world.

Lala Lakshmipat Singhania set up many successful companies in different parts of the country, which provided thousands of job opportunities, particularly in the backward areas of rural India. These include, Straw Products Ltd in Bhopal in 1938 which commenced production of straw boards and later, paper boards. Production of high quality writing and printing paper was started in 1962 in Orissa and the company is now operating under the name of our own JK Paper Limited, known for its high value added products. He was also instrumental in setting up various other plants for the manufacture of Automobile Tyres (JK Tyre & Industries Ltd.) and Cement (JK Lakshmi Cement Ltd.), amongst many other initiatives of the group.

He was the Chairman of National Insurance Company for several years. The Company covered both life and general insurance activities. He made it grow as the 3rd largest insurance company of the country with the largest overseas network. However, Insurance (Life and General) as well as Aluminium were nationalised in India as a matter of the policy of the government.

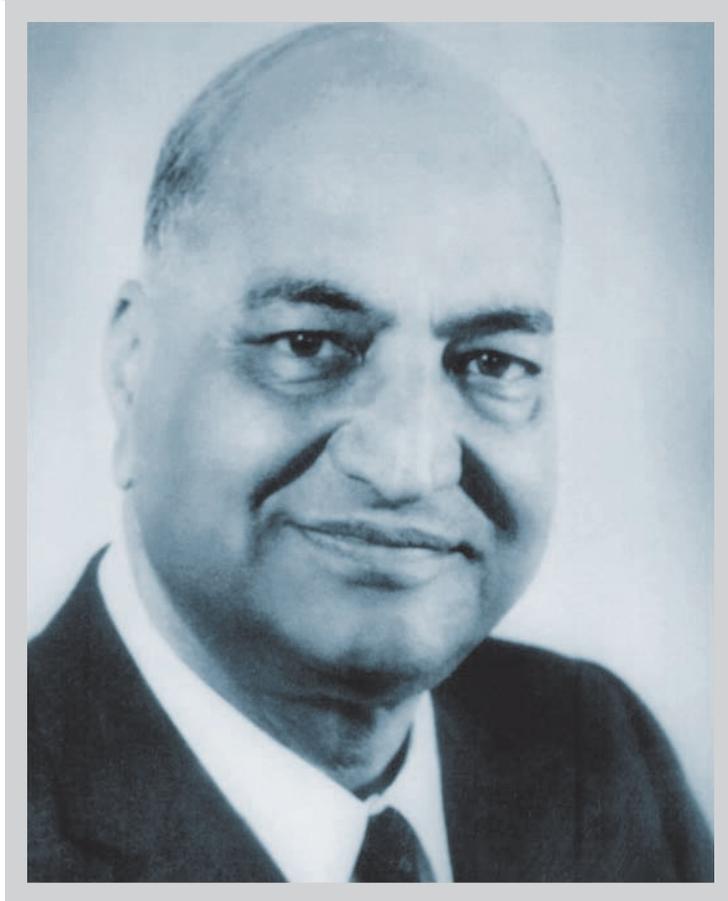
He was the guiding spirit for the JK Group to set up several medical and educational institutions across the country including scores of primary schools in the rural areas.

Lala Lakshmipat Singhania embodied the rare qualities that transcend time through their single-minded purpose, simplicity, vision and the constant working of an enquiring mind that rejects the status quo. Apart from being a philanthropist entrepreneur, he believed in the upliftment of society at large. He has left behind a value system based on Trust, Nationalism and Care which serves as a beacon for the Group Companies to charter their course into future. The core values are:

- Caring for people*
- Integrity including intellectual honesty, openness, fairness and trust*
- Commitment to Excellence*



Centenary Year



LALA LAKSHMIPAT SINGHANIA

1910 - 1976

KEY ARCHITECT OF JK ORGANISATION

“We seek a society which is proud of its past,
conscious of the present and full of hope for the future.”

From the pages of History...

FIRST ANNUAL GENERAL MEETING OF STRAW PRODUCTS LIMITED.

REPORT OF THE DIRECTORS

Your Directors are pleased to put before you the audited accounts for the period ending 31st December, 1939.

We beg to submit that the foundation stone of the Factory was laid on 2nd December, 1938, and the Factory started working on the 10th November, 1939. During this period hostilities broke out in Europe by the first week of September, 1939, and, therefore, there was delay by one or two months in starting the Factory. There were numerous troubles in getting some of the machineries, which had not arrived before, the war broke out, but with the efforts of your Managing Agents, the Company was able to get all the machineries, and the Factory started experimenting in the 4th week of October.

The account which is being submitted before you, as a matter of fact, is only for 50 working days, and you will see from the account that within a short period, your Company has made a profit of Rs. 3,109-0-2 after providing for all the starting charges of the Factory, and also for the accumulated expenses during the period of erection of the Plant, such as general expenses, stationery, preliminary and traveling expenses, brokerage on the shares, etc. All these expenses have been adjusted against the profit of this short period working of 50 days. Now there remains a balance of profit of Rs. 3,109-0-2, which your Directors suggest to set up against the depreciation amount of Rs. 5,091-11-0 for a period two months, leaving a balance on the debit side of Rs. 1,982-10-10.

The working of the Factory for this short period shows very clearly that there is a great prosperity in the manufacturing side of your Company. In the coming year, and your Directors hope that before they submit the next account, they will be able to declare a good dividend to the shareholders.

The Managing Agents of the Company, Messrs. Juggilal Kamlatpat, have foregone their underwriting commission on the shares amounting to Rs. 15,000-0-0.

PADAMPAT
KAILASHPAT
LAKSHMIPAT
SALAMUDDIN KHAN
MADANLAL
RAM KUMAR

} Directors

BHOPAL,
22nd January, 1940 }

Lala Lakshmipat Singhania's vision and zeal to contribute to the development of Indian Paper Industry led to the setting up of Straw Products Ltd. in 1938 at Bhopal to manufacture boards from straw, an agricultural residue. This passion was carried forward and resulted in setting up a modern Paper Mill with an annual capacity of 18,000 tonnes in 1962 in Orissa.

Through a process of modernisation, capacity expansion, inorganic growth (acquisition of Central Pulp Mills Limited) and subsequent merger of two corporate entities, JK Paper Limited came into being. Today, it has an annual production capacity of 2,40,000 tonnes with a diversified product portfolio like copier, coated and uncoated paper, virgin board etc. Presently the Company is the proud owner of a number of leading paper brands in India.



Left to Right: Shri. Hari Shankar Singhania, Sir Padampat Singhania, Lala Lakshmipat Singhania, Shri. P. S Navlakha.



Left to Right: Shri. Hari Shankar Singhania, Lala Lakshmipat Singhania, Sir Padampat Singhania, Shri. P.S.Navlakha



Left to Right: Shri Kailashpat Singhania, Lala Lakshmipat Singhania



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Board of Directors

HARI SHANKAR SINGHANIA

Chairman

HARSH PATI SINGHANIA

Managing Director

OM PRAKASH GOYAL

Whole-time Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

M.H. DALMIA

R.V. KANORIA

SHAILENDRA SWARUP

SHAILESH HARIBHAKTI

S.K. PATHAK

UDAYAN BOSE

VINITA SINGHANIA

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

Axis Bank

IDBI Bank

Canara Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills

Jaykaypur - 765 017

Rayagada (Orissa)

Central Pulp Mills

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

Auditors

Lodha & Co.

Chartered Accountants

New Delhi

Company Secretary

S. C. Gupta

Chairman's Statement

Dear Shareholder,

It is heartening to note that JK Paper was able to achieve the best ever performance in terms of sales turnover and profitability last year, a true tribute to Late Lakshmi Pat Singhania, one of the main architects of JK Organisation, whose Birth Centenary is being celebrated this year. Profits have more than doubled.

JK Paper has been ahead of its times and over the years, it has been expanding its capacity steadily, and more importantly, it has consciously moved up the value chain. Today almost its entire output comes from branded and value added products. Also, by entering the coated paper and virgin board segments, it has become an important player in all fast growing segments.

The Company has also been introducing new products and brands regularly to satisfy the varying requirements and needs of its ever increasing customer base. This along with the continued focus on quality of its products and building an extensive marketing network has been a major factor in retaining our market share despite tough competition.

Through modernisation and process innovation, the Company has been able to vastly improve its operational efficiencies and it is among the top paper companies in India in terms of high chemical recovery, low consumption of water and fuel per unit output and for achieving high environmental and pollution control standards.

The Packaging Board Plant came into production stream in record time and this has reflected our expertise in project management. Recent ramping up of production and bringing new packaging products into the market place shows the marketing strength of the company. The packaging board business was also able to withstand the turbulent times of

slowdown in some of the end users' segment. This is yet another illustration of the resilience of the company and the capability to take head-on challenges, however tough they may be.

All these will stand us in good stead when the next phase of capacity expansion begins shortly and once completed,

the Company would have a total annual production capacity of 3.6 lakh tonnes compared to 2.4 lakh tonnes now.

Though Indian Paper and Paper board industry experienced mild slowdown last year, its future prospects remain bright especially for branded and value added products. Indeed, India is already ranked among the top 15 global pulp and paper producers and over the next few years would improve this ranking even further, given the increasing income and consumerism in the country.



JK Paper has crossed many milestones in its journey towards growth and this has been made possible, thanks to the whole hearted cooperation and support from all the stakeholders- wholesalers, retailers, banks and financial institutions, machinery and raw material suppliers and most importantly, the staff and workforce at all levels.

I am sure the company would continue to get the same and indeed increased support and cooperation from all of you as it embarks on its march towards establishing itself as a major player in domestic and global pulp and paper business in the future.

With Best Wishes,

A handwritten signature in black ink, appearing to read 'Hari Shankar Singhania'.

HARI SHANKAR SINGHANIA

Managing Director's Message

Dear Shareholder,

There is a shift of balance taking place in the world pulp and paper industry. Emerging economies are increasing their share in global consumption and output. India in particular, is emerging as a major global player in pulp and paper industry, in view of the country's fast economic growth, rising population, income and living standards.

JK Paper has been making all-out efforts to benefit from these trends, by way of modernisation and diversification of its product basket to meet the needs of a wide range of customers. The packaging board business picked up further momentum last year, and our products have received good response in the domestic and international markets.

Our efforts of recent years have paid us rich dividends. Despite pricing pressures, challenging economic and market conditions, the Company's production increased by 7.4% for the year with an overall capacity utilization of 114%. The Packaging Board Plant, which is in its second full year of operations, operated at 118% capacity utilization. Also, the financial leverage ratios of the Company are quite comfortable at the end of the year, and the Company is well positioned to embark on its future expansion plan.

The uncompromising commitment to deliver world class products and services to end-users has been a major success factor in JK Paper, now acknowledged as a pioneer in creating a widely efficient marketing distribution network. Currently, the Company has 4700 business partners across the length and breadth of the country.

The growth of Indian paper industry has been constrained by availability of good quality raw materials at competitive prices. JK Paper has been no exception. To meet this challenge, our farm forestry activities have been pursued even more vigorously. The share of wood sourced from farm forestry currently stands at 76%. The greater emphasis that is being laid on farmers, within a radius of 100 kms from the factories, should help us to procure raw materials at affordable prices without any major hindrance in future.

There has been increasing societal expectation and pressure on businesses, especially on the pulp and paper industry,

regarding the need to take care of the environment and ecology. Similarly, the society at large expects the businesses to make greater efforts to improve the quality of life in and around its factories. In other words, business operations are expected to look beyond growth and profitability. This is true not only of the industry in advanced economies, but is as much applicable

to emerging economies like India.

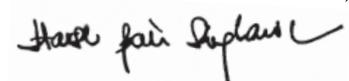
JK Paper has had a good record in pursuing its growth, even while taking care of its ecological environment and fulfilling its social responsibility. The Company has also availed itself a specific "Cleaner Production Lending Pilot Facility" loan from IFC (Washington) for further improving its environment and conservation management. This will help us achieve significant reduction in water consumption, improving energy efficiency leading to cost savings.

The Company also has been taking

measures to accelerate efforts on the community development front, so as to create a better quality of life for the people in the vicinity of its plants. The creation of a new NGO, named SPARSH, is a further step in this direction. While being proud of our achievements we also recognise the daunting challenges that lie ahead especially fierce competition from domestic as well as foreign players, and more importantly the challenge of having to meet rising expectation, from the society at large, as a socially responsible business enterprise. I have no doubt that with the support of all the stakeholders we would not only face these challenges resolutely but emerge as a much stronger and vibrant organisation in the times to come.



With Best Wishes,

A handwritten signature in black ink, which appears to read "Harsh Pati Singhania".

HARSH PATI SINGHANIA



Green Vision

Our Company has been one of the pioneers in the industry and introduced farm forestry way back in early 90s. Over the last 2 decades, the area covered under farm forestry programme has increased in a big way and cumulatively we have brought over 75,000 hectares under farm forestry in the States of Orissa, Andhra Pradesh, Gujarat, Maharashtra, Chhattisgarh and West Bengal. Over 40,000 farmers have already benefited from our farm forestry programme over the last two decades. The size of the programme can be imagined from the fact that currently we distribute close to 40 million seedlings annually, including the 5 million high yield cloned varieties developed at our nurseries and indigenous R&D efforts. In fact, we have every right to be legitimately proud of its Carbon Sequestration record.

To leverage our record and expertise developed over the last 2 decades, we have taken another innovative step and have signed a first of its kind agreement - The Emission Reduction Purchase Agreement (ERPA) in India with the World Bank's BioCarbon Fund. The ERPA will benefit small and marginal farmers in Orissa and Andhra Pradesh by helping them earn additional revenue through carbon credits by afforesting their severely degraded lands. Besides direct benefits to the farmers, the project brings benefits such as preventing soil erosion and protecting vital water resources through sustainable land management practices.

The project will further reduce deforestation of natural forests as wood based Industry will get raw materials from the afforested plots instead. The share of wood sourced from our farm forestry activities is steadily on the rise and has already crossed the 75% mark.





*Better Paper,
Greener Environment*

At JK Paper, we have always consciously stayed ahead of time and balanced our growth and profit objectives with care for the environment and society. We have long held the belief that business has a moral responsibility to take care of ecology, environment and society at large.

The paper production capacity of the Company has grown from 18,000 tonnes per annum in 1962 when JK Paper Mill was established to 2,40,000 tonnes per annum now. Over the decades we have vastly changed our product mix and today over 95% of our products are branded or value added. We have established a vast marketing network covering the entire length and breadth of the country and our products now address the needs of a wide spectrum of customers from households to high level corporate executives and high quality printers to publishers.

Even while we have grown multi-fold, we have been taking up proactive measures to continuously reduce effluents, both through adopting environment friendly technologies including installing recycling plants and taking up process innovations. The corporate policy has been to tackle environmental problems at the production stage rather than going in for end-of-pipe solutions. All these have ensured that the company's effluents are much lower than the standards prescribed from time to time. We have signed a voluntary Charter on Corporate Responsibility for Environment Protection (CREP) with the Government and are investing in creating further facilities for environment protection.

Our efforts in this have been recognized in the form of awards and accolades. For example, JK Paper has won the Greentech Environment Excellence Awards - Gold Award 2009 from Green Tech Foundation. Both our Units have got ISO 14001 Environment Management System certification with JK Paper Mills being the 1st Paper Mill in India to get this certification way back in 1998.





*Saving Resources
through Innovation*

JK Paper's corporate philosophy has been to conserve resources through continuous process innovations in addition to adopting more and more eco-friendly pulping and bleaching technologies. This has helped us in reducing the adsorbable organic halides (AOX) level by 50% over the last decade. Today, we rank among the few companies with high chemical recovery in the industry, by achieving a 95% level.

Better technology, process innovation, recycling, reuse and minimised waste water discharge have all helped reduce by 30% fresh water consumption and have substantially brought down effluent generation per metric tonne of paper over the last 3 years. These measures have helped our Company to emerge as one of the most efficient water users in the Indian Paper Industry.

Our company has also set up a demo irrigation project where treated effluent water is being gainfully utilised for irrigation purposes by farmers. Rain-water harvesting has been adopted for conservation of natural resource by recharging the rain water back to ground with the help of many wells inside the mills premises. We have also been able to reduce power and steam consumption per tonne of paper, thereby saving significant amount of energy.

Over the years, we have been following excellent solid waste management practices. Solid waste like fly ash, Effluent Treatment Plant (ETP) sludge and Lime sludge, Bamboo/Hardwood dust are either used in-house or sold outside for various uses. For example fly ash is used for brick manufacturing; sludge is used for manufacturing low grade paper products or used by farmers as manure or in acidic soil agricultural land. Dust from bamboo/hardwood is used as a fuel for coal fired boilers.

Recently, the International Finance Corporation conducted a Cleaner Production assessment of the Company which helped in identifying several specific initiatives for cost savings, low-cost upgrades and reducing the energy and water consumption. The IFC has provided a loan of USD 3 million to implement these initiatives. This is estimated to result in 17% reduction in water consumption and 10% savings in energy consumption. The savings envisaged equal the average annual water consumption of 75,000 Indian households and energy use of 9,100 families.





JK PAPER

EXCELLENCE THROUGH INNOVATION AND PASSION

| | | |
|------------|------|------------|
| PRODUCTION | DATE | 15-04-10 |
| PAPER | WT | 39674 5274 |
| PULP | ADMT | 32500 4613 |
| OWN POWER | WH | 1851 1858 |

SPEED LIMIT 15

Nurturing Excellence

Our Company has been fortunate to have a talented, hardworking and dedicated workforce at all levels. This has been achieved thanks partly to the Human Resource Development initiatives taken at various levels of our organisation. These initiatives help each of the employees to understand their strengths and weaknesses and more importantly HRD encourages people through special training to overcome their weak areas and improve on their strengths.

Setting up and operating an open channel of communication between employees and management to spread transparency and mutual respect across our rank and file has been an important step in this direction. In addition, we undertake an Employee Motivation and Satisfaction Survey through an external Agency from time to time and the valuable insights received help us to take measures to meet the objective of maximising satisfaction levels of employees.

A regular communication meet is organised by senior leadership at all locations, to promote awareness of various happenings and exchange information on wide ranging topics so that workforce at all levels know the issues that influence the business and this helps them to contribute their mite to the growth of the business. To further improve communication and ensure that everyone's on the same page, we have brought out a new magazine called "Reaching Out".

Our company identified young talent and deputed them for short term management & leadership development program at IIM Lucknow. Similarly high performers were identified and provided training as part of the accelerated development of leadership pipeline.

Our care for our employees is reflected in the fact that both our units have been certified for OHSAS 18001. Last year, the certification OHSAS 18001:1999 was upgraded to OHSAS: 18001:2007. We have also won the Best Practices in Industrial Relations 2009 award by Hooghly Chamber of Commerce and Industry.

Our company has completed the 2 stage audit process regarding TPM. We are now the proud recipient of The Award for Excellence in Consistent TPM Commitment conferred by the Japan Institute of Plant Maintenance (JIPM). Implementation of this Award has led to a strong teamwork and continuous development of individual skills at all levels.



DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 49th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

The Company is paying tribute to Lala Lakshmiapat Singhania (1910-1976), on his **Birth Centenary Year**. Late Lala Lakshmiapat Singhania was a key architect of JK Organization, a true visionary, who believed in the philosophy of inclusive growth for all sections of the society. The best ever performance by the Company is a benefiting tribute to the great founder.

FINANCIAL RESULTS

| | Rs in Crore (10 million) | |
|--|--------------------------|---------------|
| | 2009-10 | 2008-09 |
| Gross Sales | 1,299.57 | 1,268.34 |
| Profit before Interest and Depreciation | 245.46 | 182.24 |
| Interest & Financial Charges | 48.49 | 58.47 |
| Profit before Depreciation | 196.97 | 123.77 |
| Profit before Tax | 126.93 | 54.08 |
| Provision for Tax | 35.90 | 16.07 |
| Profit after Tax | 91.03 | 38.01 |
| Surplus brought forward | 111.95 | 93.90 |
| Total amount available for appropriation | <u>202.98</u> | <u>131.91</u> |
| APPROPRIATIONS: | | |
| Capital Redemption Reserve | 0.21 | 0.40 |
| General Reserve | 10.00 | 3.50 |
| Dividend: | | |
| - On Preference Shares (incl. Tax on Dividend) | 0.03 | 0.06 |
| - On Equity Shares (incl. Tax on Dividend) | 18.23 | 16.00 |
| Surplus carried to Balance Sheet | 174.51 | 111.95 |
| TOTAL | <u>202.98</u> | <u>131.91</u> |

DIVIDENDS

Your Directors are pleased to recommend a dividend of 20% on the Equity Capital. The dividend payable on Preference Share Capital (including interim dividend of Rs. 0.01 Crore) at the specified rate is Rs. 0.03 Crore. The total outgo including tax on account of dividend would be Rs. 18.26 Crore.

PERFORMANCE REVIEW

The Company's Gross Sales during the year was Rs. 1,299.57 Crore, the Operating Profit (PBIDT) was Rs. 245.46 Crore (an increase of 35% over previous year) and PAT stood at Rs 91.03 Crore as against Rs. 38.01 Crore during the previous year, an increase of 140%. These represent the highest ever Gross Sales, PBIDT and PAT achieved by the Company.

