



# PROSPECTUS

(Registration No: 20-05294)

[The Company was incorporated as a "Public Limited Company" on May 5, 1981 under the Companies Act, 1956 at Kanpur and obtained certificate for commencement of business on June 12, 1981.]

## REGISTERED OFFICE

47/81, Hatia Bazar, Kanpur, Uttar Pradesh -208001, Tel No : 0512-2355337

## WORKS & CORPORATE OFFICE

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 Email: info@yash-papers.com. Website: www.yash-papers.com  
 Contact Person: **Mr. A K Gupta**, Director Finance

**PUBLIC ISSUE OF 1,68,00,000 EQUITY SHARES OF RS.10/- EACH FOR CASH AT A PRICE OF RS.14/- PER SHARE AGGREGATING TO RS. 2352 LACS (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE FACE VALUE OF THE EQUITY SHARE IS RS.10/- AND THE ISSUE PRICE IS 1.4 TIMES OF THE FACE VALUE.**

## GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the Company and the issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this document.

The attention of the investors is drawn to the statement of Risk Factors appearing on page no. v of this Prospectus.

## ISSUER'S ABSOLUTE RESPONSIBILITY

Yash Papers Limited, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and the issue which is material in the context of the issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

## LEAD MANAGER TO THE ISSUE

## REGISTRAR TO THE ISSUE



### Karvy Investor Services Ltd.

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### Skyline Financial Services Pvt. Ltd.

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## ISSUE PROGRAMME

**ISSUE OPENS ON : THURSDAY, JUNE 30, 2005**

**ISSUE CLOSSES ON : FRIDAY, JULY 08, 2005**

## LISTING

The existing Equity Shares of the company are presently listed on The Stock Exchange, Mumbai (BSE) (Designated Stock Exchange) and The Uttar Pradesh Stock Exchange Association Ltd, Kanpur (UPSE). The Equity Shares to be issued through this Prospectus are proposed to be listed on BSE and UPSE. The in-principle approvals have been received from these stock exchanges as under:

Name of the Stock Exchange	Letter No. & Date
BSE	Letter No.DCS/SMG/SM/2005 dated May 10, 2005
UPSE	Letter No. UPSE/LC/2005-06 dated May 12, 2005



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## I. DEFINITIONS AND ABBREVIATIONS

### General terms

Term	Description
HUF	Hindu Undivided Family
NAV	Net Asset Value
PAN	Permanent Account Number
PAT	Profit After Tax
PLR	Prime Lending Rate
RONW	Return on Net worth
SSI	Small Scale Industries
“Yash”, “Company”, “YPL”, “Yash Papers Limited”	Unless the context otherwise requires, refers to Yash Papers Limited, a public limited company incorporated under the Companies Act, 1956

### Issue related terms

Term	Description
Articles/Articles of Association	Articles of Association of Yash Papers Limited
Applicant	Any prospective investor who makes an application for equity shares in terms of this Prospectus.
Auditors	The Statutory Auditors of the Company: Kapoor Tandon & Co.
Board/Board of Directors	The Board of Directors of Yash Papers Limited or a committee thereof
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited
Compliance Officer	Mr. Deepak Nathani
Depositories Act	Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time.
Depository Participant	Depository Participant as defined under the Depositories Act
Designated Stock Exchange	The Stock Exchange - Mumbai
Director(s)	Director(s) of Yash Papers Limited unless otherwise specified
Equity Shares	Equity Shares of the Company of Rs.10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding equity shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up Equity Capital per Equity Share
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time and the Rules and Regulations there under.
FII/Foreign Institutional Investors	Foreign Institutional Investor (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial year/FY	Period of twelve months ended 31st December of that particular year



Issue price	Rs.14/- per share
Issue Size	1,68,00,000 Equity Shares of Rs.10/- each for cash at a price of Rs.14/- per share.
Issuer	Yash Papers Limited
I T Act	The Income Tax Act, 1961, as amended from time to time
Lead Manager	Karvy Investor Services Limited
Memorandum/ Memorandum of Association	The Memorandum of Association of Yash Papers Limited
NRI/Non-Resident Indian	Non-Resident Indian, is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India
Registered Office of the Company	47/81, Hatia Bazar, Kanpur - 208 001
Registrar/Registrar to the Issue	Registrar to the Issue, in this case being Skyline Financial Services Private Limited having its registered office as indicated on the cover page of the Prospectus
RoC	Registrar of Companies, Uttar Pradesh and Uttaranchal at Kanpur
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI as amended from time to time
SEBI (SAST) Regulations, 1997	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997
Stock Exchanges	BSE and UPSE
UPSE	The Uttar Pradesh Stock Exchange Association Limited, Kanpur.

#### Company/Industry-related terms

Term	Description
AOX	Adsorbed Organic Halides
BD	Bone Dry
BOD	Biological Oxygen Demand
COD	Chemical Oxygen Demand
CREP	Corporate Responsibility for Environment Protection
DAP	Di-Ammonium Phosphate
MG	Machine Glazed
MW	Mega watt
PPM	Part Per Million
SS	Suspended Solids
TPA	Tonnes per Annum
TPD	Tonnes per Day



## Abbreviations

A/C	Account
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BPLR	Bank Prime Lending Rate
CAGR	Compounded Annual Growth Rate
EBITD	Earnings before interest, tax and depreciation
EGM	Extra-ordinary General Meeting
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder
FY	Financial year ended 31st December
GIR Number	General Index Registry Number
INR/Rs.	Indian Rupees
NRE Account	Non-Resident External Account
NRI	Non-Resident Indian
P/E Ratio	Price/Earnings Ratio
UPPCB	Uttar Pradesh Pollution Control Board
UPPCL	Uttar Pradesh Power Corporation Limited



## II. RISK FACTORS

### 1. Forward-Looking Statements & Market Data

Statements included in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the Company’s expectations with respect to, but not limited to, the Company’s ability to successfully implement its strategy, its growth and expansion, technological changes, its exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause the Company’s actual results to differ, see the section entitled “Risk Factors” beginning on page no. v of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. In accordance with SEBI requirements, the Company will ensure that investors are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market data used throughout this Prospectus was obtained from internal company reports. The information contained in this Prospectus has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, the Company believes that the market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

### 2. Risks Envisaged and Management Proposals to Address the Risks

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to invest in the Company’s equity shares. If any of the following risks actually occur, the Company’s business, financial condition and results of operations could suffer, the trading price of the Company’s equity shares could decline and investors may lose all or part of their investment.

## RISKS SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

### 1. Availability of raw material

The Raw Materials for paper manufacturing is Bagasse, Old Gunny, Waste Paper and other agriculture based residues. Paddy husk and Bagasse Pith is consumed as fuel for co-generation. Any constraints in the availability of these materials may affect the current or future productivity of paper manufacturing and co-generation.

**PROPOSAL TO ADDRESS THE RISK:** The Company is located in the sugar manufacturing and agricultural belt of Eastern UP and therefore has adequate availability of required raw materials. Moreover, new sugar mills are setting up capacities in the neighbourhood. The company also has a good track record of timely payments to suppliers. Hence, no difficulties are envisaged for raw material and fuel procurement.

### 2. Status of government approvals required

Status of government approvals required for the proposed project:

SL. No.	Particulars of the clearances	New project
1	NOC for Effluent water discharge	NOC application has been submitted
2	NOC for Air emission	NOC obtained for the boiler installation
3	Factories Act license	Shall be applied on finalisation building structures.
4.	Approval of Electrical installations	To be applied on installation
5	Approval for boiler operation	To be obtained post installation



**PROPOSAL TO ADDRESS THE RISK:** The Company does not foresee any problems in obtaining these approvals.

**3. Placement of orders for Plant and Machinery and Miscellaneous Fixed Assets**

The company is yet to place orders for miscellaneous fixed assets and Plant and Machinery aggregating Rs.6091.88 lacs. The Company is also in the process of acquiring land.

**PROPOSAL TO ADDRESS THE RISK:** The company has received competitive quotations for all its Plant and Machinery and other fixed assets required for its green field project. Necessary orders are in the process of being placed. The plant and Machinery required for the project will be housed adjacent to the existing site. The critical Equipment with long delivery periods such as Power and Recovery units have been ordered and the remaining orders will be placed as per the Schedule.

**4. Significant increase in share capital of the Company**

The Company proposes to significantly raise its share capital from present Rs.386.55 lacs to Rs.2066.55 lacs. This would lead to a quantum increase in the shareholding and servicing of enhanced equity. Term loans of Rs. 5667 lacs proposed to be availed for the new project would also need to be serviced and repaid.

**PROPOSAL TO ADDRESS THE RISK:** The Company's management is confident of servicing the expanded equity and loans.

**5. Project implementation**

The project implementation would take 18 months and further time would be required for achieving stability in the operation. The project would generate revenues only after this period; hence there would be a significant drop in ROCE in the interregnum. .

**PROPOSAL TO ADDRESS THE RISK:** Setting up of a Pulp and Paper Unit is a capital intensive project and involves various components with long lead times for delivery. The profitability post implementation is healthy and a temporary drop in ROCE for the project implementation period is innate and therefore should not deter the investors.

**6. Risk in relation to paper industry**

The Company being in a cyclical industry, operating results have historically fluctuated on a yearly basis and may fluctuate in future depending on a number of factors including the international prices of paper, rupee depreciation vis-a-vis major international currencies, import tariffs, domestic duties and taxes, greenfield paper projects being set up in India, changes in brand preferences, changes in relationship between revenues and cost, consolidation in the paper industry, effect of seasonality, availability of raw material, changes in government policies, addition of new machinery and other general economic and business factors. Due to all or any of these factors it is possible that in some future year, the company's operating results may vary from the expectations of shareholders, market analysts and public.

**7. Low promoter holding**

The promoters shareholding post issue would be 23.83%.

**8. Past performance not an indicator for future performance**

The Company's revenues and profitability are dependent on a number of factors and may vary significantly from quarter to quarter. Therefore, the historical financial results may not be an accurate indicator of future performance.

**9. Substantial Investments by the Company.**

As part of its growth strategy, the Company intends to make substantial investments in new capacities. The Company also intends to consolidate its control on inputs and expand its customer base through initiatives in product distribution and branding. The company's success will depend, among other things, on its ability to secure significant amounts of financing, manage the integration process, assess potential markets, time capital investments with the price cycle, control input costs, attract new customers, maintain and enhance dominance in Indian paper market and maintain sufficient operational and financial controls. The growth strategy of the company may place significant demands on its management and other resources.

**PROPOSAL TO ADDRESS THE RISK:** The Company has focused on niche market grades, namely low-grammage kraft and has been a leader in this segment. The proposed project would enable the Company to enter another similar niche market, namely Poster grades, which will augment the profitability and would thus strengthen and enhance the company's position in the Indian paper industry. The management of the Company has managed to sustain the position of the company and has also provided adequate training to another tier of management which





## 15. Delay in implementation of the project

As per the revised estimation made by the Management of the Company, there will be a delay of three months in implementation of the project.

## 16. Guidelines of Central Pollution Control Board

The Central Pollution Control Board has issued fresh guidelines for the Pulp and Paper Industry in the form of CREP. It is stipulated that any unit pulping its raw material must install a chemical recovery unit in order to meet the norms that have been specified. The CREP also stipulates other guidelines such as water consumption and decolourisation of effluent.

**PROPOSAL TO ADDRESS THE RISK:** The Company meets all the guidelines apart from possessing a Chemical Recovery Unit which is an integral part of the proposed project.

## 17. Outstanding litigation

The Company and its Directors are defendants in a number of legal proceedings incidental to their business and operations. They are also subject to claims / litigation / non-compliance in relation to Excise, Sales-Tax, Income Tax, creditor disputes, labour disputes and other disputed demands. For further information regarding litigation, please refer to the section on "Outstanding litigation and Material Developments" on page No. 88.

## 18. Shortfall in Promise Vs. Performance of the Issuer Company

In October 1992, the Company had made a public issue of 13,50,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 10/- per share aggregating Rs. 270 lacs. The actual performance achieved by the Company against the projections specified, is shown in the table below:

(Rs. in lacs)

Year ended	31.03.93			31.03.94			31.03.95		
	Promise	Actual	Deviation	Promise	Actual	Deviation	Promise	Actual	Deviation
Net sales	1230.60	1017.74	(212.86)	1627.50	1228.71	(398.79)	1829.00	1619.23	(209.77)
Profit before tax	99.00	27.86	(71.14)	158.50	94.68	(63.82)	217.76	141.10	(76.66)
NP after tax	79.20	27.86	(51.34)	134.73	94.60	(40.13)	185.09	141.10	(43.99)
Cash Profit	115.61	75.28	(40.33)	218.92	139.80	(79.12)	269.28	199.48	(69.80)
Equity capital	352.80	385.74	32.94	352.82	386.12	33.3	352.80	386.50	33.7
EPS	2.24	0.72	(1.52)	3.82	2.45	(1.37)	5.25	3.65	(1.6)
Book value (Rs.)	22.46	20.42	(2.04)	24.64	21.80	(2.84)	26.61	24.11	(2.50)

## 19. Action taken by SEBI against Promoter

The promoter of the Company, M/s Megha Agro Products Limited has received a notice dated 11 January, 2005 from SEBI for violation of Regulations of 6 (2) and 6 (4) for 1997 and 8 (3) for 1998, 1999, 2001 and 2002 of SEBI (Substantial Acquisition of shares and Takeover) Regulations, 1997. SEBI has decided to consider the request for consent order if the Company was willing to pay the amount of Rs. 1,75,000/- as penalty for the aforesaid violations.

## 20. Damage of property

Mishaps or accidents at the Company's facilities could lead to property damage, property loss and accident claims.

**PROPOSAL TO ADDRESS THE RISK:** The Company's Machinery and properties are insured against various risks viz. Fire, Strike, Riot, Malicious damages etc. with insurance companies. Thus the Company does not foresee any major impact on income and profitability arising out of property damage and accidents. However, uncovered risks may impact operations and profitability of the Company.



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## 21. Extract of Qualifications in Financial Statements of the Company

- (a) On the Accounts of the financial year ended 31st March, 2001.

The company has not provided liability in respect of Excise Duty and Trade Tax amounting to Rs. 87.83 lacs. The matter is under appeal.

The company has not transferred a sum of Rs. 1.98 lacs to Investor Education & Protection Fund being the amount of Unclaimed Refund of Share Application Money.

Note: The amount has already been transferred to Investor Education & Protection Fund in February, 2002.

- (b) On the Accounts of the financial year ended 31st March 2002, 31st December 2002, 31st December 2003 and 31st December 2004.

The company has not provided liability in respect of Excise Duty and Trade Tax amounting to Rs. 74.83 lacs. The matter is under appeal.

## 22. Default by one of the Companies in which Mr. G N Gupta, Director of the Company is an independent Director

Mr. G N Gupta, Director of the Company is also an Independent Director in M/s. Asian Fertilisers Limited, which has entered into one time settlement with the Financial Institutions and Banks for their loan repayment. On account of this, the name of Mr. G N Gupta is appearing in RBI's defaulters list.

## 23. Tie up of additional working capital

The Company is yet to tie up for its additional working capital requirement for the proposed project.

**PROPOSAL TO ADDRESS THE RISK:** The company will approach its existing banker and/ or term loan lending banks for the additional working capital requirement for the proposed project before the commencement of the production



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## RISK FACTORS EXTERNAL TO THE COMPANY

### 1. Paper Industry Scenario

The paper industry is cyclical in nature and is sensitive to changes in industry capacity and output levels as well as cyclical changes in world economy, all of which can have a significant impact on selling prices of paper. A depressed price scenario for paper could adversely affect the profitability of paper companies.

**PROPOSAL TO ADDRESS THE RISK:** Each cycle has its lessons to offer and all changes are inherent with both problems and opportunities. YPL has utilized these opportunities and learnt to ride the cycles of change, with the result that the company's operations have been profitable throughout.

### 2. Foreign Exchange rate fluctuations

Foreign exchange fluctuations could have an impact on prices of pulp and paper imports and exports. A mismatch between earnings and expenses in foreign currency could potentially lead to a reduction in margin for domestic paper producers.

**PROPOSAL TO ADDRESS THE RISK:** The Company does not foresee any major impact of foreign exchange fluctuations as pulp and waste paper are not imported in bulk. The exports have been managed in the past and the price adjustments would continue in accordance with the Forex market.

### 3. Competition

The company may face competition from other established companies and new entrants into the industry.

**PROPOSAL TO ADDRESS THE RISK:** The Competition is inevitable in any line of business. The Company is a leader in its segment and has been coping with competition in the past by focussing on its products, channeling its sales through dedicated dealers, managing raw material, fuel and technological changes. The same would be continued in the future to maintain competitive strength.

### 4. Dependence on labour

The company is in labour intensive industry. Labour strikes, lockouts etc. can significantly reduce its productivity.

**PROPOSAL TO ADDRESS THE RISK:** The Plant and Machinery of the company is modern with a good level of automation. Moreover, the company has harmonious industrial relations with its workers. The company has not had any labour strike right from its inception and therefore it is anticipated that there will not be any effect on the productivity of the company.

### 5. External factors affecting the operations of the Company

Certain factors beyond the control of the company could have a negative impact on the company's production. Curfew, drought etc in Faizabad can adversely affect the company.

**PROPOSAL TO ADDRESS THE RISK:** Curfew, such as the one that occurred at the time of Babri Masjid demolition on 6th December 1992 did not effect the production of the company owing to the dedication of its workforce. The Company shall make efforts to counter any such calamity and mitigate its effects.

### 6. Compliance with Environmental laws

Failure to comply with environmental laws, rules and regulations may adversely affect the Company's business or operations.

**PROPOSAL TO ADDRESS RISK FACTOR:** The Company does not foresee any difficulty in complying with any extant laws.

### 7. Risk arising out of volatility of Capital Markets

The prices of the Equity Shares on the Stock Exchanges may fluctuate as a result of several factors including:

- Volatility in the Indian and global securities market
- Company's results of operations and performance
- Performance of the Indian Economy
- Significant developments in India's fiscal and environmental regulations



#### Notes to the Risk Factors:

1. Pre-Issue Net Worth of the Company as on December 31, 2004 is Rs.1415.53 lacs.
2. Size of the present Issue is Rs.2352 lacs.
3. The average cost of acquisition of Equity Shares of the Promoter is as under:

Name of the promoter	Cost of acquisition of equity share
Mr. Ved Krishna	Rs.5.61
Mrs. Manjula Jhunhunwala	Rs.5.17
M/s. Megha Agro Products Limited	Rs.16.33

4. Book value of the Equity Shares of the Company as on December 31, 2004 is Rs. 36.62 per share.
5. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. 23 before making an investment in this Issue.
6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with the Designated Stock Exchange.
7. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
8. Related party transactions are given as notes to account in Auditors Report on page no. 81 of this Prospectus.
9. The promoters/ directors/ key management personnel of the company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits.
10. No loans and advances have been made to any person(s)/ companies in which directors are interested.

#### HIGHLIGHTS

1. Promoted by Late Mr. K. K. Jhunhunwala, a paper technologist with wide entrepreneurial experience.
2. Market leader in niche low-grammage Kraft Paper.
3. The project is appraised and funded to tune of Rs.5667 lacs by a consortium of bankers lead by United Bank of India.
4. Exports to over 15 Countries around the world.
5. Dedicated dealership network all over India and agents outside the country.



### III. INTRODUCTION

#### 1. Summary

You should read the following summary with the Risk factors included from page no. v and the detailed information about the Company and its financial statements included in this Prospectus.

#### (i) INDUSTRY SCENARIO AND COMPANY'S BUSINESS

##### Industry scenario

The demand-supply equation in the domestic market will improve with the increase in demand outpacing the increase in production. The demand for paper is expected to increase at a CAGR of 6.1% from 5.45 million tonnes in 2003-04 to 7.4 million tonnes in 2008-09. While the demand for writing and printing paper (accounting for around 40% of the total demand of paper in India) is expected to increase at 5.5% CAGR, driven by education and office printing related requirements, the demand for industrial paper (60% of paper demand) is expected to increase at 6.7% CAGR, driven by growth in food packaging and exports.

Growth in production, on the other hand, will be only 3.0-3.5% in the next 2-3 years. The low growth in production could be attributed to the limited capacity additions seen over the next 5 years. Capacity is expected to increase only at a CAGR of 3.7% from 7.3 million TPA to 8.75 TPA during 2004-05 to 2008-09. Capacity additions will be low, especially over the next 2 years, due to poor returns associated with the Greenfield projects. Also, huge investments will be required for ensuring compliance with pollution control norms by December 2008, leaving producers with very little financial flexibility to expand the capacity.

**Source : *cris infac paper annual review May 2004***

**Trends in the MG poster paper market :** The expansion project of the Company is based on MG poster grade paper. MG Poster paper is a niche product with an estimated market size of 125,000 tons per annum at present. In the past year, IPMA members have contributed 91,478 tons (Source : Data Bank 2002-03 & 2003-04 of Indian Paper Manufacturers Association). Demand for this product is expected to register a healthy growth of 7-9% as environmental awareness increases and the Government takes steps to eliminate plastics for wrapping and packing. This has been the trend abroad where there is renewed demand for MG wrapping paper.

##### Business of the Company

YPL is a leading manufacturer of low grammage unbleached Kraft paper. Its product range includes hard tissues (18 -30 GSM), wrapping grades (30-60 GSM) and packaging/stationery grades (60-80 GSM) with average GSM range being 49-64. The major market segments being catered by YPL include match box, bidi covers, gum tape, plywood, coated papers, tea pouches, etc

##### Major events of the Company

The Company was incorporated in 1981 as a 1940 TPA paper manufacturing unit based on waste paper. The company commenced commercial production in 1983.

- In 1991, enhanced its installed capacity by 6000 TPA.
- In 1992, made public issue to increase the manufacturing capacity to 16000 TPA.
- In 1997, the company installed a steam turbine of 2.5 MW for co-generation of power resulting in self dependence in power.
- The first direct export order was executed in 1999.
- The company went for a major modernisation drive in 2001 by revamping its Paper Machine II. A modern Rewinder and an AC Frequency Drive were installed. A new Boiler was also added.
- An Enterprise Resource Planning system has been undertaken in 2004 for improved control and information sharing within the company.
- Yash Papers is now planning an aggressive expansion strategy to become a leading player in MG Poster and specialty grades of paper with planned capacity of 23,100 TPA.



## (ii) OFFERING DETAILS

### Equity Shares offered

Fresh Issue by the Company	1,68,00,000 Equity Shares of Rs.10/- each for cash at a price of Rs.14/- per share.
Of which	
Promoters participation in the Issue to the extent of	33,60,000 Equity Shares of Rs.10/- each for cash at a price of Rs.14/- per share.
Net offer to the public	1,34,40,000 Equity Shares of Rs.10/- each for cash at a price of Rs. 14/- per share.
Equity Shares outstanding prior to the Issue	38,65,500
Equity Shares outstanding after the Issue	2,06,65,500
Utilisation of Issue proceeds	The funds mobilised in the issue will be utilised for setting up a new 70 TPD Poster Paper manufacturing unit comprising of paper machine, integrated 130 TPD bagasse pulp plant, 40 TPD waste paper pulping plant, 70 TPD bleaching section. The Company also proposes to set up 5 MW Power Plant and 145 BD TPD Chemical Recovery unit. Further, the proceeds will be utilised to meet margin money for the working capital requirements and issue expenses.

## (iii) FINANCIAL, OPERATING AND OTHER DATA

### Statement of Profit and Losses

(Rs. in Lacs )

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02 ( 9 months)	31-Mar-01
<b>Income</b>					
a. Sales (Manufactured product - Paper)	2,868.91	2,679.85	1,838.05	2,205.99	2,195.30
b. Less: Excise Duty	284.60	289.47	159.36	207.21	199.90
<b>c. Net Sales (a)- (b)</b>	<b>2,584.31</b>	<b>2,390.38</b>	<b>1,678.69</b>	<b>1,998.78</b>	<b>1,995.40</b>
<b>Other Income</b>	30.34	35.79	27.16	43.51	23.71
<b>Increase/(Decrease) in Stocks</b>	32.59	4.45	49.48	(55.38)	26.33
<b>Total</b>	<b>2,647.24</b>	<b>2,430.62</b>	<b>1,755.33</b>	<b>1,986.91</b>	<b>2,045.44</b>
<b>Expenditure</b>					
Raw Materials Consumed	705.80	614.84	376.37	413.14	432.60
Staff Costs	187.79	180.41	140.31	158.25	161.22
Manufacturing Expenses	946.85	1,015.92	587.68	791.36	812.23
Administration Expenses	122.78	107.11	98.96	102.41	103.91
Excise Duty provided on stocks-Increase/ (Decrease)	0.40	(3.78)	19.29	-	-
Selling and Distribution Expenses	188.04	137.37	84.28	88.41	93.13
Finance Charges & Exchange Fluctuation	83.48	93.24	88.77	149.73	137.70
Depreciation/amortization	142.83	141.64	104.10	131.87	115.44
<b>Total</b>	<b>2,377.97</b>	<b>2,286.75</b>	<b>1,499.76</b>	<b>1,835.17</b>	<b>1,856.23</b>



Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02 ( 9 months)	31-Mar-01
Profit before Exceptional Items	269.27	143.87	255.57	151.74	189.21
Add/(Less) : Exceptional Items ( Net )	(3.09)	(23.90)	(16.34)	(8.28)	(46.26)
Profit before tax	266.18	119.97	239.23	143.46	142.95
Less : Provision for Tax					
Current Tax	95.75	39.55	18.84	11.00	12.50
Deferred Tax	11.81	(7.07)	85.24	55.29	-
<b>Profit after tax</b>	<b>158.62</b>	<b>87.49</b>	<b>135.15</b>	<b>77.17</b>	<b>130.45</b>
Income Tax relating to earlier year Cr/(Dr)	0.12	(4.74)	(2.91)	(0.82)	-
<b>Net Profit</b>	<b>158.50</b>	<b>82.75</b>	<b>132.24</b>	<b>76.35</b>	<b>130.45</b>

**Statement of Assets and Liabilities as restated**

(Rs. in Lacs)

Particulars	As At				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
<b>Assets</b>					
<b>Fixed Assets</b>					
Gross Block	3,052.73	2,946.44	2,876.74	2,832.77	2,420.45
Less: Depreciation	1,215.46	1,089.17	986.18	895.37	785.39
Net Block	1,837.27	1,857.27	1,890.56	1,937.40	1,635.06
Capital Work in Progress	69.60	40.94	53.90	12.52	271.22
<b>Total Net Block</b>	<b>1,906.87</b>	<b>1,898.21</b>	<b>1,944.46</b>	<b>1,949.92</b>	<b>1,906.28</b>
<b>Investments (Non Trade)</b>	<b>0.06</b>	<b>0.26</b>	<b>1.76</b>	<b>1.81</b>	<b>5.31</b>
<b>Current Assets, Loans and Advances</b>					
Inventories	504.75	449.63	222.26	286.39	421.81
Sundry Debtors	210.27	225.50	238.41	257.37	239.08
Cash and Bank Balances	36.20	36.13	50.40	30.01	25.99
Loans and Advances	53.98	46.98	40.05	57.26	58.67
<b>Total</b>	<b>805.20</b>	<b>758.24</b>	<b>551.12</b>	<b>631.03</b>	<b>745.55</b>
<b>Total Assets (1)+(2)+(3)</b>	<b>2,712.13</b>	<b>2,656.71</b>	<b>2,497.34</b>	<b>2,582.76</b>	<b>2,657.14</b>
<b>Less: Liabilities and Provisions</b>					
Secured Loans	457.78	477.91	486.74	813.60	966.75
Unsecured Loans	149.66	177.64	119.79	100.87	65.28
Liabilities	140.97	169.23	109.00	111.12	202.02
Provisions	94.99	78.88	62.13	19.93	2.97
<b>Total</b>	<b>843.40</b>	<b>903.66</b>	<b>777.66</b>	<b>1,045.52</b>	<b>1,237.02</b>



Particulars	As At				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
<b>Net Worth before Deferred Tax Liability (4) - (5)</b>	<b>1,868.73</b>	<b>1,753.05</b>	<b>1,719.68</b>	<b>1,537.24</b>	<b>1,420.12</b>
<b>Deferred Tax Liability</b>	<b>453.20</b>	<b>441.39</b>	<b>448.46</b>	<b>363.22</b>	<b>-</b>
<b>Adjusted Net Worth (6)-(7)</b>	<b>1,415.53</b>	<b>1,311.66</b>	<b>1,271.22</b>	<b>1,174.02</b>	<b>1,420.12</b>
Net Worth represented by:					
a. Share Capital	386.55	386.55	386.55	386.55	386.55
b. Reserves and Surplus	1,028.98	925.11	885.85	792.26	1,043.15
Less: Miscellaneous Expenses (to the extent not written off or adjusted)	-	-	(1.18)	(4.79)	(9.58)
<b>Adjusted Net Worth</b>	<b>1,415.53</b>	<b>1,311.66</b>	<b>1,271.22</b>	<b>1,174.02</b>	<b>1,420.12</b>

## 2. General Information

Yash Papers Limited was incorporated as a "Public Limited Company" on May 5, 1981 under the Companies Act, 1956 at Registrar of Companies, Uttar Pradesh and Uttaranchal, 37/17, Westcott Building, The Mall, Kanpur - 1 with Registration No: 20-05294 and obtained a certificate for commencement of business on June 12, 1981. The Registered office of the Company is situated at 47/81, Hatia Bazar, Kanpur, Uttar Pradesh -208001 and the works and Corporate Office is located at Yash Nagar, P.O. Darshan, Faizabad - 224135.

## Board of Directors of the Company

Name of the Director	Designation	Status
Mr. G. Narayana	Chairman	Independent & Non-Executive Director
Mr. Ved Krishna	Managing Director	Executive Director
Mr. G N Gupta	Director	Independent & Non-Executive Director
Mr. D S Gandikota	Director	Independent & Non-Executive Director
Mr. A. K. Gupta	Director Finance	Independent & Executive Director
Mrs. Manjula Jhunjunwala	Director	Non-Executive Director
Dr. P Banerjee.	Director	Independent & Non-Executive
Mr. Yash Krishna	Additional Director	Non-Executive Director
Mrs. Sheetal Jhunjunwala	Alternate Director to Mr. Yash Krishna	Non-Executive Director

### Brief details of Chairman, Managing Director and Whole time Directors:

**Shri G. Narayana, Chairman** aged about 63 years, is a Management thinker and practitioner. He is a graduate in Electrical and Electronic Engineering and Postgraduate in management studies. He has a vast experience in management field and is holding the office of Chairman/ Director in various companies. He was appointed as Chairman of the company in 1995.