The Company's production increased to 273,755 tonnes (previous year 254,816 tonnes, an increase of 7.4% over previous year) and sales stood at 265,044 tonnes as against 256,918 tonnes in previous year. Overall, plant capacity utilization was 114% and it is heartening to note that the recently started Packaging Board plant operated at 118% in its second full year of operations. The Company, however, cut back its outsourced volumes due to volatility in the international markets and difficulty in getting supplies domestically.

The growth in Operating Profit (PBIDT) was possible due to increased capacity utilization in all the production lines, sales of more value added products in Packaging Board, strategic purchase of imported pulp at lower prices, and soft crude oil prices which made several petroleum based chemicals rule easy. Government's stimulus package also helped the industry in containing the effect of the slow down in demand in the early part of year. Interest expense came down significantly to Rs 48.49 Crore from Rs 58.47 Crore during the previous year, a decrease of 17%. This was possible due to large re-payment of loans out of cash generation, tighter credit and stocking policies leading to a reduction in working capital funds. The PAT consequently was higher by 140%, despite a higher provision for taxes at Rs 35.90 Crore (previous period Rs 16.07 Crore).

After the turmoil in the financial markets during the previous year, the year saw the beginnings of a recovery in the world economy, even if unevenly across geographies. India was one of the earliest to recover from the crisis and its monetary and fiscal management

before and during the crisis has been acclaimed widely. Despite a year of drought, industrial activity exhibited growth. This was reflected in Paper industry as well. Although, there was some sluggishness in output prices during the early part of the year due to cost cutting measures by several Government Departments and the corporate sector and new paper capacities coming on stream, prices recovered in the last quarter due to smart demand pick up.

Low per-capita consumption, increasing GDP growth rates, increased emphasis on education and literacy, growth in organized retail and demand for better quality papers and boards augur well for the sustained growth of the industry.

The Company is well positioned to take advantage of this growth due to its presence in all high value added segments. All the three major segments – Copier, Coated and Virgin Fibre based Packaging Boards – have grown for the last 4-5 years at double digit rates. Positive growth continued even during the turmoil seen in the last 18 months. The Company's extensive distribution reach and depth helps it in tackling competitive and price pressures.

The demand for the Company's flagship copier papers is linked to the performance and growth of the industrial sector, levels of activity in the service sector, besides use in the household and education sector. Although it had a modest start, the overall annual growth rate for the segment clocked double digits. During the last quarter most of the pipeline inventories got cleared, leading to hardening of prices. The Company continues to be the market leader in the segment with offerings across the entire spectrum with its well known brands such as JK Copier, JK Easy Copier, JK Copier Plus, Sparkle, and Cedar. Besides this, the Company also focuses on niche segments through specialty products like JK Excel Bond, MICR Cheque papers etc.

Coated paper prices were volatile during the first half of the financial year, tracking international prices and increased imports of coated paper. However, JK Paper was able to improve its performance through improved efficiency and lower chemical cost, even though realization fell marginally. The outlook for JK Cote, the Company's coated paper remains favourable especially as prices in the international market have moved up due to surge in paper price.

The Packaging Board business achieved substantial growth and turned in a strong performance. Production reached 118% of installed capacity with the entire production being high value added virgin fibre based boards by the middle of the year. You would be happy to note that all major brands – JK TuffCote, JK Ultima, and JK PureFil are now widely recognized and well received by the end consumers. Most of the end user industries using value added Packaging Boards such as the grades marketed by JK Paper are growing at a fast clip which should translate into better growth and profit performance for the segment.

During the year, the prices of imported pulp fell sharply. The Company increased its stock levels and resorted to strategic buying of pulp when the international prices touched their lowest levels in several years. This contributed significantly to profitability in the packaging board business. However, towards the end of the year, the pulp prices have once again risen sharply due to demand pick-up in China, restrictions in global wood supply and temporary capacity shuts in Chile due to the earthquake in February 2010. As a result, the Company has had to pass on part of these increases to its end customers.

While input costs remained under control, the availability of adequate quantity of linkage coal continues to pose problems.

Availability of raw material (wood) of appropriate quality at affordable prices will govern the growth and profitability of the paper industry. To ensure continued availability the Company continued to pursue farm forestry during the year with renewed focus on plantation within a 100 km radius of factory locations. However, plantation activity for the entire industry suffered due to emergence of gall disease leading to destruction of saplings and trees and resultant reduction in new plantation acreage. The industry hopes to recover from this in the coming year. The share of wood sourced from JK Paper farm forestry is steadily increasing and has touched 76% during the year.

EXPANSION

As mentioned previously, the Copier segment is growing steadily every year. In order to maintain the Company's leadership in this segment, JK Paper has embarked upon a major expansion programme. The

programme envisages installation of a new paper machine of 150,000 tpa and pulp mill of 200,000 tpa along with utilities. This will help the Company in taking advantage of newer and more efficient pulping technology, besides upgrading the quality of its copier paper. A dedicated team of qualified professionals have been put in place to work out the details of implementation. The Company will finance the project through an appropriate mix of debt, internal accruals and equity.

CUSTOMER SATISFACTION AND QUALITY

Any product is built on quality and the key is consistency in features and its performance. This in turn works as the key differentiator in developing a 'Brand' USP delivering a positive consumer experience. The Company's Quality Policy is to actively engage with the customer and provide them with desired quality products. For this it has dedicated technical service teams which work on providing end-to-end solutions. This intrinsic strength of JK Paper has enabled it to produce winning brands and stay ahead in the quality race in the Indian paper industry.

Keeping this philosophy in mind, the Company introduced high bright copier paper with brightness in the range of 97 degree ISO. The packaging board brands like Endura, JK Club Card etc. introduced this year are testimony to the Company's policy of tailoring its offerings to meet the constantly evolving needs of its consumers.

This is supplemented through constant market feedback and in-house research. The Company conducts periodic customer satisfaction surveys through in-house as well as independent agencies, which provides it with directions for product development, and service levels.

JK Paper's constant obsession towards excellence resulted in its winning the TPM Consistent Commitment Award this year, taking it a level up from winning the TPM Excellence Award- First Category previously.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in pursuing its business growth objectives in a socially responsible and ecologically sustainable way. It is committed to the health and safety of its employees and those in the neighbourhood and believes in inclusive growth.

JK Paper believes in committed to go beyond the stipulated environment standards and ensuring energy conservation and productive recycling of waste. Both its production units are certified for ISO 9001, ISO 14001 and OHSAS 18001. During the year our ISO 9001:2000 certification was upgraded to ISO 9001:2008 and OHSAS 18001:1999 certification was upgraded to 18001:2007.

The Company relentlessly pursues cleaner production processes that inherently reduce pollution levels and require lesser resources per unit of output. During the previous year the International Finance Corporation conducted a Cleaner Production assessment which helped in identifying several specific initiatives for cost savings, low-cost upgrades and reducing the energy and water consumption. It provided a loan of USD 3 million to implement these initiatives. This is estimated to result in 17% reduction in water consumption and 10% savings in energy consumption. The savings envisaged equal the average annual water consumption of 75,000 Indian households and energy use of 9,100 families.

The Company has installed lime sludge recycling plants at both its factories. State-of-the-art industrial Effluent Treatment Plant (ETP) ensures that the Company's effluents are well within the norms prescribed. The quality of effluents, water and air emissions are tested and monitored on an ongoing basis.

Treated effluents are re-cycled and used in factory processes or towards horticulture. In view of the acute drought and severe water shortage in the country, we have installed rainwater harvesting systems in our premises.

Our focus is on all-round development of the communities around our plants located in distant rural area and tribal belt. This includes education, health and family welfare, infrastructure development, social causes, sustainable development and livelihood generation. During the year another 21 Adult Literacy Centers were opened in the nearby villages, 26 Mobile medical camps in nearby villages to provide health care facilities to unprivileged people were organized. 25 Women Self-Help Groups have been formed in 12 adopted villages with a membership of 294 rural Women, mostly belonging to Tribal Community. As a part of Health Education, 29 Balika Mandals with 466

adolescent girls were formed for sensitizing the target audience on basics of health care.

The Company's social farm forestry programme, provides better livelihood opportunities to farmers as an endeavour to build a better, sustainable way of life for the weaker sections of society.

To further intensify our efforts on the Community Development front and thereby to create a better quality of life to the people of the society in the vicinity, we have formed a new NGO named SPARSH.

AWARDS AND RECOGNITION

Unit JKPM was awarded "National Energy Management Award – 2009" by Confederation of Indian Industry (CII), and "Best Practices in Industrial Relations – 2009" award by Hooghly Chamber of Commerce and Industry, Collate. For promoting water conservation through recycling & reuse, this unit has also been awarded the prestigious "Ground Water Augmentation" award (Bhumijal Samvardhan Puraskar), from the Ministry of Water Resources, Government of India. The Directorate of Factories & Boilers, Government of Orissa, Bhubaneswar, has given "State Safety Award" to one of our employees for saving human life.

Unit CPM was awarded the "National Energy Conservation Award - 2009" by Bureau of Energy, Government of India, in appreciation of the efforts in Resource Conservation in Pulp & Paper Sector. The unit has also won, "Greentech Environment Excellence Gold Award – 2009" as well as "Greentech Safety Silver Award – 2009" from Greentech Foundation.

During the year, both the units were also awarded "Excellence in Consistent TPM Commitment Award – 2009" by Japan Institute of Plant Maintenance.

DIRECTORS

Shri R.V. Kanoria, Shri S.K. Pathak and Shri Shailendra Swarup retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s Lodha and Co., Chartered Accountants, the auditors of the Company are eligible for re-appointment at the ensuing Annual General Meeting. The Auditors have confirmed that they have undergone the peer review

process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of ICAI. 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 31st March 2010 will be conducted by M/s R.J. Goel & Co., Cost Accountants and the reports will be submitted to the Ministry of Corporate 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.

SUBSIDIARY COMPANIES AND SCHEME OF ARRANGEMENT

Both Songadh Infrastructure & Housing Limited and Jaykaypur Infrastructure & Housing Limited became wholly-owned subsidiaries of the Company during the year. Accordingly, the Accounts of the Companies

have been consolidated as required by applicable Accounting Standards. In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, Reports of the Board and the auditors of the aforesaid Subsidiary Companies have not been attached to the Balance Sheet of the Company. However, the related detailed information of the annual accounts of the Subsidiary Companies will be made available to the investors seeking this information at any point of the time. The annual accounts of the Subsidiary Companies are also available for inspection by the investors at the Registered and Head Offices of the Company and that of the Subsidiary Companies concerned.

A Scheme of Arrangement, which provides for the transfer and vesting of the CPM Staff Housing Undertaking to Songadh Infrastructure & Housing Limited and JKPM Staff Housing Undertaking to Jaykaypur Infrastructure & Housing Limited, has been filed with the High Courts of Gujarat and Orissa for their approval, pursuant to Sections 391 to 394 of the Companies Act.

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 remained cordial throughout the year under review. Several Industrial Relation initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the workforce.

ACKNOWLEDGEMENT

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

The Board also wishes to record its 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 : 17th May, 2010

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2010

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

A) Energy Conservation:

1) Old inefficient motors have been replaced by energy efficient motors, 2) Variable Frequency Drive installed for various pumps, fans and agitators in various sections of the mill, 3) Exhaustive application of natural ventilation in place of exhaust fans, 4) Modification carried out on the ash conveying system to optimize the conveying cycle in the coal fired boiler. This resulted in reduced air and power consumption at CPM, 5) New logic in DCS developed for starting and stopping of hood ventilation fans in sequence, 6) Improved Load distribution in Board Plant, resulting in shutting one transformer and avoiding no load losses, 7) Installation of soft starters for vacuum pumps and motors, 8) Reduction in lighting load by modifying lighting circuit, and 9) Steam consumption reduced in Board Plant by optimizing the drying section.

B) Research & Development:

During the year, the Company has spent approx Rs 88.24 Lacs on Research & Development. To further enhance product quality and for development of new products, the Company carried extensive application research by undertaking various trials on the shop floor.

- (1) Trials for usage of WGCC / PCC as fillers in JK Brand products were undertaken, for improving the printing properties of paper and also the aesthetic look.
- (2) Trials taken for developing high quality office papers to suit new generation digital printing applications.
- (3) Upgraded quality of JK Copier Plus 80 GSM with better formation, higher smoothness and sizing for making the product suitable for plotter segment.
- (4) JCC-JK club card developed, enabled JK to enter playing card segment.

- (5) Developed Neo Purefil base product which has found application for premium quality printed cups and used by FMCG giants.
- (6) Developed Ultima Lite meant exclusively for European markets of greeting cards.

C) Technology Absorption, Adaptation and Innovation:

- (1) Chip washing installed for reduction of dust and silica content in chips, which has improved overall pulp throughput.
- (2) Horizontal application of continuous filler (Talc) dosing system on a Paper Machine for better control of ash in paper at JKPM.
- (3) Polydisc filter installed for improvement in fiber recovery and reduction in fresh water consumption.
- (4) Installation of ORP control in Chlorination Stage for optimization of Chlorination.
- (5) Temperature sensors provided for online temperature measurement of bearings for condition monitoring, resulted in reduction in breakdown.
- (6) In-house development of noise absorber for Re-winder trim blower. Noise reduced from 102 decibel to 84 decibel.

D) Foreign Exchange Earnings and Outgo:

Rs. In Lacs (0.1 Million)

| | | |
|-----|-------------------------|-----------|
| (a) | Foreign Exchange earned | 2,905.43 |
| (b) | Foreign Exchange outgo: | |
| | - CIF Value of Imports | 15,533.43 |
| | - Others | 1,060.80 |

PARTICULARS OF CONSERVATION OF ENERGY

| Sl. No. | Particulars | Unit | 2009-10 | 2008-09 |
|----------|------------------------------------|-------------|-------------------|------------|
| A | POWER AND FUEL CONSUMPTION | | | |
| I | Electricity | | | |
| a) | Purchased Power | | | |
| | - Units | Kwh in lacs | 333.30 | 363.02 |
| | - Total Amount | Rs. Lacs | 1,411.52 | 1,620.40 |
| | - Rate / Units | Rs/Kwh | 4.23 | 4.46 |
| b) | Own Generation | | | |
| i) | Through Steam Turbine / Generators | | | |
| | - Units | Kwh in lacs | 2,862.23 | 2,713.61 |
| | - Cost / Units | Rs/Kwh | 2.45 | 2.65 |
| ii) | Through Diesel Generator | | | |
| | - Units | Kwh in lacs | 11.32 | 17.60 |
| | - Units per Litre of Diesel Oil | Kwh | 3.85 | 4.01 |
| | - Cost / Units | Rs/Kwh | 13.34 | 16.13 |
| 2 | Coal | | | |
| | - Quality (Grade) | | “D” to “F” | “D” to “F” |
| | - Where Used | | CF Boiler | CF Boiler |
| | - Quantity | MT | 407,772 | 394,630 |
| | - Total Amount | Rs. Lacs | 8,427.71 | 9,248.88 |
| | - Average Rate / MT | Rs./T | 2,067 | 2,344 |
| 3 | Furnace Oil | | | |
| | - Quantity | Kilo Ltr | 273.80 | 388.00 |
| | - Total Amount | Rs. Lacs | 60.83 | 119.85 |
| | - Average Rate / Ltr. | Rs./Ltr | 22.22 | 30.89 |

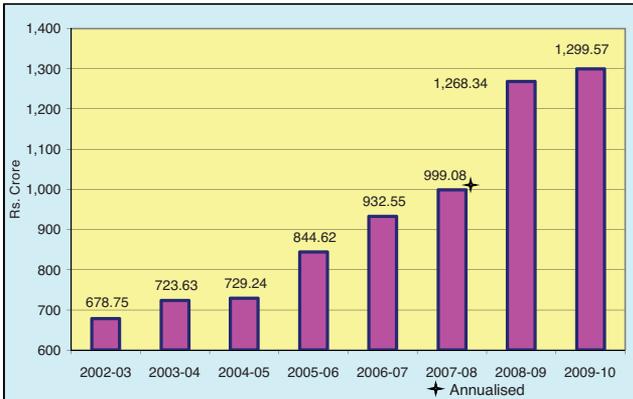
B. CONSUMPTION PER UNIT OF PRODUCTION

| Product | Year | Electricity Kwh/MT | Coal Kg/MT | Furnace Oil Ltrs./MT |
|--------------------------|------------------|-----------------------|---------------|-------------------------|
| Paper & Board | - 2009-10 | 1,191 | 1,457 | 1.50 |
| | - 2008-09 | 1,250 | 1,519 | 1.89 |

JK PAPER LIMITED GROWTH PATH

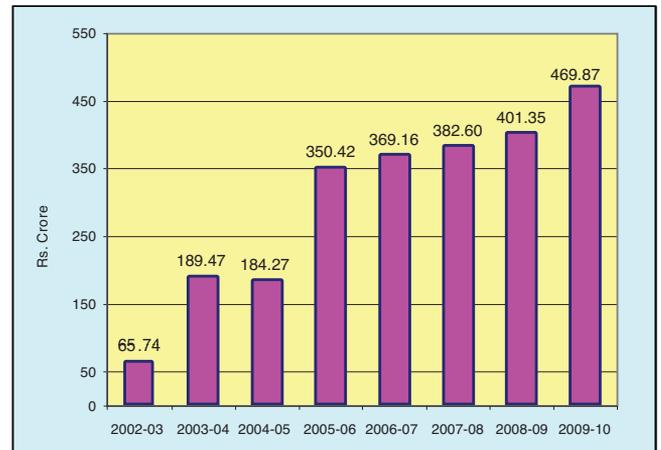
Gross Sales

Highest ever Sales of Rs. 1299.57 Crores since 2002-03



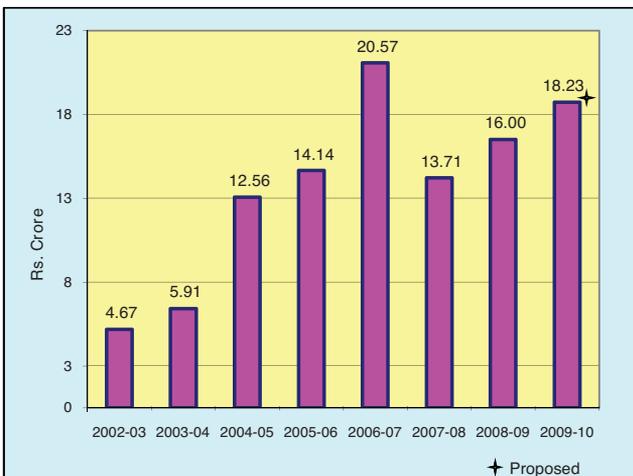
Equity Shareholders Funds

Net Worth has increased to seven fold since 2002-03



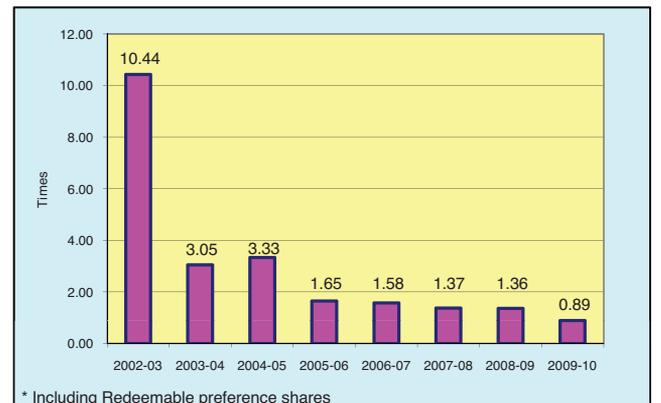
Dividend Distribution (Incl. Tax)

Equity Dividend distribution has increased 3.9 times since 2002-03



LT Debt* - Equity Ratio

LT Debt Equity has considerably improved from 10.44 to 0.89



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Post-Meltdown Economic Scenario

The credit crisis, which hit the Global economy in late 2008 and plunged the World into the most severe recession after World War II, mellowed down during the year. Severity of the global economic slowdown declined especially towards the second half of 2009. Governments across various countries were quick to act and lend liquidity support to the financial system, which stemmed the spread of the crisis. However, the pace and strength of the recovery has been gradual and uneven.

Performance of global paper and board industry is dependent, among other things, on economic growth and in particular on industrial growth. Thus pulp and paper industry was adversely affected, particularly in the first half of 2009-10, because of slow down in global economic activities. The industry witnessed a decline in output and prices of both pulp and paper were lower for most part of the year.

The industry, in developed regions such as North America and Europe, has also been hit by increasing competition from growing electronic communication such as Internet and high production costs and energy prices.

The financial crisis accelerated capacity closures in several countries in the West. At the same time, producers and converters cut down on their inventories drastically, which added to the severity of the price declines. This, together with a sharp fall in final demand for pulp and paper, led to price decline in the first half of 2009.

The 3rd and 4th Quarters of 2009, however, saw some recovery, as demand began to pick up in advanced countries in line with gradual overall economic recovery.

The demand pick-up, strong growth in economies like China and recent natural calamities like the Chilean earthquake have added to the pulp price spirals. These factors have combined to push the Global pulp and paper prices to levels higher than pre-crisis levels. It is expected that global pulp prices will decline marginally only towards end of 2010 or early 2011.