**Shri Ved Krishna, Managing Director** aged about 30 years is a Management Graduate from University of North London, United Kingdom. He has vast experience in the field and operations of the company and had worked as Joint Managing Director and Senior Vice-President in the Company. During his tenure as Joint Managing Director, the Company started the exports of paper to the various countries all over the world.

**Shri A.K. Gupta, Director Finance** aged about 44 years is a Science as well as Law Graduate. He has also done CA (Intermediate). He was appointed as Director Finance of the company in 1999. He has experience of 18 years in the field of Accounts, Finance, Taxation and Commercial laws.



<b>Company Secretary</b>	<b>Legal Advisor</b>
Mr. Deepak Nathani, Company Secretary Yash Papers Limited Yash Nagar, P O Darshan, Faizabad - 224 135 Tel. No. +91 5278 258777, 258589, 258174 Fax. No. +91 5278 258062 Email: info@yash-papers.com	Mr. M. M. Pandey Advocate 'Balrampur House' Reka Ganj, Faizabad-224 001 Tel. No. +91 5278 223344 Email: mm.pandey@rediffmail.com
<b>Bankers to the Company</b>	
State Bank of India Commercial Branch, 6A, Way Road, Gokhale Marg, Lucknow. Uttar Pradesh - 226001. Tel. No. +91 522 2206061-64. Fax. No. 0522-2208168 Email. commintbran@satyam.net.in	Canara Bank, Civil Lines, Faizabad - 224 001 Tel. No : 05278-223106.
<b>Compliance Officer</b>	<b>Auditors to the Company</b>
Mr. Deepak Nathani, Company Secretary Yash Papers Limited Yash Nagar, P O Darshan, Faizabad - 224 135 Tel. No. +91 5278 258777, 258589, 258174 Fax. No. +91 5278 258062 Email: info@yash-papers.com  Investors may note that in case of any pre Issue/ post Issue related problems such as non-receipt of letters of allotment / share certificates / refund orders, etc. they should contact the Compliance Officer.	Kapoor Tandon & Co. Chartered Accountants, 24/57, Birahana Road, Kanpur-208 001 Tel. No. +91 512 2318251 Fax. No. +91 512 2361244 Email: nkapoor@sancharnet.in
<b>Lead Manager to the Issue</b>	<b>Registrar to the Issue</b>
Karvy Investor Services Limited "Karvy House", 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 Tel. No. +91 40 23374714 Fax No. +91 40 23374714 Email: mbd@karvy.com SEBI REGN NO. INM000008365 Contact Person : Mr.T.R.Prashanth Kumar	Skyline Financial Services Pvt. Ltd. 123, Vinoba Puri, Lajpat Nagar - II, New Delhi - 110 024 Tel No.: (011) 29833777, 29847136 Fax No. : (011) 29848352 Email: admin@skylinerta.com SEBI REGN NO. INR000003241. Contact Person: Mr.Subhash Agarwal.
<b>Bankers to the Issue</b>	
ICICI Bank Limited Capital Markets Division 30, Mumbai Samachar Marg, Mumbai - 400 001.	

#### **Brokers to the Issue**

All the members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

#### **Credit Rating**

This being a public issue of equity shares no credit rating is required.



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**Appraising Entity****United Bank of India**

Regional Office: Central Region  
4B, Habibullah Estate  
Hazaratganj, Lucknow - 226 001  
Telephone No: 0522-227735.  
Fax No. : 0522-215072  
Email. crmcntrl@unitedbank.co.in

Other Bankers in the Consortium are:

**Oriental Bank of Commerce**

Harsha Bhawan E-Block,  
Cannaught Place, New Delhi-110001.  
Telephone No: 011-23417254, 23411229.  
Fax No. 011-23413531.  
Email. obc0007@rediffmail.com

**Union Bank of India**

C-178/21 "A" Kasia Road,  
Near Cannt.Police Station.  
Gorakhpur - 273001.  
Telephone No: 0551-2200582.  
Fax No. 0551-2202478.  
Email. ubirogkp@sancharnet.in

**UCO Bank**

H-46, Connaught Place,  
New Delhi  
Telephone No. 011 - 23322189/23322044

**Trustee**

This being an issue of Equity Shares, appointment of Trustee is not required.

**Underwriters to the issue**

The equity shares offered are not being underwritten.



### 3. Capital Structure of the Company

Particulars	Nominal Value (Rs.)	Aggregate Value (Rs.)
<b>A AUTHORIZED:</b>		
2,60,00,000 Equity Shares of Rs. 10/- each	26,00,00,000	
4,00,000 Preference Shares of Rs. 100/- each	4,00,00,000	
<b>Total</b>	<b>30,00,00,000</b>	
<b>B ISSUED, SUBSCRIBED &amp; PAID UP SHARE CAPITAL</b>		
38,65,500 Equity Shares of Rs. 10/- each fully paid up.	3,86,55,000	
<b>C PRESENT ISSUE</b>		
1,68,00,000 equity shares of Rs.10/- each at a price of Rs.14/- per share.	16,80,00,000	23,52,00,000
<b>Out of which</b>		
33,60,000 equity shares of Rs.10/- each are reserved for Promoters/Directors, their friends, relatives and associates on firm basis at a price of Rs.14/- per share	3,36,00,000	4,70,40,000
<b>D NET OFFER TO PUBLIC</b>		
1,34,40,000 equity shares of Rs.10/- each at a price of Rs.14/- per share.	13,44,00,000	18,81,60,000
<b>E PAID-UP CAPITAL AFTER THE PRESENT ISSUE</b>		
2,06,65,500 equity shares of Rs.10/- each	20,66,55,000	
<b>F SHARE PREMIUM ACCOUNT</b>		
Before the Issue		2,58,75,000
After the Issue		9,30,75,000

#### Notes to Capital Structure:

- As per the requirement of Clause 3(1)(a) of SEBI ( Substantial Acquisition of Shares and Takeover) Regulations, 1997; necessary disclosure in respect of allotment of Equity Shares in the present Public Issue to Promoters' group as part of Promoters' Contribution in the issue is mention hereunder

The identity of the acquirer /allottee who has agreed to acquire the shares	Disclosed under Sr. No. 6 of "Notes to Capital Structure"
The purpose of acquisition / allotment	Towards Promoters' Contribution
Consequential changes in voting rights	The voting rights will be changed based upon subscription by the Promoters' Group, as disclosed under Sr.No.8 " Notes to Capital Structure"
Consequential changes in the Shareholding Pattern of the Company, if any	Disclosed under Sr.No. 8 of " Notes of Capital Structure"
Consequential changes in the Board of Directors of the Company, if any	No
Whether such allotment would result in change in control over the company	No



2. The current Capital Structure of the Company has been built-up as under

Date of Allotment/ Fully paid up	Face Value	Nature of Allotment	Number of Shares Issued	Issue Price (Rs. Per Share)	Consideration	Cumulative Paid-up Equity Capital (Rs.)	% of post issue Capital	Lock-in-period
27.04.1981	100	Subscriber to the memorandum	7	100	Cash	700	Negligible	Nil
17.06.1981	100	Allotted to promoters & associates	15,000	100	Cash	15,00,700	0.73	Nil
06.07.1982	100	Preferential allotment	7,000	100	Cash	22,00,700	0.34	Nil
24.12.1983	100	Allotted to promoters & associates	7,000	100	Cash	29,00,700	0.34	Nil
24.03.1984	100	Various applicants as per requirement of financial institutions.	2,000	100	Cash	31,00,700	0.10	Nil
28.01.1989	100	Various applicants	2,000	100	Cash	33,00,700	0.10	Nil
30.03.1990	100	Allotted to promoters	34,993	100	Cash	68,00,000	1.69	Nil
20.12.1991	10	NA	@6,80,000	10	Cash	68,00,000	–	Nil
20.12.1991	10	Allotted to promoters	# 30,000	10	Cash	71,00,000	0.15	Nil
02.01.1992	NA	Promoters and associates	*5,68,000	Nil	Capitalisation of reserves	1,27,80,000	2.75	Nil
21.12.1992	10	Public Issue	25,87,500	10	Cash	3,86,55,000	12.52	773100 will be locked in for 3 years
<b>Total</b>			<b>38,65,500</b>					

@ One equity share of 100/- subdivided into 10 equity shares of Rs. 10/- each.

# Issued as a result of conversion of 3000 preference shares of 100/- each. These preference shares were allotted on 04.11.1981.

\* Bonus issued in the ratio 4:5.

3. **Classes of Shares**

The Authorised Share Capital of the Company is Rs.30,00,00,000/- divided into 2,60,00,000 Equity Shares of Rs.10/- each and 4,00,000 Preference Shares of Rs.100/- each..



#### 4. Capital History

##### Details of increase in authorized capital

Sr. No.	Particulars of Increase	Date of Meeting
1	From 50,000 Equity Shares of Rs.100/- each to 1,00,000 Equity Shares of Rs.100/- each	28.02.1990
2	From 1,00,000 Equity Shares of Rs.100/- each to 69,50,000 Equity Shares of Rs.10/- each and 5,000 Preference Shares of Rs.100/- each	10.09.1991
3	Reclassification of un-issued authorized share capital by canceling the un-issued 29,50,000 Equity Shares of Rs.10/- each and creation of 2,95,000 Preference Shares of Rs.100/- each.	16.06.2003
4	From 40,00,000 Equity Shares of Rs.10/- each & 3,00,000 Preference Shares of Rs.100/- each to 1,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each	22.05.2004
5	From 1,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each to 2,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each	03.12.2004

5. The subscription by the Promoters/Directors, their relatives & associates for equity shares to be allotted shall be brought in at least one day before the opening of the Issue. The company would furnish a Certificate from their Auditor confirming the contribution to SEBI. The equity shares to be allotted under this category shall be for a minimum amount of Rs.25,000/- in case of individuals and Rs.1,00,000/- in the case of corporate bodies. The said amount shall be kept in an escrow account with a scheduled commercial Bank & the said contribution / amount shall be released to the Company along with the public issue proceeds.

The equity shares to be held by the Promoters, their relatives & associates under the lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, inter se transfers between the Promoters names as such would be permitted, provided that the requirements of lock-in-period guidelines continue to apply, to the extent initially prescribed.

Only those securities for which a specific written consent has been obtained from the shareholders for lock-in have been offered under Promoters contribution.

The promoters and their associates have already brought in a sum of Rs.300.17 lacs towards their equity contribution. As per M/s. Kappor Tandon & Co., Statutory Auditor certificate dated June 02, 2005, the deployment of funds out of the promoters contribution is as under:

(Rs. in Lacs)

<b>Sources of Funds</b>		
Promoters contribution		300.17
<b>Deployment of Funds</b>		
Land and Site Development	102.89	
Plant and Machinery	106.85	
Preliminary including startup expenses	30.04	
Share issue expenses	11.14	250.92
<b>Balance in escrow account with the Bank</b>		<b>49.25</b>



## 6. Promoters contribution and lock in period

### Core Promoters

Name	Date of Allotment/ Fully paid-up/ Transfer/ Acquisition	Nature of Allotment	Conside- ration	No of Shares	Face Value	Issue Price/ Acquisition price	% of post- issue Capital	Lock-in period*	
Mr. Ved Krishna	31.03.99	Market purchase	Cash	20000	10	13.07	0.10	Nil	
	31.03.99	Market purchase	Cash	300	10	35.93	Negligible	Nil	
	31.03.99	Market purchase	Cash	19600	10	4.17	0.09	Nil	
	16.08.00	Market purchase	Cash	2000	10	6.10	0.009	Nil	
	18.05.01	Market purchase	Cash	300	10	5.00	Negligible	Nil	
	03.07.01	Market purchase	Cash	600	10	5.01	0.002	Nil	
	17.07.01	Market purchase	Cash	200	10	4.35	Negligible	Nil	
	19.07.01	Market purchase	Cash	1400	10	4.68	0.006	Nil	
	21.09.01	Market purchase	Cash	200	10	4.75	Negligible	Nil	
	03.01.02	Market purchase	Cash	200	10	4.95	Negligible	Nil	
	23.01.02	Market purchase	Cash	500	10	5.20	0.002	Nil	
	23.01.02	Market purchase	Cash	100	10	5.70	Negligible	Nil	
	04.02.02	Market purchase	Cash	50	10	4.70	Negligible	Nil	
	04.02.02	Market purchase	Cash	150	10	4.95	Negligible	Nil	
	08.03.02	Market purchase	Cash	1000	10	4.40	0.004	Nil	
	20.03.02	Market purchase	Cash	700	10	4.05	0.003	Nil	
	21.03.02	Market purchase	Cash	2000	10	3.70	0.009	Nil	
	29.10.02	Market purchase	Cash	1500	10	7.10	0.007	Nil	
	28.11.02	Gifted by Mr.K.K. Jhunjhun- wala	Gifted by Mr.K.K. Jhunjhun- wala		60552	10	N.A	0.29	Nil



Name	Date of Allotment/ Fully paid-up/ Transfer/ Acquisition	Nature of Allotment	Conside- ration	No of Shares	Face Value	Issue Price/ Acquisition price	% of post- issue Capital	Lock-in period*
	22.03.03	Market purchase	Cash	1000	10	10.03	0.004	Nil
	22.03.03	Market purchase	Cash	2500	10	9.98	0.012	Nil
	22.03.03	Market purchase	Cash	300	10	9.68	Negligible	Nil
	22.03.03	Market purchase	Cash	200	10	9.83	Negligible	Nil
	24.03.03	Market purchase	Cash	500	10	9.70	0.002	Nil
	25.03.03	Market purchase	Cash	600	10	9.78	0.002	Nil
	25.03.03	Market purchase	Cash	100	10	9.74	Negligible	Nil
	26.03.03	Market purchase	Cash	100	10	9.99	Negligible	Nil
	27.03.03	Market purchase	Cash	250	10	10.05	Negligible	Nil
	28.03.03	Market purchase	Cash	100	10	9.84	Negligible	Nil
	31.03.03	Market purchase	Cash	500	10	9.99	0.002	Nil
	31.03.03	Market purchase	Cash	500	10	9.85	0.002	Nil
	31.03.03	Market purchase	Cash	200	10	8.95	Negligible	Nil
	31.03.03	Market purchase	Cash	100	10	8.80	Negligible	Nil
	31.03.03	Market purchase	Cash	500	10	8.90	0.002	Nil
	31.03.03	Market purchase	Cash	1700	10	9.20	0.008	Nil
	31.03.03	Market purchase	Cash	200	10	9.00	Negligible	Nil
	01.04.03	Market purchase	Cash	400	10	9.99	Negligible	Nil
	04.04.03	Market purchase	Cash	250	10	10.00	Negligible	Nil
	07.04.03	Market purchase	Cash	600	10	10.04	0.002	Nil
	07.05.03	Market purchase	Cash	2500	10	9.95	0.012	Nil
	12.05.03	Market purchase	Cash	1400	10	9.79	Negligible	Nil



Name	Date of Allotment/ Fully paid-up/ Transfer/ Acquisition	Nature of Allotment	Conside- ration	No of Shares	Face Value	Issue Price/ Acquisition price	% of post- issue Capital	Lock-in period*
	13.05.03	Market purchase	Cash	2200	10	10.08	0.006	Nil
	23.05.03	Market purchase	Cash	600	10	10.08	0.002	Nil
	23.05.03	Market purchase	Cash	3100	10	10.03	0.15	Nil
	27.05.03	Market purchase	Cash	250	10	10.00	Negligible	Nil
	05.06.03	Market purchase	Cash	710	10	10.14	0.003	Nil
	06.06.03	Market purchase	Cash	3750	10	10.03	0.018	Nil
	09.06.03	Market purchase	Cash	400	10	10.10	Negligible	Nil
	04.08.03	Market purchase	Cash	1000	10	10.59	0.004	Nil
	05.08.03	Market purchase	Cash	1200	10	11.05	0.005	Nil
	04.11.03	Market purchase	Cash	1000	10	10.40	0.004	Nil
	05.11.03	Market purchase	Cash	4425	10	10.83	0.02	Nil
	06.11.03	Market purchase	Cash	3000	10	10.84	0.014	Nil
	07.11.03	Market purchase	Cash	3353	10	10.80	0.016	Nil
	10.11.03	Market purchase	Cash	1850	10	11.12	0.008	Nil
	11.11.03	Market purchase	Cash	800	10	11.09	0.003	Nil
	12.11.03	Market purchase	Cash	200	10	11.08	Negligible	Nil
	13.11.03	Market purchase	Cash	400	10	11.78	Negligible	Nil
	18.11.03	Market purchase	Cash	1450	10	11.22	0.007	Nil
	21.11.03	Market purchase	Cash	1350	10	11.34	0.006	Nil
	28.12.04	Gifted by Mr. V.D. Jhunjhun- wala	Gifted by Mr. V.D. Jhunj- hunwala	200	10	N.A	Negligible	Nil
	Proposed subscription	Public issue	Cash	2200000	10	14.00	10.65	3 years
	<b>Total</b>			<b>2357090</b>				



Name	Date of Allotment/ Fully paid-up/ Transfer/ Acquisition	Nature of Allotment	Conside- ration	No of Shares	Face Value	Issue Price/ Acquisition price	% of post- issue Capital	Lock-in period*
Mrs. Manjula Jhunjunwala	02.01.92	Bonus		69720	10	Bonus	0.34	Nil
	21.12.92	Allotted in public issue		30000	10	Allotted at Rs.10 premium	0.14	Nil
	27.11.02	Gifted by Mr.K.K. Jhunjun -wala	Gifted by Mr.K.K. Jhunjun -wala	16384	10	N.A	0.08	Nil
	Proposed subscription	Public issue	Cash	460000	10	14.00	2.22	3 years
	<b>Total</b>			<b>576104</b>				
Megha Agro Products Limited	20.12.91	N.A.	N.A	3400	10	Allotted on sub- division of one equity share of Rs.100 each into Rs.10 equity shares of Rs.10 each	0.016	Nil
	02.01.92	Bonus	N.A.	176240	Nil	Bonus	0.85	Nil
	21.12.92	Allotted in public issue	Cash	700000	10	Allotted at Rs.10 premium	3.39	773100 shares will be locked in for 3 years and balance no lock in
	<b>Total</b>			<b>968640</b>				

#### Promoters relatives and associates

Name	Date of Allotment/ Fully paid-up/ Transfer	Conside- ration	No of Shares	Face Value	Issue Price/ Acquisition price	% of post- issue Capital	Lock-in period*	
Mr. Yash Krishna	07.10.1993	Cash	6000	10	13.22	0.03	Nil	
	25.10.1993	Cash	6000	10	14.22	0.03	Nil	
	10.12.1993	Cash	2500	10	16.73	0.01	Nil	
	27.12.1993	Cash	4000	10	16.48	0.02	Nil	
	25.07.1994	Cash	4000	10	14.37	0.02	Nil	
	27.11.2002	Gifted by Mr. KK Jhunjunwala		94152	10	3.43	0.45	Nil
	Proposed subscription	Cash		700000	10	14.00	3.39	3 years
	<b>Total</b>			<b>816652</b>				

(\*) The lock in will start from the date of allotment in the present public issue and the last date of the lock in shall be reckoned as 3 years from the date of commencement of commercial production or from the date of allotment in the public issue, whichever is later.



**7. List of Promoters & their Relatives (As On 27.05.2005)**

SL. No.	Name	No. of Shares	% of post issue shareholding
1.	Krishna Kumar Jhunjunwala	127625	0.62
2.	Ved Krishna	157090	0.76
3.	Manjula Jhunjunwala	116104	0.56
4.	Tara Jhunjunwala	3000	0.01
5.	Shailja Krishna	6200	0.03
6.	Yash Krishna	116652	0.56
7.	Bharat Jhunjunwala	518	Negligible
8.	Ghanshyam Das Agarwalla	1458	0.01
9.	K.K. Jhunjunwala (HUF)	16000	0.08
10.	Madhu Bharat	510	Negligible
11.	Vimal Kumar Jhunjunwala	360	Negligible
12.	Megha Agro Products Limited *	968640	4.69

\* Late Shri K K Jhunjunwala and Mrs. Manjula Jhunjunwala are the persons who are exercising control of Megha Agro Products Limited. Megha Agro Products Limited, Mr. KK Jhunjunwala or Mrs. Manjula Jhunjunwala were not prohibited by SEBI from accessing the capital market for any reason by SEBI or any other authorities.

**8. Pre-issue and post issue shareholding pattern as on March 31, 2005**

Category	Pre-issue		Post Issue	
	No. of Shares held	% of shareholding	No. of Shares held	% of shareholding
<b>A. Promoters' Holding</b>				
1. Promoters			4923634	23.83
- Indian Promoters	1563634	40.451		
- Foreign Promoters	Nil	Nil		
2. Persons acting in Concert	Nil	Nil		
<b>Sub-Total</b>	<b>1563634</b>	<b>40.451</b>	<b>4923634</b>	<b>23.83</b>
<b>B. Non-Promoters Holding</b>				
3. Institutional Investors			15741866	76.17
a. Mutual Funds and UTI	1000	0.026		
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	20800	0.538		
c. FIs	Nil	Nil		
<b>Sub-Total</b>	<b>21800</b>	<b>0.564</b>		
4. Others				
a. Private Corporate Bodies	209543	5.421		
b. Indian Public	2046621	52.946		
c. NRIS / OCBs	23902	0.618		
d. Any other	Nil	Nil		
<b>Sub-Total</b>	<b>2280066</b>	<b>58.985</b>	<b>15741866</b>	<b>76.17</b>
<b>GRAND TOTAL</b>	<b>3865500</b>	<b>100</b>	<b>20665500</b>	<b>100.00</b>



9. Particulars of top ten shareholders as on 15.06.2005 (Being the date of filing of the Prospectus with ROC)

S No.	Name	No. of Shares (of Rs.10/- each)	% of post issue capital
1.	Megha Agro Products Limited	968640	4.69
2.	Ved Krishna	157090	0.76
3.	Krishna Kumar Jhunjunwala	127625	0.61
4.	Yash Krishna	116652	0.56
5.	Manjula Jhunjunwala	116104	0.56
6.	Abhay Krishi Udyog Pvt. Ltd.	116051	0.56
7.	Taradevi Muktilal Paldiwal	23700	0.11
8.	Shraddha Jhunjunwala	22001	0.10
9.	Archana Rajesh Paldiwal	21100	0.10
10.	Muktilal Ganulal Paldiwal	20100	0.10

10. Particulars of top ten shareholders as on 05.06.2005 (Being ten days prior to the date of filing of the Prospectus with ROC).

S. No.	Name	No. of Shares (of Rs.10/- each)	% of Post issue capital
1.	Megha Agro Products Limited	968640	4.69
2.	Ved Krishna	157090	0.76
3.	Krishna Kumar Jhunjunwala	127625	0.61
4.	Abhay Krishi Udyog Pvt. Ltd.	117700	0.57
5.	Yash Krishna	116652	0.56
6.	Manjula Jhunjunwala	116104	0.56
7.	Taradevi Muktilal Paldiwal	23700	0.11
8.	Archana Rajesh Paldiwal	21100	0.10
9.	Muktilal Ganulal Paldiwal	20100	0.10
10	United India Insurance Company Limited	20000	0.10

11. Particulars of top ten shareholders as on 15.06.2003 (Being two years prior to the date of filing of the Prospectus with ROC).

S No.	Name	No. of Shares (of Rs.10/- each)	% of post issue capital
1	Megha Agro Products Limited	968640	4.69
2	Ved Krishna	133312	0.64
3	Muktilal Ganulal Paldiwal	119021	0.57
4	Krishna Kumar Jhunjunwala	116700	0.56
5	Yash Krishna	116652	0.56
6	Manjula Jhunjunwala	116104	0.56
7	Taradevi Muktilal Paldiwal	23700	0.11
8	United India Insurance Company Limited	20000	0.10
9	Manbir Singh	16900	0.08
10	K.K.Jhunjunwala (HUF)	16000	0.07



The Company confirms that the Promoter contribution does not consist of:

- a) Shares acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources.
  - b) Securities issued during the preceding one year, at a price lower than the price at which equity shares is being offered to public.
  - c) Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
  - d) Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum promoters contribution subject to lock-in.
  - e) Shares issued to promoters on conversion of partnership firms into limited company.
  - f) Shares with a contribution less than Rs.25,000/- per application from each individual and contribution less than Rs.1,00,000/- from firms and companies.
12. As on 27.05.2005, promoter group and the directors of the promoters holds 1514157 Shares. The Promoter Group/ directors of the Company/ directors of the Promoter have not purchased and or sold/ financed any shares of the Company during the past six months.
13. The Company, its promoters, its directors and the Lead Manager to this Issue have not entered into any buy back and/ or stand by arrangements for purchase of equity shares of the company from any person in respect of this Issue.
14. There are no outstanding warrants, options or rights to convert debentures or other instruments into equity shares as on date. The Company does not currently have any Employee Stock Option Plan.
15. The Company has availed a bridge loan of Rs.500 lacs from United Bank of India vide agreement entered into dated 30th April 2005. The terms and conditions of the agreement are as under:

Limit	Rs. 5 Crores
Nature of Facility	Bridge loan
Purpose	To meet expenditure (land acquisition, advance payment of suppliers of plant and machinery, public issue expenses, other pre-operative expenses and other project expenditure) towards the proposed expansion project comprising a 70 TPD MG poster grade paper plant, 145 TPD soda recovery plant and 5 MW co-gen plant at Faizabad, Uttar Pradesh
<b>Security</b>	
Primary	Pari-passu 1st charge with IDBI Limited on the fixed assets of the Company, existing and future.
Additional	Personal Guarantee of Mr.Ved Krishna and Corporate Guarantee of Megha Agro Products Limited
Upfront fee	0.35% payable on disbursement of the bridge loan
Interest	9.5% p.a. payable on monthly basis Penal charges, other bank charges, legal charges etc., as per bank's extant circular will be borne by the company and shall be serviced as and when due.
Prepayment penalty	Nil
Repayment	Within 4 months from the date of first disbursement out of proceeds of the proposed public issue or adjustment from the sanctioned regular term loan after completing all necessary formalities. Delay in repayment of bridge loan will attract penal interest as per banks' guidelines.



16. The Company had 9637 members/shareholders as on June 15, 2005.
17. No single applicant can make an application for number of securities, which exceeds the securities offered through this Issue.
18. The Company has not issued any shares out of revaluation reserves.
19. The equity shares of the Company are available in dematerialized mode and the market lot is one equity share. The Company undertakes that at any given time there shall be only one denomination for the shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
20. The Company has not issued any shares for consideration other than cash (other than by way of capitalization of reserves).
21. The Company undertakes that there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Prospectus with SEBI until the equity shares offered through this Prospectus have been listed.
22. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into exchangeable, directly or indirectly for equity shares) whether preferential or otherwise. If the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use share as currency for acquisition and/or participation in such joint venture.
23. No shares have been allotted on firm basis or through private placement in the last two years nor has the Company bought back its equity shares in the last six months.
24. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to retail individual investors applying for Equity Shares for a value of not more than Rs.50,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for Equity Shares for a value more than Rs.50,000/- and corporate bodies/institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.
25. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer subject to a minimum allotment being equal to 500, which is the minimum application size in this Issue, while finalizing the allotment.
26. In terms of the clause 6.8.3.2 (h) of SEBI (Disclosure & Investor Protection) Guidelines, 2000, the Securities offered through this Public Issue shall be made fully paid up or may be forfeited with in 12 months from the date of the allotment of the Securities.
27. The post issue promoters holding would be 23.83%.
28. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.

#### **4. Objects of the issue**

The company proposes the present issue:

- a. To set up a new 70 TPD Poster Paper manufacturing plant comprising paper machine, Integrated 130 TPD bagasse pulp plant, 40 TPD waste paper pulping plant, 70 TPD bleaching section. The company also proposes to set up 5 MW Power Plant and 145 BD TPD Chemical Recovery unit.
- b. To meet working capital requirements.
- c. To meet issue expenses

The main objects, objects incidental and ancillary to the main objects and other objects of the Memorandum of Association of the Company enable the Company to undertake its existing activities and the activities for which the funds are being raised through this Issue.



## Cost of the Project and Means of Finance

The Cost of the Project and the proposed Means of Finance as appraised by United Bank of India is as follows:

(Rs. In Lacs)

### Cost of Project

1. Land & Site development		203.58
2. Building & Civil Works		699.59
3. Plant & Machinery including utilities		
a. Fiber preparation, Cooking, BS Washer, BS Screening	690.95	
b. Bleaching, Hypo Preparation & Chemical Preparation	492.19	
c. Imported Waste Paper Pulping	77.68	
d. Stock Preparation, Approach Flow	91.99	
e. Paper Machine, Paper Machine Utilities, Finishing	630.37	
f. Electrical	368.41	
g. Chemical Recovery	1959.19	
h. Power Plant	977.79	
i. Utilities	35.83	
j. Modernization of Paper Machine 2	117.16	
k. Transportation, Erection, Pipeline, Foundation	706.26	6147.82
4. Preliminary including start up expenses		271.74
5. Escalation & Contingencies		402.25
6. Share Issue Expenses		196.00
7. Margin for working capital		221.58
8. Interest during construction period		357.44
<b>Total</b>		<b>8500.00</b>
<b>Means of Finance :</b>		
1. Term Loan		5667.00
2. Issue of Equity Shares *		2200.00
3. Unsecured Loans/ Preference Share		150.00
4. Internal cash accrual		483.00
<b>Total</b>		<b>8500.00</b>

\* The Company proposes to mobilize Rs.2352 lacs through this prospectus.

### Notes:

- The Company confirms that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed public issue, have been made.
- Any shortfalls in meeting project cost will be met through internal accruals and/ or promoters contribution.
- No part of the issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group company.



## Appraisal

United Bank of India has appraised the project vide their letter dated 13th January 2005 for sanctioning the term loan.

The total cost of the project is estimated at Rs. 8500 lacs, which will be funded as under :-

Sr.No	Particulars	Rs. in Lacs
1	Equity	2200
2	Internal Cash Accruals	483
3	Preference Shares/Unsecured loans	150
4	Term Loan	5667
	<b>Total</b>	<b>8500</b>

## SCHEDULE OF IMPLEMENTATION OF PROJECT

The Schedule of implementation of the project originally envisaged is as under:

Project implementation schedule	Commencement Date	Completion Date
A) 70 TPD MG Poster Paper Plant		
1. Civil works	Jan'05	May'06
2. Placement of orders for Plant & Machinery	Feb'05	March'06
3. Arrival of Plant & Machinery etc. at site	April'05	April'06
4. Installation/erection of equipment	May'05	May'06
5. Testing and trial run	June'06	June'06
6. Commercial Production	1st July'06	
B) 5 MW co-generation project		
1. Civil works	Jan'05	May'06
2. Placement of orders for Plant & Machinery	Feb'05	March'06
3. Arrival of Plant & Machinery etc. at site	April'05	April'06
4. Installation/erection of equipment	May'05	May'06
5. Testing and trial run	June'06	June'06
6. Commercial Production	1st July'06	
C) 145 TPD Soda Recovery Plant		
1. Civil works	Jan'05	May'06
2. Placement of orders for Plant & Machinery	Feb'05	March'06
3. Arrival of Plant & Machinery etc. at site	April'05	April'06
4. Installation/erection of equipment	May'05	May'06
5. Testing and trial run	June'06	June'06
6. Commercial Production	1st July'06	



Consequent to delay in financial closure and acquisition of land, the revised Schedule of implementation of the project as estimated by the Company is as under:

Project implementation schedule	Commencement Date	Completion Date
A) 70 TPD MG Poster Paper Plant		
1. Civil works	June'05	May'06
2. Placement of orders for Plant & Machinery	Mar'05	Mar '06
3. Arrival of Plant & Machinery etc. at site	Oct'05	April'06
4. Installation/erection of equipment	Oct'05	Jul'06
5. Testing and trial run	Jul'06	Sep'06
6. Commercial Production	1st Oct'06	
B) 5 MW co-generation project		
1. Civil works	June'05	May'06
2. Placement of orders for Plant & Machinery	Mar'05	Mar '06
3. Arrival of Plant & Machinery etc. at site	Oct'05	April'06
4. Installation/erection of equipment	Oct'05	Jul'06
5. Testing and trial run	Jul'06	Sep'06
6. Commercial Production	1st Oct'06	
C) 145 TPD Soda Recovery Plant		
1. Civil works	June'05	May'06
2. Placement of orders for Plant & Machinery	Mar'05	Mar '06
3. Arrival of Plant & Machinery etc. at site	Oct' 05	April'06
4. Installation/erection of equipment	Oct'05	Jul'06
5. Testing and trial run	Jul'06	Sep'06
6. Commercial Production	1st Oct'06	

#### Deployment of funds in the project

The company has incurred an expenditure of Rs.676.71 lacs as on 31.05.2005 on the proposed Project. The fund deployment in the Project and its Means of Finance have been certified by M/s Kapoor Tandon & Co., Chartered Accountants, Kanpur, the Auditors of the Company vide their certificate dated June 3, 2005, the details of which are as follows:

#### Deployment of funds in the project

(Rs. In Lacs)

Description	Amount Invested up to 31.05.05
Land & Site development	146.12
Building & Civil Work	32.28
<b>Plant &amp; Machinery including utilities</b>	
a. Fiber preparation, Cooking, BS Washer, BS Screening	—
b. Bleaching, Hypo Preparation & Chemical Preparation	—
c. Imported Waste Paper Pulping	30.09
d. Stock Preparation, Approach Flow	—
e. Paper Machine, Paper Machine Utilities, Finishing	143.33
f. Electrical	13.27
g. Chemical Recovery	—



(Rs. In Lacs)

Description	Amount Invested up to 31.05.05
h. Power Plant	80.00
i. Utilities	—
j. Modernization of Paper Machine 2	74.94
k. Transportation, Erection, Pipeline, Foundation	40.93
Preliminary including start up expenses	65.84
Escalation & Contingencies	20.77
Share Issue Expenses	29.14
Margin for working capital	—
Interest during construction	—
<b>Total</b>	<b>676.71</b>
<b>Means of Finance :</b>	
Issue of Equity Shares (Promoters' Contributions)	250.92
Unsecured Loans/ Preference Share	127.88
Internal cash accrual	297.91
<b>Total</b>	<b>676.71</b>

**Year-wise break-up of expenditure proposed to be incurred on the project**

(Rs. In lacs)

SL. No.	Particulars	Spent upto 31.5.2005	From 1.6.2005 to 31.12.05	Period ended 31.12.06	Total
	<b>Cost of Project</b>				
1	Land & Site development	146.12	57.46	—	203.58
2	Building & Civil Work	32.28	517.72	149.59	699.59
3	Plant & Machinery including utilities	382.56	3617.44	2147.82	6147.82
4	Preliminary including start up expenses	65.84	134.16	71.74	271.74
5	Escalation & Contingencies	20.77	—	381.48	402.25
6	Share Issue Expenses	29.14	166.86	—	196.00
7	Margin for working capital	—	—	221.58	221.58
8	Interest during construction	—	73.00	284.44	357.44
	<b>Total</b>	<b>676.71</b>	<b>4566.64</b>	<b>3256.65</b>	<b>8500.00</b>

**Interim use of funds**

Pending utilization the proceeds will be invested in Bank deposits and/or Gilt Edged Government Securities, either directly or through Government Security based funds.

**BASIC TERMS OF ISSUE****Ranking of equity shares**

The equity shares to be issued shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing equity shares of the Company including rights in respect of dividends.

**Face value and issue price**

The Face Value of the Equity shares is Rs.10/-per Equity Share and the Issue Price is 1.4 times of the face value.



### **Rights of the equity share holders**

- To receive dividend, if declared.
- To attend general meeting and exercise voting rights unless prohibited by law.
- To vote either personally or by proxy.
- To receive offer for rights shares and be allotted bonus shares.
- To receive surplus on liquidation.

Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

### **Authority for the issue**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of Equity Shares has been authorised vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on December 03, 2004 and a resolution passed by the Board of Directors at its meeting held on 02/03/2005.

### **Minimum and maximum application size**

Applications should be for minimum of 500 Equity Shares and in multiples of 500 Equity shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public.

### **Terms of Payment**

Entire amount per share is payable on application. Where an applicant is allotted lesser number of Equity Shares than he/she has applied for, the excess amount paid on application shall be refunded to the applicant.

### **Interest on excess application money**

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

### **Basis of Allotment**

In the event of public Issue of Equity Shares being over-subscribed, the allotment will be on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar of the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

### **Proportionate allotment procedure**

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 500 Equity Shares.

### **Reservation for Retail Individual Investor**

The above proportionate allotments of Equity Shares in an Issue that is oversubscribed shall be subject to the reservation for Retail individual investors as described below:

- a) A minimum 50% of the net offer of Equity Shares to the public shall initially be made available for allotment to retail individual investors, as the case may be.



- b) The balance net offer of Equity Shares to the public shall be made available for allotment to:
- individual applicants other than retail individual investors, and;
  - other investors including Corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.
- c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall / may be made available for allotment to applicants in the other category, if so required.

The drawal of lots (where required) to finalize the basis of allotment, shall be done in the presence of a public representative on the Governing Board of BSE (designated stock exchange).

The basis of allotment shall be signed as correct by the Executive Director/Managing Director of BSE (designated stock exchange) and the public representative in addition to the Lead Manager and the Registrar to the Issue.

#### Despatch of refund orders

The Company shall ensure despatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. The Company would also make available adequate funds to the Registrars to the Issue for this purpose.

#### Interest In Case of Delay on Allotment/Dispatch

The Company agrees that -

- As far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of the public issue.
- It shall pay interest @ 15% per annum if the allotment has not been made and the allotment letters/refund orders have not been dispatched to the investors within 30 days from the date of the closure of the issue.

#### BASIS FOR ISSUE PRICE

##### Qualitative factors

- Promoted by Late Mr. K. K. Jhunjhunwala, a paper technologist.
- Own captive power plant of 2.5 MW based on extraction cum condensing turbine.
- Having niche market of lower GSM Kraft Paper. Market leader in this segment in India and Bangladesh.
- Dedicated dealer network all over India.
- Established brand in the market.
- Locational advantages, as bagasse and rice husk is available in plenty.

##### Quantitative factors

- Earnings per Share

Accounting year	EPS (Rs.)	Weightage
2002 (9 months)	3.50	1
2003	2.26	2
2004	4.10	3
Weighted average EPS	3.39	

- Price Earnings ratio (P/E Ratio) in relation to issue price of Rs.14/-

Particulars	At issue price
Based on 2004 EPS	3.41
Based on weighted average EPS	4.13
Industry P/E	
- Highest	39.90
- Lowest	1.20
- Average	20.55

Industry average is calculated as average of high and low

(Source: Capital Markets Volume XX/03 (Apr 11, 2005- Apr 24, 2005))



The ratios of some of the Companies in the same industry group are as follows:

Company	EPS (Rs.)	P/E Ratio	NAV (Rs.)
Peer Group			
Star Paper	12.30	3.70	53.50
AP Paper	18.10	6.40	167.50
Padumjee Pulp	3.20	10.70	114.50

(Source: *Capital Markets Volume XX/03 (Apr 11, 2005- Apr 24, 2005)*)

**3. Return on Networth (RONW)**

Accounting Year	RONW(%)	Weight
a) 2002 (9 months)	18.82	1
b) 2003	9.15	2
c) 2004	18.80	3
<b>Weighted Average</b>	<b>15.59</b>	

4. Minimum return on total net worth needed after the issue to maintain EPS (as on December 31, 2004) at Rs.4.10 is 22.49%

**5. Net asset value per share**

As at December 31, 2004	Rs.36.62
After Issue	Rs.18.23
Issue Price	Rs.14.00

**6. The face value of the share is Rs.10/- and the issue price is 1.40 times of the face value.**

The Lead Manager believes that the Issue Price of Rs. 14/- is justified in view of the above qualitative and quantitative parameters. The investors may want to peruse the risk factors and financials of the Company including important profitability and return ratios, as set out in the Auditor's report to have a more informed view of the investment proposition.



## TAX BENEFITS TO THE COMPANY AND ITS MEMBERS

The Company has been advised by its statutory auditor, M/s. Kapoor Tandon & Co., vide their certificate dated June 2, 2005 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the Company and the Members. However, an investor is advised to consider in his own case the tax implications of an investment in the shares from time to time. The statement of tax benefits certificate from the tax auditors of the Company is reproduced below:

The Board of Directors,  
**Yash Papers Limited**  
47/81, Hatia Bazar,  
Kanpur - 208001  
(Uttar Pradesh)

### **Subject : Tax Benefit available to Company and its members**

Dear Sirs,

Please refer to your letter dated 31.05.2005 requesting us to provide the certificate regarding benefits available to the company and its members under the Income Tax Act 1961, the Wealth Tax Act 1957 and the Gift Tax Act 1958.

It is hereby certified that under the current provisions of the Income tax Act, 1961 and existing laws for the time being in force, the following benefits, inter-alia, will be available to the company and its members.

#### **A. To the Company**

The Company will be entitled for the following tax benefits in computing the Taxable Income under the provisions of the Income Tax Act, 1961 (The Act):

1. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
2. Subject to compliance of certain conditions laid down in Section 32 (iia) of the Act, the company is entitled to additional depreciation on new machinery or plant acquired and installed after 31.03.2005.
3. Subject to compliance of certain conditions laid down in Section 35(1) (iv) of the Act, the company is entitled to claim as deduction the whole of capital expenditure, other than the expenditure incurred on the acquisition of any land, incurred on scientific research related to the business of the Company.
4. The company can carry forward and set-off the unabsorbed depreciation allowances, if any, against the income of future years. The company is also entitled to carry forward and set-off its unabsorbed business losses for a period up to eight subsequent years for set-off against its business income.
5. The company can carry forward the excess of tax paid under MAT (Section 115 JB) over and above the normal tax payable on its Total Income. The same can be carried forward and set-off against normal tax payable in subsequent five years, subject to the stipulated limits.
6. In accordance with and subject to the conditions specified in Section 80IA of the Act the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any 10 consecutive assessment years out of fifteen years beginning from the year, in which the undertaking generated power or commences transmission or distribution of power before 31.03.2006.
7. By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115O of the Act, are exempt from tax in the hands of the company.
8. Under Section 35D of the Act, the company will be entitled to a deduction equal to 1/5 of the expenditure of the nature specified in the said Section, including the expenditure on the proposed issue by way of amortisation over a period of 5 years, subject to the stipulated limits.
9. Under Section 36 (1) (iii) of the Act, the Company is entitled to claim deduction of Banking Cash Transaction Tax paid on Taxable Banking Transactions entered into by it.



## **B. To the members of the Company**

1. As per the provisions of Section 10(38) of the Act, income arising from transfer of long term capital assets, being an equity share in a company is exempt from tax, if the transaction of such sale has been entered into on or after 01.10.2004 and such transaction is chargeable to the securities transaction tax..
2. As per the provisions of Section 111A of the Act, short term capital gain arising from transfer of equity share in a company shall be chargeable to tax @ 10%, if the transaction of such sale has been entered into on or after 01.10.2004 and such transaction is chargeable to the securities transaction tax. However, where the income includes any such short term capital gain, it shall not be considered for deduction under chapter VIA.
3. As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under the proposed section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax, to the extent such gains are invested in acquiring Equity Shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of Equity Shares which satisfies the following conditions:

\* the issue is made by a public Company formed and registered in India; and

\* the shares forming part of the offer for subscription to the public.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.

4. As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (HUF), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
5. As per the provisions of Section 115AD of the Act and subject to the conditions specified therein, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20% and income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%.
6. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1st April, 2003 is exempt in the case of all categories of assesses.

## **C. Additional Benefits Available to non-residents Indians**

Non-resident Indians have an option to be governed by the special provisions of Chapter XIIA of the Act according to which;

1. Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indian to furnish their return of income, under Section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
2. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
3. Under Section 115 I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, than he will be entitled to tax benefits available to resident individuals.



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**D. Benefits available to Mutual Funds**

Under Section 10(23D) of the Act, all Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by Public Sector Bank or Public Financial Institutions, or authorised by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from income tax on any income.

**Wealth Tax**

The Shares held in a Company are not liable to Wealth Tax under the Wealth Tax Act, 1957.

**Gift Tax**

The Gift Tax Act, 1958 ceases to apply to gifts made on or after 1st October 1998. Gifts of shares of the Company would therefore, be exempt from Gift Tax.

**Notes:**

- a. All above benefits are as per the current tax law as amended by the Finance Act, 2005.
- b. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
- c. In respect of non residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefit available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non resident has fiscal domicile.
- d. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

For Kapoor Tandon & Co.,  
Chartered Accountants,

(Rajesh Parasramka)  
Partner

Camp: Faizabad  
June 02, 2005



#### IV. ABOUT THE ISSUER COMPANY

##### 1. Industry Overview

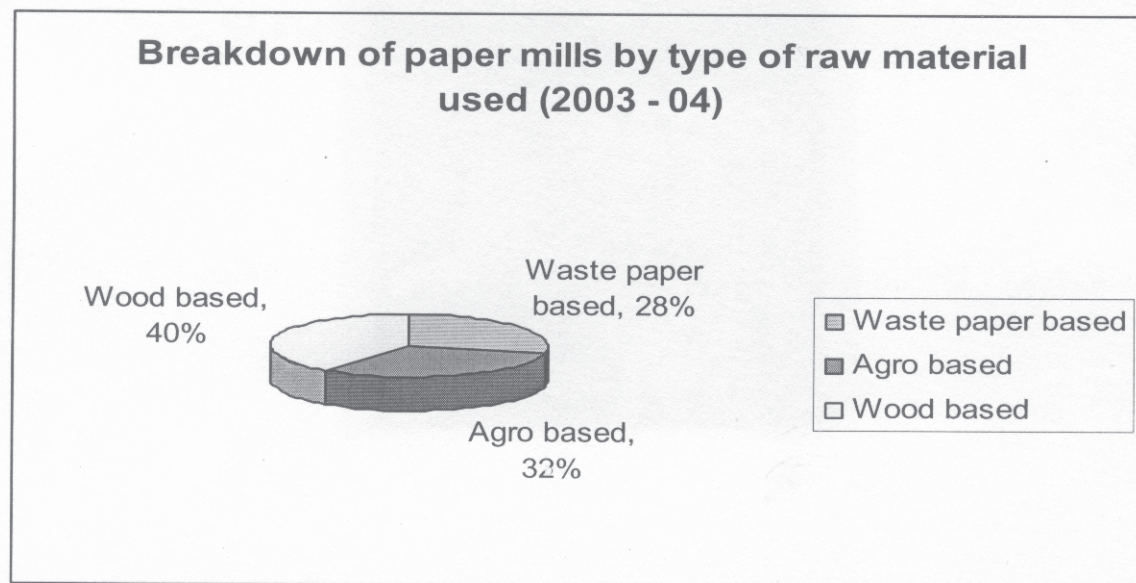
The installed capacity of the Indian paper industry has grown from 137,000 tons per annum (TPA) in 1951 to 6,410,000 TPA at present, with an average capacity utilization of 85 percent for most of the years. With a production of 5,549,000 tons in 2003-04, India was the fifteenth largest paper producing country. Per capita consumption of paper in India has also risen over the years and currently stands at 5 kg per annum. However, this is still far below the Asian average of 27 kg per annum.

There are about 525 paper mills in the organised sector, with individual capacities ranging from 10 to 600 tons per day (TPD). Of these, 110 units use annually renewable agro-based raw materials like bagasse and straw, contributing 32 percent of the total production last year. Yash Papers falls into this category.

Distribution of paper mills by type of raw material used (2003-04)

Sector	Production		No. of mills	Size of mills Tons per day (TPD)
	Million tons	%		
Wood based	2.20	40	32	100-600
Agro based	1.80	32	110	30-100
Waste paper based	1.50	28	383	30-400

Source: S. K. Sadhu "Indian Paper Industries - an overall view," Paper Mart, May 16-31, 2004.



In terms of capacity, the mills are categorized into small, medium and large mills depending upon installed capacities. Given a production of over 50 TPD, Yash Papers falls under the medium-sized paper mill category.



An overview of the supply and demand trends in the Indian paper industry is provided hereunder.

### Supply and demand trends in the Indian paper industry in tons

Year	Effective Capacity	Production	Demand	Import	Export
1997-98	5,559,000	3,840,000	3,998,000	125,000	56,000
1999-00	5,542,000	4,184,000	4,359,000	277,000	105,000
2001-02	5,892,000	4,822,000	4,845,000	173,000	150,000
2003-04	6,410,000	5,549,000	5,449,000	150,000	250,000

**Source: S. K. Sadhu "Indian Paper Industries - an overall view," Paper Mart, May 16-31 2004.**

For 2005, demand projections by various studies confirm a growth of at least 5-6 percent and are estimated at 6,006,000, 6,558,000, and 6,150,000 tons by Jakko-Poyry Consulting, ICRA and an expert group constituted by the industry, respectively. The same studies have also projected that demand will exceed 8,000,000 tons by 2010.

In particular, the demand for packaging grades, including paperboards, (which constitutes a little over 40 percent of total paper demand) is expected to grow at a faster rate than the overall industry, namely, at about 10 percent. This can be attributed to increasing consumerism (due to the importance of packaging as a promotional tool for the sale of consumer goods) and stress on exports. Yash Papers is presently catering to this market segment.

An interesting comparative study of consumption of paper by grades shows that packaging papers constitute 8 percent of total demand in India, which is a much smaller proportion than in China (at about 30 percent) or Korea (at 20 percent). This is mainly due to the higher export orientation and increased stress on quality packaging in the two latter countries. This trend is also expected to gain momentum in India.

The demand-supply equation in the domestic market will improve with the increase in demand outpacing the increase in production. The demand for paper is expected to increase at a CAGR of 6.1% from 5.45 million tonnes in 2003-04 to 7.4 million tonnes in 2008-09. While the demand for writing and printing paper (accounting for around 40% of the total demand of paper in India) is expected to increase at 5.5% CAGR, driven by education and office printing related requirements, the demand for industrial paper (60% of paper demand) is expected to increase at 6.7% CAGR, driven by growth in food packaging and exports.

Growth in production, on the other hand, will be only 3.0-3.5% in the next 2-3 years. The low growth in production could be attributed to the limited capacity additions seen over the next 5 years. Capacity is expected to increase only at a CAGR of 3.7% from 7.3 million TPA to 8.75 TPA during 2004-05 to 2008-09. Capacity additions will be low, especially over the next 2 years, due to poor returns associated with the Greenfield projects. Also, huge investments will be required for ensuring compliance with pollution control norms by December 2008, leaving producers with very little financial flexibility to expand the capacity.

**Source : cris infac paper annual review May 2004**

### Prices & Profitability

International prices of papers have started to firm up from December 2002 due to steep hike in prices of various varieties of pulps by around 20-30 per cent resulting from rise in fibre costs, demand recovery and supply constraints (due to low capacity additions). Domestic paper prices were flat till March 2003, due to the low demand from end segments. However, the prices have picked up from April 2003 by Rs. 1000-2000 per tonne due to increase in demand and the effect of imposition of excise duty on the first 3500 tonnes clearances (exempted earlier). Prices of writing and printing papers are expected to move in line with the international prices while prices of duplex board and Kraft papers are expected to rise at a higher rate due to increase in international prices of waste paper and increase in demand, resulting from the increased industrial activity and exports.

Thus, improved demand-supply situation and higher international prices would result in higher realizations and improved margins for the players in the domestic paper and paper board industry who have access to domestic wood and agro-residue. In view of the above and the fact that prices as well as demand are showing strong tendencies in both the grades of MG paper namely Kraft and Poster, it has enabled well managed companies to make moderate to good profits.



### Outlook for MG Poster grade

Poster Paper is a niche segment with estimated market size of about 125,000 TPA but is growing at a robust rate of 7-9% p.a. The demand for MG poster grade paper will be driven by the following factors:

- High expected growth rate of around 15% p.a. in the packaging industry and 20% p.a. in the label industry due to growth in most of the end user industries viz. pharma, cigarettes, FMCG, advertising.
- Increase in exports from India.
- Increase in environment awareness and initiatives taken by government in eliminating plastics for wrapping and packaging.

MG Poster Grade paper is a white or bleached paper made on machine having a single steam heated cylinder for drying. There are several uses for this type of paper like movie posters, advertisement posters, bidi packing, soaps & food wrapping, foil or poly lamination, low end napkins, kite making, legal and government paper.

YPL thus foresees a stable role for its new project in meeting the demand-supply gap and tapping the latent demand. The Company aims to concentrate on producing 26 GSM paper and capture a market share of 20% by leveraging its position as a low cost producer having access to low cost & abundant raw material supported by a high speed modern machine. To achieve its targets, the current dealers of the Company spread over the country will provide the requisite thrust.

Further, Company is advantageously placed in the export market and has developed stable buyers who have indicated steady off-take of 100 MT per month. Based on this proposed off take, the Company has set an export target of 25% of its total production post implementation of Poster Paper project. The USP of the Company, which will enable it to achieve the market penetration, are competitive pricing coupled with consistent quality.

### Trends in the MG poster paper market

The expansion project at Yash Papers is based on MG poster grade paper. MG poster paper is a white or bleached paper made on a paper machine having a single steam-heated cylinder (sometimes referred to as a Yankee cylinder) for drying. During the drying process, the paper is pressed on the dryer cylinder by a roll. This results in the production of a paper having one smooth side which has a natural glaze. The paper is treated with chemicals to withstand paste and weather.

There are several uses of such a paper, some of which are given below :

Type of MG post grade paper	Uses
Poster paper	Movie posters, election hoardings, advertisement posters
Wrapping paper	Bidi packing, soaps and food wrapping, gift and decorative wrapping
Lamination base paper	Foil or poly lamination
Interleaving tissues	Garments and shoe industries, low end napkins
Bags and envelopes	Quality bags for use by bakery and fast food business, courier and other envelopes
Kite paper	Kite making
Typewriter paper or Rice paper	Legal and government paper

This is a niche product with an estimated market size of 125,000 tons per annum at present. In the past year, IPMA members have contributed 91,478 tons (Source: Data Bank 2002-03 & 2003-04 of Indian Paper Manufacturers Association). Demand for this product is expected to register a healthy growth of 7-9 percent as environmental awareness increases and the Government takes steps to eliminate plastics for wrapping and packaging. This has been the trend abroad where there is renewed demand for MG wrapping paper.

Yash Papers is planning to leverage its low cost of production, a result of the low cost of bagasse pulp and a dedicated high speed modern machine, to secure a significant market share of about 20 percent.



## 2. Business Overview

The Company specializes in the manufacture of low grammage, machine glazed Kraft paper, ranging from 28 GSM to 100 GSM in reel and sheet form. The low grammage papers are high margin items. The “Bursting Factor” (BF) range of the paper currently produced by the Company is 20 to 25.

### Location

The proposed project is envisaged to be set up on additional 39 acres adjacent to the existing site. The proposed cost of additional land is estimated at Rs. 1.70 Crore @ Rs 4.35 lacs per acre. The benefits of setting up the unit at the current location are manifold as under:

- Ease in Availability of Raw Material.
- Negligible transport cost leading to better operating margins.
- Availability of substitute to bagasse (wheat straw fibre) in plenty.
- Proximity to major customers - About 40% of the existing customers are based in North India.
- Leverage on familiarity to the current area in terms of past experience.

### Brief details of the Project

The Company wishes to leverage on its core competence of making high quality low grammage paper from agricultural residue pulp. Poster grade of paper provides the company with a product that has adequate demand and a ready market with many of the existing consumers using the product. Similar interests have been generated amongst the agents in the external markets, hence the Company is confident about a significant percentage of its production being exported.

The location of the company provides an added advantage of availability of the correct raw material for the manufacture of the product. Agricultural residues have adequate properties in order to ensure their usage for manufacture of high quality bleached grades of paper. The price, chemical consumption and conversion are lower when compared to wood pulp; hence there is an added advantage of preparing pulp from agricultural residues.

In order to achieve the right quality and productivity, it is essential that the right technology be adopted. The company's conversance with the current trends and technology ensures that no corners are cut in order to ensure that the paper produced is of International Standards at the lowest possible cost.

### Scope of New Project

Due to locational advantages, past experience in this sector, core competence in making high quality, low grammage paper from agriculture residues pulp, YPL is now planning an expansion plan that envisages setting up of 70 TPD MG Poster Paper plant backed by a 5 MW cogeneration unit and a 145 TPD caustic soda recovery plant. The Expansion Project is being set up with an aim to become a leading player in MG Poster grade paper with planned capacity of 23,100 TPA at its existing location.

The strategy of focusing on a niche high growth Poster Paper segment is considered most beneficial for a medium size player like YPL as the Poster paper grade is a niche segment with estimated market size of only 125,000 tons per annum but growing at a robust rate of 7- 9% per annum. The expansion is expected to boost the margins of the company as the proposed unit would cater to high value added MG poster grade and would allow recovery of caustic soda from black liquor generated during the pulping process thereby yielding significant cost saving for the company. Further, the enhanced capacity will also give the company critical mass to compete in procurement of raw materials and fuel which in turn would improve its operating margin.

The project encompasses the following critical elements for its successful implementation:

- Additional land of approximately 39 acres.
- 70 TPD MG Poster Paper Plant.
- 130 TPD integrated Bagasse Pulping Plant.
- 70 TPD Bleaching Plant.
- 5.0 MW Co-generation Plant Project.
- 145 TPD Soda Recovery Plant.



The detailed break up of each component of the project cost is as under:

**Land And Site Development Work**

S. No.	Particular	Description	Rs. In Lacs
1	Land	39 acres@4.35 Lacs	169.65
2	Site Development	20% of Land cost	33.93
	<b>Total</b>		<b>203.58</b>

**Details of land acquired by the Company for the proposed project**

Sl. No.	Date of Registration	Name of the Land Owner	Address	Plot No.	Area in Hect.	Amount Paid
1	30.07.04	Ram Dev, Tulsi Ram S/o Phagu Gaderiya  Smt Jasmata Devi D/o Jagdish Prasad W/o Budhram	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad  Village Pagapur Dakhali, Moza Gaddopur , Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	385	0.304	180,000
2	05.10.04	Bhagilal S/o Babulal	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	288	0.122	71,250
3	26.10.04	Ram Tilak S/o Arauni	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	270	0.153	90,000
4	16.11.04	Smt. Phool Kali W/o Lahuri Yadav	Village Tihura, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	4 M,5M,6 M & 7M	0.218	129,375
5	07.12.04	Rajendra Prasad S/o Arauni Yadav	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	270	0.153	90,000
6	24.02.05	Sri Vashir S/o Noor Mohammad	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	155,163, 164 & 173	0.655	388,875
7	31.03.05	Shobha Ram S/o Pachu Yadav; Smt Naikun Nisha W/o Mohd. Tayyab for self and Md. Tufail, Md. Junaid S/o Md. Taiyyab; Aakeel Ahmed, Sagir Ahmed S/o Abdul Hamid Khan	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	179 & 202	0.555	329,625
8	07.04.05	Shyamlal, Ram Sagar S/o Ram Milan	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	274	0.049	29,250
9	08.04.05	Shyamlal, Ram Sagar S/o Ram Milan Morya; Prahald, Tilak Ram, Parsuram S/o Sant Ram Morya	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	182	0.0463	29,375
10	15.04.05	Sahadev S/o Ramphali; Smt Nidhana W/o Kishun Yadav	Village Parakhan, Pargana Haveli Awadh, Tehsil Sadar, Dist Faizabad	40 & 242	0.052	31,125
		<b>Total</b>			<b>2.3073</b>	<b>1,368,875</b>



The land acquired by the Company is registered in its name and is free from all encumbrances and has a clear title. No government approvals are required for acquiring the land.

Further, the Company is in the process of acquiring 26.231 acres of land for establishment of paper project through UP State Industrial Corporation Limited for which demanded amount has been paid to them. The balance amount if any, would be paid out of the proceeds of the issue offered for subscription.

The Company has not purchased any land from promoters/directors of the Company.