There is an increasing demand for wood from bio-fuel segment in recent years. This implies tightening of the wood market and hence hardening of wood prices. This trend has to be watched.

Impact on Indian Pulp and Paper Industry

The effective way the Government along with RBI handled the situation falling out of the crisis has been acclaimed across the World. This has played a large part on softening the impact on our economy. Even in the crisis India achieved 6.7% GDP growth in 2008-09, and in 2009-10 it has grown at 7.4%.

The growth slowdown had an adverse impact on Indian Paper Industry only for a brief span in 2009-10. Growth slowdown in paper demand was primarily due to cost cutting steps taken up by corporate sector, financial institutions and Government Departments. Along with additional supplies from new capacities, this led to slow down in movements of stocks during the 2nd and 3rd quarters. The last few months have seen demand revival and in Feb and March 2010 most paper mills were able to liquidate their excess stocks.

The rise in global pulp and paper prices and better growth prospects have helped prices firm up in Indian market. Capacity additions by various Indian mills, however, have dampened the rising trends in prices.

Supply-demand scenario in Indian Paper and Board Industry

Demand for Paper and Board grew by about 8.5% per annum in the last 4 years but likely to be little lower in 2009-10.

The outlook in the medium and long term is, however, positive. Paper industry is expected to get back to its annual growth of 8 to 9% in the near future.

Recent initiatives like Right to Education Act, Rashtriya Madhyamik Shiksha Abhiyan and the general thirst for infotainment as a fall out of Sarva Shiksha Abhiyan are some significant factors that would help boost demand for paper in the cultural segment.

Paper based packaging has been gaining increasing acceptance in India due to life style changes and changing socio-economic factors.

Demand for better quality packaging for FMCG products marketed through organized retail, increasing health care spends and over the counter medicines, and growing preference for ready to eat food (which demands food grade packaging) have become the key drivers for high growth rates in value-added packaging boards.

MARKET FOR COMPANY'S PRODUCTS

The general approach of the Company has been to develop brands with clearly identified superior deliverables in an industry otherwise known for its commodity orientation. This approach promotes Customer Loyalty and helps deliver superior value to the customers. Value added and branded products today account for nearly the whole of production of the Company.

The Company's choice of product lines is based on the long term expected growth rates, the levels of Returns on Capital Employed and how the products complement each other in delivering a whole package of benefits and products to the customers. The company, with its presence in both consumer segments (Copier range) and Industrial segment (Packaging Board and Coated paper), balances the cyclical nature even while being present in all fast growing value added segments in the Indian paper industry.

Copier & Business Communication Paper

The market of Copier Paper has grown in 2009-10 at around 12% in the premium segment and 16% in the economy segment.

The future seems very strong for your Company in this segment with the continuous trend of corporate sector and Small Office and Home Office (SOHO) opting for better quality paper and Branded premium products.

Business communication papers have shown good growth as a result of a growing e-ticketing business, with railways being a big new entrant, mobile billing, growth in internet connectivity, growth in real estate and automobile sectors etc.

Despite difficult market situation, your Company recorded a growth of 7% in JK Copier and 17% in JK Easy Copier – the two biggest brands in the Indian market space.

The company's growth, especially in premium segment, was lower than market growth due to capacity

constraints. We could, however, maintain our price premium over competition throughout the year. Chances of any significant imported material coming in this segment are dim - particularly when we see hardening trends in global prices.

The current positive trends in uncoated segment have enabled most Indian mills to raise paper prices during the first quarter of the current year.

In pursuit of our continued strategy of moving up the value chain, the company continued its focus on Value added products like JK Excel Bond (Watermarked Bond paper), JK Copier Plus (80 GSM High end Copier) and Cedar (100 GSM DO paper). The Company also strengthened its position in the niche market that it created for itself in the customer segments like Screen printers, Colour photo-copiers and High end corporate usage.

Coated Paper

Coated Paper segment remained volatile during the first half of the year mainly due to large imports from international market.

Demand for Coated Paper has grown by 12% during the last year. The outlook for Coated Paper remains bullish due to rising prices of Pulp in overseas market that will translate into higher paper prices in near future.

JK maintained its market share as well as price throughout the financial year. This was made possible by Sarvashiksha Abhiyan orders and other tender orders where customers found a clear value proposition in using JK Cote.

Packaging Board

The Company has recently established its production facilities in Unit CPM which is ideally located close to largest consumption centre. Our team has been able to stabilize the production quickly and reach 100% virgin-fibre production within a short span of 18 months. The product quality has been accepted well by the end-user industries and our products are at par with the best available quality domestically.

The Company also exports some quantities to overseas markets to get feedback from the discerning overseas users and this has been the basis for constant up-gradation of quality.

JK Ultima and JK Tuffcote have become popular amongst the end users. The Company has, during the year, introduced a higher value-added product, JK Neo Purefil, to supplement its popular brand for cup stocks - JK Purefil. The company has also introduced JK Club Card for the playing card segment. Both these products have done well at the market place.

Outsourcing

Company's plans for outsourcing paper from non-integrated paper mill within the country fell short of our targets due to the domestic shortage of pulp.

Further, floods in the factory premises of the outsourcer forced the supplier mill to close its operation. This resulted in a steep fall in the quantity outsourced. The shortfall, however, was partially offset by outsourcing Copier Paper from a leading international paper manufacturer.

In view of capacity constraints, the Company is unable to offer a wider range of products from its own production to its customers and distributors. Outsourcing, besides bridging this limitation, will also help us to subsequently build up volumes to absorb future capacity addition.

New Products

Continuing our customer centric approach, we have introduced New Sparkle with International design in Indian market and the market feed back for the product has been very encouraging. This is a high quality paper with high brightness and ideal for desktop & laser jet printing. The product is distributed to some selected distributors in 40 different markets across India and we plan to expand the same in future.

The Company signed a technical agreement for upgrading the specifications of its core products with the help of internationally acclaimed technology. We are confident of introducing these products during the first half of the current year in the market place and thus retain our quality leadership so as to face the emerging competition.

OPPORTUNITIES & STRENGTHS OF THE COMPANY

India is emerging as a major player in global pulp and paper industry. More importantly, as a result of rising consumerism and need for sophisticated products,

there has been a discernible shift in product mix towards branded and value added products.

This provides a good opportunity for your company since it is either the leader or second biggest player in each of these segments.

The Company has carefully chosen its segments to be in both industrial and consumer segments and this provides stability to cash-flows and margins. The company is positioned both in the import sensitive coated paper, and Copier where domestic prices have not fluctuated much with overseas prices. Also these segments are the fastest growing segments in domestic paper industry.

The focus that we have been placing on quality has been constantly strengthened through technical up-gradation and process innovation. This has helped us to further consolidate our position in the market place. The end consumer sees a significant value in our products in terms of cost efficiency and lower downtime of the machines.

Along with the constant product development and up-grading of specifications, the Company has been making all out efforts to upgrade its service levels further by aggressive marketing efforts.

These include, among other things, constant customer interactions, dealer meets, road-shows, long term corporate tie-ups with commitments of price and quantities, etc. The wide dealer / distributor network the company has built over the years helps it reach end-consumers across length and breadth of the country. It has also made our brands available in the shelves of stationers even in B-class and C-class towns and rural areas.

Today JK Paper has 4700 distributors who act much like business partners across the country and this soft asset is perhaps the most difficult to replicate by new entrants or competitors.

Also, the fragmented nature of domestic market, under developed infrastructure & geographical characteristics is hindering the entry of large multinational paper companies into India.

While the international pulp prices fluctuate periodically your company does not get impacted by these fluctuations. Both our Paper Mills are fully integrated with Pulp facilities to meet our requirements.

MAJOR CONCERNS

The industry depends on supply of good quality wood fibre at reasonable prices for long term sustenance.

While there has been a gradual decline in long term prices, in recent years, capacity closures especially in the West and the explosive growth in China have weighed heavily on the international pulp prices. The Packaging Board mill is dependent on imported pulp of certain varieties, which are not manufactured in India.

Also, the Indian Government policies do not allow corporate farming, placing the industry in a seriously disadvantageous position vis-à-vis countries in South East Asia.

If the present restrictive policies of the Government continue it will result in higher cost of domestic pulp which will overshoot landed prices of imported pulp, thereby seriously eroding competitiveness of the domestic paper industry.

It has become necessary for the company to quickly gain long term access to sources of wood supply on a proprietary basis, to maintain growth and long term profitability.

As mentioned earlier there are significant capacity additions that will take place in the Indian Paper industry in most segments in which the company participates, between now and 2011-12. While the demand growth is robust, the heavy bunching of investments and capacity additions would still mean a period of excess capacity and lesser capacity utilization creating pressures on margins.

The current high international ruling paper prices have made it easy for the current supplies to be absorbed leaving the domestic prices reasonably buoyant. Any serious price correction in the international paper prices may divert the exportable surpluses into the domestic markets. The company however is hopeful that excess supply scenario will correct itself by mid-2012.

The Government has been tightening credit to check food price inflation. This is likely to push up the interest rate for the industry.

The Company is in the process of tying up its funds for long term for its expansion. Any interest rate spikes might hike the project costs, besides affecting short term profitability. The World is also seeing some

renewed financial turmoil in parts of Europe which could affect capital mobility. Raising Equity during turbulent times may lead to inappropriate pricing.

The Government of India has signed a free trade agreement with the ASEAN countries which entails reduction of import duties on paper from the current 10% to NIL in 4 years beginning Jan 2010. The infrastructure both soft (labour laws, training etc) and physical segment like roads, power, ports are far more efficient in the counter-party countries. While the industry is doing its best in internal efficiency parameters, it may still not prove enough to counter all the costs of domestic disadvantages.

The Government has also proposed introduction of Goods and Services Tax (GST) across the country to replace much of the indirect taxes currently applicable. While GST has several advantages, paper industry being of vital significance for both employment in remote and rural areas and for supplying paper for thrust areas like education and literacy enjoys some duty concessions. If the GST dilutes these concessions, the margins of the industry will suffer.

India is among the fastest growing market in the global paper industry and hence attracts serious attention from overseas players. This can make it attractive for short term dumping of paper, which happens from time to time from China, and for setting up fresh capacities by overseas players. If these players have the back up of pulp in low cost manufacturing locations, it could pose a serious threat to domestic industry.

Given the steep growth within the industry and quick capacity additions in a relatively short time there is likely to be a scramble for the limited talent pool. Retention of existing managerial strength and continuity are key risks which need to be addressed by proactive human resource management.

RAW MATERIAL AND OTHER PURCHASES

The long term sustainability of pulp and paper industry is largely based on the sustainability of its wood resources.

The Company continued its aggressive efforts on progressively increasing the development of its raw material sources in the mills' catchment areas. The pulpwood plantation area covered, to-date, by farm forestry under the Company's schemes is over 75000 Ha in the states of Orissa, Andhra Pradesh, Gujarat and Maharashtra.

The additional farm forestry area covered during 2009-10 was over 4200 Ha., utilising over 20 million seedlings/plants involving about 5870 farmers.

The new farm forestry development was less than envisaged during the year due to erratic rains, drought like situation in some parts of Orissa and Andhra Pradesh and the prevalence of gall disease in certain areas. However, the response to Subabool plantations in Gujarat and Maharashtra has been encouraging.

The Company has decided to further increase its emphasis on sourcing of forest based cellulose raw materials from within 200 km of each mill to reduce the cost of transportation of its raw material.

Response to the direct purchase schemes launched two years back has been encouraging and the farmers have been bringing more and more under-utilised lands under farm forestry.

This will help the Company to further reduce the expenses on transporting wood to mills and also reducing the carbon foot print of its operations.

The emphasis on plantation of multiple species of pulpwood was continued while in the past, farm forestry was dominated by eucalyptus. We are developing new disease resistant, high yielding clones with intensified research efforts in our Research Centre for distribution to farmers in our catchment areas for productivity improvement.

The Company continues to raise and distribute bamboo rhizomes for replanting of blank patches in the forest areas through Govt. Agencies and NGOs in order to increase the productivity of bamboo bearing forest areas.

All these efforts on farm forestry front will help improving long term competitiveness of the Company.

The year that has gone by witnessed a mixed scenario in the price trend of major inputs. The year started with a very depressed level of prices of all varieties of pulp. The down cycle continued for first 3 to 4 months of the year. We have used this opportunity to purchase major requirement of pulp, sometimes covering upto six months of requirement, to take advantage of the situation.

Second half of the year, however, witnessed a steep rise in pulp prices. This was further aggravated by the Chilean earthquake in March 2010, causing closure of some large pulp mills. Global pulp prices are expected to ease only after end 2010.

The price variation from beginning to the end of the year was as high as 100% i.e. starting from US\$ 400 per MT during April, 2009 to US\$ 800 per MT during March, 2010. The pulp situation continues to be tight.

Apart from pulp, chemicals constitute major part of paper making expenses. Generally the prices were depressed during the year due to comparatively lower prices of petro-chemicals and low demand from most chemical related industries and Textiles.

Surplus capacities were seen in various industries namely Chloro-Alkali, Hydrogen Peroxide and Optical Brightening Agent. However, few agro related products like Maize and Tapioca Starches went up sharply due to drought conditions affecting yield of agro commodities. Petro chemicals have since started getting stronger and 2010-11 may see a steep rise in chemical prices.

Packaging items are also set to witness a sharp price rise due to increase in input prices. Engineering items including spare parts are expected to be costlier due to growing demand.

| (1) | Rs.Cr (10 Million) | | | |
|---|--------------------------------|--------------------------------|--|--|
| | 2009-10 (April 09 to March 10) | 2008-09 (April 08 to March 09) | Increase / decrease - over previous year | Increase / decrease - over previous year (%) |
| (1) | (2) | (3) | (4=2-3) | (5=4/3) % |
| Gross Sales | 1,299.57 | 1,268.34 | 31.23 | 2% |
| Net Sales and Other Income | 1,105.53 | 1,077.18 | 28.35 | 3% |
| Profit before Interest and Depreciation | 245.46 | 182.24 | 63.22 | 35% |
| Profit before Depreciation | 196.97 | 123.77 | 73.20 | 59% |
| Profit before Tax | 126.93 | 54.08 | 72.85 | 134% |
| Profit after Tax | 91.03 | 38.01 | 53.02 | 140% |

FINANCIAL HIGHLIGHTS

Production at 2,73,755 tonnes and Sales excluding internal transfers at 2,65,044 tonnes achieved by the company during the year are the highest ever for the Company. Sales of Own manufactured goods went up by 9.8% over the previous year while there was a sharp fall of 65% in the sales of third party products, the reasons of which have been explained before. Operating Profit (PBIDT) went up 35% and PBDT by 59%.

The margin improvements have been possible due to strong demand, better product mix in the Packaging Board segment, lower prices of imported pulp, besides lower interest due to repayment of loans during the year. The net Profit After Tax (PAT) was Rs 91.03 cr which is 140% more than the previous year.

The Company finances its operations through cash generated from business and a mix of short and medium term credit facilities, bank loans, and commercial papers. In this way, the company avoids over reliance on any particular liquidity source.

Strong cash flows from operating activities complemented by working capital savings have improved the liquidity position of the company. The ratio of total debt excluding Deferred Tax Liability to Equity has come down from 1.73 on 31st March 2009 to 1.17 on 31st March 2010.

The Indian rupee appreciated against the US dollar by 11 % from the March '09 level. The Company's hedging policy has helped minimize the impact from currency fluctuation. The Company hedges underlying interest rate and foreign exchange rate exposures in an efficient, commercial and structured manner to reduce the potential unfavourable changes in foreign exchange.

During the year, the company has been sanctioned a USD 3 million loan by IFC – Washington under their Cleaner Production Programme. The IFC-supported cleaner production assessment enabled the company to identify projects that would reduce energy and water consumption as well as costs.

ENVIRONMENT & NEIGHBOURHOOD

The company's philosophy is to pursue growth with responsibility towards the ecology, safe and clean environment around it towards its employees and other stakeholders. Reflecting the growing recognition

of this in the corporate sector, the company has thought it wise to include a separate section "Corporate Social Responsibility" which is attached to this report. The report covers the guidelines circulated by the GOI and the several initiatives the Company has been working on which are beyond the scope of the Guidelines.

HUMAN RESOURCE DEVELOPMENT

In its continuous pursuit of maintaining vibrant working atmosphere throughout the Organization, the company has been promoting good human resource management practices.

Employee development is an important focus area in the organization. To this effect, employees are given an opportunity for one to one dialogue with his/her Superior(s). Such discussions not only help the company to identify the individual development areas but also create a transparent environment in which the employee is able to express himself/ herself, have a healthy discussion on career aspiration, receiving feedback from superior, and plan the way ahead in a mutually beneficial way. The Company deputed the identified young talent to IIM, Lucknow for undergoing Management and Leadership development program.

The company took up the challenges of accelerated development of leadership pipeline with a wider coverage of its employees during the year. A total of 125 identified high performers were put through a well researched internally designed Assessment-cum-Development centre. On the basis of individual feedback reports, Individual Development Plans for all these identified high performers are being formulated and implemented rigorously. The company also took up a task force for communicating its Competency Model to all the Management Cadre Staff during the year.

Linkage between the Company's goal and those of the individual employees continue to be strong through a robust process of setting the goals and targets of individual employees. This exercise is completed in the beginning of the year and subsequently taken up for periodic review.

During the year, the company undertook an Employee Motivation and Satisfaction Survey through an external Agency. The Survey has thrown up valuable insights on employee satisfaction. These are being

worked upon at all the locations of the company with the objective of improving satisfaction level of its employees. To improve “togetherness” among the employees and their families, the company has also been promoting various employee engagement activities.

Communication across all levels has always been a priority HR intervention in the company. A regular communication meet is convened by senior leadership at all locations of company to promote awareness of various happenings and exchange information on a variety of topics. The Company has also started publishing a new in-house magazine “Reaching Out”.

INTERNAL CONTROL SYSTEM

The Company continuously updates its systems and procedures in order to keep it contemporary and to ensure that it is commensurate with size and nature of its business. The effectiveness of internal control is regularly tested by Internal Audit Department of the company supplemented by independent outside Internal Auditors. They conduct regular audits based on annual internal audit programme agreed with audit committee of the board covering all the offices, factories and key area of business. The audit committee closely monitors this process. Audit findings are reviewed by audit committee along with management response. The committee also reviews the effectiveness of company’s internal control and their effectiveness in actual operation and regularly monitors implementation of audit recommendations.

The company has a comprehensive budgetary control system in operation. The key performance goals are set for each of the Units and product lines. This is further analysed for various departments and activities. Individual targets are derived from this. These are monitored on a periodic basis and corrective actions as needed are initiated.

The system ensures efficient utilization of company’s resources and protection of assets from loss, theft, misappropriation and relevant risks.

RISK MANAGEMENT

The company has mapped the operating risks after due discussions with the staff concerned

and study and analysis of various records of break downs, failures, delays and accidents. Appropriate preventive measures have been worked out for due implementation.

There is a Risk Management committee headed by the heads of the plant in each of the locations, which meets periodically and reviews and modifies the systems and procedures, if deemed appropriate after due deliberations. These are further reviewed at Head office once in every six months.

For new projects, all risks including market risks, operating risks, financial risks, etc are discussed and suitable measures agreed upon before implementation. The company documents these measures for periodic review.

Necessary training is imparted to concerned executives periodically on matters of risk, management thereof, insurance, legal compliance matters, forex risks, etc. Expert opinion is taken wherever necessary.

The company does not enter into any derivative deals in foreign exchange without an underlying exposure. The company normally hedges about 70% of the emerging exposures as and when they arise. The remaining portion is hedged or left open and reviewed periodically. Interest rate risks are swapped as and when conditions are favourable.

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 Social Responsibility Report

1. The Company's Philosophy

Responsible Growth has been the motto of the Company. It has always believed that business has a moral responsibility towards all its stakeholders and has been striving to create value for each one of them. It has taken active interest in developing mechanisms and initiatives in engaging with its various stakeholders. It conducts its business in an ethical and sustainable way.

At J K Paper, we have a strong focus on **inclusive growth**. The Company believes that true wealth lies in what it gives to the society and country through the assets and the institutions it builds and nurtures. It is our abiding belief that ***"In order to have a successful business the Company must have a successful society around us"***.

2. Employee Welfare

JK Paper has taken pride in providing a safe, hygienic and humane workplace environment to all employees. The Company's Human Relations policy is geared to ensuring equality of opportunities and full access to training and development of necessary skills for career advancement. In line with international norms and practices, the Company does not allow employment of child or forced labour, directly or indirectly. Both the units of our company have received OHSAS – standard certification for safety and health of the workers. This has been upgraded during the year to 18001:2007.

3. Respect for Environment:

JK Paper has won a number of awards and accolades for its abiding commitment and initiatives. Its approach has been governed primarily by its own desire to ensure that impact on ecology is minimal. Indeed its environmental standards go well beyond those stipulated by Indian agencies.