**Building and Civil works ( Rs. 699.59)**

**(Rs. in Lacs)**

S No	Particular	Qty.	Length Mtr	Width Mtr	Height Mtr	Rate Rs/m2	Description	Cost
1	RM Feed Conveyer shed	1	35	24		2500	35 X 24 @ 2500	21.00
2	Bagasse Unloading Platform	2	8	12	2	2500	2 x (8 x 12) (2 H) @ 2500	4.80
3	Straw unloading platform	1	8	12	2	2500	8x12 (2H) @ 2500	2.40
4	Bale Breaker House	1	8	8		2500	8 X 8 @ 2500	1.60
5	Depither House	2	16	16		2500	16 X 16 X 2 @ 2500	12.80
6	Sedimentation Tank	1				3000	220 m3	6.60
7	Cooking/Washing/ Bleaching House	3	36	46	7.5	3500	36X46X3 flrs (7.5 Mtr) @ 3500/-	173.88
8	Seal tanks Brown stock	3				14000	3x Capacity 100 m3 @Rs 14000/-	42.00
9	Filtrate B/L tank	1				14000	Approx. 80 m3 @ 14000 /-	11.20
10	Foam tank	1		3.5	8	16000	3.5 m dia x 8m height=77 m <sup>3</sup> @16000/-	12.31
11	Hi Cy Tower 12 KAPPA washed pulp	1				4000	550 m3 X 4000/-	22.00
12	Hi Cy Tower 35 KAPPA washed pulp	1				4000	550 m3 X 4000/-	22.00
13	Bagasse screened pulp chest	1				3000	60 m <sup>3</sup> @3000/-	1.80
14	Unbleached thickened pulp chest	1				3000	60 M <sup>3</sup> @ 3000/-	1.80
15	Chlorination Tower	1		2	16	16000	50 m3 x 16000/- (Acid proof tiling) (2 Mtr Dai, 16 Mtr H, Launder dia 3.2 Mtr)	7.20
16	Bleach seal tank chlorine	1	2.5	3	4	16000	2.5 x 3 x 4 H @16000	4.80
17	Extraction Tower	1	2.5		12	14000	60 m3 x 14000/- (2.5 Mtr dia, 12 Mtr H)	8.24
18	seal tank Hypo/ Extract	1	2.5	3	4	14000	2.5 x 3 x 4 H @14000	1.05
19	Hypo Storage tank	1		2	2	14000	2 m dia x 2 m ht, RCC @14000/-	0.88
20	Hypo Tower	1		3	11.5	14000	80 m3 x 14000/- (3 Mtr dia, 11.5 Mtr H)	11.37



S No	Particular	Qty.	Length Mtr	Width Mtr	Height Mtr	Rate Rs/m2	Description	Cost
21	Bleach Pulp Storage Tower	1				16000	300 m3 X 16000	48.00
22	Blending chest	1				3000	60 M^3 @ 3000/-	1.80
23	M/c chest	1				3000	60 M^3 @ 3000/-	1.80
24	SILO	1				16000	20 M3, RCC with Tiling @16000/-	3.20
25	SILO over flow Tank	1				16000	15 m^3 RCC with tiling	2.40
26	Mark Saveall	1				16000	concrete, tile lined. 30 min holdup, 90 Cu.m @16000/-	14.40
27	Imp. W/P/Pulp Pulp Mill Shed	2	12	26.65	6	2500	2x(12 X 26.6 X 6 Ht Mtr ) @ 2500/-	16.00
28	Imported w/p street chests	4				3000	4x60 m^3 , @ 3000/-	7.20
29	Potchers for waste paper	2				3000	60M3 X 2 Nos. @ 3000/-	3.60
30	Paper Godown	1	36	21	9.5	3500	36 X 21 X 9.5 Mtr @ 3500/-	26.46
31	Aux. Shed Leanto -1	1	54	11	6	2500	54 X 11 X 6.0 Mtr @ 2500/-	14.85
32	Aux. Shed Leanto -2	1	18	8.5	6	2500	18 X 8.5 X 6.0 Mtr @ 2500/-	3.83
33	Husk Feed Shed	1	35	12		2500	35 X 12 @ 2500	10.50
34	Boiler House	2	36	12	20	3500	36 X 12 X 2 (20 H) @ 3500	30.24
35	Water softening & DM Plant	1	18	6		3500	18 X 6 @ 3500	3.78
36	Turbine House	2	15	16	13.5	3500	15 X 16 X 2 flrs (13.5 H) @ 3500/-	16.80
37	Soda Recovery civil work	1					Lumpsum	50.00
38	ETP	1					Lumpsum	75.00
	<b>Total</b>	<b>51</b>						<b>699.59</b>

The Company does not require any approval for construction of building.

#### Plant and Machinery

(Rs. in Lacs)

Equipment	Proposed Suppliers	Date of Quotation	Date of purchase order	Expected date of delivery	Inv. Value
Fiber Preparation	Agro, V-Tech, & Estimation	09/02/2004 12/02/2004	Yet to be placed	—	114.90
Cooking System	HDO, Kay-Iron, & Estimation	04/03/2004 13/02/2004	Yet to be placed	—	192.72
Washing System	HDO, Papiertech, Imega & Estimation	04/03/2004 02/03/2004 06/05/2000	Yet to be placed	—	315.82



Equipment	Proposed Suppliers	Date of Quotation	Date of purchase order	Expected date of delivery	Inv. Value
Brown Stock Screening and Cleaning	Samarth,Papiertech, Ruby,KSB Rolex & Estimation	25/02/2004 02/03/2004 09/02/2004 12/04/2003 08/02/2004	Yet to be placed	—	67.51
Bleaching & Hypo Preparation Plant	HDO,HDO, Rolex,& Estimation	04/03/2004 07/02/2004 08/02/2004	Yet to be placed	—	489.03
Imported Waste Paper Pulp Plant	Bramco,Indu Mag, Rolex, Metso, ABB, SPM, Rolex Parason, Sachin, Rasman, Star, SAM, KSB, Bramco, Greaves, & Estimation	04/01/2003 26/03/2003 23/01/2003 24/04/2003 26/06/2002 08/03/2004 Installed	Yet to be placed	—	77.68
Chemical & Stock Preparation	SAM,RolexGoodwill, Marshall, ABB, Micon, Rosemount, Valflo, SMD& Estimation	04/05/2004 08/02/2004 26/12/2003 20/05/2003 23/04/2003 26/04/2004 08/04/2003 02/05/2003 13/09/2003	Yet to be placed	—	11.49
Approach Flow	ABB, Valflo Papiertech, & Estimation	26/02/2002 02/05/2003 02/03/2004	Yet to be placed	—	83.66
Paper Machine	Ruby Servall, Sonar Marshall Greaves Thermotech Already purchased & Estimation	05/03/2003 24/02/2003 01/04/2003 15/04/2003 20/03/2003 10/12/2003 At site	*	Partly delivered	521.26
Finishing	Guru Nanak Globe	19/12/2003 12/03/2003	Yet to be placed	—	74.37
Paper M/c Auxiliaries	Rolex, Ruby, Godavary, Kakati,Indef& Estimation	23/01/2003 27/03/2003 23/01/2003 09/04/2003 10/04/2003	Yet to be placed	—	34.73
Electrical	Allusion, Guru,& Estimation	08/05/2003 30/04/2003	Yet to be placed	—	368.41
Multi Effect Evaporator	Swetha	02/10/2004	Yet to be placed	—	662.31
Recovery Boiler	TMT	03/03/2004	Yet to be placed	—	1176.24



Equipment	Proposed Suppliers	Date of Quotation	Date of purchase order	Expected date of delivery	Inv. Value
Re-caustisizing Plant	HDO	03/04/2004	Yet to be placed	—	120.64
High Pressure Power Boiler	Cheema Boiler Ltd	07/03/2005	25/05/2005		437.32
DM Plant & Softener & Cooling Tower	Thermax Paharpur (Est)	Estimation	Yet to be placed	—	45.85
Steam Turbine set	TEW	26/02/2004	Yet to be placed	—	494.62
Utilities	Elgi & Estimation	4/1/2003	Yet to be placed	—	35.83
Modernization of PM2	Spradecom, Dembla, Vacunnair, Bramco, Rolex, Greaves, AIMS, Reddy Engg., Semperatrans, ABB, Forbes Marshall, Real Time Automation, Emerson Process Servall	Installed 16/02/2004	Yet to be placed	—	74.94
Transportation including Dismantling, Loading & Unloading	Estimated	Estimated	Yet to be placed	—	53.28
Erection including Gas, Welding Electrodes, Bolts etc.	Estimated	Estimated	Yet to be placed	—	217.66
Pipeline including valves, flanges etc.	Estimated	Estimated	Yet to be placed	—	217.66
Foundation expenses	Estimated	Estimated	Yet to be placed	—	217.67
	<b>Total</b>				<b>6147.82</b>

\* Of the total paper machine the company has placed orders for the machine worth Rs.77 lacs vide its Purchase Order dated March 8th, 2005 which is yet to be delivered.

\* Of this, part of plant and machinery acquired is second hand. The total life of this machinery is 100 years and estimated life of the machinery is 50 years.

The Company is yet to place orders for plant and machinery worth Rs.5358.36 lacs aggregating to 87.16% of the total value of the Plant and Machinery.

#### Collaboration

The Company has not entered into any technical or marketing collaboration.

#### Preliminary and Pre-operative Expenses

S. No.	Particulars	Rs. In Lacs
1	Tech. know how and other consultancy (1% of project cost)	85.00
2	Traveling	25.00
3	Establishment ( salary - 15 X 18 months @ 10000/-)	27.00
4	First wire (1 nos. @ Rs.5.0 Lacs each)	5.00
5	First Felt 2 nos. @ Rs.3.0 Lacs each)	6.00
6	Lubricants	2.00
7	Spares	6.00
8	Finance sanction charges (1.5% of Rs.5667 Lacs)	85.01
9	Fire & safety approval charges	2.00
10	Insurance (@ 0.4 % on Building/P & M ( Rs.7190 Lacs ))	28.73
	<b>Total</b>	<b>271.74</b>



### Public Issue expenses

S. No.	Particulars	Rs. In Lacs
1	Merchant Banker Fees	31.00
2	Printing Expenses- 500,000 Application @ Rs.5+ 1000 offer doc. @ Rs.12	25.00
3	Registrar & Registered Mail 220,000 @ Rs.10	22.00
4	Statutory Advertisement	10.00
5	Corporate Advertisement	45.00
6	SEBI and Stock Exchange Fees	2.00
7	Press Meet	10.00
8	Travel	10.00
9	Corporate Advisor Fees	22.00
10	Contingency	19.00
	<b>Total</b>	<b>196.00</b>

### Working Capital Margin

YEAR	DEC .04	DEC .05	DEC .06	DEC .07
Period	12 M	12 M	12 M	12 M
Capacity (TPA)	16000	16000	39100	39100
Capacity Utilisation Percentage	96%	100%	62%	88%
Production (MT)	15360	16000	24085	34480

Rs. In Lacs

PARTICULARS	VALUE	VALUE	VALUE	VALUE	PERIOD (in months)
1 RAW MATERIALS					
a) Bagasse/Wheat Straw	94.72	98.67	158.80	236.11	(3 M)
b) Jute/Mesta Goods	13.45	12.84	12.84	12.84	(1 M)
c) Waste Paper	2.84	2.95	2.95	2.95	(1.5 M)
d) Imported Waste Paper	22.14	23.06	23.06	23.06	(2 M)
e) Imported Cup Stock/ SBS		0.00	37.66	86.08	(2 M)
	<b>133.15</b>	<b>137.52</b>	<b>235.31</b>	<b>361.05</b>	
2 Chemicals	18.63	19.41	23.66	31.06	(0.5 M)
3 Packing Material	4.71	4.91	7.39	10.57	(1 M)
4 Rice Husk	27.73	28.89	60.21	86.20	(1 M)
5 Stock Finished Goods	80.00	86.67	160.57	229.87	(0.5 M)
6 Debtors	291.84	304.00	463.88	734.58	(1 M)
7 Wages & salaries	15.79	16.58	24.86	34.81	(1 M)
8 Administrative Overhead	19.71	20.63	28.15	37.13	(1 M)
<b>9 TOTAL</b>	<b>591.56</b>	<b>618.61</b>	<b>1004.03</b>	<b>1525.28</b>	
10 Less : Trade Creditor	54.89	96.27	97.97	102.30	(0.75 M)
<b>11 Net Working Capital Requirement</b>	<b>536.67</b>	<b>522.34</b>	<b>906.06</b>	<b>1422.98</b>	
12 Margin Required 25%	134.17	130.58	226.51	355.74	
<b>13 Increase in Margin in third year of operation</b>				<b>221.58</b>	



The company will approach its existing banker and/ or term loan lending banks for the additional working capital requirement for the proposed project before the commencement of the production.

The details of existing working capital sanctioned/ availed from banks is as under:

Rs. In lacs

Particulars	SBI	Canara Bank	Total
<b>A. Fund Based Limits</b>			
a. Stock Cash Credit (Hypo)	275	45	320
Sub Limits:-			
- Cash Credit ( Bills / Book Debts)	(129)	(21)	(150)
- Demand Draft/ Cheque Purchased	(6)	(4)	(10)
- Packing credit in Foreign Currency/ Export Packing Credit	(35)	(15)	(50)
- Foreign Bills Purchased/ Export Bills Receivable	(35)	(15)	(50)
b. Standby Line of Credit	50	-	50
<b>SUB TOTAL "A"</b>	<b>325</b>	<b>45</b>	<b>370</b>
<b>B. Non Fund Based Limits</b>			
a. Letter of Credit	25	5	30
b. Bank Guarantee	37	5	42
<b>SUB TOTAL "B"</b>	<b>62</b>	<b>10</b>	<b>72</b>
<b>TOTAL "A+B"</b>	<b>387</b>	<b>55</b>	<b>442</b>

No part of the issue proceeds is to be paid as consideration to the promoter, directors, key management personnel, associate or group companies.

#### Contingency and Escalations (Rs.402.25)

5.5% of Aggregate of cost of Land and Site development, building & civil works, plant & machinery including utilities and preliminary including start up expenses.

#### Interest During Construction (Rs.357.44)

Interest during construction period has been computed considering the construction period cash flows as under:

#### Outflows

(Rs. in lacs)

Particulars	2005				2006		Total
	Q1	Q2	Q3	Q4	Q5	Q6	
Land & site development	204						204
Building and civil works	200	200	150	150			700
Plant & Machinery	2000	1000	1000	1148	1000		6148
Preliminary and preoperative Exp	200				72		272
Escalation					402		402
Share Issue Expenses	196						196
Margin Money						222	222
Interest During Construction	4	22	47	74	99	111	357
<b>Total</b>	<b>2804</b>	<b>1222</b>	<b>1197</b>	<b>1372</b>	<b>1573</b>	<b>333</b>	<b>8500</b>



## Inflows

Particulars	2005			2006			Total
	Q1	Q2	Q3	Q4	Q5	Q6	
Equity	2200	0	0	0	0	0	2200
Internal accruals	50	0	0	0	411	22	483
Unsecured loan	143	0	0	7	0	0	150
Term Loan	411	1222	1197	1364	1162	311	5667
<b>Total</b>	<b>2804</b>	<b>1222</b>	<b>1197</b>	<b>1371</b>	<b>1573</b>	<b>333</b>	<b>8500</b>

## Process and technologies used for paper making

### Fiber Preparation

The Company has separate fiber cleaning systems for different types of raw material.

Bagasse	Depither
Wheat Straw	Rotary De duster
Old Gunny bags/Jute	Cutting and De dusting
Waste paper	De dusting

### Cooking System

Rotary Globe Digesters are used for cooking of the above raw materials except waste paper. The material is fed with cooking chemical and water. The steam is continuously fed to raise the temperature of mix for cooking. The complete cycle takes 5 hours.

### Washing System

Drum type Potcher washers are used to wash the cooked pulp. The recycled back water is used to wash the pulp. The filtrate is sent to effluent treatment plant.

### Stock Preparation

The stock preparation consists of the following sections:

- Screening
- Cleaning
- Refining
- Blending

The following equipment are used for the task:

- Johnson Screens
- Centrifugal cleaners
- Thickeners
- Triple Disk Refiners
- Blending

The screens are used to remove the course material such as nodes and shives.

The cleaners work upon centrifugal action principle, separating the heavy and light particles and thus eliminating any sand or plastics that have accompanied the stock.

Thickeners are used to thicken the cleaned pulp for further processing.

Refiners are installed to achieve the correct freeness in the pulp, in order to achieve the required paper properties and to deflocculate the stock.



The pulp would be blended with long fiber and chemicals in order to get desired results.

### **Approach Flow**

The approach flow is consist of a final cleaning of the stock by Centrifugal Cleaners and then a final screening by a slotted Pressure Screen system before the material is supplied to the head box for even distribution on the machine.

The system also has a sophisticated Basis Control Valve in order to ensure even flow of pulp.

### **Head box**

The head box is used to lay pulp on to the wire table. The quality of paper is significantly affected by the performance of the head box.

Pneumatically Pressurized head box is used . An air cushion is provided from the top of the box in order to ensure the correct velocities in the stock flow. The holly rolls are required in order to keep the stock deflocculated.

The head box is having a high level of instrumentation in order to control the pressure, level and jet-wire ratio from the Quality Control System and stand-alone controllers.

### **Paper Machine**

#### **Wire Table**

A Fourdrinear design wire table is used as it provides flexibility of grades and paper types. The pulp is discharged from the Head box at a consistency of 0.3% solids and the efficiency of the table determined by maximum dryness at the end of the wire table.

This type of table has a Forming Zone followed by a Low Vacuum Zone and then a final High Vacuum Zone.

#### **Press and Dryer Section**

A single press is used with a bottom blind drilled rubber coated roll and a solid top roll.

The press section is also include two blind-drilled 'Touch Rolls', used to press the sheet against the Yankee Cylinder to further increase dryness.

A Yankee MG cylinder is used in order to dry the paper. The cylinder is heated from the inside by steam with a maximum pressure of 3 Kg/cm<sup>2</sup>.

A medium velocity hood is used to provide hot air over the cylinder to enhance the drying capability.

The machine also includes a Pope Reel for winding of the paper once it is dried.

#### **AC Drive**

A sectional AC Variable Frequency Drive is used to drive the machine. This results in lower down time and easier maintenance of the system. A sectional drive also results in a more stable system, reducing the number of breaks of the paper web.

#### **Online Quality Control System**

An online QCS is installed for monitoring and control of basis weight and moisture in paper. Krypton source is used for Basis Weight control and Infra red technology for moisture control.

#### **Finishing**

##### **Rewinder**

A twin drum fully automated rewinder is used to ensure proper finishing of the reels supplied to the customers. The rewinder have features such as auto tension control, break sensors and pneumatic loading of knives.

##### **Duplex Sheet cutter**

A sheet cutter is used to cut the paper in sheets. The sheet cutter has manual gears and taper pulleys to cut the paper in different sheet sizes.



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## Process for the proposed project

### Fiber Preparation

A complete fiber cleaning and washing system is proposed before cooking of the fiber. The system would consist of Depithing and wet washing for Bagasse fiber and de-dusting combined with wet washing for wheat straw. The system will remove all foreign material that accompanies the fiber and thus provide cleaner fiber for further processing.

### Continuous Cooking System

A Pandia design Continuous Digester is proposed for cooking of the Agricultural Residue (Bagasse and Wheat straw). This system consists mainly of two pressurized by steam screw conveyers and the material is conveyed along with the chemical and water for cooking at the desired level between 14 to 16 minutes.

### Continuous Washing System

A Brown Stock Washer (BSW) based continuous washing system is proposed for the washing of the pulp. This system is based upon a counter-current filtrate flow, where fresh water is only added in the final stage. The filtrate from the later section is used for washing of the previous stage. Only the filtrate from the primary stage is eliminated from the system. This would be a 3-stage system with large washing drums installed at a height of over 14 meter in order to create a natural vacuum for enabling drainage.

### Stock Preparation

The stock preparation would consist of the following sections:

- Cleaning
- Screening
- Refining
- Blending

The following equipment is proposed for the task:

- Centrifugal cleaners
- Pressure Screens
- Triple Disk Refiners
- Blending Instrumentation

The intention is to get the optimum quality of pulp for papermaking, hence, any remaining impurities need to be eliminated and the pulp deflocculated.

The cleaners work upon centrifugal action principle, separating the heavy and light particles and thus eliminating any sand or plastics that have accompanied the stock.

The screens aim to eliminate the course material such as nodes and shives by pressurizing the material through fine slots and perforations.

Refiners are installed to achieve the correct freeness in the pulp, in order to achieve the required paper properties and to deflocculate the stock.

The pulp would be blended with long fiber and chemicals in order to get desired results. Magnetic Flow meters and controllers would be required in order to blend in the right ratio.

### Bleaching System

A three stage bleaching system is proposed in order to achieve a brightness of 80%. The bleaching sequence would be:

#### Chlorine Dioxide - Extraction and Peroxide - Hypo

The system would consist of similar BSW type washers, the construction of which would be in SS grade metals. Large retention towers would be constructed for time provision during chemical reaction.



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## **Approach Flow**

A double dilution system is proposed for the approach flow in order to minimize the electricity consumption and pulsation in the stock flow. The system would consist of a two-stage fan pump, one feeding the cleaner section and the other for screening and head box. The secondary Fan Pump would be specially designed for lower pulsation.

The approach flow would consist of a final cleaning of the stock by Centrifugal Cleaners and then a final screening by a slotted Pressure Screen system before the material is supplied to the head box for even distribution on the machine. A secondary screen would also be used in order to screen the rejects of the primary screen.

The system would also include a sophisticated Basis Control Valve in order to ensure even flow of pulp.

## **Head box**

The head box is used to lay pulp on to the wire table and it is essential that proper attention be given to the design, detailing and construction of the same as the quality of paper is significantly affected by the performance of the head box.

A Pressurized double holly roll design is proposed for the head box. An air cushion is provided from the top of the box in order to ensure the correct velocities in the stock flow. The holly rolls are required in order to keep the stock deflocculated.

A high level of instrumentation is proposed in order to control the pressure, level and jet-wire ratio from the Quality Control System and stand-alone controllers.

## **Paper Machine**

### **Wire Table**

A Fourdrinear design wire table is proposed as it provides flexibility of grades and paper types. The pulp would be discharged from the Head box at a consistency of 0.3% solids and would need to be drained correctly to ensure maximum dryness at the end of the wire table. Particular attention needs to be given to ensure maximum fiber retention on the table.

The design would include a Forming Zone followed by a Low Vacuum Zone and then a final High Vacuum Zone. The suction boxes would include efficient designs, such as Duovacs and Trivacs. We also propose installation of an Autovac control for ensuring the correct vacuum levels at all times.

### **Press and Dryer Section**

A Press Section is required for better run ability in the heavier paper grades. A single press is proposed with a bottom suction roll and a solid top roll. The press size proposed is to ensure maximum nip width. The suction roll would enhance the dryness further.

The press section would also include two blind-drilled 'Touch Rolls', which would press the sheet against the Yankee Cylinder to further increase dryness.

A Yankee MG cylinder would be used in order to dry the paper. This cylinder is 4500 mm in diameter and 4300mm in width. It would be heated from the inside by steam with a maximum pressure of 4 Kg/cm<sup>2</sup>. The Cast Iron imported Yankee cylinder was purchased from M/S Cauvery Papers and would be refurbished by a competent workshop.

A medium velocity hood would be provided along with a thermic fluid heater in order to provide hot air over the cylinder to enhance the drying capability

The machine would also include a Pope Reel for winding of the paper once it is dried. The Pope Reel would have a hydraulic arrangement for the movement of its arms.

### **AC Drive**

A sectional AC Variable Frequency Drive would drive the machine. This would result in lower down time and easier maintenance of the system. A sectional drive would also result in a more stable system, reducing the number of breaks of the paper web.

### **Online Quality Control System**

An online QCS would be installed for monitoring and control of basis weight and moisture and paper. Krypton source would be used for Basis Weight control and Infra red technology for moisture control.



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## Finishing

### Rewinder

A twin drum fully automated rewinder is proposed to ensure proper finishing of the reels supplied to the customers. The rewinder would have features such as auto tension control, break sensors and pneumatic loading of knives.

### Duplex Sheet cutter

A sheet cutter would be needed to serve the demand for sheets in the market. The sheet cutter would be purchased with a PIV gearbox for easier changes in sizes.

## Power Plant

### Boiler

A boiler would be used in order to convert water to steam that would be used for generating power from a steam turbine and providing steam to the process from the turbine extraction. Steam would be generated at a pressure of 63 Kg/cm<sup>2</sup> (g) from water that would be pre-treated in a De-Mineralization Plant. Process Loop Controllers would control the boiler.

### Turbine

An efficient Extraction cum Condensing Turbine would be used in order to supply the unit with the power required, as well as provide extraction steam for the process. Modern controllers and an Electronic Governor would control the turbine. A condenser would be provided so that the remaining steam can be re-used in the boiler.

### Soda Recovery Unit

This is a chemical and heat recovery system used in paper mills. The filtrate discharged from first stage of brown stock washer called black liquor contains mainly lignin (organic matter) and caustic soda (Inorganic matter). This system has mainly 3 parts:

- Evaporator: to evaporate the water content in the liquor
- Recovery boiler: Organic matter burns and heat generated utilized for steam generation
- Re-causticizing plant: to convert Inorganic matter into the useful caustic soda.

## Infrastructure facilities

### Raw Materials

The main raw material required for the current operations of the Company is bagasse. The bagasse is available in abundance & at reasonable price as plant is situated in close proximity to sugar Belt of Eastern Uttar Pradesh. The main bagasse suppliers of the company are Balrampur Chini Mills (Unit -Babnan), Gonda (65 Km.); Balrampur Chini Mills (Unit - Balrampur), Balrampur (110 Km.), K.M. Sugar Mills, Masoda, Faizabad (20 Km) , Govind Nagar Sugar Mill, Walterganj, Basti (70 Km.); Kanoria Sugar, Captanganj (225 Km.).

A long fiber is required for adding strength to the paper and the company has specialised on using Old Gunny Sacks for the purpose. . The Company is procuring it from local market & also from Calcutta, Patna, Varanasi, Allahabad, Kanpur, Lucknow and Jaunpur.

A wet strength grade of imported waste paper is also used for certain grades of paper. The same is imported mainly from USA.

The main source of fuel, i.e. Paddy Husk, is available locally & also within a radius of 100 Km as Paddy is grown in abundance in Eastern Uttar Pradesh. Owing to backwardness of region, there are not many buyers resulting in easy availability and low prices

## Utilities

### Power

With its own 2.5 MW power plant, the mill is self-sufficient in power and does not depend upon grid power. Additionally, it has 5 DG sets with a combined capacity of 3640 KVA.



For the expansion project, a new extraction cum condensing turbine of 5 MW generating capacity has been proposed in order to operate without dependence on grid power. This turbine will be driven by high pressure steam generated in the rice husk steam boiler.

### **Water**

Paper production is water-intensive. As per norms set by the Pollution Control Board, agro residue based mills are not to exceed water consumption beyond 200 cubic meter per ton of paper.

Yash Papers has planned significant recycling of water in keeping with current practices and estimates fresh water consumption of about 120 cubic meter per ton of paper. This requirement will be met by one new tube well. The groundwater table is only 10 meters below ground level.

### **Fuel**

The Company's major fuel is Rice husk used in boilers to generate steam and High-speed diesel used in DG Sets. The Company's main power generation source is 2.5 MW Turbine set and DG set are used as standby source. For generating steam Company requires approx. 100 MT per day rice husk, which is being procured from local suppliers, as the surrounding area's main crop is paddy and there are nos. of rice mills which sells the rice husk to petty suppliers and they supply to the Company. The Company has storage facility of approx 6000 MT of rice husk.

Since DG set are standby and they run maximum 15- 20 days per year. The Annual consumption of Diesel is approx. 80 KL. The Company procures the same from M/s. Bharat Petroleum depot located at Gonda, which is about 60 KM from its factory. The Company also has a storage tank of 15 KL capacity for Diesel.

### **Steam**

Steam is required for process in the pulp plant (digester house and washing system), in recovery section and in paper machine for steam drying of paper. The digester needs steam at 9 kg/cm<sup>2</sup> while the steam pressure required at the MG cylinder is only 4 kg/cm<sup>2</sup>.

The project envisions a high pressure boiler based on rice husk to generate steam at 63 kg/cm<sup>2</sup>. The recovery boiler too generates steam at 63 kg/cm<sup>2</sup>. Steam from both these boilers is passed through the extraction cum condensing turbine to generate 5 MW power.

The steam at low pressure coming out of turbine is used as process steam. Additionally, a pith boiler will be installed to generate low-pressure process steam at 10.5 kg/cm<sup>2</sup> utilising the pith generated in the bagasse preparation plant.

The boilers will use treated water from the de-mineralisation plant which will soften the water before use. Further, the boilers will be equipped with process control loops.

### **Air**

The compressed air requirement, both for process and instruments, will be met by a new 160 CFM compressor complete with an air dryer.

### **Effluent treatment plant**

The paper industry is considered to be one of the most polluting industries. Therefore, the environmental impact of pulp and paper mills effluents in general, and agro-residue based mills in particular, has continued to receive special and close attention by the regulatory authorities in recent years.

The untreated effluent contains the following main pollutants:

- AOX (chlorinated organic compounds which may include dioxins, furans, and other absorbable organic halides) upto 4 kg/ton of paper
- BOD (biological oxygen demand) at 110-235 PPM
- COD (chemical oxygen demand) at 600-750 PPM
- SS (suspended solids) at 750-1,000 PPM



The target values for the treated effluent are:

- AOX - 2 kg/ton of paper
- BOD - 30 PPM
- COD - 250 PPM
- SS - 100 PPM

The Central Pollution Control Board and the Ministry of Environment and Forests have now prepared a charter of Corporate Responsibility for Environment Protection (CREP) for all paper mills. A key provision of this charter is that all paper mills 'must install a chemical recovery system or utilize the black liquor generated with no discharge from pulp mill within 3 years or switch over to waste paper' in order to comply with BOD and COD norms.

Together with improved washing and significant water recycling, Yash Papers plans to reduce its pollution loads. The effluent load is estimated at approximately 7,000 tons per day. To treat this before discharge, Yash Papers will have an effluent treatment plant based on the activated sludge process.

The process comprises of the following stages:

- pH adjustment
- Primary screening & clarification for removal of solids
- Secondary treatment - biological treatment for removal of solids
- Secondary sludge handling by sludge press filter

The pH adjustment of the raw effluent is necessary to facilitate proper biological activity and to protect the equipment. For this, milk of lime is added to the raw effluent before it enters the primary clarifier.

The effluent so treated will be passed through a bar screen which will prevent all large particles from entering the clarifier. In the primary clarifier, about 80 percent of the suspended solids are removed.

The overflow from the primary clarifier is treated in an aeration tank. DAP & urea is added in the aeration tank to maintain the desired level of microorganisms. The bulk of the BOD reduction takes place here. The aeration tank is equipped with surface aerators for proper recirculation and for aerobic treatment.

The mixed liquor from the aeration tank is fed into a secondary clarifier for separation of mixed liquor suspended solids. The sludge so removed is further processed through a sludge press to deliver sludge cakes of 35 percent plus dryness.

Such a process will ensure BOD, COD and SS levels within the prescribed norms. AOX values are also expected to be significantly reduced as per the experience of TNPL.

#### **Air pollution**

For the new husk-fired boiler, Yash Papers has proposed to install a mechanical dust collector (MDC). Necessary clearances from the relevant authorities have been obtained for installing the boiler.

#### **Noise pollution**

Main source of noise in a paper mill are the vacuum pumps. Special silencers are installed for reduction of noise.

#### **Pollution Control**

The company has applied for NOC from Uttar Pradesh Pollution Control Board.

#### **Effluent Treatment**

The Company has envisaged a conventional Chemical Recovery System which will be able to recover 88 percent of the sodium hydroxide used in the cooking process thus producing substantial savings in terms of the cost of the chemicals as well as significantly reducing the pollution load. This system also adheres to environmental safeguard standards and has been mandatory by the Pollution Recovery Board.

The other spillovers from the plant would be treated in the Effluent Treatment Plant before disposal for irrigation.



## Products manufactured by the Company

YPL is a leading manufacturer of low grammage unbleached Kraft paper. Its product range includes hard tissues (18 -30 GSM), wrapping grades (30-60 GSM) and packaging/stationery grades (60-80 GSM) with average GSM range being 49-64. The major market segments being catered by YPL include match box, bidi covers, gum tape, plywood, coated papers, tea pouches, etc.

## Company's product grades and applications

The Company's products are used across a number of important applications, given below:

Product grade	Production(P)/ Sales(S) (in MT)	Uses	Consumer industry	Industry drivers
32-42 GSM	4077 (P) 3976 (S)	Laminating sheets/ paper bag/ interleaving in sun mica sheets	Lamination industry/ packaging industry/ FMCG industry/ Food industry/ plywood industry	Increase in construction and home improvement activity, together with rising consumer demand are driving growth in this segment.
43-64 GSM	7674 (P) 7518 (S)	Bidi wrapping/ Tobacco pouch/ Gum tape/ paper bags/ note-book covering paper/ Bangle-wrapping paper	Tobacco industry/ Adhesives/ FMCG industry/ Bangle industry/ Education sector	The overall growth of the economy together with an impetus on education ensure rising demand for this segment.
65 GSM and above	3013 (P) 3060 (S)	PE Coating in mattress/ stationary/ tube light packaging/ Printing	Mattress industry/ packaging industry/ Real estate industry	Increased focus on housing and a growing importance of packaging are key drivers.

The Company's major sales revenue is derived from 43-64 GSM segment, with nearly 51 per cent of total Sales.

## Marketing and sales strategy

Yash Markets its products through a network of dedicated dealers, currently numbering 35. The Company is in a dialogue with converters and other actual users to explore the sale of a portion the production directly in future.

Names of the some of the major dealers are given below:

Jyoti Papers	Mumbai
A.V. Marketing	Nagpur
Bansal Trading	Delhi
Fakirsons Papchem	Ahmedabad
Allied Agencies	Jabalpur
Quality Paper	Indore
Hiralal Bhagwati	Kolkata
Amit Paper Products	Moradabad
Mamanchand Sunderlal	Ludhiana
Chanana Papers	Saharanpur
Motilal Nathmal	Jaipur
Sri Sant Kripa	Hyderabad
S. S. Mittal	Mathura



### Market potential of Company's product

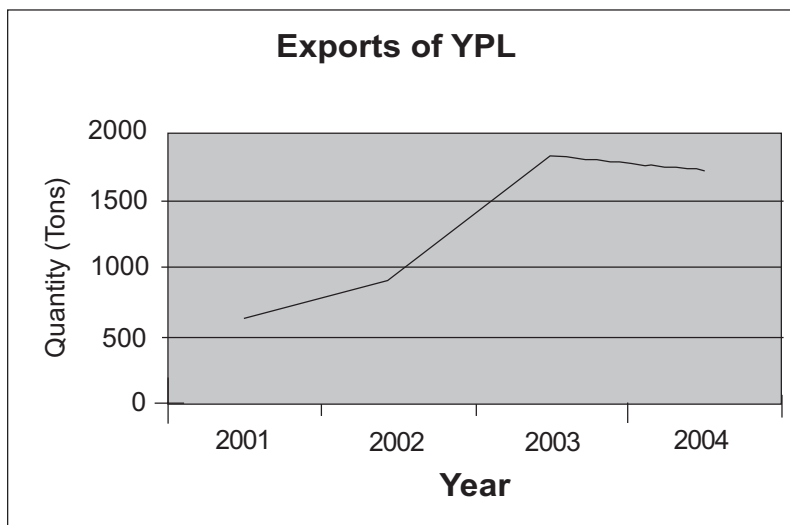
YPL specializes in the lower grammage unbleached Kraft paper and enjoys following strengths and opportunities:

- (A) It holds the largest chunk of the Indian market in this paper and is the largest manufacturer of this category of paper.
- (B) By specializing in a niche market, YPL has done a lot of research and development, which has resulted in acceptable quality by using non-conventional raw material like bagasse.
- (C) YPL's quality now competes only with paper produced by wood based mills. It has managed to secure large share of market by being low priced than mills that produce paper by conventional raw material. Its quality remains superior to its competitors who produce paper from non-conventional raw material.
- (D) There is consciousness in the people and the government of the ill effect of plastic. In several states, plastic has been banned resulting further enhancement in demand of kraft paper.
- (E) The Company has tried to explore new markets for its increased production. It has resulted in a dedicated dealer network of 35 dealers in India. The company's products are also gaining acceptance in the export market.

### Exports

Yash Papers has been exporting paper for a number of years and the quantum of exports has been increasing significantly every year.

Year	Quantity of paper(Tons)	Value (Rs. Lacs)	% of total sales
2001	632	109.5	5.57
2002	944	152.4	7.04
2003	1,837	307.8	12.84
2004	1735	356.2	13.76



The company exports kraft paper across the globe directly and through merchant exporters. There is now a clear focus on exports and expanding markets internationally by adding specialty grade papers such as - wet strength kraft paper, poster to the product range and also by introducing more shades like blue, black and white to the present range of kraft paper.

Company's export division gets enquiries from overseas buyers through the Company's website and other B2B websites, business journals, participation in national and international pulp and paper exhibitions and buyer-seller meets.

Company exports its product to Sri Lanka, Nepal, Bangladesh, Australia, New Zealand, United Kingdom, South Africa, African Sub-continent, Iran, UAE, Saudi Arabia, Doha-Qatar, Turkey, Israel, Ecuador & Estonia and many more.



## Competition Scenario

### Kraft paper

The main competitors of YPL in the Kraft Paper segment are Star Paper Mills Ltd, Khatima Fibres Ltd, Andhra Paper Mills Ltd., Seshasayee Paper & Boards Ltd and Mysore Paper Mills Ltd. YPL has the largest capacity in the country in the low grammage segment of the Kraft Paper.

### Poster paper

The market place is presently dominated by large paper companies also making some amount of poster in one of their smaller machines. The large companies sell over 7,000 MT/mth and at least 3,000 MT/mth is manufactured and sold by smaller paper mills.

Industry average (Based on CMIE data available for the year ended 31.3.2003)

Particulars	PBT/Net Sales	Net sales/Total tangible assets	Bank finance / Current assets	Inventory + receivable/ Net Sales
Industry	1.01%	0.66	25.05%	153.07 days
Yash Papers Ltd. (as on 31.12.2003)	5.02%	0.91	34.58%	82.00 days

The Company compares favourably to the industry average as regards PBT/Net Sales, Net Sales/ Total Tangible Assets & Inventory+receivable/Net Sales. Bank Finance to Current Assets is higher than the industry average as the Company closes its Financial Year in December, when the drawings are at their peak due to easy availability of good quality Raw Material. The Company uses the opportunity to make maximum purchases during this period.

### Key marketing practices

The Company's marketing objective is to sell with speed and at a premium over the competing varieties. Over the years, the Company has strengthened its position as a specialised manufacturer within its niche and leveraged its credibility to protect it from the impact of short-term price troughs.

As a stable long-term initiative, the Company has marketed products via dealers based in diverse national and international locations through a relationship-driven approach. This is done by servicing dealer requirements on schedule and faithfully meeting their demanding requirements. As a relationship-strengthening initiative, the Company is engaged in an ongoing dialogue with its dealers to understand ground realities with clarity, leading to proactive initiatives. As a knowledge-enhancing initiative, dealers are regularly trained in the Company's products and applications. Besides, the Company's marketing representatives accompany dealers to customer locations and derive an insight into evolving preferences.

As a forward-looking initiative, the Company's marketing team studies how existing paper uses can be substituted cheaper with kraft. Over the last few years, this initiative has translated into the successful introduction of aluminum-coated kraft replacing the conventional aluminum foil packaging. The Company now expects to drive growth through the introduction of newer kraft uses in gift-wrapping, face tissues and stationery.

### Business strategy

The Company specializes in the manufacture of low grammage, machine glazed Kraft paper, ranging from 28 GSM to 100 GSM in reel and sheet form. The low grammage papers are high margin items. The "Bursting Factor" (BF) range of the paper currently produced by the Company is 20 to 25.

The Company wishes to leverage on its core competence of making high quality low grammage paper from agricultural residue pulp. Poster grade of paper provides the company with a product that has adequate demand and a ready market with many of the existing consumers using the product. Similar interests have been generated amongst the agents in the external markets, hence the Company is confident about a significant percentage of its production being exported.

The location of the company provides an added advantage of availability of the correct raw material for the manufacture of the product. Agricultural residues have adequate properties in order to ensure their usage for manufacture of high quality bleached grades of paper. The price, chemical consumption and conversion are lower when compared to wood pulp; hence there is an added advantage of preparing pulp from agricultural residues.



## Capacity and Capacity Utilisation

### The installed capacity and the capacity utilisation

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value) (9 Months)	Qty. (MT) (Value)	Qty. (MT) (Value)
<b>Capacity</b>					
<b>Kraft Writing Printing and other uncoated paper</b>					
Licensed Capacity	27,500	27,500	27,500	27,500	27,500
Installed Capacity	16,000	16,000	16,000	16,000	16,000
Production	14,762	14,795	*11,188	12,820	12,757
Capacity utilization	92.26%	92.47%	*93.23%	80.13%	79.73%

\* Period for 9 months

### Proposed capacity utilization

Particulars	31-Dec-05	31-Dec-06	31-Dec-07
<b>Installed Capacity</b>			
Present products	16,000	16,000	16,000
Proposed products	nil	23,100	23,100
<b>Capacity utilization (%)</b>			
Present products	100	100	100
Proposed products	NA	70	80

### Outlook

The outlook for a value-added manufacturer like Yash Papers is encouraging for a number of reasons: an increased focus on better packaging standards and the predominance of kraft for this purpose. The Company is not only engaged in the creation and customisation of a number of specialised grades but is also evaluating the possibility of extending its service focus in two distinctive ways: starting a trading wing to provide wider customer solutions and tying up with converters to provide turnkey packaging solutions, both of which will accelerate the Company's evolution into an end-to-end solutions provider. Concurrently, the Company will position itself more distinctively in the international market leading to a stronger brand recall and better realisations that will enable it to counter the price wars of the market place.

### Property

As per the audited balance sheet dated 31st December 2004, the company owns the following immovable properties:

(Rs. In lacs)

SL. No.	Description	Net block
1	Free hold Land	39.1200
2	Lease hold Land	0.0050
3	Building Factory	184.7200
4	Building Non Factory	97.8600



### **Purchase of property**

Except as stated in “Objects of the Issue” in this Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- \* The contracts for the purchase or acquisition, if any, were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- \* The amount of the purchase, if any, is not material.

The Company has not purchased any property in which any of its Promoters and/ or Directors, have any direct or indirect interest in any payment made thereof.

### **Key Industry Regulations**

The Central Pollution Control Board and the Ministry of Environment and Forests have prepared a charter on Corporate Responsibility for Environment Protection (CREP) for paper mills. A key provision of this charter is that paper mills ‘must install a chemical recovery system or utilize the black liquor generated with no discharge by 2008 or switch over to manufacture from waste paper’ in order to comply with norms.

### **3. History and Corporate Structure of the Yash Papers Limited**

The Company was promoted by Shri K. K. Jhunjhunwala and his family members in the year 1981 with an objective to set up a paper unit with 1940 MT production capacity per annum of Kraft paper. The Company specializes in the manufacture of low grammage, machine glazed Kraft paper, ranging from 28 GSM to 100 GSM in reel and sheet form. The low grammage papers are high margin items. The “Bursting Factor” (BF) range of the paper currently produced by the Company is 20 to 25.

#### **Major events of the Company**

- The Company was incorporated in 1981 as a 1940 TPA paper manufacturing unit based on waste paper. The company commenced commercial production in 1983.
- The company set another paper manufacturing unit II in 1991 with an installed capacity of 6000 TPA.
- Yash Papers brought out a Public Issue in 1992 to raise funds to increase the manufacturing capacity to 16000 TPA.
- In 1997, the company installed a steam turbine of 2.5 MW for co-generation of power resulting in self dependence in power. The company also has backup arrangement of power with 5 diesel generating sets.
- The first direct export order was executed in 1999.
- The company went for a major modernisation drive in 2001 by revamping its Paper Machine II.
- A modern Rewinder and an AC Frequency Drive were installed. A new Boiler was also added.
- An Enterprise Resource Planning system has been undertaken in 2004 for improved control and information sharing within the company.
- Yash Papers is now planning an aggressive expansion strategy to more than double its capacity and become a leading player in MG Poster and specialty grades of paper with planned capacity of 23,100 TPA to become operational by 2006.

For past five year financial performance of the Company please refer to the section “Financial Statements” on page no.63.

#### **Main objects of the Company**

The Objects Clause of the Memorandum of Association of the Company enables it to undertake its present and proposed activities. The objects that permit the Company’s main operations are:



### Object III (A) 2

To carry on the business of manufactures of and dealers in all kinds and classes of paper, board and pulp processed from any suitable raw material including waste board, cardboard, strawboard, pulp board, leather board, mill board, corrugated board, liner board duplex and triple boards, hard board, plywood board, writing paper, printing paper, newsprint paper, absorbent paper, wrapping paper, tissue paper, blotting paper, filter paper, art paper bank or bond paper, grease proof paper, gummed paper, parchment paper, drawing paper, Kraft paper, envelope paper, tracing paper, waterproof paper, carbon paper, photographic paper, post cards, visiting cards, soda pulp, mechanical pulp, Sulphite pulp, semi-chemical pulp, and all kinds of articles in the manufacture of which in any form, paper board of pulp is used, and also to deal in or manufacture of which in any other articles or things of a character similar or analogous to the foregoing of any of them or connected therewith.

### Subsidiaries of the Company

The Company has no subsidiaries.

### Shareholders Agreement

There is no shareholders agreement existing as on date.

### Other Agreements

Except the Agreements, as mentioned under the sub-heading "Material documents & Contracts" and the contracts/Agreements entered into in the ordinary course of business on or intended to be carried on by the Company, the Company has not entered into any other Agreement / Contract.

### Financial partners

The Company has entered into common loan agreement dated May 14, 2005 with the banks. The broad terms and conditions with names of lenders are as under:

Sr. No	Name of Bank	Amount sanctioned Rs./lacs	Rate of Interest	Repayment schedule
1	United Bank of India	2000.00	BPLR-1.50% presently 9.25% p.a.	27 quarterly installments starting from June 2007.
2	Oriental Bank of Commerce	1500.00	PLR - 1.75% presently 9.25% p.a..	27 quarterly installments starting from June 2007
3	Union Bank of India	1167.00	BPLR-1.50% presently 9.25% p.a.	27 quarterly installments starting from June 2007.
4	UCO Bank	1000.00	BPLR-1.75% presently 9.25% p.a.	27 quarterly installments starting from June 2007

\* United Bank of India is the leader of the consortium.

\* The Company shall pay a front end fee of 0.35% of the amount of the rupee loan facility.

### \* Security

The rupee loan facility, together with all interest, penal interest, fees and other monies payable under this Agreement shall be secured in favour of the Security Trustee by way of :

- i) A pari-passu first charge by way of hypothecation of all fixed assets, plant and machinery and other immovable properties, both present and future, of the Company.
- ii) A pari-passu second charge by way of hypothecation on entire current assets (present and future) of the Borrower.
- iii) Personal guarantee of Shri Ved Krishna.
- iv) Pledge of 26,45,000 equity shares of the Company to be subscribed by Promoters in the proposed public issue of the Company.
- v) Corporate guarantee of Megha Agro Products Ltd. and Pledge of equity shares held by Megha Agro Products Ltd. in the Company.



#### Changes in the Memorandum of Association of the company

Particular	Date of meeting	Type of meeting
Increase in Authorized Capital from 50,000 Equity Shares of Rs.100/- each to 1,00,000 Equity Shares of Rs.100/- each	28.02.1990	EGM
Increase in Authorized Capital from 1,00,000 Equity Shares of Rs.100/- each to 69,50,000 Equity Shares of Rs.10/- each and 5,000 Preference Shares of Rs.100/- each	10.09.1991	AGM
Reclassification of un-issued authorized share capital by canceling the un-issued 29,50,000 Equity Shares of Rs.10/- each and creation of 2,95,000 Preference Shares of Rs.100/- each.	16.06.2003	AGM
Increase in Authorized Capital from 40,00,000 Equity Shares of Rs.10/- each & 3,00,000 Preference Shares of Rs.100/- each to 1,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each	22.05.2004	AGM
Increase in Authorized Capital from 1,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each to 2,60,00,000 Equity Shares of Rs.10/- each & 4,00,000 Preference Shares of Rs.100/- each	03.12.2004	EGM

#### 4. Management

The Company is a professionally managed organization. The Company functions under the control of a Board consisting of professional Directors. The day-to-day matters are looked after the qualified key personnel, under the supervision of Managing Director and Director Finance.

#### Board of Directors of the Company

The Board of Directors of the Company comprises:

Name, Age, Address, Designation and Occupation of the Directors	Appointment in the Company and the date of expiration of current term of office	Other Directorships
<b>Mr. G. Narayana</b> S/o Mr. G Ramanna 63 years 'Tapasya', H. No. 1013, 10th Floor, Wing- D, Park side - 3 Raheja Estate, Near National Park, Borivali (E), Mumbai - 400 066. <b>Chairman</b> Management Thinker & Practioner	12.12.1995 (Rotational)	1) Aryan Paper Mills Ltd. 2) Alpha Drugs India Ltd. 3) Laopala RG Glass Ltd. 4) Punjab Chemicals and Pharmaceuticals Ltd.
<b>Mr. Ved Krishna</b> S/o Late Mr. K. K. Jhunjhunwala 30 Years 1/13/1B, Civil Lines, Faizabad - 224 001 <b>Managing Director</b> Industrialist	30.05.1999 as Additional Director. Appointed as Managing Director at Annual General Meeting on 22.05.2004 31.07.2009	None



Name, Age, Address, Designation and Occupation of the Directors	Appointment in the Company and the date of expiration of current term of office	Other Directorships
<p><b>Mr. G. N. Gupta</b> S/o Late Mr. S. L. Gupta 73 Years D-902, Surya Vihar, Village Doondahera Distt. Gurgaon (Haryana) <b>Director</b> Ex-Chairman, Central Board of Direct Taxes Tax Consultant</p>	<p>16.05.1994 as Additional Director. Re-appointed at Annual General Meeting on 31.07.2002. (Rotational)</p>	<p>1) Asian Fertilizers Ltd. 2) Alpha Drugs India Ltd. 3) Flex Engineering Ltd. 4) Flex Foods Ltd. 5) Manoj Housing Finance Co. Ltd. 6) Hiranyamai Investments (P) Ltd. 7) Micro Ventures (P) Ltd.</p>
<p><b>Mr. A.K. Gupta</b> S/o Mr. Pyare Lal Gupta 44 Years 143, Avas Vikas Colony, Angoori Bagh, Faizabad -224001 <b>Director Finance</b> Service</p>	<p>01.06.1999 as Additional Director. Re-appointed as Director Finance at Annual General Meeting held on 22.05.2004. 31.05.2009</p>	<p>None</p>
<p><b>Mr.D.S. Gandikota</b> S/o Mr. G. S. Prakasa Rao 46 Years A-50 Ground Floor, South City 2, Sohna Road, Gurgaon - 122 001 <b>Director</b> Technical Consultant</p>	<p>31.07.2002 as Additional Director. Appointed as a Director at Annual General Meeting on 16.06.2003. (Rotational)</p>	<p>None</p>
<p><b>Ms.Manjula Jhunjhunwala</b> W/o Late Mr. K. K. Jhunjhunwala 52 Years 1/13/1B, Civil Lines, Faizabad - 224 001 <b>Director</b> Industrialist</p>	<p>17.06.1981 as Additional Director. Re-appointed at Annual General Meeting held on 22.05.2004. (Rotational)</p>	<p>Megha Agro Products Limited</p>
<p><b>Dr. P. Banerjee</b> S/o Late Mr. T. C. Banerjee 57 Years 1/13/1 Civil Lines, Faizabad - 224 001 <b>Director</b> Medical Practitioner</p>	<p>02.03.1985 as Additional Director. Re-appointed at Annual General Meeting on 16.06.2003. (Rotational)</p>	<p>None</p>
<p><b>Mr. Yash Krishna</b> S/o. Late Mr. K K Jhunjhunwala 29 years 1/13/1B, Civil Lines, Faizabad - 224 001 <b>Additional Director</b> Service</p>	<p>20.04.2005. Until the ensuing AGM</p>	<p>None</p>
<p><b>Ms. Sheetal Jhunjhunwala</b> W/o. Mr. Sidhartha Bajoria 33 years 53, Mukund, 6/1/3, Queens Park, Kolkata - 19 Alternate Director to Mr. Yash Krishna Service</p>	<p>13.06.2005 Until the ensuing AGM or after Mr. Yash Krishna resumes office as Additional Director, whichever is earlier</p>	<p>1. Shika Building Pvt. Ltd. 2. Perfect Properties Pvt. Ltd. 3. Shashi Global Exim Pvt. Ltd.</p>



Mr. Ved Krishna and Mr. Yash Krishna are the sons of Ms. Manjula Jhunjhunwala. Ms. Sheetal Jhunjhunwala is the cousin of Mr. Ved Krishna and Mr. Yash Krishna.

Service contracts entered into with the wholtime directors does not provide for benefits upon termination of the employment.

### Borrowing Powers of the Board

The shareholders vide a resolution pursuant to section 293(1) (d) of the Companies Act, 1956 passed at the Annual General Meeting of the Company held on 22nd May 2004, had approved and delegated powers to the Board for borrowing up to a sum of Rs 80.00 crores apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business not withstanding that it is over and above the aggregate of the paid-up share capital and free reserves.

### Compensation of Managing Director/Whole time Directors

Name	Ved Krishna	A.K.Gupta
<b>Designation</b>	Managing Director	Director Finance
<b>Period</b>	5 years w.e.f. 01.08.2004	5 years w.e.f. 01.06.2004
<b>Remuneration</b>	<p>(a) <b>Salary</b> : Rs. 36,000/- per month in the grade of Rs.36,000- 75,000. Increment will be effective from 1st June each year, the amount being decided by the Board.</p> <p>(b) <b>Variable Dearness Allowance (V.D.A.)</b> : As applicable for the employees of the company from time to time.</p> <p>(c) <b>Production Incentive</b> : As per applicable scheme for the employees of the company from time to time.</p> <p>(d) <b>Perquisites</b> : In addition to the above, Shri Ved Krishna, shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for himself and his family, club fees, medical insurance etc.; in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Ved Krishna, such perquisites shall however not exceed Rs.5,00,000/- per annum.</p> <p>For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, in the absence of any such Rules, perquisites shall be evaluated at actual cost to the company.</p> <p>Provision for use of the Company's car and telephone at residence (including payment for local calls and long distance official calls) for official duties shall not be included in the computation of perquisites for the purpose of calculating the said ceilings.</p>	<p>(a) <b>Salary</b> : Rs. 17,000/- per month in the grade of Rs.17,000 - 30,000. Increment will be effective from 1st June each year, the amount being decided by the Board.</p> <p>(b) <b>Variable Dearness Allowance (V.D.A.)</b> : As applicable for the employees of the company from time to time.</p> <p>(c) <b>Production Incentive</b> : As per applicable scheme for the employees of the company from time to time.</p> <p>(d) <b>Perquisites</b> : In addition to the above, Shri A. K. Gupta, shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for himself and his family, club fees, medical insurance etc.; in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri A. K. Gupta, such perquisites shall however not exceed Rs.1,25,000/- per annum.</p> <p>For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, in the absence of any such Rules, perquisites shall be evaluated at actual cost to the company.</p> <p>Provision for use of the Company's car and telephone at residence (including payment for local calls and long distance official calls) for official duties shall not be included in the computation of perquisites for the purpose of calculating the said ceilings.</p>



Name	Ved Krishna	A.K.Gupta
	<p>(e) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, gratuity payable as per rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.</p> <p>(f) <b>Minimum Remuneration</b> : If in any accounting year, the Company has no profits or its profits are inadequate or in any case, remuneration by way of salary, perquisites and other allowances will be subject to the ceilings set out in para 1(A), 2 &amp; 3 of Section II of Part II of Schedule XIII of the Companies Act, 1956.</p> <p>(g) <b>Leave:</b> On full pay and allowances, as per rules of the Company. Encashment of leave shall not be included in the computation of the ceiling on perquisites.</p> <p>(h) Shri Ved Krishna shall also be entitled to reimbursement of entertainment, traveling, hotel and other expenses actually incurred by him in performance of the duties on behalf of the Company.</p> <p>(i) Any other benefits, facilities, allowances and expenses may be allowed under Company rules/schemes and available to other employees.</p> <p>(j) No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or Committees thereof.</p>	<p>(e) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, gratuity payable as per rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.</p> <p>(f) <b>Minimum Remuneration</b> : If in any accounting year, the Company has no profits or its profits are inadequate or in any case remuneration by way of salary, perquisites and other allowances will be subject to the ceilings set out in para 1(A), 2 &amp; 3 of Section II of Part II of Schedule XIII of the Companies Act, 1956.</p> <p>(g) <b>Leave:</b> On full pay and allowances, as per rules of the Company. Encashment of leave shall not be included in the computation of the ceiling on perquisites.</p> <p>(h) Shri A. K. Gupta shall also be entitled to reimbursement of entertainment, traveling, hotel and other expenses actually incurred by him in performance of the duties on behalf of the Company.</p> <p>(i) Any other benefits, facilities, allowances and expenses may be allowed under Company rules/schemes and available to other employees.</p> <p>(j) No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or Committees thereof.</p>

### Corporate Governance

The Company firmly believes in and continues to practice good Corporate Governance. Accordingly, it follows the business practices which result in enhanced shareholder value and enables it to fulfill its obligations to customers, the government, employees, lenders and to society in general.

The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/investor grievance Committee etc.,

### Composition of Board

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive and more than 50% are independent Directors.

### Audit Committee

The Company set up an independent Audit Committee on 26th May, 2001. Audit Committee comprises, Mr. G. N. Gupta, Mr. D. S. Gandikota, Dr. P. Banerjee and Mr. Ved Krishna. The members of the committee are well versed in matters relating to finance, accounts, taxation, company law and general management practices. The functions of the Committee



inter-alia include overseeing the Company's financial reporting process and disclosure of its financial information and reviewing the annual financial statements with the management before submission to the Board.

#### Remuneration Committee

The Company has constituted a Remuneration Committee of the Board to consider the remuneration of the Whole Time Directors which is a part of non-mandatory requirement of the code. The Remuneration Committee Comprises Mr. G. N. Gupta, Mr. D. S. Gandikota and Dr. P. Banerjee.

The remuneration Committee of the Board recommends the remuneration of the Executive Directors. The remuneration package is governed by the industry pattern and as per the provisions of the Companies Act, 1956.

#### Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee comprising of Dr. P. Banerjee, Mr. A. K. Gupta and Ms. Manjula Jhunjunwala. The Committee, inter-alia, approves share Transfer, issue of duplicate share certificates and oversees and reviews all matters connected with the share transfers.

The Committee also looks into redressing the shareholders' complaints regarding transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends etc. The Committee oversees the performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services.

#### Shares held by Directors (As on 15.06.2005)

Sl. No.	Name of the Director	No. of shares held	% age
1.	Mr. G. Narayana	Nil	Nil
2.	Mr. Ved Krishna	157090	4.05
3.	Mr. G. N. Gupta	Nil	Nil
4.	Mr. A. K. Gupta	1000	0.02
5.	Mr. D. S. Gandikota	500	0.01
6.	Mrs. Manjula Jhunjunwala	116104	3.00
7.	Dr. P. Banerjee	1418	0.04
8.	Mr. Yash Krishna	116652	0.56
9.	Mrs. Sheetal Jhunjunwala	Nil	Nil

#### Interest of Directors and Promoters.

The Directors of the Company other than Mr. Ved Krishna and Mr. A. K. Gupta may be deemed to be interested to the extent of sitting fees for attending the Board Meeting and Committee Meeting, Fixed Deposits made with the company and other related party transaction as required to be and disclosed in the Auditors' Report for year 31.12.2004. Mr. Ved Krishna and Mr. A. K. Gupta are interested in the remuneration and reimbursement of expenses, if any, as per terms of their appointment, Fixed Deposits made with the company and other related party transaction as required to be, are disclosed in the Auditors' Report for year 31.12.2004.