Better technology, process innovation, recycling, reuse and by minimising waste water discharge have all helped reduce fresh water consumption by 30% in the last 3 years besides generating less effluents per metric tonne of paper. As a result, the Company has emerged as one of the efficient water users in the Indian Paper Industry. The company has also been able to reduce power and steam consumption per tonne of paper thereby

saving significant amount of energy. The Company has also been following excellent solid waste management practices.

4. Activities for Social and Inclusive Development

As a Company we have been driven by the belief that responsible enterprise has to reach out to neighbouring communities and society at large, touching their lives with the vision of a better present, and a more promising future. Following provides a brief overview of some of these initiatives.

a) ITI Adoption:

To help the country's objective of improving the quality of training leading to better employability of ITI pass outs, one of our units viz. the Central Pulp Mills (CPM) has adopted ITI Ukai for up gradation under Public Private Partnership (PPP) mode.

b) Educational Services

The **Schools** runs by both our units, JK Paper Mills (JKPM) at Jaykaypur, Orissa and at Central Pulp Mills, Songadh provide educational facilities not only to its employees but also to those in and around us. It has also been taking up, aggressively, various adult literacy programmes.

c) Farm Forestry Initiatives

Since 1990 JK Paper has been taking up farm forestry activities and has provided income for over 40,000 farmers. We distribute close to 40 million seedlings per year including 5 million high-yield clonal developed at our nurseries.

This has led to more than 75,000 Ha of unproductive lands been greened in association with farmers in Orissa, Andhra Pradesh besides the State of Chhattisgarh and West Bengal. This is also contributing towards rural development by creating about 40 million mandays of employment. The resumption of Bamboo operations in the State of Orissa from 2004/05 consisting of 16 Forest Divisions have resulted in the creation of about 8 lakh mandays of employment annually in the remote forest areas.

We have entered into an Agreement with the World Bank for sale of carbon credits under Clean Development Mechanism (CDM) of the Kyoto Protocol. This will connect about 2,800 farmers with the global carbon

markets and provide extra income to them from the carbon sequestered in the plantations grown by them.

5. Community Development Initiatives

To bring about a tangible and long lasting positive change to the lives of the communities around our factories and to enrich their quality of life, the Company has been taking up a host of Community Development Initiatives.

From August, 2008 onwards, our unit in Orissa has identified and adopted 12 villages in Rayagada / Kolnara Blocks for this purpose. The Community Development initiatives have been categorized in two broad areas viz. Livelihood Interventions and Health Care Interventions as per the details given below:

a) Community Livelihood Interventions

To improve quality of life of rural poor in and around J K Paper Mills, Orissa, 25 Women Self-Help Groups have been formed in these villages with a membership of 293 rural Women mostly belonging to Tribal Community. These Women SHGs have taken up various income generation activities like preparation of White / Black Phenyl, Mushroom/Hybrid Maize cultivation, Pisciculture, Making de-seeded Tamarind Cakes / Hill Brooms, Papad / Masala Powders / Ragi Powder / Haldi / Mirchi Powders etc. As a result of our various initiatives, support and market linkages, the SHG members are now getting some supplementary income.

The Company has also taken up Skill Enhancement Programme for the poor and less privileged people in and around its Unit in Orissa. Under this the Unit has started a Tailoring and Embroidery Training coaching scheme for the adolescent tribal girls from low income groups. The first batch of 14 girls have completed 3 months basic training and undergoing 6 months advanced training programme in tailoring while the second batch of 12 girls are undergoing the 3 months basic training. The long term plan and vision of this Programme is that these girls be provided adequate skills in tailoring so that they will be in a

position to stitch uniforms for employees as also for children in nearby schools. It may be mentioned here that JK Paper distributes the uniforms free of cost to school children in near-by area.

b) Community Health Care Interventions

As a part of Community Health Care Interventions, the following activities are being undertaken in 12 adopted villages. We have chosen 12 Women members from the adopted villages as Community Health Facilitators (CHF), one per village and they will be primarily responsible for various Health Care activities in the respective villages. Besides taking up various Health Awareness Camps they will also help as bridge between the village people and Government agencies to ensure supply of medicine to the needy and refer the seriously ill patients to Primary Healthcare Centres. The project also aims to motivate pregnant women to avail the facility of free delivery at Primary Health Centres of Govt. of Orissa.

Also, as part of the Health Education, 29 Balika Mandals with 466 adolescent girls have been formed in 12 adopted villages. Our Community Health Facilitators as also the internal and external faculty train / educate these girls on various Health aspects namely reproductive process, health and personal hygiene, family planning, mother and child care, nutrition standards, HIV AIDS and it's preventive measures etc.

6. Implementation Guidance:

We have been following an implementation strategy that include among other things, identification of projects/ activities, setting and monitoring the measurable physical targets with a specific timeframe and developing appropriate organizational mechanism and responsibilities. We have been disseminating information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large. These include among other things, interaction with media and other forms of communication.

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 Twelve Directors of which three are Executive Directors and nine are Non-executive Directors. Details are as given hereunder:

| Director | Category | No. of Board Meetings attended during 2009-10 | Whether attended last A.G.M. (03.08.2009) | No. of other Directorships and Committee Memberships / Chairmanships | | |
|---|-------------------------------|---|---|--|--------------------------------|----------------------------------|
| | | | | Other Directorships* | Other Committee Memberships ** | Other Committee Chairmanships ** |
| Sh. Hari Shankar Singhania, Chairman | Executive | 4 | No | 3 | - | - |
| Sh. Arun Bharat Ram | Non-Executive Independent | 2 | No | 10 | 3 | - |
| Sh. Dharendra Kumar | Non-Executive non-Independent | 3 | No | 7 | 2 | - |
| Sh. M.H.Dalmia (w.e.f. 14.05.2009) | Non-Executive Independent | 2 | No | 3 | - | - |
| Sh. R.V. Kanoria | Non-Executive Independent | 4 | No | 7 | - | - |
| Sh. S. K. Pathak | Non-Executive Independent | 1 | No | - | - | - |
| Sh. Shailendra Swarup | Non-Executive Independent | 2 | No | 4 | 1 | - |
| Sh. Shailesh Haribhakti | Non-Executive Independent | 2 | No | 12 | 5 | 5 |
| Sh. Udayan Bose | Non-Executive Independent | 3 | No | 3 | 1 | - |
| Smt. Vinita Singhania (w.e.f. 14.05.2009) | Non-Executive non-Independent | 4 | No | 3 | - | - |
| Sh. Harsh Pati Singhania, Managing Director | Executive | 4 | Yes | 2 | 2 | - |
| Sh. O. P. Goyal, Whole-time Director | Executive | 4 | Yes | 2 | - | - |

* 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. Shri Dharendra Kumar and Smt. Vinita Singhania, Directors are relatives of Shri Hari Shankar Singhania, Chairman.

DATE AND NUMBER OF BOARD MEETINGS HELD: -

Four Board Meetings were held during the year 2009-10 on 14th May 2009, 27th July 2009, 20th October 2009 and 22nd January 2010.

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 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). 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 Dharendra Kumar, Shri R.V. Kanoria, and Shri Shailendra Swarup, as members. The Composition of the Committee is in conformity with Clause 49 II (A) of the Listing Agreement.

Four meetings of the Audit Committee were held during the year 2009-10 as detailed hereunder:

| Dates of meetings | No. of members attended |
|-------------------|-------------------------|
| 14th May 2009 | 3 |
| 27th July 2009 | 2 |
| 20th October 2009 | 3 |
| 22nd January 2010 | 3 |

4.1 REMUNERATION COMMITTEE (Non mandatory):

The Remuneration Committee consists of three Independent Directors, namely Shri Shailendra Swarup,

(Chairman), Shri Arun Bharat Ram and Shri R.V. Kanoria, to consider, determine and recommend remuneration to the Executive Director(s) of the Company.

Two meetings of the Remuneration Committee were held during the year 2009-10 as detailed hereunder:

| Dates of meetings | No. of members attended |
|--------------------|-------------------------|
| 14th May 2009 | 3 |
| 28th December 2009 | 3 |

4.2 REMUNERATION PAID TO DIRECTORS:

A. Executive Directors

The aggregate value of salary, perquisites and contribution to Provident Fund and Superannuation Fund for the year ended 31st March, 2010 to the Chairman, the Managing Director and the Wholetime Director is as follows: Shri Hari Shankar Singhania, Rs. 210.05 lac plus Rs. 285.00 lac payable as commission; Shri Harsh Pati Singhania, Rs. 177.35 lac plus Rs. 344.12 lac payable as commission and performance linked incentive as applicable; and Shri O. P. Goyal, Rs. 101.84 lac plus Rs. 73.35 lac payable as commission and performance linked incentive as applicable.

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 were paid sitting fees of Rs. 15,000/- for each meeting of the Board, Rs. 10,000/- for each meeting of Audit Committee and Rs. 5,000/- for each meeting of other Committees of the Board attended by them and the company has paid Rs. 5,10,000/- towards sitting fees to them during the year 2009-10. Besides the sitting fees, they are also paid commission. At the Annual General Meeting of the Company held on 12.12.2007, 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 the year 2009-10, the Board has approved a commission of Rs 6.00 lac each to be paid to Shri

Arun Bharat Ram, Shri Dharendra Kumar, Shri R.V. Kanoria, Shri S.K. Pathak, Shri Shailendra Swarup, Shri Shailesh Haribhakti and Shri Udayan Bose, & Rs 5.28 Lac to Smt. Vinita Singhania and Shri M.H. Dalmia.

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 of Rs.10/- each of the Company held by the Non-Executive Directors: Smt. Vinita Singhania (50,000 Equity Shares) and Shri Shailesh Haribhakti (10,000 Equity Shares, held by him as Karta of SV Haribhakti HUF).

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. The Composition of the Committee is in conformity with Clause 49 IV (G) (iii) of the Listing Agreement. Four meetings of the said Committee were held during the year 2009-10 as detailed hereunder:

| Dates of meetings | No. of members attended |
|-------------------|-------------------------|
| 14th May 2009 | 4 |
| 27th July 2009 | 3 |
| 20th October 2009 | 2 |
| 22nd January 2010 | 3 |

Shri Suresh Chander Gupta, Company Secretary, is the Compliance Officer.

Thirteen investor complaints were received during the financial year ended 31st March 2010, which were promptly resolved to the satisfaction of the investor concerned. The Board has delegated the power of share transfer to a committee of Directors and the share transfer formalities are attended to 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 |
|---------|--|------------|------------|
| 2006-07 | P.O. Central Pulp Mills – 394 660 Fort Songadh, Distt. Tapi, Gujarat | 12-12-2007 | 2.00 P.M. |
| 2007-08 | Same as above | 29-08-2008 | 12.30 P.M. |
| 2008-09 | Same as above | 03-08-2009 | 2.30 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 3rd August 2009, a Special Resolution was passed unanimously, to re-appoint and determine the terms of remuneration of the Whole-time Director.
- (b) At the Annual General Meeting of the Company held on 29th August 2008, Special Resolutions were passed unanimously, for revision in salary range of Chairman, Managing-Director and Whole-time Director of the Company for the remaining period of their respective tenures.
- (c) At the Annual General Meeting of the Company held on 12th December 2007, Special Resolution was passed unanimously for approval of payment of Commission to the Directors other than the Managing or Whole-time Directors.

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) on Related Party transactions 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 a risk management system and has 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 and annual financial results are normally published in the English Newspapers like Economic Times, Business Standard and the 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". Management Discussion & Analysis forms part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION:

(i) Annual General Meeting (AGM) :-

- (a) Date and Time : Monday, 2nd August, 2010 at 1.30 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 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** : 20th July 2010 to 2nd August 2010 (both days inclusive)
- (iii) **Dividend** : August/September 2010
Payment Date
- (iv) **Financial Calendar** : Year Ending March 31
 Annual General Meeting for the year ending March 31, 2011 Between June and September 2011

(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 2010-11 has been paid to the said Stock Exchanges.

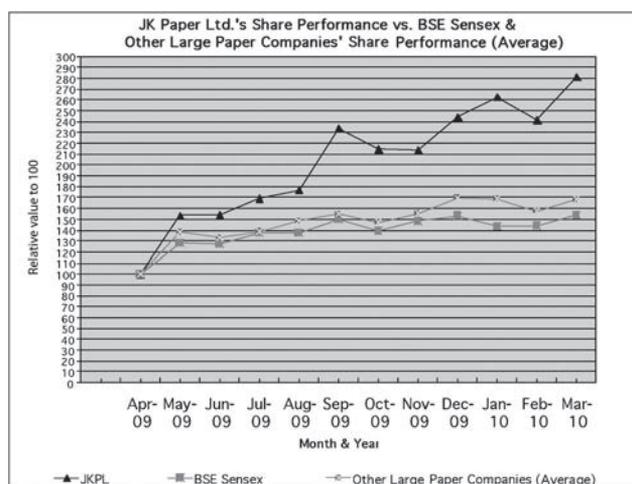
(vi) Stock Market Price Data :

| 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.) |
| 2009 | | | | |
| April | 19.95 | 15.85 | 19.90 | 15.70 |
| May | 29.50 | 18.20 | 29.50 | 18.20 |
| June | 33.20 | 26.10 | 33.45 | 26.25 |
| July | 34.00 | 27.00 | 34.80 | 26.40 |
| August | 32.90 | 28.25 | 32.80 | 28.55 |
| September | 42.85 | 31.00 | 43.00 | 31.10 |
| October | 46.90 | 38.05 | 46.80 | 38.10 |
| November | 42.00 | 35.00 | 42.30 | 34.60 |
| December | 46.90 | 38.60 | 46.90 | 38.60 |
| 2010 | | | | |
| January | 53.85 | 43.10 | 54.30 | 44.35 |
| February | 49.20 | 43.00 | 48.90 | 42.80 |
| March | 52.00 | 44.30 | 52.20 | 44.10 |

(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) [April 09 to March 2010]:



(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 31st March 2010, 99.96% 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 31st March 2010:**

| Number of Equity Shares held | Shareholders | | Shares Held | |
|------------------------------|---------------|---------------|--------------------|---------------|
| | Number | % | Number | % |
| 1 to 500 | 14,721 | 79.33 | 24,97,586 | 3.20 |
| 501 to 1,000 | 1,788 | 9.64 | 15,64,195 | 2.00 |
| 1,001 to 5,000 | 1,528 | 8.23 | 36,12,728 | 4.62 |
| 5,001 to 10,000 | 230 | 1.24 | 17,64,917 | 2.26 |
| Over 10,000 | 290 | 1.56 | 6,87,10,513 | 87.92 |
| Total | 18,557 | 100.00 | 7,81,49,939 | 100.00 |

(b) **Pattern of Equity Shareholding (both in physical and electronic form) as on 31st March 2010 :**

| Category | No. of Equity Shares held | Percentage of Shareholding |
|--------------------------------|---------------------------|----------------------------|
| Domestic Companies | 3,42,36,267 | 43.81 |
| Resident Individuals | 2,71,54,716 | 34.75 |
| FIs, Mutual Funds & Banks | 35,64,991 | 4.56 |
| Foreign Investors/ FIIs / NRIs | 1,31,93,965 | 16.88 |
| Total | 7,81,49,939 | 100.00 |

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

FCCBs: 1.25% Foreign Currency Convertible Bonds (FCCBs) issued by the Company on 30th 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 FCCBs are listed on the Luxembourg Stock Exchange

(Code: XS0249431940).

(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:

1. Registrar and Share Transfer Agent (RTA)
M/s MCS Limited,
F-65, 1st Floor,
Okhla Industrial Area,
Phase – I, New Delhi-110 020
Ph. (011) 41406149-52
Fax No.(011)-41709881
E-mail: admin@mcsdel.com

2. Company Secretary
JK Paper Limited
Gulab Bhawan (Rear Block - 3rd Floor)
6A, Bahadur Shah Zafar Marg
New Delhi-110 002
Ph. 011-30179100
(ext : 560,563,776)
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@jkmail.com“ is the e-mail ID exclusively for the purpose of registering complaints by investors.

10. DECLARATION:

It is hereby declared that all the members of the Board and Senior Management personnel have affirmed compliance with the “Code of Conduct for Members of the Board and Senior Management of JK Paper Limited” during the Financial Year ended 31st March 2010.

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 31st March 2010, 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 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

N.K.Lodha
Partner

Firm Registration No.:301051E
(Membership No.85155)

Place: New Delhi
Date: 17th May 2010

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 Limited, JK Tyre & Industries Ltd., Fenner (India) Ltd., JK Agri Genetics Ltd., BMF Investments Ltd., Florence Alumina Ltd., JK Sugar Ltd., Bengal & Assam Company Ltd., Nav Bharat Vanijya Ltd., Juggilal Kamlapat Udyog Ltd., Param Shubham Vanijya Ltd., J.K. Credit & Finance Ltd., Pranav Investment (M.P.) Company Ltd., Southern Spinners and Processors Ltd., Modern Cotton Yarn Spinners Ltd., Hansdeep Industries and Trading Company Ltd., Bhopal Udyog Ltd., Accurate Finman Services Ltd., Sago Trading Ltd., Dwarkesh Energy Ltd., Saptrishi Consultancy Services Ltd., JK Enviro-Tech Ltd., Songadh Infrastructure & Housing Ltd., Jaykaypur Infrastructure & Housing Ltd., J.K. Risk Managers & Insurance Brokers Ltd., JK Plant Bio- Sciences Research Ltd., Natext BioSciences Pvt. Ltd., Panchmahal Properties Ltd., Acorn Engineering Ltd., Elate Builders Pvt. Ltd., Umang Dairies Ltd., LVP Foods Pvt. Ltd., CliniRx Research Pvt. Ltd., Rouncy Trading Pvt. Ltd., M/s. Habras International, M/s Juggilal Kamlapat Lakshmiapat and Directors of the promoter group and their relatives.

AUDITORS' REPORT

To the Members of JK PAPER LIMITED

We have audited the attached Balance Sheet of JK PAPER LIMITED, as at 31st March, 2010, 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 31st March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

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 31st March 2010;
- 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
Firm Registration No.:- 301051E
Membership No.: - 85155

Place: New Delhi
Date: 17th May, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our Report of even date of J.K. PAPER LIMITED for the year ended 31st March 2010)

- 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) The fixed assets have been physically verified by the Management according to the programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. The discrepancies, if any, noticed on such physical verification have been properly dealt with in the books of accounts.
- (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 has 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) (a) As informed to us, the Company has given unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect of said Company is Rs 2,739.27 Lac and the year end balance of such loan is Rs 2,739.27 Lac.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms & conditions on which aforesaid loan has been given are not, prima facie, prejudicial to the interest of the company.
- (c) In respect of aforesaid loan, the amount of principal as well as interest is regular.
- (d) In respect of the loan given by the Company, no amount, principal as well as interest, is overdue and therefore provision of clause 4(iii) (d) is not applicable.
- (e) As informed to us, the Company has not taken any loan, secured or unsecured 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) (f) and (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 where suitable alternative sources do not exist for obtaining comparable quotations, there is reasonable internal control system commensurate with the size of the Company (read with note no. B 16 of schedule 20) 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 year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time (read with para 4 above).
- 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 which is 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 31st March 2010.