#### Changes in the Board of Directors during the last 3 years

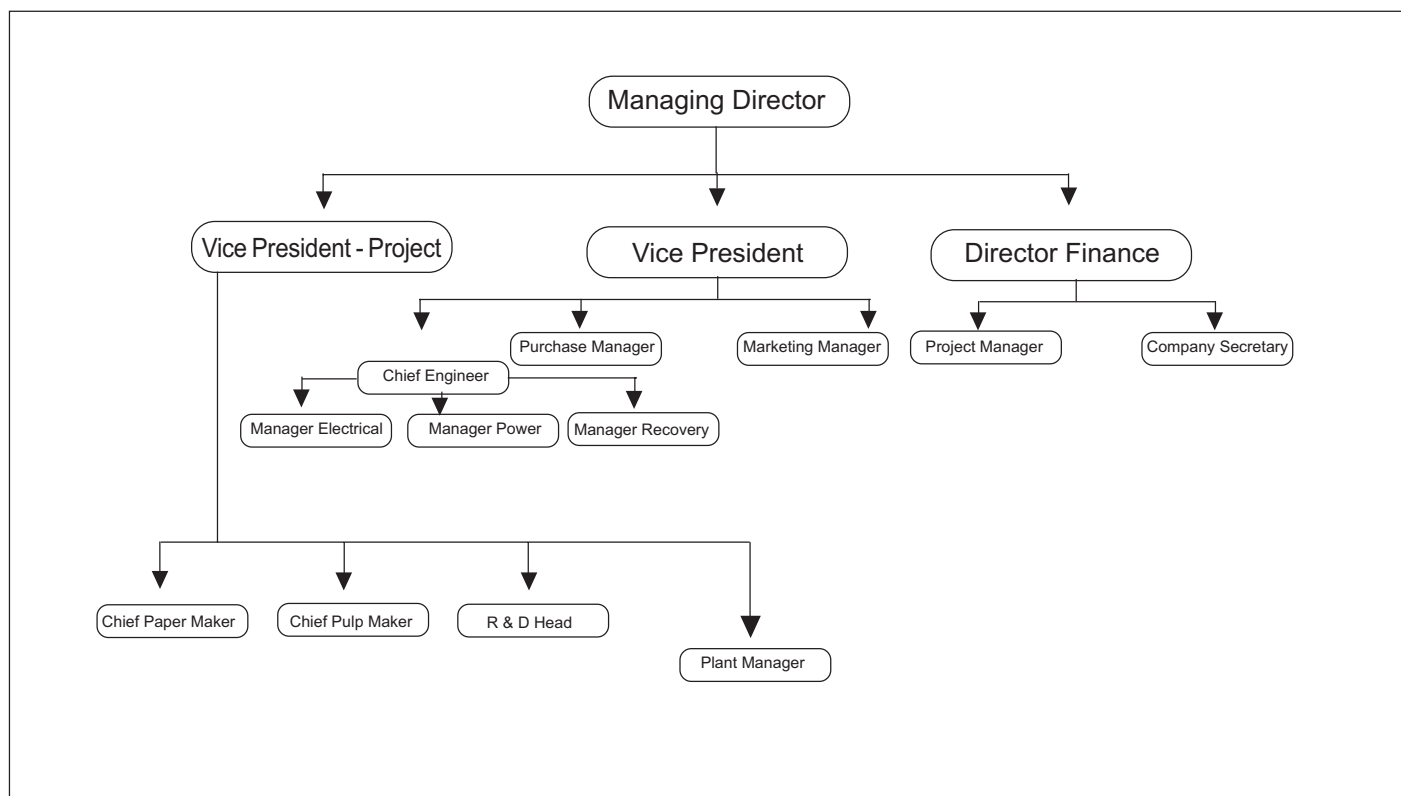
Name of Director	Date of Appointment	Date of Resignation	Reasons of resignation
Mr.A. R. Nighoskar	—	28.05.2002	Personal
Mr. D. S. Gandikota	31.07.2002	—	—
Mr. R. N. Chakraborty	—	28.10.2004	Personal
Mr. K K Jhunjunwala	—	21.03.2005	Expired
Mr. Yash Krishna	20.04.2005	—	—
Mrs. Sheetal Jhunjunwala	13.06.2005	—	—

#### Management Organisation Structure

The Company is managed by Mr. Ved Krishna, Managing Director, aged 30 years and a graduate in Management from University of North London The Company has other Directors looking after specific areas like finance, production, research and development etc. The management team is assisted by a team of well qualified and professional executives with considerable expertise and experience in their respective functional areas.



## Organisation chart



## Key Managerial Personnel.

A brief profile of the key managerial personnel and other personnel forming part of Senior Management is set out below:

Sr. No.	Name	Age	Designation	Qualification	Exp. (yrs.)	Functional Responsibility	Date of joining	Past Experience
1	Mr. R.K.Sharma	37 Years	Vice President	M.Com	Having 12 years rich experience in different fields in the Company.	Commercial and Administrative Management	14.11.1991	Started career as a Trainee in the Company and Promoted from Commercial Manager to General Manager since 01.12.2004 and was promoted as Vice President since 01.06.2005.
2	Mr. S K Maheshwari	59 years	V P (Project)	B. Tech., Chemical Eng. IIT, Kanpur	37 years	Over all incharge for Project implementaion	06.06.2005	Started career in the year 1968 and gained experience in the Erection, Commissioning, operation and maintenance of pulp mill, power plant, chemical recovery plant in various capacities with various mills. Lastly he was working with Nath Pulp & Papers Mills Limited as G. M (Works)



Sr. No.	Name	Age	Designation	Qualification	Exp. (yrs.)	Functional Responsibility	Date of joining	Past Experience
3	Mr. Narendra Kumar Agarwal	33 Years	Chief Engineer	B.E. Mechanical, B.O.E.	11Years	Engineering, Power and Maintenance	10.11.1997	Started the career and joined the organization in 1993 and gained the experience in the Erection, Commissioning, operation and maintenance of power plant and paper machine. Also have the hands on experience of plant automation implemented in our plant
4	Mr. Deepak Nathani	28 Years	Company Secretary	B.Sc. A.C.S	1 year	Secretarial department	03.05.2004	Started the career and joined the organization in May, 2004

- The persons mentioned above are in the employment of the Company as permanent employees.
- None of the key personnel mentioned above are related to the promoters/Directors of the Company.
- No director or member of Senior Management has been selected pursuant to any arrangement/ understanding with major shareholders/customers/suppliers.

#### Compensation paid to key managerial personnel for the financial year 2004-05

Sr. No.	Name	Compensation (Rs.)
1	R.K.Sharma	289316
2	Narendra Kumar Agarwal	248727
3	Deepak Nathani#	106396

# Employed with effect from May, 2004.

No portion of the compensation was paid pursuant to a bonus or profit sharing plan.

#### Changes in key managerial personnel

Mr. Anjan Kumar Dey, Vice President (Technical) has resigned from the services of the Company with effect from 13th May 2005. Mr. S.K. Maheshwari has been appointed as Vice President (Project) with effect from 6th June, 2005. Other than the above, there are no material changes in the key managerial personnel during the last one year

#### Shares Held by the Key Managerial Personnel ( As on 27.05.2005)

Sr. No.	Name of Key Managerial Personnel	No. Shares
1	Mr. R.K.Sharma	1449
2	Mr. Narendra Agarwal	500

#### Manpower

The expansion will mean a generational change in the technology adopted, equipment installed and the skills needed for their operation. Therefore, the technical manpower needs to be strengthened with qualified and experienced professionals with a background in operating the high-speed paper machine and complete recovery systems. The project team will also need to have additional operational manpower. Further, considering the extensive instrumentation of the mill, it will be absolutely necessary to have competent instrument engineers for their upkeep.



The present and proposed manpower strength of the company is as under.

Category	Present	Proposed	Total
Permanent	168	100	268
Trainee	9	—	9
Casual	17	—	17
Contractor employee	200	200	400
<b>Total</b>	<b>394</b>	<b>300</b>	<b>694</b>

The manpower required for the project would be recruited by advertising in the newspapers & in recruitment websites, campus interviews, personal contacts etc.,

#### **Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme**

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

#### **Payment of Benefit to Promoters and Officers of the Company**

No amount or benefit has been paid or given to the Company's officers since the incorporation of the Company nor is intended to be paid or given to any officer of the Company except their normal remuneration and/or reimbursement for services as Directors, Officers or Employees of the Company or otherwise in accordance with Law.

#### **5. Promoters**

The Company was promoted by Late Mr.K.K.Jhunjunwala, a renowned paper technologist.

#### **The other promoters of the Company are**

##### **Mr. Ved Krishna**


Mr. Ved Krishna aged about 30 years is the Managing Director of the Company. He is a Management Graduate from University of North London, United Kingdom.

He has vast experience in the field and operations of the company and had worked as Joint Managing Director and Senior Vice-President in the company.

His vision shaped the growth of the organization. During his tenure as Joint Managing Director, the Company started the exports of paper to the various countries all over the world.

##### **Mrs. Manjula Jhunjunwala**

Mrs. Manjula Jhunjunwala aged about 52 years is the Director of the Company. She is a BA (Hons) and B Ed.

<b>Mr.Ved Krishna</b>
Voter ID : NA
Driving License No: 8246/FD/1995
PAN No : AJRPK1551C


<b>Mrs. Manjula Jhunjunwala</b>
Voter ID: NA
Driving license No. 9697/FD/91
PAN No. : ABSPJ4695H


We confirm that the PAN, Bank Accounts numbers and Passport Numbers have been submitted to the Stock Exchanges on which securities are proposed to be listed.



## Megha Agro Products Ltd.

The company was incorporated to undertake financing activities on 27/06/1984 with registration no. 20-06610. The company's shares are listed on Uttar Pradesh Stock Exchange Association Limited. The company is also registered (Registration No. B.12.00232) as Non-Banking Finance Company with Reserve Bank of India.

### Financial Highlights

(Rs. In lacs )

Particulars	2003-04	2002-03	2001-02
Equity Capital (paid up)	99.85	99.85	99.85
Reserves (excluding revaluation Reserve)	46.24	36.53	33.96
Income	12.50	6.05	1.20
Profit after tax	9.71	2.57	(0.70)
EPS (Rs.)	0.97	0.26	-
Net Asset Value (Rs.)	14.63	13.66	13.40

### Board of Directors of Megha Agro Products as on December 31, 2004.

Name	Designation
Mrs. Shailja Krishna	Managing Director
Mrs. Manjula Jhunjunwala	Director
Mr. V.K. Seth	Director

### Shareholding of Megha Agro Products as on December 31, 2004.

Category	No. of Shares held	Percentage of shareholding
<b>A. Promoters' Holding</b>		
1. Promoters		
- Indian Promoters	966720	96.815
- Foreign Promoters	Nil	Nil
2. Persons acting in Concert	Nil	Nil
<b>Sub-Total</b>	<b>966720</b>	<b>96.815</b>
<b>B. Non-Promoters Holding</b>		
3. Institutional Investors		
a. Mutual Funds and UTI	Nil	Nil
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	Nil	Nil
c. FIs	Nil	Nil
<b>Sub-Total</b>	<b>Nil</b>	<b>Nil</b>
<b>4. Others</b>		
a. Private Corporate Bodies	Nil	Nil
b. Indian Public	31800	3.185
c. NRIs / OCBs	Nil	Nil
d. Any other	Nil	Nil
<b>Sub-Total</b>	<b>31800</b>	<b>3.185</b>
<b>GRAND TOTAL</b>	<b>998520</b>	<b>100</b>



Late. K.K. Jhunjhunwala and Mrs. Manjula Jhunjhunwala hold the controlling interest in the company.

Megha Agro Products Limited, Late. K K Jhunjhunwala and Mrs. Manjula Jhunjhunwala have not been restrained from accessing the capital market for any reasons by SEBI or any other authorities.

The Company has received a notice dated 11 January, 2005 from SEBI for violation of Regulations of 6 (2) and 6 (4) for 1997 and 8 (3) for 1998, 1999, 2001 and 2002 of SEBI (Substantial Acquisition of shares and Takeover) Regulations, 1997. SEBI has decided to consider the request for consent order if the Company was willing to pay the amount of Rs. 1,75,000/- as penalty for the aforesaid violations.

Highest and lowest market price of shares during the preceding 6 months : No trading

The Company has not made any public or rights issues in the preceding three years.

The Company has not become sick within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

We confirm that the PAN, Bank Accounts numbers, and the Company registration number and the address of the Registrars of Companies where the Company is registered has been submitted to the Stock Exchanges on which securities are proposed to be listed.

For details of litigation against promoters and the ventures promoted by promoters please refer the section "Outstanding litigation and material development" on page no.88.

#### **Interest of Promoters and Directors**

Except as stated under the caption, "Related Party Transactions appearing on page no.81 in the Prospectus, all the Directors may be deemed to be interested to the extent of remuneration and fees payable to them for attending the meeting of the Board or committee thereof and reimbursement of traveling and other incidental expenses, if any, for such attendance as per the Articles of Association of the Company.

All the Directors/Promoters of the Company shall be deemed to be interested to the extent of shares held by them and/or their friend and relatives and which may be allotted to them out of the present issue, and are deemed to be interested to the extent of remuneration and perquisites being drawn by them from the company.

The whole-time Directors are interested to the extent of remuneration paid to him for services rendered to the Company, Further, the Whole-Time Directors are interested to the extent of equity shares held by him and also to the extent of any dividend payable to him and other distributions in respect of the said equity shares.

The promoters/directors/group concerns have no interest in any transaction in acquisition of land, construction of building and supply of machinery.

Except as stated otherwise in this Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of the Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them

**Common pursuits: There are no common pursuits among the company and its Promoter/ Group/Associate Companies.**

#### **Payment of Benefit to Promoters of the Company**

No amount or benefit has been paid or given to the Company's Promoters since the incorporation of the Company nor is intended to be paid or given to any promoter of the Company except their normal remuneration and/or reimbursement for services as Directors of the Company or otherwise in accordance with Law.

#### **Related party transaction as per the Financial Statements**

Please refer "Related Party Disclosures" as mentioned under Annexure XV of the Auditors report given on page no. 81 in this Prospectus.

#### **6. Currency of presentation**

In this prospectus all references to 'Rupees' and 'Rs.' are to legal currency of India.



## 7. Dividend policy

The declaration and payment of dividends will be recommended by the Company's Board of Directors and approved by shareholders, in their discretion, and will depend on a number of factors, including but not limited to its earnings, capital requirements and overall financial condition. The dividends declared by Company during the last five years are presented below:

(Rs. in Lacs)

For the year ended	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
On Equity Shares					
No. of Equity Shares	3,865,500	3,865,500	3,865,500	3,865,500	3,865,500
Rate %	12.50%	10%	10%	5%	-
Amount of Dividend (Rs. In lacs)	48.32	38.66	38.66	19.33	-
Dividend Tax (Rs. In lacs)	6.31	4.83	4.83	-	-
Total Pay out (Rs. In lacs)	54.63	43.49	43.49	19.33	-

The amounts paid as dividend or bonus in the past are not indicative of Company's dividend policy in the future.



## V. FINANCIAL STATEMENTS

### Auditors Report

The Board of Directors  
**Yash Papers Limited**  
47/81, Hatia Bazar,  
Kanpur- 208 001  
(Uttar Pradesh)

#### Subject: Your Proposed Public Issue

Dear Sirs,

We have examined and found correct the Audited Accounts of Yash Papers Limited for the past five financial years/ period ended 31st March, 2001, 31st March, 2002, 31st December, 2002 (9 months), 31st December, 2003 and 31st December, 2004 being the last date upto which the accounts of the Company have been made up and audited by us. Subject to paragraph 3(f) of Auditors Report and Notes on Accounts in Schedule 17 of the said audited financial statements, at the date of signing this report, we are not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirement of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) and our terms of reference with the Company dated 22nd January, 2005 requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:

- (a) The restated profits of the Company for the financial years/period ended 31st March, 2001, 31st March, 2002, 31st December, 2002 (9 months), 31st December, 2003 and 31st December, 2004 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes appearing in Annexure III & IV respectively to this report.
- (b) The restated assets and liabilities of the Company as at 31st March, 2001, 31st March, 2002, 31st December, 2002, 31st December, 2003 and 31st December, 2004 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes appearing in Annexure III & IV respectively to this report.
- (c) The restated cash flow statement of the Company as at 31st March, 2001, 31st March, 2002, 31st December, 2002, 31st December, 2003 and 31st December, 2004 are as shown in Annexure V to this report.
- (d) The rates of dividend paid by the Company in respect of the years/period ended 31st March, 2001, 31st March, 2002, 31st December, 2002, 31st December, 2003 and 31st December, 2004 are as shown in Annexure VI to this report.
- (e) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
  - (i) Accounting Ratios as appearing in Annexure VII to this report.
  - (ii) Capitalisation Statement as at 31st December, 2004 as appearing in Annexure VIII to this report
  - (iii) Statement of tax shelters as appearing in Annexure IX to this report.
  - (iv) Details of other income as appearing in Annexure X to this report
  - (v) Details of sundry debtors as appearing in Annexure XI to this report
  - (vi) Details of loans and advances as appearing in Annexure XII to this report
  - (vii) Details of unsecured loans as appearing in Annexure XIII to this report
  - (viii) Details of secured loans as appearing in Annexure XIV to this report.



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- (ix) Details of Transactions with related parties as appearing in Annexure XV to this report.
  - (x) Details of expenditure on the Paper Project upto 31st December 2004 as appearing in Annexure XVI to this report.
  - (xi) Extract of qualification in the Financial Statement as appearing in Annexure XVII to this report.
  - (xii) Changes in Significant Accounting Policies as appearing in Annexure XVIII to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and notes on account attached in Annexure III & IV to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Thanking you,  
**Kapoor Tandon & Co.,**  
Chartered Accountants

Rajesh Parasramka  
Partner  
Membership No. 74192

Place : Kanpur  
Date: June 13, 2005



Statement of Profit and Loss Account as restated

Annexure - I  
(Rs. In lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
<b>Income</b>					
a. Sales (Manufactured product - Paper)	2,868.91	2,679.85	1,838.05	2,205.99	2,195.30
b. Less: Excise Duty	284.60	289.47	159.36	207.21	199.90
c. Net Sales (a)- (b)	2,584.31	2,390.38	1,678.69	1,998.78	1,995.40
Other Income	30.34	35.79	27.16	43.51	23.71
Increase/(Decrease) in Stocks	32.59	4.45	49.48	(55.38)	26.33
<b>Total</b>	<b>2,647.24</b>	<b>2,430.62</b>	<b>1,755.33</b>	<b>1,986.91</b>	<b>2,045.44</b>
<b>Expenditure</b>					
Raw Materials Consumed	705.80	614.84	376.37	413.14	432.60
Staff Costs	187.79	180.41	140.31	158.25	161.22
Manufacturing Expenses	946.85	1,015.92	587.68	791.36	812.23
Administration Expenses	122.78	107.11	98.96	102.41	103.91
Excise Duty provided on stocks-Increase/ (Decrease)	0.40	(3.78)	19.29	-	-
Selling and Distribution Expenses	188.04	137.37	84.28	88.41	93.13
Finance Charges & Exchange Fluctuation	83.48	93.24	88.77	149.73	137.70
Depreciation/amortisation	142.83	141.64	104.10	131.87	115.44
<b>Total</b>	<b>2,377.97</b>	<b>2,286.75</b>	<b>1,499.76</b>	<b>1,835.17</b>	<b>1,856.23</b>
Profit before Exceptional Items	269.27	143.87	255.57	151.74	189.21
Add/(Less) : Exceptional Items ( Net )	(3.09)	(23.90)	(16.34)	(8.28)	(46.26)
<b>Profit before tax</b>	<b>266.18</b>	<b>119.97</b>	<b>239.23</b>	<b>143.46</b>	<b>142.95</b>
<b>Less : Provision for Tax</b>					
<b>Current Tax</b>	95.75	39.55	18.84	11.00	12.50
Deferred Tax	11.81	(7.07)	85.24	55.29	-
<b>Profit after tax</b>	<b>158.62</b>	<b>87.49</b>	<b>135.15</b>	<b>77.17</b>	<b>130.45</b>
Income Tax relating to earlier year Cr/(Dr)	(0.12)	(4.74)	(2.91)	(0.82)	-
Net Profit	158.50	82.75	132.24	76.35	130.45



Statement of Assets and Liabilities as restated

Particulars	As at				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
<b>Assets</b>					
<b>1 Fixed Assets</b>					
Gross Block	3,052.73	2,946.44	2,876.74	2,832.77	2,420.45
Less: Depreciation	1,215.46	1,089.17	986.18	895.37	785.39
Net Block	1,837.27	1,857.27	1,890.56	1,937.40	1,635.06
Capital Work in Progress	69.60	40.94	53.90	12.52	271.22
<b>Total Net Block</b>	<b>1,906.87</b>	<b>1,898.21</b>	<b>1,944.46</b>	<b>1,949.92</b>	<b>1,906.28</b>
<b>2 Investments (Non Trade)</b>	<b>0.06</b>	<b>0.26</b>	<b>1.76</b>	<b>1.81</b>	<b>5.31</b>
<b>3 Current Assets, Loans and Advances</b>					
Inventories	504.75	449.63	222.26	286.39	421.81
Sundry Debtors	210.27	225.50	238.41	257.37	239.08
Cash and Bank Balances	36.20	36.13	50.40	30.01	25.99
Loans and Advances	53.98	46.98	40.05	57.26	58.67
<b>Total</b>	<b>805.20</b>	<b>758.24</b>	<b>551.12</b>	<b>631.03</b>	<b>745.55</b>
<b>4 Total Assets (1)+(2)+(3)</b>	<b>2,712.13</b>	<b>2,656.71</b>	<b>2,497.34</b>	<b>2,582.76</b>	<b>2,657.14</b>
<b>5 Less: Liabilities and Provisions</b>					
Secured Loans	457.78	477.91	486.74	813.60	966.75
Unsecured Loans	149.66	177.64	119.79	100.87	65.28
Liabilities	140.97	169.23	109.00	111.12	202.02
Provisions	94.99	78.88	62.13	19.93	2.97
<b>Total</b>	<b>843.40</b>	<b>903.66</b>	<b>777.66</b>	<b>1,045.52</b>	<b>1,237.02</b>
<b>6 Net Worth before Deferred Tax Liability (4) - (5)</b>	<b>1,868.73</b>	<b>1,753.05</b>	<b>1,719.68</b>	<b>1,537.24</b>	<b>1,420.12</b>
<b>7 Deferred Tax Liability</b>	<b>453.20</b>	<b>441.39</b>	<b>448.46</b>	<b>363.22</b>	<b>-</b>
<b>8 Adjusted Net Worth (6)-(7)</b>	<b>1,415.53</b>	<b>1,311.66</b>	<b>1,271.22</b>	<b>1,174.02</b>	<b>1,420.12</b>
Net Worth represented by:					
a. Share Capital	386.55	386.55	386.55	386.55	386.55
b. Reserves and Surplus	1,028.98	925.11	885.85	792.26	1,043.15
Less: Miscellaneous Expenses (to the extent not written off or adjusted)	-	-	(1.18)	(4.79)	(9.58)
<b>Adjusted Net Worth</b>	<b>1,415.53</b>	<b>1,311.66</b>	<b>1,271.22</b>	<b>1,174.02</b>	<b>1,420.12</b>



## Annexure - III

### SIGNIFICANT ACCOUNTING POLICIES:

#### 1. System of Accounting

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

#### 2. Fixed Assets

Fixed Assets are stated at cost of acquisition/construction, as the case may be, including borrowing costs upto the date of commissioning of related assets and all direct and indirect expenses related thereto. (Also refer Para no. 8 and 12 on borrowing costs and CENVAT respectively)

#### 3. Depreciation / Amortisation

- i. Depreciation on fixed assets is provided on 'Straight Line Method' at the rates specified in Schedule XIV to the Companies Act, 1956. Fixed assets costing below Rs.5,000/- are fully depreciated in the year of addition. Depreciation is provided on pro-rata basis with reference to the date of addition/deletion in respect of addition to/deletion from fixed assets.
- ii. Leasehold Land is not amortised.
- iii. Computer Software being intangible asset is amortised over a period of 5 years on "Straight Line Method".

#### 4. Capital work in Progress

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

#### 5. Investments

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

#### 6. Inventories

- i. Raw materials and paddy husk are valued at cost (weighted average).
- ii. Work in process is valued at estimated cost.
- iii. Finished goods are valued at lower of cost or net realisable value and for this purpose, cost is determined on direct cost basis.
- iv. Stores (excepting paddy husk), spares and loose tools are valued at cost (FIFO basis).
- v. Scraps are valued at estimated realisable value.
- vi. Import entitlements/licence (DEPB) at estimated realisable value.

#### 7. Foreign Currency Transactions

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

#### 8. Borrowing Costs

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



## 9. Taxes on Income

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

## 10. Sales

Sales are recognised on despatch of goods to customers. Sales includes Excise Duty and does not include Sales Tax.

## 11. Retirement Benefits

Contributions are made to approved gratuity, superannuation and provident fund. In respect of gratuity, the company has adopted a cash accumulation scheme with the Life Insurance Corporation of India. The company has made premium contributions towards the gratuity scheme as called for by LIC.

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

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

## Annexure - IV

### Notes on Accounts

1. Contingent Liability not provided for:

(Rs. in Lacs)

Particulars	As at				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
a Estimated amount of capital commitments (Net of advances)	182.67	183.46	309.92	28.88	47.58
b Claims against the Company not acknowledged as debts:					
i. Excise duty	0.17	0.17	0.17	0.17	3.82
ii. Trade Tax, Appeals pending with Hon'ble High Court, Allahabad	74.66	74.66	74.86	74.66	74.66
iii. Others	12.50	12.50	-	-	-
c Guarantee given by Banks	21.77	21.77	27.09	27.09	16.77



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

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

(Rs. In Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)
<b>Capacity</b>					
Kraft Writing Printing and other uncoated paper					
Licensed Capacity	27,500	27,500	27,500	27,500	27,500
Installed Capacity	16,000	16,000	16,000	16,000	16,000
<b>Kraft Paper</b>					
Opening Stock	707.00 (111.58)	791.89 (107.95)	393.66 (47.15)	910.95 (113.77)	771.12 (87.66)
Production	14,761.93 ( - )	14,795.23 ( - )	11,188.04 ( - )	12,532.01 ( - )	12,756.83 ( - )
Self Consumed	3.19 (0.24)	2.26 (0.26)	4.62 (0.24)	6.60 (0.89)	1.95 (0.23)
Closing Stock	917.52 (143.93)	707.00 (111.58)	791.89 (107.95)	393.66 (47.15)	910.95 (113.77)
Sales	14,548.22 (2,868.91)	14,877.86 (2,679.86)	10,785.19 (1,825.42)	13,042.71 (2,179.74)	12,615.05 (2,195.30)
<b>Writing and Printing Paper</b>					
Opening Stock	- ( - )	- ( - )	93.77 (10.94)	- ( - )	- ( - )
Production	- ( - )	- ( - )	2.21 ( - )	287.52 ( - )	- ( - )
Self Consumed	- ( - )	- ( - )	- ( - )	- ( - )	- ( - )
Closing Stock	- ( - )	- ( - )	- ( - )	93.77 (10.94)	- ( - )
Sales	- ( - )	- ( - )	95.98 (12.63)	193.75 (26.26)	- ( - )



**b. Raw material consumed**

(Rs. In Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)	Qty. (MT) (Value)
Bagasse	13,169.72 (213.54)	26,079.40 (317.42)	19,550.80 (175.14)	22,282.40 (207.60)	23,579.60 (261.07)
Wheat Straw	9,225.08 (140.64)	- ( - )	- ( - )	- ( - )	- ( - )
Old Gunny/Jute Goods	4,558.20 (158.61)	4,207.00 (147.03)	3,323.20 (112.91)	4,449.25 (152.04)	4,880.14 (168.36)
Corrugated Cartons	1,308.73 (76.87)	434.22 (22.90)	833.50 (39.22)	501.51 (25.38)	70.02 (3.17)
Imported Waste Paper/Pulp	1,008.40 (116.14)	1,158.00 (127.49)	481.00 (49.10)	112.89 (9.43)	- ( - )
Waste Paper	- ( - )	- ( - )	- ( - )	366.22 (18.69)	- ( - )

**c. Value of material consumed**

(Rs. In Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
	(Value) ( % )	(Value) ( % )	(Value) ( % )	(Value) ( % )	(Value) ( % )
<b>Raw Materials</b>					
Imported	116.13 (16.45 %)	127.50 (20.74%)	49.10 (13.05%)	9.42 (2.28%)	- ( - )
Indigenous	589.67 (83.55%)	487.34 (79.26%)	327.27 (86.95%)	403.72 (97.72%)	432.60 (100%)
<b>Stores</b>					
Imported	2.96 (0.56%)	- ( - )	2.22 (.69%)	- ( - )	- ( - )
Indigenous	528.32 (99.44%)	486.26 (100%)	318.37 (99.31%)	494.24 (100%)	509.24 (100%)



Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
<b>d CIF value of Imports</b>					
i. Capital Goods (including advances)	5.40	7.42	-	34.31	11.33
ii. Raw materials and Consumables	99.22	92.58	29.30	11.26	-
e Remittance in foreign currency on account of dividend					
f Earning in foreign exchange FOB value of export	201.78	109.48	45.47	34.26	87.08
g Expenditure in foreign currency					
i. Travelling	1.72	0.73	1.14	4.69	10.61
ii. Interest on FCNRB Demand Loan	9.91	6.00	5.00	-	-
iii. Others	0.55	0.36	0.90	0.09	1.08

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

4 Fixed Deposit receipts as at 31.12.2004 for Rs.30,000/- are pledged with the Assistant Commissioner, Trade Tax (Assessment), Faizabad as security, Rs.25,629/- with Canara Bank, Overseas Branch, Kanpur as margin money against foreign letter of credit and fixed deposit receipts for Rs.7,55,000/- are pledged with the bank against the guarantee given to the following parties:

Particulars	FDR Amount (Rs.)	Value of Guarantee (Rs.)
a Honorable High Court, Allahabad Lucknow bench, Lucknow	2,80,000	2,77,414
b Commissioner, Customs Mumbai/Raigarh	4,75,000	19,00,000

5. **Directors' Remuneration:**

(Rs. In lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
Salary	20.55	17.87	12.84	13.63	15.08
Contribution to Provident Fund	0.36	0.36	0.28	0.34	0.28
Sitting fee	8.00	0.80	0.92	0.80	1.02
	<b>28.91</b>	<b>19.03</b>	<b>14.04</b>	<b>14.77</b>	<b>16.38</b>
Value of perquisites	2.55	2.28	1.80	1.44	0.14
<b>Total</b>	<b>31.46</b>	<b>21.31</b>	<b>15.84</b>	<b>16.21</b>	<b>16.52</b>



**6. Auditors' Remuneration:**

(Rs. In lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
Audit Fee	0.59	0.59	0.58	0.58	0.58
Consultancy on Taxation Matters	0.38	0.29	0.23	0.24	0.10
Other Professional Services	0.25	0.55	0.08	0.12	0.11
Reimbursement of Expenses	1.71	0.87	0.63	0.73	0.47
<b>Total</b>	<b>2.93</b>	<b>2.30</b>	<b>1.52</b>	<b>1.67</b>	<b>1.26</b>

7. Income tax assessment has been completed upto the assessment year 2002-03.

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

(Rs. In lacs)

Particulars	As at			
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02
<b>Deferred Tax Assets</b>				
Items covered u/s 43 B	0.57	-	-	-
Unabsorbed depreciation		-	-	82.17
MAT Credit u.s 115JAA of the Income Tax Act, 1961	-	-	14.84	14.84
Provision for doubtful Debts	-	-	1.10	-
	<b>0.57</b>	<b>-</b>	<b>15.94</b>	<b>97.01</b>
<b>Deferred Tax Liabilities</b>				
Excess of net block over written Down Value as per the provisions of the Income Tax Act, 1961	<b>453.77</b>	<b>441.39</b>	<b>464.40</b>	<b>460.23</b>
<b>Net Deferred Tax Liabilities</b>	453.20	441.39	448.46	363.22
Net increase in liability debited to Profit and Loss Account	11.82	7.07	85.24	55.29

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

10. 'Sundry Creditors' as on 31st December 2004 includes Rs. 16.75 Lacs, the amounts due to Small Scale Industrial Undertakings. The name of Small Scale Industrial Undertaking to whom the company owes and is outstanding for more than 30 days, as at December 31, 2004 is as under:

Amar Alum & Allied Chemicals Pvt. Ltd.  
 Cardinal Chemicals Pvt. Ltd.  
 Fine Core Pipe Pvt. Ltd.  
 M/s Sharda Industries

11. Balances with Scheduled Bank as on 31st December 2004 includes Rs.2.68 Lacs being the proportionate amount held with Bank Of Baroda on amalgamation of The Benares State Bank Limited. The amount will be released on proportionate basis from surplus of realisation of NRR (Not Readily Realisable Assets) as per the scheme of amalgamation.



12. Sundry Debtors/Creditors/Loans and Advances are subject to confirmation.
13. There are no amounts outstanding in respect of unpaid dividend / fixed deposits for more than seven years to be transferred to Investor Education and Protection Fund.
14. Other Information

**(a) Exceptional Items :**

(Rs. in Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 (9 months)	31-Mar-02	31-Mar-01
<u>Exceptional Income</u>					
Profit on fixed Assets sold/discarded	0.46	1.80	0.14	1.07	1.11
Bad debts recovered	0.12	1.37	3.40	-	-
Total	0.58	3.17	3.54	1.07	1.11
<u>Exceptional Expenditure</u>					
Loss on Fixed Assets sold/discarded	3.47	25.90	13.04	4.23	13.76
Share Issue Expenses written off	-	1.17	3.61	4.79	4.79
Provision for Bad and doubtful debts/w.off	-	-	2.98	-	28.82
Loss on Investment sold/Written off	0.20	-	0.25	0.33	-
Total	3.67	27.07	19.88	9.35	47.37
Exceptional Items ( net ) ( a ) - ( b )	(3.09)	(23.90)	(16.34)	(8.28)	(46.26)

**(b) Investments (Non Trade - Long Term)**

(Rs. in Lacs)

Particulars	As at				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
Total cost of quoted investments	0.06	0.06	0.06	0.06	0.06
Total cost of unquoted investments	—	0.20	1.70	1.75	5.25
Aggregate Market value of quoted investments	0.09	0.05	0.03	0.02	0.03

15. The income of the company is not dependant upon a single (domestic/foreign) customer.
16. Figures of previous periods and have been regrouped/rearranged, wherever necessary.  
We confirm that all notes to accounts, significant accounting policies and auditors qualifications have been incorporated.



CASH FLOW STATEMENT

(Rs. in Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
<b>A. Cash Flow arising from Operating Activities</b>					
(i) Net Profit before tax	266.18	119.97	239.23	143.46	142.95
Add back :					
Depreciation	142.84	141.64	104.10	131.87	115.44
Profit on Sale of Fixed Assets	(0.46)	(1.80)	(0.14)	(1.07)	(1.11)
Interest Income	(7.59)	(13.47)	(16.71)	(21.01)	(3.24)
Interest Expenses	73.09	87.90	80.57	141.64	133.87
Bad and doubtful debts provided/written off	-	-	2.98	-	28.82
Other (Misc. expenditure written off)	-	1.18	3.61	4.79	4.79
Loss on sale of fixed Assets/ Investments	3.67	25.91	13.29	4.56	13.76
(ii) Total	211.55	241.36	187.70	260.78	292.33
Operating Profit before Working Capital					
Changes ( i ) + ( ii )	477.73	361.33	426.93	404.24	435.28
<b>Adjustment for :</b>					
Inventories	(55.12)	(227.37)	65.47	135.42	(102.93)
Trade and other Receivable	8.23	5.99	31.82	(18.29)	11.16
Trade Payable and Other Liabilities	(28.27)	54.39	17.83	(89.48)	42.06
Income Tax Paid (including Tax on Dividend)	(96.14)	(28.59)	(18.16)	(14.19)	(6.77)
	(171.30)	(195.58)	96.96	13.46	(56.48)
Cash generated from operations	306.43	165.75	523.89	417.70	378.80
Interest Received	7.59	13.47	16.71	21.01	3.24
	7.59	13.47	16.71	21.01	3.24
Net Cash from Operating Activities	314.02	179.22	540.60	438.71	382.04



(Rs. in Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
<b>B. Cash Flow from Investing Activities</b>					
Purchase of fixed assets (Including CWIP )	(176.06)	(176.65)	(115.75)	(179.82)	(379.05)
Sale of fixed assets	21.56	57.15	4.21	1.17	14.20
Purchase of Investments	–	–	(0.20)	–	–
Sale of Investments	–	1.50	–	3.17	–
<b>Net Cash from Investing Activities</b>	<b>(154.50)</b>	<b>(118.00)</b>	<b>(111.74)</b>	<b>(175.48)</b>	<b>(364.85)</b>
<b>C. Cash Flow from Financing Activities</b>					
Interest Paid	(73.09)	(87.90)	(80.57)	(141.64)	(133.87)
Proceeds from long term borrowings	–	–	–	141.58	283.50
Proceeds from working capital borrowings	74.37	157.15	(190.90)	(58.74)	(14.48)
Proceeds of short term borrowings	(27.98)	57.85	19.85	35.59	10.18
Repayment of long term borrowings	(94.50)	(165.99)	(135.97)	(236.00)	(157.62)
Repayment of short term borrowings	–	–	–	–	–
Dividend paid	(38.25)	(36.60)	(20.88)	–	–
Net Cash (used in )/ from financing activities	(159.45)	(75.49)	(408.47)	(259.21)	(12.29)
Net Increase/(Decrease) in Cash and Cash equivalents	0.07	(14.27)	20.39	4.02	4.90
Cash/Cash Equipments (Opening balance)	36.13	50.40	30.01	25.99	21.09
Cash/Cash Equipments (Closing balance)	36.20	36.13	50.40	30.01	25.99

Annexure - VI

Statement of Dividend paid for last 5 years

(Rs. in Lacs)

For the year ended	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
<b>On Equity Shares</b>					
No. of Equity Shares	3,865,500	3,865,500	3,865,500	3,865,500	3,865,500
Rate %	12.50%	10%	10%	5%	-
Amount of Dividend (Rs. In lacs)	48.32	38.66	38.66	19.33	-
Dividend Tax (Rs. In lacs)	6.31	4.83	4.83	-	-
Total Pay out (Rs. In lacs)	54.63	43.49	43.49	19.33	-



Statement of Accounting Ratios

(Rs. in Lacs)

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
Profit before tax and Exceptional Items	269.27	143.87	255.57	151.74	189.21
Add Back/(Less) : Exceptional Item	(3.09)	(23.90)	(16.34)	(8.28)	(46.26)
Profit before Tax	266.18	119.97	239.23	143.46	142.95
Less: Provision for Current Tax	95.75	39.55	18.84	11.00	12.50
(i) Profit after Current Tax	170.43	80.42	220.39	132.46	130.45
Less: Deferred Tax	11.81	(7.07)	85.24	55.29	-
(ii) Profit after Defrred Tax	158.62	87.49	135.15	77.17	130.45
(iii) Profit after current Tax but before depreciation and writeoff	313.27	223.24	328.10	269.12	250.68
(iv) Weighted Average number of Equity Share	3,865,500	3,865,500	3,865,500	3,865,500	3,865,500
EPS Basic / Diluted (Rs. Per Share)					
- After Current Tax {(i)/(iii)}	4.41	2.08	5.70	3.43	3.37
- After Deferred Tax {(ii)/(iii)}	4.10	2.26	3.50	2.00	3.37
Cash EPS	8.10	5.78	8.49	6.96	6.49
<b>Net Worth / NAV / Return on Net Worth</b>					
- Profit before Tax	266.18	119.97	239.23	143.46	142.95
- Net Worth before Deferred Tax					
Net Worth	1,868.73	1,753.05	1,719.68	1,537.24	1,420.12
Return on Net Worth %	14.24	6.84	13.91	9.33	10.07
Net Asset Value per Share (NAV) - Rs	48.34	45.35	44.49	39.77	36.74
- Net Worth after Deferred Tax					
Adjusted Net Worth	1,415.53	1,311.66	1,271.22	1,174.02	1,420.12
Return on Net Worth %	18.80	9.15	18.82	12.22	10.07
Net Asset Value per Share (NAV) - Rs	36.62	33.93	32.89	30.37	36.74



## Capitalisation Statement

Annexure - VIII

(Rs. in Lacs)

	Particulars	Pre Issue as at 31.12.04	Post Issue
1	Secured Loans	457.78	6,124.78
2	Unsecured Loans	149.66	150.00
3	<b>Total Debt</b>	607.44	6,274.78
4	Less: Short term debt	307.05	307.05
5	Total Long Term Debt	300.39	5,967.73
	<b>Shareholders' Funds</b>		
6	Share Capital	386.55	2,066.55
7	Reserve & Surplus	1,028.98	1700.98
8	Total Shareholders' Funds	1,415.53	3767.53
	<b>Long term Debt / Equity Ratio (5/8)</b>	0.21 : 1	1.58 : 1

Annexure - IX

## Tax Shelter Statement

(Rs. in Lacs)

For the year/period ended	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
Tax Rate (including Surcharge & Cess) (including surcharge and Education Cess)	36.59%	35.88%	36.75%	35.70%	39.55%
Profit as per Profit & Loss Account	266.18	119.97	239.23	143.46	142.95
Tax at Notional Rate	97.40	43.04	87.92	51.22	56.54
<b>Adjustments</b>					
Export profits	-	2.11	-	-	-
Difference between Tax depreciation and book depreciation	12.70	(19.60)	(12.57)	226.58	(2.40)
Other adjustments	(4.20)	(23.11)	(17.49)	(4.43)	(13.71)
<b>Net Adjustments</b>	8.50	(42.71)	(30.06)	222.15	(16.11)
<b>Tax Saving thereon</b>	3.11	-	-	79.31	-

**Annexure - X****Details of Other Income****(Rs. in Lacs)**

Particulars	For the period/year ended on				
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)	31-Mar-02	31-Mar-01
Miscellaneous Income	17.46	16.98	9.28	19.45	13.43
Interest on Fixed Deposits and Others	7.59	13.47	16.71	21.00	3.24
Self Consumed	0.24	0.26	0.24	0.89	0.23
Export Incentive ( DEPB )	5.05	4.74	0.93	1.82	4.57
Rent Received	-	0.34	-	-	-
Insurance Claim Received	-	-	-	0.35	2.24
<b>Total</b>	<b>30.34</b>	<b>35.79</b>	<b>27.16</b>	<b>43.51</b>	<b>23.71</b>

**Annexure - XI****Sundry Debtors (Unsecured)****(Rs. in Lacs)**

Particulars	As At				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
Over Six Months	8.82	13.48	9.62	5.12	9.28
Other Debts	201.46	212.02	231.77	252.25	229.79
	210.28	225.50	241.39	257.37	239.07
Less- Provision for Doubtful Debts	-	-	2.98	-	-
<b>Total</b>	<b>210.28</b>	<b>225.50</b>	<b>238.41</b>	<b>257.37</b>	<b>239.07</b>

None of the debtor is related to the directors or promoters of the company.

**Top 10 beneficiaries (Sundry Debtors) as on 31.12.2004****(Rs. in Lacs)**

Sl.No.	Debtor	Amount outstanding
1	Raj Trading Company	24.63
2	Iran Khodro CO	12.18
3	Allied Agencies	11.89
4	Motilal Nathmal & Sons	11.25
5	Lucky Traders	11.18
6	Sri Sant Kripa Papers Pvt. Ltd	10.44
7	B D Packaging & Allied Inds. P Ltd.	8.77
8	Direct Paper Supplies	8.46
9	Shakar Trading Company	8.43
10	Amit Papers	7.36



## Annexure - XII

## a. Loans and Advances (Unsecured considered Good)

(Rs. in Lacs)

Particulars	As at				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
Advances recoverable in cash or in kind or for value to be received	52.94	45.97	36.59	53.85	55.24
Security Deposits	1.04	1.01	0.92	0.87	0.89
Other Deposits	-	-	2.54	2.54	2.54
<b>Total</b>	<b>53.98</b>	<b>46.98</b>	<b>40.05</b>	<b>57.26</b>	<b>58.67</b>

## Top 10 beneficiaries (Loans and Advances) as on 31.12.2004

(Rs. in Lacs)

Sl. No.	Name of the Beneficiary	Amount outstanding
1	The Basti Sugar Mill Co. Ltd.	5.06
2	The United Provinces Sugar Co. Ltd.	3.30
3	JHV Sugar Ltd.	2.21
4	Vishnu Sugar Mills Ltd.	1.57
5	Pinkcity Logistics Pvt. Ltd.	1.27
6	Manoj Maurya	1.26
7	Kanoria Chemicals & Industries Ltd.	1.06
8	Savita Mishra	1.00
9	Bharti Verma	1.00
10	Lakshmi Narain Om Prakash	0.82

## b. Advances due from Director(s) and Firm in which one of the Promoter Director is interested as Partner

(Rs. in Lacs)

Particulars	As at				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
From Director(s)	-	0.54	0.23	0.34	-
From a firm	-	1.05	1.93	1.02	-
<b>Total</b>	<b>-</b>	<b>1.59</b>	<b>2.16</b>	<b>1.36</b>	<b>-</b>



## Statement of Unsecured Loans

(Rs. in Lacs)

Particulars	As At				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
a. From Promoter Directors					
- Fixed Deposits	2.00	15.00	5.00	0.05	0.35
- Other loans	12.00	12.00	25.00	25.00	25.00
b. From associate/group companies	-	-	-	-	-
c. Others					
- Fixed Deposits	135.66	100.64	89.79	75.82	39.93
- Other loans (intercorporate)	-	50.00	-	-	-
<b>Total</b>	<b>149.66</b>	<b>177.64</b>	<b>119.79</b>	<b>100.87</b>	<b>65.28</b>

1. Maturity period and interest rate on fixed deposit outstanding as on 31.12.2004.
  - a. Fixed deposit have been issued at varied rate of interest of 9% to 13% from time to time.
  - b. Fixed deposits of Rs.32.81 lacs, Rs.32.45 lacs and Rs.72.40 lacs are repayable in the year 2005, 2006 and 2007 respectively.
2. Terms and conditions in respect of unsecured loans from promoter directors.
  - a. Fixed deposit have been issued at varied rate of interest of 9% to 13% from time to time.
  - b. Fixed deposits of Rs.0.50 lacs, Rs.1.00 lacs and Rs.0.50 lacs are repayable in the year 2005, 2006 and 2007 respectively. However it can be recalled at any time subject to the terms and conditions of the fixed deposit scheme.
  - c. Other loan of Rs.12 lacs is interest free and is payable on call.

Annexure - XIV

## Statement of Secured Loans

(Rs. in Lacs)

Particulars	As At				
	31-Dec-04	31-Dec-03	31-Dec-02	31-Mar-02	31-Mar-01
a. <b>Term loans</b>					
- IDBI	180.00	262.00	408.00	521.36	546.36
- PICUP	-	-	-	-	12.00
- UPFC	-	-	-	5.00	11.25
- Indian Bank	-	-	-	-	20.00
- The Benares State Bank Ltd.	-	-	-	-	81.25
- Canara Bank	-	12.50	32.49	50.08	-
b. <b>Working Capital Loans</b>					
- SBI	242.09	201.35	43.64	198.58	234.84
- Canara Bank	35.69	2.06	2.61	38.58	-
- The Benares State Bank Ltd.	-	-	-	-	61.05
<b>Total</b>	<b>457.78</b>	<b>477.91</b>	<b>486.74</b>	<b>813.60</b>	<b>966.75</b>



1. Securities for secured loans as at 31st December, 2004.
  - a. For Term Loan  
Secured against equitable mortgage of fixed assets and hypothecation of all moveable assets and personal guarantee of two Directors.
  - b. For Working Capital Loan  
Secured against hypothecation of book debts, stocks of raw materials, finished goods, stock in process, consumable stores & spares and other current assets and Second charge over entire fixed assets ( Present and Future ) in consortium ranked pari-passu and personal guarantee of two Directors.
  - c. Working Capital Loan as on 31st December, 2004 includes FCNR(B) Demand Loan from SBI aggregating to Rs. 183.14 Lacs (US\$ 4.00 Lacs) fully covered by Forward Exchange Contract.
2. The term loan of Rs.180 lacs from IDBI is at an interest rate of 10.25% and repayable in quarterly instalments of Rs.15 lacs
3. There is no re-schedulement / pre-payment in respect of loans outstanding as on 31.12.2004.  
There is no amount in default in respect of principal and interest thereon as on 31.12.2004.  
No penalty was levied/paid in respect of defaults/pre-payments.

#### Annexure - XV

#### Statement of Transactions with related parties in preceding three years

- a. Key management personnel (Directors) and transactions with them

Mr. G. Narayana, Mr. K. K. Jhunjhunwala, Mrs. Manjula Jhunjhunwala, Mr. Ved Krishna, Mr. G. N. Gupta, Dr. P. Banerjee, Mr. R. N. Chakraborty (Resigned w.e.f. 28.10.2004), Mr. A. K. Gupta, Mr D. S. Gandikota and Mr. A. R. Nighoskar (Resigned w.e.f. 28.05.2002).

(Rs. in Lacs)

Particulars	For the period/year ended on		
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)
Fixed deposits received	5.93	11.50	10.00
Fixed deposits repaid	17.19	0.10	0.05
Interest paid on fixed deposits	1.87	1.85	0.61
Fixed deposits at Balance Sheet date	12.93	24.19	12.79
Accrued interest at Balance Sheet date	1.81	2.72	0.93
Rent paid	0.48	0.48	0.36
Dividend paid	3.93	3.71	2.20
Other advances at Balance Sheet date	-	0.54	0.23
Unsecured loan at Balance Sheet date	12.00	12.00	25.00
Sale of goods and assets	0.03	3.83	-
Directors Remuneration	21.71	19.03	15.84

- b. Relatives of Key management personnels and transactions with them

Mr. Yash Krishna, Mrs. Shailja Krishna, Mr. Indroneel Banerjee, Mr. D. B. Banerjee, Mrs. Chhaya Banerjee, Mrs. Rupa Chakraborty, Ms. Charu Chakraborty, Ms. Manoshi Chakraborty, Mrs. ManjuGupta, Master Mayank Gupta, Ms. Deepali Gupta and Mr. Rajiv Kumar Gupta



(Rs. in Lacs)

Particulars	For the period/year ended on		
	31-Dec-04	31-Dec-03	31-Dec-02 ( 9 months)
Fixed deposits received	3.13	1.41	0.57
Fixed deposits repaid	0.21	0.70	0.25
Interest paid on fixed deposits	0.53	0.36	0.23
Fixed deposits at Balance Sheet date	5.25	2.67	1.96
Accrued interest at Balance Sheet date	0.57	0.42	0.45
Dividend paid	1.22	1.21	0.23
Legal and Professional charges	0.40	-	-

c. Entities & Associates and transactions with them

Megha Agro Products Limited, M/s Namrata Mill Board Industries (upto 02.08.04), M/s Jingle Bell Nursery School Society and M/s K. K. Jhunjhunwala (HUF)

(Rs. in Lacs)

Particulars	For the period/year ended on		
	31-Dec-04	31-Dec-03 ( 9 months)	31-Dec-02
<b>Megha Agro Products Limited</b>			
Paid for vehicle hire charges	1.44	1.23	0.90
Dividend paid	9.69	9.69	4.85
Amount payable at Balance Sheet date	-	0.24	-
<b>M/s Namrata Mill Board Industries</b>			
Received for services and sale of goods	2.73	3.53	2.80
Interest received	0.06	0.27	0.14
Amount receivable at Balance Sheet date	-	1.05	1.93
<b>M/s Jingle Bell Nursery School Society</b>			
Fixed deposits received	36.33	1.25	6.50
Fixed deposits repaid	18.58	5.00	7.45
Interest paid on fixed deposits	4.86	4.84	3.63
Fixed deposits at Balance Sheet date	44.08	26.33	30.08
Accrued interest at Balance Sheet date	3.88	8.46	5.81
Salary reimbursement of teaching staff	4.59	4.38	3.19
Sale of goods and services	0.30	1.61	-
<b>M/s K. K. Jhunjhunwala (HUF)</b>			
Rent paid	1.50	1.38	0.96
Dividend paid	0.16	0.16	0.08
<b>Fortune Constructions Pvt. Ltd.</b>			
Investment made in Equity Shares	-	-	0.20
Investment as at Balance sheet date	-	0.20	0.20



## Notes

1. During the year ended 31st December, 2004 Rs. 0.20 Lacs being cost of 200 shares of Fortune Constructions Pvt. Ltd. Were written off.
2. The transactions have been considered for the period during which such relationship exist.

## Annexure - XVI

### Details of Expenditure on the proposed project

		Rs. In Lacs
Sl. No.	Description	Invested upto 31.05.05
1	Land & Site development	146.12
2	Building & Civil Work	32.28
3	Plant & Machineries including utilities	382.56
4	Preliminary including start up expenses	65.84
5	Escalation & Contingencies	20.77
6	Share Issue Expenses (Fee for increase in Authorised Capital)	29.14
	<b>Total</b>	
	<b>Means of Finance :</b>	
1	Promoter Contribution towards Equity Share	250.92
2	Unsec. Loans/ Preference Share	127.88
3	Internal cash accrual	297.91
	<b>Total</b>	<b>676.71</b>

## Annexure - XVII

### Extract of Qualification in Financial Statements

- (a) On the Accounts of the financial year ended 31st March, 2001

*Para 2 (f) (i)*

The company has not provided liability in respect of Excise Duty and Trade Tax amounting to Rs. 87.83 lacs.

The matter is under appeal.

*Para 2 (f) (ii)*

The company has not transferred a sum of Rs. 1.98 lacs to Investor Education & Protection Fund being the amount of Unclaimed Refund of Share Application Money

Note: The amount has already been transferred to Investor Education & Protection Fund in February, 2002.

- (b) On the Accounts of the financial year ended 31st March 2002, 31st December 2002, 31st December 2003 and 31st December 2004

*Para 2 (f) (i)*

The company has not provided liability in respect of Excise Duty and Trade Tax amounting to Rs. 74.83 lacs.

The matter is under appeal.

**Change in Significant Accounting Policies**

There are no change in significant accounting policies during the last five years

**2. Financial Information about Group Companies /Ventures of the Promoters.****Megha Agro Products Ltd.**

The company was incorporated to undertake financing activities on 27/06/1984 with registration no. 20-06610. The company's shares are listed on Uttar Pradesh Stock Exchange Association Limited. The company is also registered (Registration No. B.12.00232) as Non-Banking Finance Company with Reserve Bank of India.

The Company is into the business of Investment and transport services.

**Financial Highlights**

(Rs. In lacs )

Particulars	2003-04	2002-03	2001-02
Equity Capital (paid up)	99.85	99.85	99.85
Reserves (excluding revaluation Reserve)	46.24	36.53	33.96
Income	12.50	6.05	1.20
Profit after tax	9.71	2.57	(0.70)
EPS (Rs.)	0.97	0.26	-
Net Asset Value (Rs.)	14.63	13.66	13.40

Highest and lowest market price of shares during the preceding 6 months: No trading

The Company has not made any public or rights issue in the preceding three years.

The Company has not become sick within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

**Investor grievances: Nil**

**3. Changes in Significant Accounting Policies**

There are no changes in significant accounting policies during the last five years.

**4. Servicing behaviour of the term loans and fixed deposit for the last one year**

Month	Term loan interest/principal		Fixed deposit interest	
	Due on	Paid on	Due on	Paid on
June 2004	01.07.2004	01.07.2004	30.06.2004	30.06.2004
July 2004	01.08.2004	01.08.2004		
August 2004	01.09.2004	01.09.2004		
September 2004	01.10.2004	01.10.2004	30.09.2004	30.09.2004
October 2004	01.11.2004	01.11.2004		
November 2004	01.12.2004	01.12.2004		
December 2004	01.01.2005	01.01.2005	31.12.2004	31.12.2004
January 2005	01.02.2005	01.02.2005		
February 2005	01.03.2005	01.03.2005		
March 2005	01.04.2005	01.04.2005	31.03.2005	31.03.2005
April 2005	01.05.2005	01.05.2005		
May 2005	01.06.2005	01.06.2005		



The term loan principal payable on 01.07.2004, 01.10.2004, 01.01.2005 and 01.04.2005 was repaid on due date. There is no fixed deposit outstanding which was matured and claimed.

## **5. Management's discussion and analysis of Financial Condition and Results of Operations as reflected in the Financial Statements**

### **Overview of the business of the Company**

The Company specializes in the manufacture of low grammage, machine glazed Kraft paper, ranging from 28 GSM to 100 GSM in reel and sheet form. The low grammage papers are high margin items. The "Bursting Factor" (BF) range of the paper currently produced by the Company is 20 to 25.

The Company wishes to leverage on its core competence of making high quality low grammage paper from agricultural residue pulp. Poster grade of paper provides the company with a product that has adequate demand and a ready market with many of the existing consumers using the product. Similar interests have been generated amongst the agents in the external markets, hence the Company is confident about a significant percentage of its production being exported.

The location of the company provides an added advantage of availability of the correct raw material for the manufacture of the product. Agricultural residues have adequate properties in order to ensure their usage for manufacture of high quality bleached grades of paper. The price, chemical consumption and conversion are lower when compared to wood pulp; hence there is an added advantage of preparing pulp from agricultural residues.

In order to achieve the right quality and productivity, it is essential that the right technology be adopted. The company's conversance with the current trends and technology ensures that no corners are cut in order to ensure that the paper produced is of International Standards at the lowest possible cost.

### **Significant developments subsequent to the Last Financial Year**

The Directors of the Company confirm that in their opinion, no circumstances have arisen since the date of the last financial statements as disclosed in the draft Prospectus and which materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets or its ability to pay its liabilities within the next twelve months.

### **Factors that may affect results of the Operations of the Company**

Except as otherwise stated in this draft Prospectus and the following important factors could cause actual results to differ materially from the expectations,

- a) Constrains in availability of raw materials and fuel i.e. bagasse, old gunny, waste paper and rice husk
- b) The Company is in cyclical industry
- c) international prices of paper
- d) rupee depreciation vis-à-vis major international currencies
- e) import tariffs
- f) domestic duties and taxes
- g) changes in brand preferences
- h) changes in government policies
- i) changes in fiscal, economic or political conditions in India
- j) Increases in labour costs, raw material prices and allied costs



The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the Company for the year ended 31st December 2002 (9 months), 31st December 2003 and 31st December 2004

Particulars	Year ended 31st December 2003	December 2002 Year ended 31st	Year ended 31st December 2004
Net sales	1678.69	2390.38	2584.31
Other income	27.16	35.79	30.34
Increase or decrease in stock	49.48	4.45	32.59
Total Income	1755.33	2430.62	2647.24
Manufacturing expenses	1123.65	1807.39	1840.84
% to net sales	66.94	75.61	71.23
Administrative expenses	98.96	107.11	122.78
% of net sales	5.89	4.48	4.75
Selling and distribution expenses	84.28	137.37	188.04
% of net sales	5.02	5.75	7.28
Finance Charges & Exchange fluctuation	88.77	93.24	83.48
% to net sales	5.29	3.90	3.23
Depreciation	104.10	141.64	142.83
% to net sales	6.20	5.92	5.53
Profit before tax	239.23	119.97	266.18
Current tax	18.84	39.55	95.75
Deferred tax	85.24	(7.07)	11.81
Profit after tax	135.15	87.49	158.62
Prior period tax adjustments	(2.91)	(4.74)	0.12
Net profit after prior period items	132.24	82.75	158.50

### 2002 vs. 2003

The profit for the year 2003 was lower as compared to the previous period due to increased cost of the raw material and fuels and increase in the excise duty from zero to 8% for the first clearances of 3500 MT. The Company has to provide higher amount of provision of Rs.39.55 lacs for income tax as per applicable provisions in view of the exhausted carry forward

### 2003 Vs 2004

A marginal production decline notwithstanding, Yash Papers reported an 8.1 per cent increase in net sales at Rs 2584 lacs in 2004 (Rs 2390 lacs in 2003) A lower interest outflow ensured that pre tax profit rose 122 percent to Rs 266.18 lacs in 2004 and net profit by more than 80 per cent to Rs 158.62 lacs. Based on this improvement, the Company recommended a dividend of 12.5 per cent for 2004 (10 per cent in 2003).

### Unusual or infrequent events or transactions

The Company has had two fire accidents, one in 1989 which effected raw material and another in 1999 which effected finished goods. Both the losses were insured and the claim made was duly received.

Due to an unprecedented draught in 2003 there was a sudden increase of prices of fuel (rice husk) and raw material (bagasse).