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

| Nature of statute | Nature of dues | Period to which the amount relates | Amount Involved (Rs. in Lac) | Forum where dispute is pending |
|----------------------|----------------|--|--|---|
| Sales Tax Act | Sales Tax | 2002-03 1997-98/2002-07 2004 2005-06 2006-07 2001-02 1983-84/1987-88 | 0.73 12.11 22.99 14.99 105.08 60.10 4.93 | Dy. Commissioner, Delhi Sales Tax Tribunal, Cuttack High Court, Allahabad Dy. Commissioner, Delhi High Court, Allahabad Sales Tax Tribunal, Chennai Commissioner Sales Tax, Delhi |
| Central Excise Act | Excise duty | 1979-80/1981-82 1982-83 1987-94 2005-07 2004-07 | 89.20 40.75 130.63 3.01 8.32 | Commissioner Central Excise, Bhubneshwar Supreme Court High Court, Orissa Commissioner (Appeals)-Surat Addl. Commissioner-Surat |
| Income Tax Act | Income Tax | 2004-05 | 6.98 | Appellate Tribunal |
| Provident Fund Act | Provident Fund | 2006-07 1971-72/1977-78 | 28.24 11.60 | High Court, Orissa PF Commissioner, Surat. |
| Water (PCP) Cess Act | Cess | 2000-05/2009-10 | 26.99 | Cess Appellate Committee, OSPCB, Bhubneshwar |

- 10) The Company does not have accumulated losses and has not incurred cash losses during the current 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) (a) According to the information and explanations given to us, the Company has given an undertaking to Infrastructure Development Finance Company Limited against loan given to JK Enviro-tech Limited amounting to Rs. 4,000 Lac as stated in note no. B.3 (b) of schedule 20. In our opinion, the terms and conditions on which the company has given the undertaking is not, prima facie, prejudicial to the interest of the company.
- (b) The Company has not given any guarantee for loans taken by others from banks & Financial Institutions, as explained to us.
- 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, no security or charge is required to be created in respect of the debentures/bonds issued/ outstanding as at year end.
- 20) The Company has not raised any money through a public issue during the year.
- 21) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner

Firm Registration No.:- 301051E
Membership No.:- 85155

Place: New Delhi
Date: 17th May, 2010

BALANCE SHEET

AS AT 31ST MARCH, 2010

Rs. in Crore (10 Million)

| | Schedule | 31 st March, 2010 | 31 st March, 2009 |
|---|----------|---------------------------------|---------------------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Capital | 1 | 78.35 | 78.56 |
| Reserves and Surplus | 2 | 397.39 | 330.30 |
| | | 475.74 | 408.86 |
| LOANS | | | |
| Secured Loans | 3 | 392.15 | 563.41 |
| Unsecured Loans | 4 | 156.06 | 132.45 |
| | | 548.21 | 695.86 |
| Deferred Tax Liability (net) | | 134.56 | 109.94 |
| | TOTAL | 1,158.51 | 1,214.66 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 1,428.79 | 1,413.45 |
| Less: Depreciation | | 549.21 | 484.74 |
| Net Block | | 879.58 | 928.71 |
| Capital work-in-progress | | 20.80 | 13.96 |
| | | 900.38 | 942.67 |
| | 6 | 41.94 | 2.75 |
| INVESTMENTS | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 7 | 126.89 | 117.11 |
| Sundry Debtors | 8 | 104.49 | 107.15 |
| Cash and Bank Balances | 9 | 7.87 | 34.22 |
| Loans and Advances | 10 | 160.98 | 162.24 |
| | | 400.23 | 420.72 |
| | 11 | 184.31 | 152.95 |
| | | 215.92 | 267.77 |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| NET CURRENT ASSETS | | | |
| MISCELLANEOUS EXPENDITURE | | | |
| (To the extent not written off or adjusted) | | 0.27 | 1.47 |
| | TOTAL | 1,158.51 | 1,214.66 |
| NOTES ON ACCOUNTS | 20 | | |

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

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 17th May, 2010

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole Time Director

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

S.C. GUPTA
Company Secretary

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in Crore (10 Million)

| | Schedule | 2009-10 | 2008-09 |
|--|----------|-----------------|-----------------|
| INCOME | | | |
| Sales | | 1,299.57 | 1,268.34 |
| Less: Discounts | | 149.68 | 126.10 |
| | | <u>1,149.89</u> | <u>1,142.24</u> |
| Less: Excise Duty | | 44.36 | 65.06 |
| Net Sales | | <u>1,105.53</u> | <u>1,077.18</u> |
| Other Income | 12 | 1.35 | 4.92 |
| | | <u>1,106.88</u> | <u>1,082.10</u> |
| Increase/(Decrease) in Stocks | 13 | (8.95) | 6.97 |
| | | <u>1,097.93</u> | <u>1,089.07</u> |
| EXPENDITURE | | | |
| Employees | 14 | 119.70 | 99.79 |
| Materials and Manufacturing | 15 | 689.92 | 764.18 |
| Other Expenses | 16 | 42.85 | 42.86 |
| | | <u>852.47</u> | <u>906.83</u> |
| PROFIT BEFORE INTEREST AND DEPRECIATION | | <u>245.46</u> | <u>182.24</u> |
| Interest & Financial Charges | 17 | 48.49 | 58.47 |
| PROFIT BEFORE DEPRECIATION & TAX | | <u>196.97</u> | <u>123.77</u> |
| Depreciation | 18 | 70.04 | 69.69 |
| PROFIT BEFORE TAX | | <u>126.93</u> | <u>54.08</u> |
| Provision for Current Tax | | 23.57 | 5.99 |
| Provision for Fringe Benefit Tax | | - | 1.21 |
| MAT Credit Entitlement | | (12.29) | (6.79) |
| PROFIT BEFORE DEFERRED TAX | | <u>115.65</u> | <u>53.67</u> |
| Provision for Deferred Tax | | 24.62 | 15.66 |
| PROFIT AFTER TAX | | <u>91.03</u> | <u>38.01</u> |
| Surplus brought forward | | <u>111.95</u> | <u>93.90</u> |
| | | <u>202.98</u> | <u>131.91</u> |
| Appropriations: | | | |
| Capital Redemption Reserve | | 0.21 | 0.40 |
| General Reserve | | 10.00 | 3.50 |
| Proposed Dividend | 19 | 15.66 | 13.73 |
| Corporate Dividend Tax | | 2.60 | 2.33 |
| Surplus carried to Balance Sheet | | <u>174.51</u> | <u>111.95</u> |
| | | <u>202.98</u> | <u>131.91</u> |
| Earnings per Share (Rs.): | | | |
| – Basic | | 11.64 | 4.86 |
| – Diluted | | 11.33 | 4.74 |
| NOTES ON ACCOUNTS | 20 | | |

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

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

FOR LODHA & CO.

Chartered Accountants

N.K. LODHA

Partner

New Delhi, the 17th May, 2010

H.S. SINGHANIA

H.P. SINGHANIA

O.P. GOYAL

Chairman

Managing Director

Whole Time Director

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

S.C. GUPTA

Company Secretary

Rs. in Lac (0.1 Million)

31st March, 2010

31st March, 2009

Schedule I**CAPITAL****Authorised:**

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

Issued, Subscribed and Paid-up:

| | | |
|---|------------------------|-----------------|
| Equity Shares - 7,81,49,939 (Previous year 7,81,49,939) of Rs. 10 each fully paid up | 7,814.99 | 7,814.99 |
| 10% Cumulative Redeemable Preference Shares - 20,000 (Previous Year 41,000) of Rs.100 each fully paid-up (a) | 20.00 | 41.00 |
| | <u>7,834.99</u> | <u>7,855.99</u> |

Notes:

(a) 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 D) of Rs. 21 Lac with premium of Rs. 545 Lac. Series E of Rs. 11 Lac is redeemable on 30th day of June, 2010 alongwith premium on redemption of Rs. 546 Lac. Series F and G of Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.

Schedule 2**RESERVES AND SURPLUS**

Rs. in Lac (0.1 Million)

| Description | 1st April, 2009 | Additions | Transfers/ Adjustments | 31 st March, 2010 |
|------------------------------------|--------------------|------------------|---------------------------|---------------------------------|
| Capital Redemption Reserve | 259.00 | 21.00 | - | 280.00 |
| Revaluation Reserve | 562.81 | - | (a) 22.57 | 540.24 |
| Securities Premium | 19,259.36 | - | (b) 545.00 | 18,714.36 |
| General Reserve | 1,754.48 | 1,000.00 | - | 2,754.48 |
| Surplus in Profit and Loss Account | 11,194.46 | 17,450.41 | (c) 11,194.46 | 17,450.41 |
| | 33,030.11 | 18,471.41 | 11,762.03 | 39,739.49 |
| Previous Year | 31,362.34 | 11,689.27 | 10,021.50 | 33,030.11 |

(a) To Profit and Loss Account towards additional Depreciation arising out of revaluation of Fixed Assets (Previous year Rs. 87.06 Lac).

(b) Premium on Redemption of Preference Shares adjusted (Previous year Rs. 545 Lac)

(c) To Profit & Loss Account.

Rs. in Lac (0.1 Million)

31st March, 2010

31st March, 2009

Schedule 3

SECURED LOANS

| | | |
|--|-------------------------|------------------|
| Term Loans from Financial Institutions | 7,812.58 | 9,965.61 |
| Term Loans from Banks | 28,496.38 | 39,840.95 |
| Working Capital Loans from Banks | 2,905.84 | 4,534.95 |
| Short-Term Loan from Bank | – | 2,000.00 |
| | <u>39,214.80</u> | <u>56,341.51</u> |

NOTES:

- A** (i) Term Loans of Rs. 26.24 Lac (Fls – NIL, Banks Rs. 26.24 Lac) are secured by first pari passu mortgage / charge created on the immovable & movable assets of Unit - JKPM and movable assets acquired after 1.4.2000 of Unit - CPM of the Company.
- (ii) Term Loans of Rs 35,478.94 Lac (Fls – Rs. 7,611.61 Lac, Banks Rs. 27,867.33 Lac) are secured by means of first pari passu mortgage/charge created/to be 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. Out of the above Term Loan, Rs. 14,090.44 Lac (Fls - Rs. 6,590.44 Lac, Banks Rs. 7,500.00 Lac) are further secured / to be secured by second charge on the current assets of the Company.
- B** Term Loan of Rs. 602.81 Lac from banks and Direct Discounting Facility (equipment) of Rs. 200.97 lac from Financial Institution are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- C** Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the movable and immovable assets of the Company.
- D** Instalments of Term Loans repayable within one year - Rs. 8,787.50 Lac.
- E** Term loans from Financial Institutions and Banks include Rs. 12,733.12 Lac foreign currency loans.

Schedule 4

UNSECURED LOANS

| | | |
|--|-------------------------|------------------|
| Fixed Deposits | 2,851.14 | 1,597.74 |
| 1.25% Foreign Currency Convertible Bonds Due 2011 (FCCB's) (a) | 2,257.00 | 2,547.50 |
| Foreign Currency Term Loan from Bank | 429.18 | 605.53 |
| Short-Term Loans from Banks (b) | 9,000.00 | 5,500.00 |
| Buyers Credit facilities from Bank | 1,068.93 | 2,993.75 |
| | <u>15,606.25</u> | <u>13,244.52</u> |

NOTES:

- (a) 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 130.44 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.
- (b) Includes Commercial paper of Rs. 2,500 Lac (Previous year Nil), maximum outstanding balance during the year was Rs. 2,500 Lac (Previous year Rs. 1,500 Lac).

Schedule 5 FIXED ASSETS

Rs. in Lac (0.1 Million)

| Description | GROSS BLOCK (b) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|-----------------------|----------------------------|--------------------|------------------------|----------------|--------------|-----------------------|-----------|------------------------|------------------------|
| | As at 1st April, 2009 | Additions/ Adjustments (d) | Sales/ Adjustments | As at 31st March, 2010 | Upto last year | For the Year | On Sales/ Adjustments | To date | As at 31st March, 2010 | As at 31st March, 2009 |
| Land - Freehold (a) | 326.30 | - | - | 326.30 | - | - | - | - | 326.30 | 326.30 |
| - Leasehold | 20.60 | - | - | 20.60 | 2.34 | 0.26 | - | 2.60 | 18.00 | 18.26 |
| Buildings | 13,889.85 | 345.96 | 2.16 | 14,233.65 | 3,207.90 | 366.67 | 0.70 | 3,573.87 | 10,659.78 | 10,681.95 |
| Plant & Machinery | 122,777.77 | 1,777.97 | 749.23 | 123,806.51 | 43,177.80 | 6,246.24 | 427.47 | 48,996.57 | 74,809.94 | 79,599.97 |
| Furniture, Fixtures & Equipments | 1,582.65 | 139.75 | 124.24 | 1,598.16 | 756.42 | 128.38 | 93.90 | 790.90 | 807.26 | 826.23 |
| Vehicles & Locomotives | 1,045.62 | 291.12 | 144.95 | 1,191.79 | 312.37 | 111.17 | 56.67 | 366.87 | 824.92 | 733.25 |
| Railway Sidings | 464.41 | - | - | 464.41 | 180.40 | 21.92 | - | 202.32 | 262.09 | 284.01 |
| Intangible Assets (c) | | | | | | | | | | |
| - Performance Improvement & Development | 486.89 | - | - | 486.89 | 486.89 | - | - | 486.89 | - | - |
| - Software | 750.99 | - | - | 750.99 | 349.58 | 151.87 | - | 501.45 | 249.54 | 401.41 |
| Total | 141,345.08 | 2,554.80 | 1,020.58 | 142,879.30 | 48,473.70 | 7,026.51 | 578.74 | 54,921.47 | 87,957.83 | 92,871.38 |
| Previous year | 136,752.09 | 5,465.87 | 872.88 | 141,345.08 | 41,806.32 | (e)7,056.91 | 389.53 | 48,473.70 | 92,871.38 | |

Notes:

- Includes cost of 4.67 acres land given on lease to Employees State Insurance Corporation for construction of Hospital for Employees and cost of 34.72 acres land for which title is yet to be transferred in name of the company.
- Gross Block includes amount of revaluation (Note no. B.7, Schedule 20)
- Intangible Assets are being depreciated @ 20% p.a.
- During the Year Rs. 652.66 Lac has been deducted (Previous year Rs. 1,406.75 Lacs was added) from the cost of depreciable asset due to Foreign exchange fluctuation (Net).
- During the previous year depreciation of Rs. 0.48 Lac has been adjusted against opening balance of general reserve.

Schedule 6 INVESTMENTS

(Non-trade)

Long-term Investments (Quoted)

(Equity Shares fully paid up)

| | 31 st March, 2010 | | 31 st March, 2009 | |
|--|------------------------------|------------|------------------------------|------------|
| | Nos. | Book Value | Nos. | Book Value |
| JK Lakshmi Cement Ltd. * | 216,000 | 51.56 | 108,000 | 51.56 |
| Udaipur Cement Works Ltd. (formerly J.K. Udaipur Udyog Ltd.) | 5,000,000 | 500.00 | 5,000,000 | 500.00 |
| Bengal & Assam Company Ltd. | 4,677 | 5.73 | - | - |

Long-term Investments (Unquoted)

| | | | | |
|--|-----------|--------|-----------|--------|
| JK Enviro-tech Ltd. - Equity Shares (Associate) # | 1,700,000 | 170.00 | 1,700,000 | 170.00 |
| Bengal & Assam Company Ltd. - Equity Shares | - | - | 4,677 | 5.73 |
| J.K.Paper Mills Employees' Co-Operative Stores Ltd. - Equity Shares | 250 | 0.02 | 250 | 0.02 |
| Songadh Infra. & Housing Ltd. - Equity Shares (Wholly Owned Subsidiary) | 50,600 | 5.06 | - | - |
| Jaykaypur Infra & Housing Ltd. - Equity Shares (Wholly Owned Subsidiary) | 50,600 | 5.06 | - | - |
| Government Securities (Deposited with Government Departments) | - | 0.03 | - | 0.03 |

Current Investments (Unquoted) (Units)

| | | | | |
|---|------------|----------|---|---|
| SBI-SHF-Ultra Short Term Fund - Institutional Plan - Daily Dividend | 22,072,175 | 2,208.54 | - | - |
| (Purchased 12,60,76,474 units and sold 10,40,04,299 units) | | | | |

Rs. in Lac (0.1 Million)

| | 31 st March, 2010 | | 31 st March, 2009 | |
|--|------------------------------|-----------------|------------------------------|-----------------|
| | Nos. | Book Value | Nos. | Book Value |
| SBI-Premier Liquid Fund - Super Institutional - Daily Dividend (Purchased 12,36,22,676 units and sold 10,86,66,071 units) | 14,956,605 | 1,500.52 | - | - |
| SBI-Premier Liquid Fund - Institutional - Daily Dividend (Purchased 99,76,268 units and sold 79,79,004 units) | 1,997,264 | 200.38 | - | - |
| | | <u>4,646.90</u> | | <u>727.34</u> |
| Less : Provision for diminution in value of Investments | | <u>(452.50)</u> | | <u>(452.50)</u> |
| | | <u>4,194.40</u> | | <u>274.84</u> |
| Aggregate book value of quoted investments | | 104.79 | | 99.06 |
| Aggregate book value of unquoted investments | | 4,089.61 | | 175.78 |
| Aggregate market value of quoted investments | | 211.93 | | 93.78 |

* During the year equity shares of JK Lakshmi Cement Ltd. having nominal value of Rs. 10/- per share has been split into two shares of Rs. 5/- each. Consequently 1,08,000 number of equity shares have been converted to 2,16,000 number of equity shares.

Equity Shares pledged with Infrastructure Development Finance Company Limited for a Loan availed by JK Enviro-Tech Limited.

Investments Purchased and Sold during the current year.

SBI-SHF-Ultra Short Term Fund - Institutional Plan - Growth - 1,46,25,650 units, SBI-Magnum Insta Cash Fund - Cash Option - 50,17,564 units, SBI-Magnum Insta Cash Fund - Daily Dividend - 3,53,26,277 units, UTI-Liquid Cash Plan Institutional - Daily Income option - 2,15,839 units, UTI-Treasury Advantage Fund - Institutional Plan - Daily Dividend Option - 20,010 units.

| | 31 st March, 2010 | 31 st March, 2009 |
|--|------------------------------|------------------------------|
| Schedule 7 | | |
| INVENTORIES | | |
| (As certified by the Management) | | |
| Raw Materials | 5,334.87 | 3,174.20 |
| Stores, Spares and Chemicals | 3,865.13 | 4,152.20 |
| Finished Goods | 2,653.60 | 3,271.50 |
| Stock-in-process | 835.72 | 1,113.17 |
| | <u>12,689.32</u> | <u>11,711.07</u> |
| Schedule 8 | | |
| SUNDRY DEBTORS | | |
| (Unsecured and considered good, net of provision) | | |
| Exceeding six months | 1,601.38 | 2,369.27 |
| Other Debts | 8,847.67 | 8,345.29 |
| | <u>10,449.05</u> | <u>10,714.56</u> |
| Schedule 9 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 25.07 | 23.21 |
| Cheques/Drafts on hand | 15.00 | - |
| Balances with Scheduled Banks: | | |
| - On Current Accounts | 41.53 | 38.80 |
| - On Unclaimed Dividend Accounts | 17.31 | 12.74 |
| - On Deposit Accounts (Lodged with Government Authorities and Others Rs. 39.47 Lac, Previous year Rs. 39.47 Lac) | 687.11 | 3,346.79 |
| - On Savings Bank Accounts (Employees Security Deposit) | 0.63 | 0.63 |
| | <u>786.65</u> | <u>3,422.17</u> |

Rs. in Lac (0.1 Million)
31st March, 2010 31st March, 2009

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 | 11,177.66 | 12,194.91 |
| Income Tax (net) | 223.12 | 707.09 |
| MAT Credit Entitlement | 3,483.90 | 2,255.12 |
| Deposits with Government Authorities and Others | 1,213.27 | 1,067.07 |
| | <u>16,097.95</u> | <u>16,224.19</u> |

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities:

| | | |
|---|------------------|------------------|
| Acceptances | - | 89.92 |
| Sundry Creditors (Note no. B.16 (a), Schedule 20) | 11,571.13 | 9,792.69 |
| Unclaimed Dividends @ | 17.31 | 12.74 |
| Unclaimed Matured Deposits @ | 47.85 | 39.12 |
| Interest accrued on Unclaimed Matured Deposits @ | 4.62 | 4.51 |
| Other Liabilities | 3,530.05 | 2,137.90 |
| Interest accrued but not due on Loans | 683.25 | 537.79 |
| | <u>15,854.21</u> | <u>12,614.67</u> |

Provisions:

| | | |
|--|------------------|------------------|
| Provision for Fringe Benefit Tax (Net) | - | 15.03 |
| Proposed Dividend | 1,565.00 | 1,371.72 |
| Tax on Proposed Dividend | 259.93 | 233.12 |
| Provision for Employee Benefits | 751.58 | 1,060.15 |
| | <u>18,430.72</u> | <u>15,294.69</u> |

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

2009-10 2008-09

Schedule 12

OTHER INCOME

| | | |
|---|---------------|---------------|
| Profit on sale of Fixed Assets (Net) | - | 6.93 |
| Provisions of earlier years no longer required (Net) | 48.32 | 423.35 |
| Profit on sale of Current Investments | 3.26 | - |
| Miscellaneous Income (Note no. B.11 (a), Schedule 20) | 83.55 | 61.22 |
| | <u>135.13</u> | <u>491.50</u> |



Rs. in Lac (0.1 Million)

31st March, 2010

31st March, 2009

Schedule 13

INCREASE / (DECREASE) IN STOCKS

Opening Stocks

| | | |
|------------------|-----------------|-----------------|
| Stock-in-process | 1,113.17 | 1,473.22 |
| Finished Goods | 3,271.50 | 2,214.84 |
| | <u>4,384.67</u> | <u>3,688.06</u> |

Closing Stocks

| | | |
|-----------------------|-----------------|-----------------|
| Stock-in-process | 835.72 | 1,113.17 |
| Finished Goods | 2,653.60 | 3,271.50 |
| | <u>3,489.32</u> | <u>4,384.67</u> |
| Increase / (Decrease) | <u>(895.35)</u> | <u>696.61</u> |

2009-10

2008-09

Schedule 14

EMPLOYEES

| | | |
|---|------------------|-----------------|
| Salaries, Wages, Bonus and Gratuity etc. | 10,100.41 | 8,221.02 |
| Contribution to Provident and Other Funds | 623.08 | 561.01 |
| Employees' Welfare and other benefits | 1,246.32 | 1,196.50 |
| | <u>11,969.81</u> | <u>9,978.53</u> |

Schedule 15

MATERIALS AND MANUFACTURING

| | | |
|---|------------------|------------------|
| Raw Materials Consumed | 28,678.95 | 28,143.37 |
| Excise Duty on variation of Stock | (62.13) | (10.68) |
| Consumption of Stores, Spares and Chemicals | 23,147.67 | 23,344.82 |
| Purchase of Finished Goods | 4,398.09 | 11,487.33 |
| Power, Fuel and Water | 11,849.12 | 12,293.89 |
| Repairs to Buildings | 441.73 | 461.49 |
| Repairs to Machinery | 538.63 | 697.29 |
| | <u>68,992.06</u> | <u>76,417.51</u> |

Rs. in Lac (0.1 Million)

2009-10 2008-09

Schedule 16**OTHER EXPENSES**

| | | |
|---|-----------------|-----------------|
| Rent (Net) | 163.10 | 140.19 |
| Rates & Taxes | 349.10 | 48.92 |
| Insurance | (21.99) | 16.57 |
| Commission on Sales | 67.43 | 156.84 |
| Directors' Fee | 5.10 | 6.00 |
| Directors' Commission | 52.56 | 22.54 |
| Assets written off | 312.82 | 277.34 |
| Loss on Sale of Fixed Assets (Net) | 16.14 | - |
| Deferred Revenue Expenditure Written off | 119.99 | 138.22 |
| Bad Debts | 33.15 | 432.53 |
| Provision for Doubtful Debts | 594.15 | 377.72 |
| Bank charges, Transport, Clearing and Forwarding Charges, Traveling and Other Misc. Expenses | 2,593.05 | 2,669.07 |
| | <u>4,284.60</u> | <u>4,285.94</u> |

Schedule 17**INTEREST & FINANCIAL CHARGES**

| | | |
|---|-----------------|-----------------|
| Interest on : | | |
| - Term Loans, Debentures and Fixed Deposits | 4,169.02 | 4,816.63 |
| - Others | 1,094.18 | 1,668.55 |
| Foreign Exchange Fluctuation | 264.17 | (128.68) |
| Premium on Forward Exchange Contracts | 119.25 | 202.72 |
| | <u>5,646.62</u> | <u>6,559.22</u> |
| Less: Interest Income (Include Tax deducted at Source - Rs. 75.24 Lac Previous year Rs. 123.65 Lac) | 830.72 | 741.77 |
| | <u>4,815.90</u> | <u>5,817.45</u> |
| Lease Rent on Machinery | 33.35 | 29.75 |
| | <u>4,849.25</u> | <u>5,847.20</u> |

Schedule 18**DEPRECIATION**

| | | |
|--|-----------------|-----------------|
| Depreciation on Fixed Assets | 7,026.50 | 7,056.43 |
| Less: Transferred from Revaluation Reserve | 22.57 | 87.06 |
| | <u>7,003.93</u> | <u>6,969.37</u> |

Schedule 19**PROPOSED DIVIDEND**

| | | |
|--------------------------------|-----------------|-----------------|
| On Preference Shares - Interim | 0.53 | 0.99 |
| - Proposed | 2.00 | 4.10 |
| On Equity Shares - Interim | - | - |
| - Proposed | 1,563.00 | 1,367.62 |
| | <u>1,565.53</u> | <u>1,372.71</u> |

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. a) Foreign currency transactions are recorded at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the Balance Sheet date are translated at exchange rate prevailing at the year end. Premium or discount in respect of forward contracts covered under AS 11 (revised 2003) is recognized over the life of contract. Exchange differences arising on actual payments / realizations and year end translations including on forward contracts are dealt with in Profit and Loss Account except foreign exchange loss/gain on reporting of long-term foreign currency monetary items used for depreciable assets, which are capitalized. Non Monetary Foreign Currency items are stated at cost.
b) In accordance with Announcement issued by the Institute of Chartered Accountants of India all outstanding derivatives except covered under AS 11 (revised 2003) are mark to market on Balance Sheet date and loss, if any, is recognized in Profit & Loss Account and gain being ignored.
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 02.04.1987 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 additions due to exchange rate fluctuation is provided on the basis of residual life of the assets. Depreciation on assets costing up to Rs.5,000/- and on Temporary Sheds is provided in full during the year of additions.

Schedule 20 (Contd....)

- (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. Employee Benefits:
- (a) Defined Contribution Plan
Employee benefit in the form of Superannuation Fund is considered as defined contribution plan and charged to the Profit and Loss Account in the year when the contribution to the respective fund is due.
 - (b) Defined Benefit Plan
Retirement benefits in the form of Gratuity is considered as defined benefit obligation and provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.
The Provident Fund Contribution is made to trust administered by the trustees. The interest rate to the members of the trust shall not be lower than the statutory rate declared by the Central Government under Employees' Provident Fund and Miscellaneous Provision Act, 1952. Any shortfall, if any, shall be made good by the Company.
 - (c) Other long-term benefits
Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.
Actuarial gain/losses, if any, are immediately recognized in the Profit and Loss Account.
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. Current tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax Act, 1961. Deferred tax assets and liabilities are recognised in respect of current year and prospective years. Deferred Tax Assets are recognised on the basis of reasonable certainty / virtual certainty as the case may be, that sufficient future taxable income will be available against which the same can be realised.
17. Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes.
18. Premium on redemption of preference shares is accounted for in the year of redemption.

Schedule 20 (Contd....)

B. Notes on Accounts

1. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 1,139.98 Lac (Previous year Rs. 214.08 Lac).
2. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

| | 31 st March, 2010 | Rs. in lac (0.1 million) 31 st March, 2009 |
|--|------------------------------|--|
| a) Excise duty liability in respect of matters in appeal | 271.91 | 300.95 |
| b) Sales tax liability in respect of matters in appeals | 182.27 | 249.84 |
| c) Other Matters | 1,199.15 | 1,553.86 |

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

3. a) 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.
- b) The Company has entered into a Take or Pay agreement for the purpose of sourcing lime from JK Enviro-tech Ltd. The Company has given an undertaking that on the happening of certain events, it will takeover Loan taken by JK Enviro-tech Ltd. from IDFC Ltd. of the value of Rs. 40 Crore.
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 Scheme of Arrangement for transfer and vesting of CPM Staff Housing Undertaking of the Company to Songadh Infrastructure & Housing Limited and of JKPM Staff Housing Undertaking of the Company to Jaykaypur Infrastructure & Housing Limited has been filed with the High Courts of Gujarat & Orissa for their approval, pursuant to Sections 391 to 394 of the Companies Act. Upon sanction of the said Scheme by the above said Courts, CPM Staff Housing Undertaking of the Company shall be transferred to Songadh Infrastructure & Housing Limited and JKPM Staff Housing Undertaking of the Company shall be transferred to Jaykaypur Infrastructure & Housing Limited w.e.f. the appointed date as per the said Scheme, i.e, April 1, 2009. Pending requisite approval, no effect has been given of the said scheme in these accounts.
6. 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 required.
7. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Unit - Central Pulp Mills 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.
8. Loans and Advances are net of provisions for doubtful advances of Rs. 53.04 Lac (Previous year Rs. 24.53 Lac) and includes loans of Rs. 2,848.45 Lac (previous year Rs. 3,198.45 Lac) to JK Paper Employees' Welfare Trust, a shareholder of the Company, (includes concessional loans of Rs. 2,248.45 Lac (Previous year Rs. 2,398.45 Lac)), loans to JK Enviro-Tech Limited (an Associate) Rs. 2,739.27 Lac (Previous year Rs. 1,996.40 Lac) & to body corporate Rs. 50.00 Lac (Previous year Rs. 50.00 Lac) and loan to employees of Rs. 87.17 Lac (Previous year Rs. 49.15 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. 98.57 Lac (Previous year Rs. 71.43 Lac).

Schedule 20 (Contd....)

9. a) Sales include export incentives of Rs. 205.80 Lac (Previous year Rs. 285.56 Lac).
 b) Discount includes Trade Discount Rs 5,046.08 Lac (Previous year Rs. 4,336.75 Lac) and other than Trade Discount Rs 9,922.03 Lac (Previous year Rs 8,272.79 Lac).

10. Employee Defined Benefits:

- (a) Defined Benefit Plans/Long Term Compensated Absences–As per Actuarial Valuation on Balance Sheet date:

Rs. in lac (0.1 million)

| Sr No. | Nature of Transactions | 2009-10 (12 Months) | | 2008-09 (12 Months) | | 2007-08 (9 Months) | |
|--|--|---------------------|---|---------------------|---|--------------------|---|
| | | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) |
| I Expenses recognized in the Statement of Profit & Loss Account | | | | | | | |
| 1 | Current Service Cost | 141.38 | 86.49 | 133.29 | 79.41 | 80.48 | 36.74 |
| 2 | Interest Cost | 187.84 | 36.56 | 183.38 | 43.40 | 134.66 | 23.97 |
| 3 | Expected return on plan assets | (200.75) | - | (155.70) | - | (77.66) | - |
| 4 | Actuarial (gains)/losses | 351.87 | 9.22 | 150.14 | (119.46) | 55.47 | 47.52 |
| 5 | Past Service Cost | 17.26 | - | - | - | - | - |
| 6 | Total expense | 497.60 | 132.27 | 311.11 | 3.35 | 192.95 | 108.23 |
| II Net Assets/(Liability) recognized in the Balance Sheet | | | | | | | |
| 1 | Present Value of Defined Benefit Obligation | 2,981.15 | 480.98 | 2,409.17 | 421.89 | 2,306.13 | 507.70 |
| 2 | Fair Value of plan assets | 2,710.55 | - | 1,770.91 | - | 1,487.88 | - |
| 3 | Funded status [Surplus/(Deficit)] | (270.60) | (480.98) | (638.26) | (421.89) | (818.25) | (507.70) |
| 4 | Net Assets/(Liability) recognized | (270.60) | (480.98) | (638.26) | (421.89) | (818.25) | (507.70) |
| III Change in obligation during the period | | | | | | | |
| 1 | Present Value of Defined Benefit Obligation at the beginning of the period | 2,409.17 | 421.89 | 2,306.13 | 507.70 | 2,244.32 | 399.47 |
| 2 | Current Service Cost | 141.38 | 86.49 | 133.29 | 79.41 | 80.48 | 36.74 |
| 3 | Interest Cost | 187.84 | 36.56 | 183.38 | 43.40 | 134.66 | 23.97 |
| 4 | Actuarial (gains)/losses | 479.08 | 9.22 | 80.83 | (119.46) | 61.02 | 47.52 |
| 5 | Past Service Cost | 17.26 | - | - | - | - | - |
| 6 | Benefits Paid | (253.58) | (73.18) | (294.46) | (89.16) | (214.35) | - |
| 7 | Present Value of Defined Benefit Obligation at the end of the period | 2,981.15 | 480.98 | 2,409.17 | 421.89 | 2,306.13 | 507.70 |

Schedule 20 (Contd....)

| Sr No. | Nature of Transactions | 2009-10 (12 Months) | | 2008-09 (12 Months) | | 2007-08 (9 Months) | |
|---|--|---|---|---|---|---|---|
| | | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) | Gratuity (Funded) | Long Term Compensated Absences (Non Funded) |
| IV Change in Assets during the period | | | | | | | |
| 1 | Fair Value of plan assets at the beginning of the period | 1,770.91 | - | 1,487.88 | - | 1,218.27 | - |
| 2 | Expected return on plan assets | 200.75 | - | 155.70 | - | 77.66 | - |
| 3 | Contribution by employer | 865.26 | - | 491.10 | - | 400.75 | - |
| 4 | Actual benefits paid | (253.58) | - | (294.46) | - | (214.35) | - |
| 5 | Actuarial gains/(losses) | 127.21 | - | (69.31) | - | 5.55 | - |
| 6 | Fair value of plan assets at the end of the period | 2,710.55 | - | 1,770.91 | - | 1,487.88 | - |
| 7 | Actual return on plan assets | 327.96 | - | 86.39 | - | 83.22 | - |
| V The major categories of plan assets as % of total plan | | | | | | | |
| 1 | Mutual Funds | 94% | - | 100% | - | 100% | - |
| VI Actuarial Assumptions: | | | | | | | |
| 1 | Discount Rate | 7.85% | 7.85% | 7.75% | 7.75% | 8.00% | 8.00% |
| 2 | Expected rate of return on plan assets | 8.00% | - | 8.00% | - | 8.50% | - |
| 3 | Mortality | LIC (1994-96) duly modified | | LIC (1994-96) duly modified | | LIC (1994-96) duly modified | |
| 4 | Turnover rate | Age upto 30-3%, upto 44-2%, above 44-1% | | Age upto 30-3%, upto 44-2%, above 44-1% | | Age upto 30-3%, upto 44-2%, above 44-1% | |
| 5 | Salary Escalation | 5.50% | | 5.50% | | 5.50% | |

(b) Defined Benefit Plans –

Gratuity Expense Rs. 497.60 Lac (Previous year Rs. 311.11 Lac) has been recognized in “Salaries, Wages, Bonus and Gratuity etc.” under Schedule 14.

Amount recognized as an expense and included in Schedule 14 & Note 23 below, item “Contribution to Provident and Other Funds” Rs. 458.36 Lac (Previous year Rs. 412.69 Lac).

Pending the issuance of Guidance Note from the Institute of Actuaries of India, the Company’s actuary has expressed his inability to reliably measure the provident fund liability.

(c) Defined Contribution Plans –

Amount recognized as an expense and included in Schedule 14 item “Contribution to Provident and Other Funds” Rs. 192.61 Lac (Previous year Rs. 171.14 Lac) for Superannuation Fund.

(d) Other long-term benefits –

Amount recognized as an expense and included in Schedule 14 item “Salaries, Wages, Bonus and Gratuity etc.” Rs. 132.27 Lac (Previous year Rs. 3.35 Lac) for long term compensated absences.

(e) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risk of assets management, historical results on plan assets and the policy for plan assets management.

(f) The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Schedule 20 (Contd....)

11. (a) Miscellaneous Income includes dividend income of Rs. 38.79 Lac (Previous year Rs. 1.74 Lac).
 (b) Interest Income includes Rs. 77.16 Lac (Previous year Rs. 101.22 Lac) on deposits with banks, Rs. 86.12 Lac (Previous year Rs. 15.94 Lacs) on Income Tax refund & Rs. 667.44 Lac (Previous year Rs. 624.61 Lac) on others.
 (c) Interest Expense in Schedule 17 includes Nil (Previous year Rs. 193.37) and other expenses in Schedule 16 includes Nil (Previous year Rs. 21.59 Lac) relates to prior-period.
12. 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 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) | |
|-------------------------------------|------------------------------|------------------------------|
| | 31 st March, 2010 | 31 st March, 2009 |
| Fees for Technical Assistance | – | 40.78 |
| Add: Expenditure upto previous year | – | 62.80 |
| Total | – | 103.58 |
| Less: Allocated to the Fixed Assets | – | 103.58 |
| Balance | – | Nil |

13. Stocks of Stores & Spares and Raw Material include in-transit Rs. 227.07 Lac (Previous year Rs. 237.17 Lac).
14. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs. 1,006.86 Lac (Previous year Rs. 412.71 Lac).
15. Future minimum lease payments under non-cancelable operating leases as on 31st March 2010 are Rs. 8.22 Lac - Rs. 8.22 Lac within one year and Nil later than one year but not later than five years (Previous year Rs. 43.98 Lac - Rs. 28.60 Lac within one year and Rs. 15.38 Lac later than one year but not later than five years).
16. (a) Based on information so far available with the company in respect of MSME (as defined in 'The Micro Small & Medium Enterprises Developments Act, 2006) there is no delay in payment of dues to such enterprises during the year and there is no such dues payable at the end of the year.
 (b) The Balances of certain Advances, Security Deposits, Creditors and Other liabilities are in the process of confirmation/reconciliation
17. Consumption of Stores, Spares and Chemicals is net of scrap sale of Rs. 298.62 Lac (Previous year Rs. 297.42 Lac).
18. (a) In accordance with Announcement issued by the Institute of Chartered Accountants of India all outstanding derivatives except covered under AS 11 (revised 2003) are mark to market on Balance Sheet date and there is loss of Rs. 183.83 Lac (Previous year 63.21 Lacs) which has been recognized in Profit & Loss Account.
 (b) Forward contract outstanding for purpose of hedging as at Balance Sheet date

| Foreign Currency | 31 st March, 2010 | | 31 st March, 2009 | |
|------------------|------------------------------|------------|------------------------------|------------|
| | FC in Million | Rs. in Lac | FC in Million | Rs. in Lac |
| (i) US Dollar* | 13.99 | 6,314.60 | 8.20 | 4,177.90 |
| (ii) Euro | 0.22 | 133.23 | 0.87 | 587.08 |

*net of receivables US \$ 1.13 Million – Rs. 511.78 Lac (Previous year US \$ 1.20 Million – Rs. 611.40 Lac)

- (c) Nominal amounts of Currency and Interest Rate Swaps for hedging entered into by the Company and outstanding at year end is Rs. 12,706.88 Lac (Previous year Rs. 12976.55 Lac)

Schedule 20 (Contd....)

(d) Foreign currency exposure not hedged as at Balance Sheet date

| Foreign Currency | 31 st March, 2010 | | 31 st March, 2009 | |
|-----------------------|------------------------------|------------|------------------------------|------------|
| | FC in Million | Rs. in Lac | FC in Million | Rs. in Lac |
| (i) US Dollar* | 10.57 | 4,773.05 | 16.73 | 8,524.56 |
| (ii) Euro* | 0.11 | 68.67 | 0.14 | 96.27 |
| (iii) Sterling Pound* | (0.06) | (42.19) | 0.01 | 3.99 |
| (iv) Swedish Krona | - | - | 0.30 | 18.76 |
| (v) Swiss Franc | 0.03 | 12.78 | - | - |

*net of receivables US \$ 0.44 Million – Rs. 196.37 Lac (Previous year Nil) and Euro 0.003 Million – Rs. 2.01 Lac (Previous year Nil) and net of payables of Sterling Pound of 0.002 Million – Rs. 1.33 Lac (Previous year Nil).

19. Research and Development expenditure amounting to Rs. 88.24 Lac (Previous year Rs. 61.68 Lac) has been charged to Profit and Loss Account.

20. Miscellaneous Expenditure to the extent not written off include:

| | Rs in Lac (0.1 million) | |
|--|------------------------------|------------------------------|
| | 31 st March, 2010 | 31 st March, 2009 |
| a) Deferred Revenue Expenditure amortised over the expected duration of benefit : | | |
| Expenditure relating to forestry development, expenditure relating to enhancement of business performance including cost compression and strategic planning having long term benefits amortised over five years. | - | 7.76 |
| b) Compensation paid to employees under VRS amortised over the period till 31 st March 2010. | - | 95.95 |
| c) Syndication Fee, Upfront Fee etc. amortised over tenure of loans | 26.97 | 43.25 |
| | <u>26.97</u> | <u>146.96</u> |

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

| | Rs. in Lac (0.1 million) | |
|---------------------------|--------------------------|--------------|
| | 2009-10 | 2008-09 |
| (i) Statutory Auditors: | | |
| Audit Fee | 9.93 | 8.82 |
| Tax Audit Fee | 1.65 | 1.65 |
| Other Services | 2.61 | 3.65 |
| Reimbursement of expenses | 0.39 | 1.17 |
| | <u>14.58</u> | <u>15.29</u> |
| (ii) Cost Auditors: | | |
| Cost Audit Fee | 0.55 | 0.44 |
| Reimbursement of expenses | 0.08 | 0.03 |
| | <u>0.63</u> | <u>0.47</u> |

Schedule 20 (Contd....)

22. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956:

| | Rs. in Lac (0.1 million) | |
|--|--------------------------|------------------|
| Profit before tax as per Profit & Loss Account | | 12,692.71 |
| Add: Managerial Remuneration | 1,191.71 | |
| Directors' Fee | 5.10 | |
| Commission to Non Executive Directors | 52.56 | |
| Wealth Tax | 5.90 | |
| Loss on Sale of Assets (Net) | 16.14 | |
| Assets written off | 312.82 | |
| | | <u>1,584.23</u> |
| | | 14,276.94 |
| Less: Profit on sale of Current Investments (Net) | | 3.26 |
| Net profit as per section 198 of the Companies Act, 1956 | | <u>14,273.68</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 | 609.40 |
| b) Non Executive Directors, as approved by the Board of Directors | 52.56 |

| | Rs. in Lac (0.1 million) | |
|--|--------------------------|---------------|
| Managerial Remuneration #: | 2009-10 | 2008-09 |
| i) Salaries | 400.22 | 265.35 |
| ii) Commission | 609.40 | 150.92 |
| iii) Contribution to Provident and Other Funds | 82.93 | 72.65 |
| iv) Value of Perquisites (as per Income-Tax rules) | 99.16 | 94.19 |
| | <u>1,191.71</u> | <u>583.11</u> |

excludes actuarial provision of gratuity & leave encashment.

23. Expenses included under other heads of account:

| | Rs. in Lac (0.1 million) | |
|---|--------------------------|-----------------|
| | 2009-10 | 2008-09 |
| Salaries, Wages, Bonus and Gratuity etc. | 268.30 | 227.77 |
| Contribution to Provident and Other Funds | 27.89 | 22.82 |
| Employees' Welfare and Other benefits | 24.37 | 33.63 |
| Consumption of Stores and Spares | 30.55 | 26.80 |
| Power, Fuel and Water | 0.23 | 0.46 |
| Rent | 1.03 | 4.50 |
| Insurance | 2.20 | 2.29 |
| Rates and Taxes | 13.61 | 0.38 |
| Royalty for Bamboo | 386.21 | 570.73 |
| Miscellaneous Expenses | 388.08 | 480.25 |
| | <u>1,142.47</u> | <u>1,369.63</u> |

Schedule 20 (Contd....)

24. a) Pursuant to the Accounting Standard for 'Taxes on Income' (AS 22), deferred tax liability () / asset at Balance Sheet date is:

| | Rs. in Lac (0.1 million) | |
|---|-----------------------------------|-----------------------------|
| | 31st March 2010 | 31 st March 2009 |
| i) Tax on difference between book value of depreciable assets as per books of account and written down value as per Income Tax. | (14,378.62) | (14,788.88) |
| ii) Tax on carried forward unabsorbed depreciation | - | 3,028.57 |
| iii) Tax on Others | 923.02 | 766.40 |
| | (13,455.60) | (10,993.91) |

- b) Based on the past performance and current plans, the Company expects to continue to generate taxable income which will enable it to utilise MAT credit entitlement.
- c) During the Previous year Company has recognized additional MAT Credit Entitlement of Rs. 79.49 Lac related to earlier years.

25. 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. Subsidiaries

- Songadh Infrastructure & Housing Ltd (Wholly Owned Subsidiary w.e.f 30th April 2009)
- Jaykaypur Infrastructure & Housing Ltd (Wholly Owned Subsidiary w.e.f 30th April 2009)

ii. Associate

- JK Enviro-tech Limited

iii. Key Management Personnel (KMP)

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

iv. Enterprise over which KMP's have significant influence

- Habras International Limited

- 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 | Associate | |
|--|-----------------|----------|
| | 2009-10 | 2008-09 |
| (i) Sale of Assets | 198.27 | 5,261.31 |
| (ii) Sharing of Expenses – Received | 42.08 | 197.13 |
| (iii) Purchase of Goods | 2,026.22 | 40.44 |
| (iv) Reimbursement of Expenses – Paid | 404.05 | - |
| (v) Interest received | 218.15 | 248.89 |
| (vi) Sale of Goods | 42.40 | - |
| (vii) Loans given | 742.87 | 2,103.91 |
| (viii) Outstanding at end of the year – Receivable | 3,050.92 | 2,145.60 |

Details of remuneration to Key Management Personnel are given in the note 22 above.

During the year Company paid Rs. 10.12 Lac (Rs.5.06 Lac each) as equity contribution in two wholly owned subsidiaries.

During the year Company has incurred expenses of Rs. 15.69 Lac as Commission on purchase with Enterprise over which KMP's have significant influence.

26. Earnings Per Share:

| | 31st March 2010 | Rs. In Lac (0.1 million) 31 st March 2009 |
|---|-----------------------------------|---|
| a) Profit after tax | 9,102.49 | 3,801.04 |
| Less : Preference Dividend (including tax on Dividend) | 2.95 | 5.96 |
| Profit for Basic Earnings Per Share | 9,099.54 | 3,795.08 |
| Effect of Conversion Option: | | |
| Add : Interest on Foreign Currency Convertible Bonds (Net of tax expense) | 18.62 | 21.89 |
| Profit for Diluted Earnings Per Share | 9,118.16 | 3,816.97 |
| b) Weighted average No. of Ordinary Shares | | |
| - Basic | 7,81,49,939 | 7,81,49,939 |
| Effect of Conversion Option | 23,52,105 | 23,52,105 |
| - Diluted | 8,05,02,044 | 8,05,02,044 |
| c) Nominal Value of Ordinary Share (Rs.) | 10.00 | 10.00 |
| d) Earnings per Ordinary Share considering | | |
| - Basic | 11.64 | 4.86 |
| - Diluted | 11.33 | 4.74 |

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

| Description | Installed Capacity Quantity Per Annum (Tonnes) | Production Quantity (Tonnes) | Sales | | Opening Stocks | | Closing Stocks | |
|-----------------------------------|--|------------------------------|-------------------|-------------|-------------------|------------|-------------------|------------|
| | | | Quantity (Tonnes) | Rs. in Lac | Quantity (Tonnes) | Rs. In Lac | Quantity (Tonnes) | Rs. in Lac |
| Paper & Board incl. Pulp for sale | 2,40,000 | 2,73,755* | 2,65,045 | 1,29,957.40 | 7,936 | 3,271.50 | 6,155 | 2,653.60 |
| Previous Year | 2,40,000 | 2,54,816* | 2,56,918 | 1,26,834.07 | 5,216 | 2,214.84 | 7,936 | 3,271.50 |

*includes 19,618 MT transferred to Packaging Board (Previous year 18,238 MT)

28. Purchase of finished goods (Paper and Board) during the year 9,127 tonnes (Previous year – 23,060 tonnes).

29. Particulars of Raw Materials consumed:

| | 2009-10 | | 2008-09 | |
|---------------------|--------------------------|--|--------------------------|--|
| | Quantity (Tonnes) | Amount Rs. in Lac (0.1 million) | Quantity (Tonnes) | Amount Rs. in Lac (0.1 million) |
| (i) Bamboo | 1,00,520 | 3,165.12 | 1,27,764 | 4,359.22 |
| (ii) Hardwood | 3,57,535 | 13,956.92 | 3,22,966 | 13,322.87 |
| (iii) Pulp & Others | 47,630 | 11,556.91 | 28,221 | 10,461.28 |
| | | 28,678.95 | | 28,143.37 |

30. Other Particulars:

| | Rs. in Lac (0.1 million) | |
|---|--------------------------|------------------|
| | 2009-10 | 2008-09 |
| (a) Earnings in Foreign Exchange: | | |
| i) Export of goods at FOB Value | 2,905.43 | 4,241.95 |
| ii) Interest Income | - | 10.17 |
| (b) CIF Value of Imports : | | |
| i) Raw Materials | 10,810.53 | 8,563.22 |
| ii) Stores, Spares and Chemicals | 1,494.19 | 1,262.71 |
| iii) Capital Goods | 776.71 | 1,149.78 |
| iv) Others – Paper | 2,452.00 | 4,664.08 |
| | <u>15,533.43</u> | <u>15,639.79</u> |
| (c) Expenditure in Foreign Currency (as remitted) on account of: | | |
| i) Interest payment in Rupee to Financial Institutions/Banks on foreign currency loans | 832.60 | 533.15 |
| ii) Consultancy | 123.71 | 196.19 |
| iii) Others | 104.49 | 120.97 |
| | <u>1,060.80</u> | <u>850.31</u> |
| (d) Remittance in foreign currency on account of Dividend for the year 2008-09 (Previous year 2007-08): | | |
| (i) Number of Non-resident Shareholders (No.) | 1 | 1 |
| (ii) Number of Equity Shares held by them (No.) | 25,00,000 | 25,00,000 |
| (iii) Amount of Dividend remitted | 43.75 | 37.50 |

| | 2009-10 | | 2008-09 | |
|---|-----------------------------|---------------|-----------------------------|---------------|
| | 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 | 11,354.14 | 39.59 | 9,608.95 | 34.14 |
| – Indigenous | 17,324.81 | 60.41 | 18,534.42 | 65.86 |
| | <u>28,678.95</u> | <u>100.00</u> | <u>28,143.37</u> | <u>100.00</u> |
| ii) Stores, Spares and Chemicals: | | | | |
| – Imported | 1,649.28 | 7.03 | 1,097.16 | 4.64 |
| – Indigenous | 21,827.56 | 92.97 | 22,571.88 | 95.36 |
| | <u>#23,476.84</u> | <u>100.00</u> | <u>#23,669.04</u> | <u>100.00</u> |

includes Rs. 298.62 Lac scrap sale (Previous Year Rs. 297.42 Lac) & Rs. 30.55 Lac grouped in other head of account (Previous Year 26.80 Lac).

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

As per our report of even date

FOR LODHA & CO.

Chartered Accountants

N.K. LODHA

Partner

New Delhi, the 17th May, 2010

S.C. GUPTA

Company Secretary

H.S. SINGHANIA

H.P. SINGHANIA

O.P. GOYAL

ARUN BHARAT RAM

DHIRENDRA KUMAR

R.V. KANORIA

SHAILENDRA SWARUP

SHAILESH HARIBHAKTI

UDAYAN BOSE

VINITA SINGHANIA

Chairman

Managing Director

Whole Time Director

Directors

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

I. REGISTRATION DETAILS:

| | |
|--------------------|------------|
| Registration No. | 04-18099 |
| State Code | 04 |
| Balance Sheet Date | 31.03.2010 |

II. CAPITAL RAISED DURING THE PERIOD:

(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 | 11,585,113 |
| Total Assets | 11,585,113 |

SOURCES OF FUNDS

| | |
|------------------------|-----------|
| Paid-up Capital | 783,499 |
| Reserves & Surplus | 3,973,949 |
| Deferred Tax Liability | 1,345,560 |
| Secured Loan | 3,921,480 |
| Unsecured Loan | 1,560,625 |

APPLICATION OF FUNDS

| | |
|---------------------------|-----------|
| Net Fixed Assets | 9,003,751 |
| Investments | 419,440 |
| Net Current Assets | 2,159,225 |
| Miscellaneous Expenditure | 2,697 |

IV. PERFORMANCE OF THE COMPANY

(Amount in Rs./Thousands)

| | |
|---------------------------------|------------|
| Turnover including Other Income | 11,068,773 |
| Total Expenditure | 9,799,502 |
| Profit before Tax | 1,269,271 |
| Profit after Tax | 910,249 |
| Earnings Per Share (Rs.) | 11.64 |
| Dividend Rate (%) | 20.00% |

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

(As per Monetary terms)

| | |
|---------------------|-----------------|
| Item Code No. | 4907.00 |
| Product Description | Paper and Board |

| | |
|----------------|----------------------------|
| H.S. SINGHANIA | <i>Chairman</i> |
| H.P. SINGHANIA | <i>Managing Director</i> |
| O.P. GOYAL | <i>Whole Time Director</i> |

| | |
|---------------------|--------------------|
| ARUN BHARAT RAM | } <i>Directors</i> |
| DHIRENDRA KUMAR | |
| R.V. KANORIA | |
| SHAIENDRA SWARUP | |
| SHAILESH HARIBHAKTI | |
| UDAYAN BOSE | |
| VINITA SINGHANIA | |

S.C. GUPTA
Company Secretary

New Delhi, the 17th May, 2010

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2010

Rs. in Lac (0.1 Million)

| | 2009-10 | 2008-09 |
|---|-------------------|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit before Tax and Extra-ordinary Items | 12,692.71 | 5,408.54 |
| Adjustments for : | | |
| Depreciation | 7,003.93 | 6,969.37 |
| Income from Investments | (3.26) | — |
| Profit on sale of assets (Net) | 16.14 | (6.93) |
| Interest and Financial Charges (Net) | 4,849.25 | 5,847.20 |
| Assets written off | 312.82 | 277.34 |
| Bad Debts | 33.15 | 432.53 |
| Provision for Doubtful Debts | 594.15 | 377.72 |
| Miscellaneous Expenditure written off | 119.99 | 138.22 |
| Provision for earlier years no longer required | (48.32) | (423.35) |
| Operating Profit before Working Capital Changes | <u>25,570.56</u> | <u>19,020.64</u> |
| Adjustments for Working Capital Changes: | | |
| Trade and Other Receivables | (1,022.95) | 4,179.01 |
| Inventories | (978.25) | 322.79 |
| Trade and Other Payables | 2,701.57 | (2,285.45) |
| Cash generated from Operations | <u>26,270.93</u> | <u>21,236.99</u> |
| Taxes paid | (1,888.37) | (942.81) |
| Miscellaneous Expenditure | — | (17.58) |
| Net Cash from Operating Activities | 24,382.56 | 20,276.60 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | (3,592.86) | (3,398.89) |
| Sale of Fixed Assets | 112.88 | 212.94 |
| Sale/(Purchase) of Investments (net) | (3,916.30) | — |
| Interest Received | <u>782.98</u> | <u>668.26</u> |
| Net Cash from Investing Activities | (6,613.30) | (2,517.69) |

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2010

Rs. in Lac (0.1 Million)

| | 2009-10 | 2008-09 |
|--|--------------------|--------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Redemption of Preference Share Capital incld. Premium | (566.00) | (585.00) |
| Proceeds of Long-term Borrowings | – | 7,183.26 |
| Repayment of Long-term Borrowings | (12,309.22) | (8,707.72) |
| Proceeds/(Repayment) from Short-term Borrowings (net) | (600.53) | (5,018.89) |
| Interest and Financial Charges | (5,328.14) | (6,183.26) |
| Dividend (including Dividend Tax) | (1,600.89) | (1,375.08) |
| Net cash from Financing Activities | (20,404.78) | (14,686.69) |
| D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance | (2,635.52) | 3,072.22 |
| E. Cash and Cash Equivalents as at the beginning of the year | | |
| - Cash & Bank Balances (schedule No. 9) | 3,422.17 | 349.95 |
| F. Cash and Cash Equivalents as at the close of the year | | |
| - Cash & Bank Balances (Schedule No. 9) | 786.65 | 3,422.17 |

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

New Delhi, the 17th May, 2010

S.C. GUPTA
Company Secretary

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Chairman
Managing Director
Whole Time Director

Directors

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Rs. in Lac (0.1 Million)

| S.No. | Name of the Subsidiary Company | Financial Year of the Subsidiary ended on | Holding Company's Interest in Equity Capital | Net Aggregate of Profit less Losses of the Subsidiary Companies as far as it concern the members of the Holding Company @ |
|-------|--|---|--|---|
| | | | | Not Dealt with in Holding Company's Account |
| | | | | For the Financial Year since it become the Subsidiary |
| 1 | Songadh Infrastructure & Housing Limited | 31 st March, 2010 | 100% | (1.46) |
| 2 | Jaykaypur Infrastructure & Housing Limited | 29 th March, 2010 | 100% | (1.76) |

@ Profit & Loss of none of the subsidiary Companies has been dealt with in the Holding Company's account.

H.S. SINGHANIA *Chairman*
H.P. SINGHANIA *Managing Director*
O.P. GOYAL *Whole Time Director*

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAIENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA
Directors

S.C. GUPTA
Company Secretary

New Delhi, the 17th May, 2010

INFORMATION PERTAINING TO SUBSIDIARY COMPANIES U/S 212 (8) OF THE COMPANIES ACT, 1956

Rs. In Lakhs (0.1 million)

| SI. No | Particulars | Jaykaypur Infrastructure & Housing Ltd. | Songadh Infrastructure & Housing Ltd. |
|--------|--|---|---------------------------------------|
| 1 | Share Capital | 5.06 | 5.06 |
| 2 | Reserve & Surplus/ (Accumulated Losses) | (1.46) | (1.76) |
| 3 | Total Assets | 5.06 | 5.06 |
| 4 | Total Liabilities | 5.06 | 5.06 |
| 5 | Details of Investments (other than investment in Subsidiary Companies) | - | - |
| 6 | Total Turnover | - | - |
| 7 | Profit/ (Loss) before tax | (1.46) | (1.76) |
| 8 | Income Tax | - | - |
| 9 | Profit/ (Loss) after tax | (1.46) | (1.76) |
| 10 | Proposed Dividend | - | - |

Note: The Ministry of Corporate Affairs, Government of India New Delhi vide its letter no. 47/503/2010 - CL-III dated 17th May, 2010 issued under Section 212(8) of the Companies Act, 1956 has exempted the Company from attaching the accounts of subsidiaries of the Company. However, annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of the company and the subsidiaries of the Company seeking such information at any point of time. The annual accounts of the subsidiary companies are available for inspection by any investor at the Head Office of the Company and of the concerned subsidiary of the Company.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF JK PAPER LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF JK PAPER LTD, IT'S SUBSIDIARIES AND IT'S INTEREST IN ASSOCIATE

We have examined the attached Consolidated Balance Sheet of JK Paper Limited, its subsidiaries and its interest in associate as at 31st March, 2010, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated 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.

We did not audit the financial statements of all the subsidiaries. The financial statement of the subsidiary, namely, Songadh Infrastructure & Housing Limited reflects total assets of Rs. 3.43 Lac as at 31st March, 2010 and of Jaykaypur Infrastructure & Housing Limited reflects total assets of Rs. 3.73 Lac as at 29th March, 2010 and total revenue of Rs. Nil for the fifteen months period ended on respective dates. The financial statements of the subsidiaries have been audited by other auditor, whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the said subsidiaries, is based solely on the report of other auditor.

We did not audit the financial statements of associate, namely, JK Enviro-tech Limited whose audited financial statements reflects total assets of Rs. 7,446.09 Lac as at 31st March'10 and total revenue of Rs. 2,311.41 Lac for the year then ended.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 "Consolidated Financial Statements" and (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of JK PAPER LTD, its subsidiaries and its interest in associate included in the consolidated financial statements.

On the basis of information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary and its interest in associate included in the consolidated financial statements, we are of the opinion that the said consolidated financial statements read together with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India;

- i) In the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company, its subsidiaries and its interests in associate as at 31st March 2010;
- ii) In the case of the Consolidated Profit & Loss Account, of the Consolidated results of operations of the Company, its subsidiaries and its interests in associate for the period then ended, and
- iii) In the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company, its subsidiaries and its interest in associates for the period then ended.

For LODHA & CO.

Chartered Accountants

(N.K. LODHA)

Partner

Firm Registration No.:- 301051E

Membership No.:- 85155

Place : New Delhi

Date : 17th May, 2010

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2010

Rs. in Crore (10 Million)

| | Schedule | 31st March, 2010 |
|--|----------|------------------|
| SOURCES OF FUNDS | | |
| SHAREHOLDERS' FUNDS | | |
| Capital | 1 | 78.35 |
| Reserves and Surplus | 2 | 397.65 |
| | | <u>476.00</u> |
| LOANS | | |
| Secured Loans | 3 | 392.15 |
| Unsecured Loans | 4 | 156.06 |
| | | <u>548.21</u> |
| Deferred Tax Liability (Net) | | 134.56 |
| TOTAL | | <u>1,158.77</u> |
| APPLICATION OF FUNDS | | |
| FIXED ASSETS | | |
| Gross Block | 5 | 1,428.79 |
| Less: Depreciation | | 549.21 |
| Net Block | | <u>879.58</u> |
| Capital work-in-progress | | 20.80 |
| | | <u>900.38</u> |
| INVESTMENTS | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| Inventories | 7 | 126.89 |
| Sundry Debtors | 8 | 104.49 |
| Cash and Bank Balances | 9 | 7.94 |
| Loans and Advances | 10 | 160.98 |
| | | <u>400.30</u> |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | |
| NET CURRENT ASSETS | | |
| MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | | 0.27 |
| TOTAL | | <u>1,158.77</u> |
| NOTES ON ACCOUNTS | 20 | |

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

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole Time Director

S.C. GUPTA
Company Secretary

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAIENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

New Delhi, the 17th May, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in Crore (10 Million)

| | Schedule | 2009-10 |
|---|----------|-----------------|
| INCOME | | |
| Sales | | 1,299.57 |
| Less: Discounts | | 149.68 |
| | | <u>1,149.89</u> |
| Less: Excise Duty | | 44.36 |
| Net Sales | | <u>1,105.53</u> |
| Other Income | 12 | 1.35 |
| | | <u>1,106.88</u> |
| Increase / (Decrease) in Stocks | 13 | (8.95) |
| | | <u>1,097.93</u> |
| EXPENDITURE | | |
| Employees | 14 | 119.70 |
| Materials and Manufacturing | 15 | 689.92 |
| Other Expenses | 16 | 42.88 |
| | | <u>852.50</u> |
| PROFIT BEFORE INTEREST AND DEPRECIATION | | <u>245.43</u> |
| Interest & Financial Charges | 17 | 48.49 |
| PROFIT BEFORE DEPRECIATION & TAX | | <u>196.94</u> |
| Depreciation | 18 | 70.04 |
| PROFIT BEFORE TAX | | <u>126.90</u> |
| Provision for Current Tax | | 23.57 |
| MAT Credit Entitlement | | (12.29) |
| PROFIT BEFORE DEFERRED TAX | | <u>115.62</u> |
| Provision for Deferred Tax | | 24.62 |
| PROFIT AFTER TAX | | <u>91.00</u> |
| SHARE IN PROFITS OF ASSOCIATE | | 0.29 |
| Surplus brought forward | | <u>111.95</u> |
| | | <u>203.24</u> |
| Appropriations: | | |
| Capital Redemption Reserve | | 0.21 |
| General Reserve | | 10.00 |
| Proposed Dividend | 19 | 15.66 |
| Corporate Dividend Tax | | 2.60 |
| Surplus carried to Balance Sheet | | <u>174.77</u> |
| | | <u>203.24</u> |
| Earnings per Share (Rs.): | | |
| - Basic | | 11.68 |
| - Diluted | | 11.36 |
| NOTES ON ACCOUNTS | 20 | |
| Schedule 12 to 20 attached to the Profit and Loss Account are an integral part thereof. | | |

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

FOR LODHA & CO.

Chartered Accountants

N.K. LODHA

Partner

S.C. GUPTA

Company Secretary

H.S. SINGHANIA

H.P. SINGHANIA

O.P. GOYAL

ARUN BHARAT RAM

DHIRENDRA KUMAR

R.V. KANORIA

SHAIENDRA SWARUP

SHAILESH HARIBHAKTI

UDAYAN BOSE

VINITA SINGHANIA

Chairman

Managing Director

Whole Time Director

Directors

New Delhi, the 17th May, 2010

Rs. in Lac (0.1 Million)
31st March, 2010

**Schedule 1
CAPITAL**

Authorised:

| | |
|--|-------------------------|
| Equity Shares - 20,00,00,000 of Rs. 10 each | 20,000.00 |
| Redeemable Preference Shares - 3,00,00,000 of Rs. 100 each | 30,000.00 |
| | <u>50,000.00</u> |

Issued, Subscribed and Paid-up:

| | |
|---|------------------------|
| Equity Shares - 7,81,49,939 of Rs. 10 each fully paid up | 7,814.99 |
| 10% Cumulative Redeemable Preference shares - 20,000 of Rs.100 each fully paid-up (a) | 20.00 |
| | <u>7,834.99</u> |

Notes:

(a) 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 D) of Rs.21 Lac with premium of Rs. 545 Lac. Series E of Rs. 11 Lac is redeemable on 30th day of June, 2010 alongwith premium on redemption of Rs. 546 Lac. Series F and G of Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.

**Schedule 2
RESERVES AND SURPLUS**

Rs. in Lac (0.1 Million)

| Description | 1 st April 2009 | Additions | Transfers/ Adjustments | 31 st March, 2010 |
|------------------------------------|-------------------------------|------------------|---------------------------|---------------------------------|
| Capital Redemption Reserve | 259.00 | 21.00 | - | 280.00 |
| Revaluation Reserve | 562.81 | - | (a) 22.57 | 540.24 |
| Securities Premium | 19,259.36 | - | (b) 545.00 | 18,714.36 |
| General Reserve | 1,754.48 | 1,000.00 | - | 2,754.48 |
| Surplus in Profit and Loss Account | 11,194.46 | 17,475.79 | (c) 11,194.46 | 17,475.79 |
| | 33,030.11 | 18,496.79 | 11,762.03 | 39,764.87 |

- (a) To Profit and Loss Account towards additional Depreciation arising out of revaluation of Fixed Assets.
 (b) Premium on Redemption of Preference Shares adjusted.
 (c) To Profit & Loss Account.

Rs. in Lac (0.1 Million)
31st March, 2010

Schedule 3

SECURED LOANS

| | |
|--|------------------|
| Term Loans from Financial Institutions | 7,812.58 |
| Term Loans from Banks | 28,496.38 |
| Working Capital Loans from Banks | 2,905.84 |
| | <u>39,214.80</u> |

NOTES:

- A** (i) Term Loans of Rs. 26.24 Lac (Fls – NIL, Banks Rs. 26.24 Lac) are secured by first pari passu mortgage / charge created on the immovable & movable assets of Unit - JKPM and movable assets acquired after 1.4.2000 of Unit - CPM of the Company.
- (ii) Terms Loans of Rs 35478.94 Lac (Fls – Rs 7611.61 Lac, Banks Rs 27867.33 Lac) are secured by means of first pari passu mortgage/charge created/to be 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. Out of the above Term Loan, Rs. 14090.44 Lac (Fls - Rs. 6590.44 Lac, Banks Rs. 7500.00 Lac) are further secured / to be secured by second charge on the current assets of the Company.
- B** Term Loan of Rs 602.87 Lac from banks and Direct discounting facility (equipment) of Rs. 200.97 lac from Financial Institution are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- C** Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the immovable assets of the Company.
- D** Instalments of Term Loans repayable within one year - Rs. 8787.50 Lac.
- E** Terms loans from Financial Institutions and Banks include Rs. 12733.12 Lac foreign currency loans.

Schedule 4

UNSECURED LOANS

| | |
|--|------------------|
| Fixed Deposits | 2,851.14 |
| 1.25% Foreign Currency Convertible Bonds due 2011 (FCCB's) (a) | 2,257.00 |
| Foreign Currency term loan from Bank | 429.18 |
| Short-Term Loans from Banks (b) | 9,000.00 |
| Buyers Credit facilities from Bank | 1,068.93 |
| | <u>15,606.25</u> |

NOTE:

- (a) 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.
- (b) Includes Commercial paper of Rs. 2500 Lac, maximum outstanding balance during the year was Rs. 2500 Lac.

Schedule 5
FIXED ASSETS

Rs. in Lac (0.1 Million)

| Description | GROSS BLOCK (b) | | | | DEPRECIATION | | | | NET BLOCK |
|---|-----------------------|------------------------|--------------------|------------------------|------------------|------------------|-----------------------|------------------|------------------------|
| | As at 1st April, 2009 | Additions/ Adjustments | Sales/ Adjustments | As at 31st March, 2010 | Upto last year | For the Year (d) | On Sales/ Adjustments | To date | As at 31st March, 2010 |
| Land - Freehold (a) | 326.30 | - | - | 326.30 | - | - | - | - | 326.30 |
| - Leasehold | 20.60 | - | - | 20.60 | 2.34 | 0.26 | - | 2.60 | 18.00 |
| Buildings | 13,889.85 | 345.96 | 2.16 | 14,233.65 | 3,207.90 | 366.67 | 0.70 | 3,573.87 | 10,659.78 |
| Plant & Machinery | 122,777.77 | 1,777.97 | 749.23 | 123,806.51 | 43,177.80 | 6,246.24 | 427.47 | 48,996.57 | 74,809.94 |
| Furniture, Fixtures & Equipments | 1,582.65 | 139.75 | 124.24 | 1,598.16 | 756.42 | 128.38 | 93.90 | 790.90 | 807.26 |
| Vehicles & Locomotives | 1,045.62 | 291.12 | 144.95 | 1,191.79 | 312.37 | 111.17 | 56.67 | 366.87 | 824.92 |
| Railway Sidings | 464.41 | - | - | 464.41 | 180.40 | 21.92 | - | 202.32 | 262.09 |
| Intangible Assets (c) | | | | | | | | | |
| - Performance Improvement & Development | 486.89 | - | - | 486.89 | 486.89 | - | - | 486.89 | - |
| - Software | 750.99 | - | - | 750.99 | 349.58 | 151.87 | - | 501.45 | 249.54 |
| Total | 141,345.08 | 2,554.80 | 1,020.58 | 142,879.30 | 48,473.70 | 7,026.51 | 578.74 | 54,921.47 | 87,957.83 |

Notes:

- Includes cost of 4.67 acres land given on lease to Employees State Insurance Corporation for construction of Hospital for Employees and cost of 34.72 acres land for which title is yet to be transferred in name of the company.
- Gross Block includes amount of revaluation (Note no.6, Schedule 20)
- Intangible Assets are being depreciated @ 20% p.a.
- During the Year Rs. 652.66 Lac has been deducted from the cost of depreciable asset due to Foreign exchange fluctuation (Net).

Schedule 6

31st March, 2010

INVESTMENTS (Non-trade)

Long-term Investments (Quoted)

- Equity **557.29**

Long-term Investments (Unquoted)

- Equity (includes Investment in associates Rs. 198.60 Lac) **198.62**

- Government Securities **0.03**

Current Investments (Unquoted)

- Mutual Funds **3,909.44**

4,665.38

Less: Provision for diminution in value of Investments

(452.50)

4,212.88

Rs. in Lac (0.1 Million)

Schedule 7

INVENTORIES

(As certified by the Management)

| | |
|------------------------------|------------------|
| Raw Materials | 5,334.87 |
| Stores, Spares and Chemicals | 3,865.13 |
| Finished Goods | 2,653.60 |
| Stock-in-process | 835.72 |
| | <u>12,689.32</u> |

Schedule 8

SUNDRY DEBTORS

(Unsecured and considered good, net of provision)

| | |
|----------------------|------------------|
| Exceeding six months | 1,601.38 |
| Other Debts | 8,847.67 |
| | <u>10,449.05</u> |

Schedule 9

CASH AND BANK BALANCES

| | |
|---|---------------|
| Cash on hand | 32.23 |
| Cheques/Drafts on hand | 15.00 |
| Balances with Scheduled Banks: | |
| On Current Accounts | 41.53 |
| On Unclaimed Dividend Accounts | 17.31 |
| On Deposit Accounts (Lodged with Government Authorities and Others Rs. 39.47 Lac) | 687.11 |
| On Savings Bank Accounts (Employees Security Deposit) | 0.63 |
| | <u>793.81</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 | 11,177.66 |
| Income Tax (net) | 223.12 |
| MAT Credit Entitlement | 3,483.90 |
| Deposits with Government Authorities and Others | 1,213.27 |
| | <u>16,097.95</u> |

Rs. in Lac (0.1 Million)
31st March, 2010

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities:

| | |
|--|------------------|
| Sundry Creditors | 11,571.13 |
| Unclaimed Dividends @ | 17.31 |
| Unclaimed Matured Deposits @ | 47.85 |
| Interest accrued on Unclaimed Matured Deposits @ | 4.62 |
| Other Liabilities | 3,530.31 |
| Interest accrued but not due on Loans | 683.25 |
| | <u>15,854.47</u> |

Provisions:

| | |
|---------------------------------|------------------|
| Proposed Dividend | 1,565.00 |
| Tax on Proposed Dividend | 259.93 |
| Provision for Employee Benefits | 751.58 |
| | <u>18,430.98</u> |

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

2009-10

Schedule 12

OTHER INCOME

| | |
|--|---------------|
| Provisions of earlier years no longer required (Net) | 48.32 |
| Profit on sale of Current Investments | 3.26 |
| Miscellaneous Income | 83.55 |
| | <u>135.13</u> |

Schedule 13

31st March, 2010

INCREASE/(DECREASE) IN STOCKS

Opening Stocks

| | |
|------------------|-----------------|
| Stock-in-process | 1,113.17 |
| Finished Goods | 3,271.50 |
| | <u>4,384.67</u> |

Closing Stocks

| | |
|---------------------|-----------------|
| Stock-in-process | 835.72 |
| Finished Goods | 2,653.60 |
| | <u>3,489.32</u> |
| Increase/(Decrease) | <u>(895.35)</u> |

Rs. in Lac (0.1 Million)
2009-10

Schedule 14

EMPLOYEES

| | |
|---|------------------|
| Salaries, Wages, Bonus and Gratuity etc. | 10,100.41 |
| Contribution to Provident and Other Funds | 623.08 |
| Employees' Welfare and other benefits | 1,246.32 |
| | <u>11,969.81</u> |

Schedule 15

MATERIALS AND MANUFACTURING

| | |
|---|------------------|
| Raw Materials Consumed | 28,678.95 |
| Excise Duty on variation of Stock | (62.13) |
| Consumption of Stores, Spares and Chemicals | 23,147.67 |
| Purchase of Finished Goods | 4,398.09 |
| Power, Fuel and Water | 11,849.12 |
| Repairs to Buildings | 441.73 |
| Repairs to Machinery | 538.63 |
| | <u>68,992.06</u> |

Schedule 16

OTHER EXPENSES

| | |
|---|-----------------|
| Rent (Net) | 163.10 |
| Rates & Taxes | 349.10 |
| Insurance | (21.99) |
| Commission on Sales | 67.43 |
| Directors' Fee | 5.10 |
| Directors' Commission | 52.56 |
| Assets written off | 312.82 |
| Loss on Sale of Fixed Assets (Net) | 16.14 |
| Deferred Revenue Expenditure Written off | 119.99 |
| Bad Debts | 33.15 |
| Provision for Doubtful Debts | 594.15 |
| Bank charges, Transport, Clearing and Forwarding Charges, Traveling and Other Misc. Expenses | 2,596.27 |
| | <u>4,287.82</u> |

Rs. in Lac (0.1 Million)
2009-10

Schedule 17

INTEREST & FINANCIAL CHARGES

Interest on:

| | |
|--|-----------------|
| – Term Loans, Debentures and Fixed Deposits | 4,169.02 |
| – Others | 1,094.18 |
| Foreign Exchange Fluctuation | 264.17 |
| Premium on Forward Exchange Contracts | 119.25 |
| | <u>5,646.62</u> |
| Less: Interest Income (Include Tax deducted at Source – Rs. 75.24 Lac) | 830.72 |
| | <u>4,815.90</u> |
| Lease-rent on Machinery | 33.35 |
| | <u>4,849.25</u> |

Schedule 18

DEPRECIATION

| | |
|--|-----------------|
| Depreciation on Fixed Assets | 7,026.50 |
| Less: Transferred from Revaluation Reserve | 22.57 |
| | <u>7,003.93</u> |

Schedule 19

PROPOSED DIVIDEND

| | |
|--------------------------------|-----------------|
| On Preference Shares – Interim | 0.53 |
| – Proposed | 2.00 |
| On Equity Shares – Interim | – |
| – Proposed | 1,563.00 |
| | <u>1,565.53</u> |

Schedule 20

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Principles of Consolidation:

- (a) The Consolidated Financial Statements comprise of the financial statements of JK Paper Limited (Parent Company) and the following as on 31st March, 2010;

(i) Subsidiaries:

| Name | Proportion of ownership interest | Financial Statements as on | Status |
|---|----------------------------------|------------------------------|---------|
| JayKaypur Infrastructure & Housing Limited, India | 100% | 29 th March, 2010 | Audited |
| Songadh Infrastructure & Housing Limited, India | 100% | 31 st March, 2010 | Audited |

Accounts of both the companies, are made for 15 months. Both the companies are, wholly owned subsidiary with effect from 30th April, 2009.

(ii) Associate:

| Name | Proportion of ownership interest | Financial Statements as on | Status |
|-------------------------------|----------------------------------|------------------------------|---------|
| JK Enviro-tech Limited, India | 34.34% | 31 st March, 2010 | Audited |

- (b) The Financial Statements of the Parent Company and its Subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions.
- (c) In case of Associate, where Company holds directly or indirectly 20% or more equity or/ and exercises significant influence, Investments are accounted for by using Equity Method in accordance with Accounting Standard (AS-23) – “Accounting for Investments in Associate in Consolidated Financial Statements”.
- (d) The Accounting Policies of the Parent Company, its Subsidiaries and Associate are largely similar, hence not re-produced.
- (e) Significant Account Policies and Notes on Accounts of the Financial Statements of the Company and its Subsidiaries are stated in their respective Financial Statements.
2. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 1,139.98 Lac.
3. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

Rs. in lac (0.1 million)

31st March, 2010

| | |
|--|----------|
| a) Excise duty liability in respect of matters in appeal | 271.91 |
| b) Sales tax liability in respect of matters in appeals | 182.27 |
| c) Other Matters | 1,199.15 |

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

4. 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.
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 required.
6. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Unit - Central Pulp Mills 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.
7. Loans and Advances are net of provisions for doubtful advances of Rs. 53.04 Lac and includes loans of Rs. 2,848.45 Lac to JK Paper Employees' Welfare Trust, a shareholder of the Company, (includes concessional loans of Rs. 2,248.45 Lac), loans to JK Enviro-Tech Limited (Associate) Rs. 2,739.27 Lac & to body corporate Rs. 50.00 Lac and loan to employees of Rs. 87.17 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. 98.57 Lac.

8. Pursuant to the Accounting Standard for 'Taxes on Income' (AS 22), deferred tax liability () / asset at Balance Sheet date is:

Rs. in Lac (0.1 million)

| | 31st March, 2010 |
|---|------------------------------------|
| i) Tax on difference between book value of depreciable assets as per books of account and written down value as per Income Tax. | (14,378.62) |
| ii) Tax on Others | 923.02 |
| Total | (13,455.60) |

- (b) Based on the past performance and current plans, the Parent Company expects to continue to generate taxable income which will enable it to utilise MAT credit entitlement.

9. 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) Associate

- JK Enviro-tech Limited

(ii) Key Management Personnel (KMP)

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

(iii) Enterprise over which KMP's have significant influence

- Habras International Limited

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

Rs. in Lac (0.1 million)

| S No. | (Nature of Transactions with Associate) | 2009-10 |
|--------|---|----------|
| (i) | Sale of Assets | 198.27 |
| (ii) | Sharing of Expenses – Received | 42.08 |
| (iii) | Purchase of Goods | 2,026.22 |
| (iv) | Reimbursement of Expenses – Paid | 404.05 |
| (v) | Interest received | 218.15 |
| (vi) | Sale of Goods | 42.40 |
| (vii) | Loans given | 742.87 |
| (viii) | Outstanding at end of the year - Receivable | 3,050.92 |

During the year Company has incurred expenses of Rs. 15.69 Lac as Commission on purchase with Enterprise over which KMP's have significant influence.

10. Earnings Per Share:

Rs. in Lac (0.1 million)

| | | 31 st March 2010 |
|----|---|-----------------------------|
| a) | Profit after tax | 9,128.62 |
| | Less : Preference Dividend (including tax on Dividend) | 2.95 |
| | Profit for Basic Earnings Per Share | 9,125.67 |
| | Effect of Conversion Option: | |
| | Interest on Foreign Currency Convertible Bonds (Net of tax expense) | 18.62 |
| | Profit for Diluted Earnings Per Share | 9,144.29 |
| b) | Weighted average No. of Ordinary Shares | |
| | - Basic | 7,81,49,939 |
| | Effect of Conversion Option | 23,52,105 |
| | - Diluted | 8,05,02,044 |
| c) | Nominal Value of Ordinary Share (Rs.) | 10.00 |
| d) | Earnings per Ordinary Share considering (Rs.) | |
| | - Basic | 11.68 |
| | - Diluted | 11.36 |

11. Being the first year of Consolidation, previous year figures have not been given.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 17th May, 2010

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole Time Director

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAIENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

S.C. GUPTA
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2010

Rs. in Lac (0.1 Million)

2009-10

| | | |
|---|-------------|--------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Profit before Tax and Extra-ordinary Items | 12,689.49 | |
| Adjustments for: | | |
| Depreciation | 7,003.93 | |
| Income from Investments | (3.26) | |
| Profit on sale of Assets (Net) | 16.14 | |
| Interest and Financial Charges (Net) | 4,849.25 | |
| Assets Written off | 312.82 | |
| Bad Debts | 33.15 | |
| Provision for Doubtful Debts | 594.15 | |
| Miscellaneous Expenditure Written off | 119.99 | |
| Provision for earlier years no longer required | (48.32) | |
| Operating Profit before Working Capital Changes | 25,567.34 | |
| Adjustments for Working Capital Changes: | | |
| Trade and Other Receivables | (1,022.95) | |
| Inventories | (978.25) | |
| Trade and Other Payables | 2,701.83 | |
| Cash generated from Operations | 26,267.97 | |
| Taxes paid | (1,888.37) | |
| Net Cash from Operating Activities | | 24,379.60 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | (3,592.86) | |
| Sale of Fixed Assets | 112.88 | |
| Sale/(Purchase) of Investments (net) | (3,906.18) | |
| Interest Received | 782.98 | |
| Net Cash from Investing Activities | | (6,603.18) |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Redemption of Preference Share Capital including Premium | (566.00) | |
| Repayment of Long-term Borrowings | (12,309.22) | |
| Proceeds/(Repayment) from Short-term Borrowings (net) | (600.53) | |
| Interest and Financial Charges | (5,328.14) | |
| Dividend (including Dividend Tax) | (1,600.89) | |
| Net cash from Financing Activities | | (20,404.78) |
| D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance | | (2,628.36) |
| E. Cash and Cash Equivalents as at the beginning of the year | | |
| – Cash & Bank Balances (schedule No. 9) | | 3,422.17 |
| F. Cash and Cash Equivalents as at the close of the year | | |
| – Cash & Bank Balances (Schedule No. 9) | | 793.81 |

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 17th May, 2010

S.C. GUPTA
Company Secretary

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H.P. SINGHANIA
O.P. GOYAL

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VINITA SINGHANIA

Directors



Growing Responsibly

Driven by the belief that responsible enterprise is about inclusive development, we continue to reach out to neighbouring communities and society at large in a number of ways, touching lives with the vision of a better present, and a more promising future.

We have taken up the task of upgrading the ITI Ukai in a less developed areas in Gujarat under the Public Private Partnership mode. This is important as it will help improve skills and increase employment in this region.

In the field of education, our company is bringing a better future within the reach of children from tribal and other underprivileged communities through initiatives like the LakshmiPat Singhania School at Jaykaypur in Orissa, as well as infrastructure support and financial assistance to schools in Songadh in Gujarat. The adult literacy drive by both our plants has helped a large number of rural people, particularly women and many of them belonging to scheduled tribes, gain the light of knowledge.

On the health care front, with our mobile dispensary, health camps, financial assistance to organisations that provide health care initiatives and training on health, nutrition and hygiene to adolescent girls, we continue to reach out to neighbourhood communities at both our plants.

As part of our efforts in livelihood intervention, one of our units has taken the initiative and formed 25 Women Self-help Groups covering 294 rural women mostly belonging to Tribal Community in the 12 adopted villages in Orissa.

Our company has further plans to intensify its efforts to bring a better quality of life within the reach of people around the mills. Besides renewed focus on farm forestry on plantations within a 100 km radius of factory locations, we have also formed a new NGO named SPARSH for this purpose.





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