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**Significant economic changes that materially effected or are likely to effect income from continuing operations**

The Excise Duty rationalisation by the government has had both positive and negative impacts on the finances of the Company. The same would continue to affect the bottom line as and when changes are made. Presently the Excise duty for paper from agricultural residue and recycled waste stands at 12%.

The Company's brought forward losses were exhausted in 2003 resulting in outgo of income tax. This has also affected the bottom line and the tax amount has been increasing along with profitability.

The increasing fuel price effects transportation cost and cost of production during turbine shutdown. The increase in ocean freight and overall demand as led to surge in the rate of waste paper. Imported waste paper will be affected by such increase in the future. However, since the total contents of Waste paper in the furnish is 15%, the Company competitiveness would still be far higher than the competition that relies heavily of waste paper.

**Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations**

Since the Company has a diversified product range this has not effected by the vagaries of seasons or sudden surges in the market.

**Future changes in relationship between costs and revenues, in case events such as future increase in labour or material costs or prices that will cause a material changes are known**

The primary raw material of Company is bagasse that comes from a sugar industry in the surrounding area. Many of these sugar mills have opted to burn bagasse to generate power for supply to the Government. This has led to shortage in bagasse and hence increases in prices. The Company has found alternative raw material wheat straw in order to balance the equation so this alternative would also ensure control in cost for the future

**The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

Since the company is leader in the products manufactured, the increase in the new revenue has been mainly due to company being able to demand higher price from the market. The Company is also consistently been increasing its sales volume as well as introducing new products.

**Total turnover of each major industry segment in which the Company operates**

The approximate turnover of low grammage kraft paper amounts to Rs. 80 Crores for the segment in which the Company operates as a sector is mostly disorganized and hence complete picture is not available.

**Status of any publicly announced new products or business segment**

The Company concentrates upon a specific single business segment of low grammage kraft paper. It develops numerous products to its customers consistently and the same is sold specifically to the customers. Hence, although there are numerous new products have been launched, they are not publicly announced.

**The extent to which the business is seasonal, any significant dependence on a single or few suppliers or customers**

Since the company has diversified product range, this has not effected by the vagaries of seasons or sudden surges in the market. Certain events in the year create additional demand such as Diwali in the winter and " Back to School" in the summer.

**Competitive conditions**

Since the Company is leader in the products manufactured, the increase in the new revenue has been mainly due to company being able to demand higher price from the market. The Company is also consistently been increasing its sales volume as well as introducing new products.

There has been an increase in the cost of raw-material and chemical since the last financial statement as disclosed in the prospectus and the sales prices have not risen proportionately.

Hence, in case the same trend continues, the Company's bottom line would be adversely effected in the current accounting year.



## VI. LEGAL AND OTHER INFORMATION

### 1. Outstanding litigation and Material Developments

#### A. Litigation against YPL

S.No	Case No(s) and institution date	Plaintiff/ Defendants	Name of Court	Amount Involved (in Rs.)	Subject Matter and Relief sought	Status as on date
1.	Adjudication case 202/97 11.08.1997	Asharam Verma V/s YPL	Labour Court, Faizabad	5,00,000/- (estimated)	Case filed by an employee against his dismissal in the matter of theft. Relief sought: Re-instatement with back wages.	Next date is fixed for 15.07.05 for evidence of the company.
2.	Writ Petition No. 5322/04 22.09.2004	Ramkaran Yadav V/s YPL	High Court, Allahabad, Lucknow Bench, Lucknow	5,00,000/- (estimated)	Case filed by an employee against order of Hon,ble Labour Court, Faizabad confirming his dismissal by the company as substitute employee in place of permanent employee due to continuance absence without information. Relief sought: To quash the order of Hon,ble Labour Court, Faizabad and Re-instatement with back wages with interest thereupon.	No date has yet been fixed by for filing counter affidavit
3.	Adjudication 29/01 01.06.2001	Ram Keval v/s YPL	Labour Court, Faizabad	-	The employee claimed for appointment as permanent employee though he was a contract labour. Relief sought: Employment in continuity from 29.05.98 with back wages.	Next date is fixed for 14.07.05 for evidence of the defendant
4.	4433/01 28.03.2001	State V/s YPL	Chief Judicial Magistrate, Faizabad	Penalty as provided under section 92 of the Factories Act, 1948	Case filed by Asst. Director of Factories, Faizabad under Factories Act, 1948 for non follow up of the safety precautions in case of death of a contract labour. Relief sought: Necessary action against the company under the provisions of the Factories Act.	Next date is fixed for 07.07.05 for evidence of the company.
5.	7627/01 15.10.2001	State V/s YPL	Chief Judicial Magistrate, Faizabad	Penalty as provided under section 92 of the factories Act, 1948	Case filed by Deputy Director of Factories, Lucknow under Factory Act, 1948 for non approval of the changes in factory buildings. Relief sought: Necessary action against the company under the provisions of the Factories Act and removal of deficiency.	Next date is fixed for 07.07.05 for evidence of the company.
6.	53/ 02 15.07.2002	State V/s YPL	Sub Divisional Magistrate (Sadar), Faizabad	-	Started on complaint & report filed under Section 133 of Indian Penal Code for loss of Crop due to drainage of Effluent water. Relief sought: None	Next date is fixed for 01.06.05 for report of UP Pollution Board office.



S.No	Case No(s) and institution date	Plaintiff/ Defendants	Name of Court	Amount Involved (in Rs.)	Subject Matter and Relief sought	Status as on date
7.	1048/84 09.12.1983	Mangal Dass V/s YPL	Civil Court, Mumbai	93,441.50	Filed by the supplier for non payment of part amount of supplied material which was rejected by the Company. The court issued decree for execution through Additional District Judge IV, Faizabad. The company has deposited the amount under protest. The company has also appealed for recalling of the decree.  Relief sought: Order for payment of Rs.27292/- with further interest and costs of the suit.	The decree has been set aside by the court and to consider the case on merit if not settled mutually as consented by both parties. Next date is fixed for 10.06.05.
8.	1047/84 09.12.1983	Mangal Dass V/s YPL	Civil Court, Mumbai	74,310.10	Filed by the supplier for non payment of part amount of supplied material which was rejected by the Company. The court issued decree for execution through District Judge, Kanpur. The company has appealed for recalling of the decree.  Relief sought: Order for payment of Rs.24689/- with further interest and costs of the suit.	The decree has been set aside by the court and to consider the case on merit if not settled mutually as consented by both parties. A sum of Rs.30,000/- was deposited as per court order. Next date is fixed for 10.06.05.
9.	762/04 17.12.2004	Aparwal Singh V/s YPL	Civil Judge, Sadar (Junior Division), Faizabad	-	Filed against the company for effluent water flooded to the land of plaintiff.  Relief sought: Stop construction of new drain and stop effluent drainage in land of plaintiff.	Next date is fixed for 29.08.05 for evidence of the company.
10	Writ petition no. 419/05 27.01.2005	Pannalal V/s Additional Commissioner (Administration)& Others	High Court, Allahabad, Lucknow Bench, Lucknow	-	Filed against the exchange order of Gram Samaj Land with the land of the Company passed by SDM (Sadar), Faizabad dated 30.04.2002 and maintained by Additional Commissioner (Administration) Faizabad dated 19.10.2004.  Relief sought: To set aside the order for land exchange. Non transfer of the land to the company. Possession and use of the land plot no. 384 to the petitioner.	No date has yet been fixed by for filing counter affidavit

**B. Litigation filed by YPL**

S No	Case No(s)	Plaintiff/ Defendants	Name of Court	Amount Involved (in Rs.)	Subject Matter and Relief sought	Status as on date
1.	13/98 13.01.1998	YPL v/s Rakesh Chaturvedi	ACJ-II (Senior Division), Faizabad	49,997/- (with Interest)	Recovery suit for advance given to defendant Relief sought: Decree for recovery of Rs.49997/- with future interest till actual payment by the defendant and decree for cost of the suit.	Next date is fixed for 26.07.05 for disposal.
2.	367/87 23.11.1987	YPL V/s Packwrap Private Ltd.	ACJ-II (Senior Division), Faizabad	38,471.62	Recovery Suit for the due amount . Relief sought: Decree for recovery of Rs.38417/62 with future interest @30% till actual payment by the defendant and decree for cost of the suit.	Next date is fixed for 01.07.05 for disposal.
3.	394/01 07.09.2001	YPL V/s Jai Enterprises	Civil Judge (Senior Division), Faizabad	21,38,410/-	Suit filed for recovery of dues. The amount has already been written off by the Company as bad debt. Relief sought: Decree for recovery of Rs.21,38,410/- with future interest @24% till actual payment by the defendant and decree for cost of the suit.	Next date fixed for 02.08.05 for filing of written statement by the opposite party.
4.	2960,2961, 2962,2963, (all of 1998) 07.12.1998	YPL V/s Kanak Pramukh Lal	ACJM-III, Faizabad	4,00,000/-	Suits filed under Negotiable Instrument Act, 1938 for bounce of cheques of Rs.1,00,000/- each. The amount is the part of the case no.394/01 as referred above at srl. No.3. Relief sought: Punishment under the provisions of Indian Penal Code and The negotiable Instrument Act. and payment thereof.	Next date fixed for 07.07.05 for disposal of application filed by the defendant regarding non maintainability of the case.
5.	289/01 28.08.2001	YPL V/s Ajit Paper Mart	Civil Judge (Senior Division), Faizabad	7,43,892/-	Recovery suit Relief sought: Decree for recovery of Rs. 7,43,892/- with future interest till actual payment by the defendant and decree for cost of the suit.	Next date fixed for 07.07.05 for filing of written statement by the opposite party.
6.	363/99 05.02.1999	YPL V/s V.D.George	ACJM-III, Faizabad	21,028/-	Case filed under Indian Penal Code and Negotiable Instrument Act for bounce of cheques Relief sought: Punishment under the provisions of Indian Penal Code and The negotiable Instrument Act. and payment thereof.	Next date fixed for 05.07.05. Warrant issued, through Police Commissioner, Kerla, to opposite party for presence in the court.



### C. Tax Litigations

S.No	Parties to the Suit	Case No. and Name of Court	Background of the case and relief sought	Disputed amount (Rs. Lacs)	Amount paid (Rs. Lacs)	Pending disputed amount (Rs. Lacs)	Status as on date
1.	Yash Papers Ltd v/s. Commissioner of Trade Tax	Writ Petition no. 1894(M/B) of 1992, Hon'ble High Court, Lucknow	The Company was granted sales tax exemption for 6 years for the period from 9.11.82 to 8.11.88 which was cancelled in the year 1987. The company filed the appeal in Hon'ble High Court and direction was issued for fresh consideration. The government again confirmed for cancellation of the exemption on suspicious ground. The company filed again the appeal whereby Hon'ble High Court stayed the assessment proceeding for the year 1982 to 1988.	60.05	Nil	60.05	Pending for disposal
2	Commissioner of Trade Tax V/s Yash Papers Ltd.	TTR No.125/98, 17/98, 13/98, 175/99, 174/99, 28/2000 & 27/2000 Hon'ble High Court, Lucknow	<p>The company has not been accepting the department's view on chargeability of purchase tax on paddy husk in view of earlier decisions of various courts. The Dy. Commissioner of Sales Tax (Appeal) has passed the order in favour of the company for the year 1989-90 to 1993-94 against which the department had filed appeal before Hon'ble Tribunal which upheld the order of the Dy. Commissioner of Sales Tax (appeal). The department has filed the revision petition in the Honourable High Court, Allahabad, Lucknow Bench, Lucknow.</p> <p>Also for the year 1995-96 Dy. Commissioner (Appeal) has passed the order against the company against which the company had filed appeal before the Honourable Tribunal &amp; Tribunal allowed the appeal. The department has filed the revision petition in the Honourable High Court against the order of the Tribunal.</p> <p>The department has issued circular that tax on paddy husk is not to be collected for the purchases before 01.10.2000 and also exempted paddy husk from tax w.e.f. 01.10.2000. Subsequently a circular has also been issued by the Commission Trade Tax authorising the assessing authorities to exempt Trade tax on paddy husk charge for any period.</p>	14.61	Nil	14.61	Pending for disposal



S.No	Parties to the Suit	Case No. and Name of Court	Background of the case and relief sought	Disputed amount (Rs. Lacs)	Amount paid (Rs. Lacs)	Pending disputed amount (Rs. Lacs)	Status as on date
3.	Commissioner of Trade Tax V/s Yash Papers Ltd.	TTR No. 1589/98 Hon'ble High Court, Lucknow	Regarding 4B License Exemption	None	Nil	None	Pending for disposal
4.	Yash Papers Ltd V/s Commissioner of Central Excise, Chennai	E/S/125/2002-B in E/129/2001/B, CEGAT, NEW DELHI	Penalty of Excise duty on Demineralisation plant supplied by M/s Ion Exchange India Ltd., Mumbai	0.19	Nil	0.19	Pending for disposal

**D. Details of cases in which the directors of the company has been made party by virtue of their directorship**

S.No	Case No(s) and institution date	Plaintiff/ Defendants	Name of Court	Amount Involved (in Rs.)	Subject Matter and Relief sought	Status as on date
1.	5041/02	The Pradeshiya Industrial & Investment Corporation of UP Ltd. Vs. Howard Hotels Ltd., New Delhi & others	Chief Judicial Magistrate, Gautambudh Nagar	Rs.700000/-	The cheque was returned unpaid by the bank. The case was filed under Negotiable Instrument Act, 1938 and Section 420, 217 & 418 of Indian Penal Code for payment of the amount. The directors of the company has also been made the party.	The case is pending. Mr G. N. Gupta then the director of the company has been exempted from personal appearing since he resigned from the directorship.

**Details of criminal cases as reported in litigation against YPL**

S.No	Parties to the Suit	Case No. and Name of Court	Background of the case and relief sought	Amount claimed (Rs. Lacs)	Against the company/ Directors	Status as on date
1.	State V/s. Yash Papers Ltd	4433/01 C.J.M. Faizabad	Death during working in the factory of a contractor labour Shri Sanjay Singh	N. A.	Directors	As reported above in A (4)
2.	State V/s. Yash Papers Ltd	7627/01 C.J.M. Faizabad	Approval of revised map of factory building not obtained	N. A.	Directors	As reported above in A (5)
3	State V/s. Yash Papers Ltd	133 CRPC Sub-Divisional Magistrate Court, Faizabad	Complaint of nuisance regarding drainage of effluent water	N. A.	Company	As reported above in A (6)



Other than the above,

1. there are no litigations against the company or against any other company whose outcome could have a materially adverse effect on the position of the company.
2. there are not litigations against the directors or promoters involving violation of statutory regulations or alleging criminal offence.
3. there are no cases of litigations pending against the Promoters/ Directors in their personal capacities and also involving in statutory regulations or criminal offences except as mentioned in Para D above;
4. there are no pending proceedings initiated for economic offences against the Company, Directors, its Promoters, Companies and Firms promoted by the Promoters;
5. other than above there are no outstanding litigations, disputes pertaining to the matters likely to effect the operations and financials of the Company including disputed tax liability, prosecution under any enactment in respect of Schedule XIII of the Companies Act, 1956;
6. none of the Directors have any litigation towards tax liabilities, or any criminal/civil prosecution against them for any offences (irrespective of whether "specified in paragraph (i) of Part I of Schedule XIII of the Act.);
7. there are no litigations outstanding against the Promoters/ Directors in their personal capacity. The Company, its Promoters and other Companies with which promoters are associated have neither suspended by SEBI nor any disciplinary action has been taken by SEBI. There are no prosecution launched by Income Tax Authorities and no liability compounded by the Promoters/Company/Other Ventures with which the Promoters are associated is subsisting ;
8. there are no cases of pending litigations/ defaults in respect of firms/ Companies with which the Promoters are associated in the past but are no longer associated.
9. there are no overdues, defaults to the Financial Institutions/ Banks, Re-schedulement of Loans to Banks/FIs and dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares by the Promoters and the Companies/Firms promoted by the Promoters or by the Company. There are no pending offences of non-payment of statutory dues by the Promoters of the Company.
10. no disciplinary action was taken by the SEBI/ Stock Exchanges or any other regulatory authority against the Issuer Company, its Promoters or its Directors, associates and other ventures promoted by the promoters or the issuers directors. However, M/s. Megha Agro Products Limited has received a letter dated January 11, 2005 from Securities and Exchange Board of India for alleged violation of regulations 6 and 8 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
11. there are no proceedings known to be contemplated by governmental authorities.
12. there are no past cases in which penalties were imposed by the regulatory authorities on the company or its directors.
13. promoters, their relatives (as per Companies Act, 1956) and the Company, Group Companies, associate companies are not detained as willful defaulters by RBI/Government authorities and there are no violation of securities laws committed by them in the past and are pending against them.

The Company owes money to the following small-scale undertakings for more than 30 days as on December 31, 2004:

S. No.	Name of the Undertaking	Amount due (Rs.)
1.	M/s Amar Alum & Allied Chemicals Pvt. Ltd.	2,03,843
2.	M/s Cardinal Chemicals Pvt. Ltd.	39,475
3.	M/s Fine Core Pipe Pvt. Ltd., Kashipur	1,17,749
4.	M/s Sharda Industries, Haldwani	1,47,712.50



S. No.	Name of the Undertaking	Amount due (Rs.)
<b>Contingent Liabilities as on December 31, 2004</b>		
a	Estimated amount of capital commitments (Net of advances)	Rs.182.67 lacs
b	Claims against the Company not acknowledged as debts	
i.	Excise duty	Rs. 0.17 lacs
ii.	Trade Tax, Appeals pending with Honourble High Court, Allahabad	Rs. 74.66 lacs
iii.	Others	Rs. 12.50 lacs
	Guarantee given by Banks	Rs. 21.77 lacs

### Defaults

The Company has not defaulted in meeting any statutory dues, institutional dues and dues towards instrument holders like debenture holders, fixed deposit holders.

There are no proceedings launched or initiated against the promoters of the Company for any economic offences.

### Material Developments

There are no material developments after the date of the last audited balance sheet as on December 31, 2004, which may materially affect the performance, or prospects of the Company.

As per the opinion of the Directors, no circumstances have arisen since the date of last financial statement disclosed in the Prospectus that materially and adversely affect or are likely to effect the trading or profitability of the Company, the value of its assets, or its ability to pay liabilities within the next twelve months.

## 2. Government Approvals / Licensing arrangements.

The following approvals are obtained/required for by the present/ proposed project:

S. No.	Particulars of the clearances	Existing operations	New project
1	NOC for Effluent water discharge	Obtained	NOC application has been submitted
2	NOC for Air emission	Obtained	NOC obtained for the boiler installation
3	Secretariat of Industrial Approval (SIA)	Obtained	Obtained
4	Factories Act license	Renewed for the year 2005	Shall be applied on finalisation building structures.
5.	Approval of Electrical installations	Obtained	To be applied on installation
6	Memorandum to UPPCL for captive power plant	Obtained	Submitted
7	Approval for boiler operation	Obtained	To be obtained post installation

The Company can undertake all the present and proposed activities in view of the present approvals and on receipt of the approvals for the proposed activities. No further approvals from any government authorities/ RBI are required by the Company to undertake the present and proposed activities except those approvals that may be required to be taken in the normal course of business from time to time.

It must be specifically understood that in giving the above approvals, the concerned authority does not take any responsibility for the financial soundness or correctness of the statements made by the Company.



## VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of Equity Shares has been authorised vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on December 03, 2004 and a resolution passed by the Board of Directors at its meeting held on 02/03/2005.

### Prohibition by SEBI

The Company, its directors/ Promoters and persons in control, its associates and companies/entities with which the Company's directors/promoters and any of the company's associates of group companies are associated as directors have not been prohibited from accessing/ operating in the capital markets under any direction or order passed by SEBI. The listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchanges in India.

### Eligibility of the Company to come out with Public Issue

As the Company's shares are already listed on the Stock Exchanges at Mumbai and Kanpur. The proposed issue and all previous issues in the current financial year does not exceed five (5) times its pre-issue net worth, the company is eligible for the proposed public issue in terms of clause 2.3 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

(Rs. in Lacs)

a)	Proposed Issue Size	2352.00
b)	All the previous issues made in the same financial year in terms of size ( i.e. offer through offer document + firm allotment + promoters' contribution through the offer document)	NIL
c)	Aggregate of (a) & (b)	2352.00
d)	Pre-Issue Network as per the audited balance sheet of the last financial year i.e. 31 December, 2004	1415.53
e)	Five times of (d)	7077.65

Further there is no change in the name of the Company within the last 1 year (reckoned from the date of filing the Draft Prospectus)

### SEBI Disclaimer clause

**AS REQUIRED A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO THE SEBI, MUMBAI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS. LEAD MANAGER, M/S KARVY INVESTOR SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 23, 2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS :**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THIS PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS**



**CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- a) **THIS PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;**
  - b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - c) **THE DISCLOSURES MADE IN THIS PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
3. **WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
4. **THE WRITTEN CONSENT FROM SHAREHOLDERS IS BEING OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO BE FORM PART OF PROMOTER CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.**

**THE FILING OF THIS PROSPECTUS DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENTS OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (S) ANY IRREGULARITIES OR LAPSES IN THIS PROSPECTUS.**

#### **General Disclaimer & Caution**

Investors may note that the Company and the Lead Manager accepts no responsibility for statements made other than in this Prospectus or in the advertisements or in any other material issued by or at the instance of the Company or the Lead Manager and that anyone placing reliance on any other source of information would be doing so at his/her own risk. All information shall be made available by the Lead Manager and the Issuer to the members at large and no selective or additional information would be available for a section of the members in any manner whatsoever. Further, Lead Manager and the Issuer undertake to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

#### **Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or under any other trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, and FIIs as defined under the applicable Indian laws. This Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Kanpur, Uttar Pradesh only. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the equity shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.



The draft Prospectus has been filed with SEBI for its observations and SEBI has given its observations and that the final Prospectus has been filed with the RoC as per the provisions of the Companies Act.

#### **Disclaimer clause of the Stock Exchanges**

##### **a) The Stock Exchange, Mumbai (BSE/ Designated Stock Exchange)**

As required, a copy of this Prospectus has been submitted to BSE. The BSE has given vide their letter dated May 10, 2005 permission to the Company to use the BSE's name in this Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinized this Prospectus for its limited internal purpose of deciding the matter of granting the aforesaid permission to the Company.

The BSE does not in any manner:

- i) Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii) Warrant that the Company's securities will be listed or will continue to be listed on the exchange;
- iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

##### **b) The Uttar Pradesh Stock Exchange Association Ltd, Kanpur**

As required, a copy of this Prospectus has been submitted to UPSE. The UPSE has given vide their letter dated May 12, 2005 permission to the Company to use the UPSE's name in this Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The UPSE has scrutinized this Prospectus for its limited internal purpose of deciding the matter of granting the aforesaid permission to the Company.

The UPSE does not in any manner:

- i) Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii) Warrant that the Company's securities will be listed or will continue to be listed on the exchange;
- iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by the UPSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the UPSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Filing**

1. Copy of this Prospectus along with the documents required to be filed under Section 60 of the Act having attached thereto, has been delivered for registration to the Registrar of Companies, Uttar Pradesh and Uttaranchal, 37/17, West Colt Building, The Mall, Kanpur-208 001.
2. Copy of the Prospectus has been filed with SEBI, B Wing, First Floor, Mittal Court, Nariman Point, Mumbai 400021.
3. A copy of the Prospectus has also been filed with The Stock Exchange, Mumbai (Designated Stock Exchange) and The Uttar Pradesh Stock Exchange Association Limited, Kanpur.

#### **Listing**

The existing Equity Shares of the company are presently listed on The Stock Exchange, Mumbai (BSE) (Designated Stock Exchange) and The Uttar Pradesh Stock Exchange Association Ltd, Kanpur (UPSE). The Equity Shares to be



issued through this Prospectus are proposed to be listed on BSE and UPSE. Applications have been made to all the Stock Exchanges mentioned above for permission to deal and for an official quotation of the Equity Shares.

If the permission to deal in for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, the company shall forthwith repay, without interest all monies received from the applicants in pursuance of the prospectus. If such money is not repaid within 8 days after the company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of issue closing date, whichever is earlier) then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days will be jointly and severally liable to pay money, at the interest rate of 15% per annum on application money as prescribed under Section 73 of the Companies Act, 1956.

The Company together with the assistance of the Lead Managers shall ensure that all the steps for the completion of the necessary requirements for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation and adoption of the Basis of Allotment for the Issue.

### Consents

Consents in writing of the Directors, Auditors, Lead Manager to the Issue, Bankers to the Company, Banker to the Issue, Company Secretary and Compliance Officer, Legal Advisors, Registrars to the Issue to act in their respective capacities have been obtained and filed along with Copy of Prospectus with the Registrar of Companies, Uttar Pradesh & Uttaranchal at Kanpur as required under Section 60 of the Act, and none of them have withdrawn the said consents up to the time of delivery of a copy of this prospectus for Registration with the said Registrar of Companies Uttar Pradesh and Uttaranchal at Kanpur.

M/s. Kapoor Tandon & Co., Chartered Accountants, Kanpur, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Prospectus and also of the tax-benefits accruing to the company and to the members of the company and such consent and report have not been withdrawn upto the time of delivery of this Prospectus for Registration with the Registrar of Companies Uttar Pradesh and Uttaranchal at Kanpur.

### Expert Opinion

Except for the various tax benefits available to the Company and its members expressed by the auditors of the Company, the Company has not obtained any other expert opinion.

### Public Issue Expenses

The expenses of the Issue payable by the Company inclusive of fees payable to the Lead Manager, Fees of Legal Advisors, Stamp Duty, Printing, Publication, Advertising and Distribution expenses, Bank charges, Fees payable to the Registrars to the Issue, Listing Fees, Brokerage and other Miscellaneous Expenses are estimated to be approximately Rs.196 lacs and will be met out of the proceeds of the Issue.

Public Issue expenses are estimated as follows

S. No.	Particulars	Rs. In Lacs
1	Merchant Banker Fees	31.00
2	Printing Expenses	25.00
3	Registrar & Registered Mail	22.00
4	Statutory Advertisement	10.00
5	Corporate Advertisement	45.00
6	SEBI and Stock Exchange Fees	2.00
7	Press Meet	10.00
8	Travel	10.00
9	Corporate Advisor Fees	22.00
10	Contingency	19.00
	<b>Total</b>	<b>196.00</b>



### Details of Fees Payable

Particular	Amount (Rs. in lacs)	% of Total Issue Expenses	% of Total Issue size
Lead Manager to the issue	31.00	15.82	1.42
Registrar to the Issue	0.30	0.15	0.014
Bankers to the Issue	Nil	Nil	Nil

#### Fees Payable to the Lead Manager to the Issue

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, a copy of which is available for inspection at the Registered Office and Corporate Office of the Company.

The Lead Managers will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage & communication expenses.

#### Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office and Corporate Office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of travel, stationery, postage, stamp duty & communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

#### Underwriting Commission

The issue is not proposed to be underwritten. Hence, no underwriting commission is payable.

#### Brokerage

Brokerage will be paid by the Company at the rate of 1.50 % on the issue price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

In case of tampering or over-stamping of Brokers/Agent's codes on the application form, the company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

#### Previous Public or Rights Issues

The Company has not made any Public or Rights issues in the last 5 years.

#### Previous Issues of shares otherwise than for cash.

The Company has issued 5,68,000 Equity Shares by way of Bonus by capitalization of free reserves on 2nd January 1992. Except for the above, no shares were issued for consideration other than cash.

#### Commission and Brokerage on Previous Issue

The Company has paid 1.5% of Brokerage and 2.5% of Underwriting Commission on previous issue.

#### Issues made by the Companies under the same management under Section 370(1B) of the Companies Act, 1956.

There are no listed Companies under the same management with the meaning of Section 370(1B) of the Companies Act, 1956, which made any capital issue during the last three years.



## Capital Issues in the past and Promises Vs Performance

In October 1992, the Company had made a public issue 13,50,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 10/- per share aggregating Rs. 270 lacs. The actual performance achieved by the Company against the projections specified, is shown in the table below:

### Financial Projections vis-à-vis performance

(Rs. in lacs)

Year ended	31.03.93			31.03.94			31.03.95		
	Promise	Actual	Deviation	Promise	Actual	Deviation	Promise	Actual	Deviation
Net sales	1230.60	1017.74	(212.86)	1627.50	1228.71	(398.79)	1829.00	1619.23	(209.77)
Profit before tax	99.00	27.86	(71.14)	158.50	94.68	(63.82)	217.76	141.10	(76.66)
NP after tax	79.20	27.86	(51.34)	134.73	94.60	(40.13)	185.09	141.10	(43.99)
Cash Profit	115.61	75.28	(40.33)	218.92	139.80	(79.12)	269.28	199.48	(69.80)
Equity capital	352.80	385.74	32.94	352.82	386.12	33.30	352.80	386.50	33.70
EPS	2.24	0.72	(1.52)	3.82	2.45	(1.37)	5.25	3.65	(1.60)
Book value (Rs.)	22.46	20.42	(2.04)	24.64	21.80	(2.84)	26.61	24.11	(2.50)

The actual performance of the Company against the objects of the issued for the last public issue is shown below:

Objects	Performance
Installation of facilities for manufacture of 30 T.P.D. (10000) Bagasse/Hessian based pulp Increase in installed capacity by rebuilding Unit II MG Paper Machine from 6000 TPA to 10000 TPA as also modernization of said paper machine to facilitate manufacture of lower grammage (26 GSM TO 33 GSM) Kraft Paper.	The company has achieved each of the objects in this table as specified in the offer document dated 18.09.92

The other promises as made by the company in the offer document of the last issue and performances are as below:

Particulars Capacity utilization for year ended	Promise	Performance	Promise	Performance	Promise	Performance
	31.03.93	31.03.93	31.03.94	31.03.94	31.03.95	31.03.95
M. G. Machine Unit I	70%	103.3%	75%	80%	80%	88%
M. G. Machine Unit II	70%	67%	60%	84%	70%	73%

### Details of schedule of implementation and actual date of commencement of commercial production for the IPO made in 1992.

Implementation Schedule	As per IPO	Actual
Building & civil construction	January, 1993	January 1993
Placement of orders for plant and machinery	October, 1992	October 1992 To June 93
Delivery of plant and machinery	February, 1993	February 1993 to September 1994
Erection of plant and machinery	March, 1993	December 1994
Trial runs of production	March, 1993	January 1995
Commencement of commercial production	April, 1993	February 1995

The business of the Company has proceeded along the lines as disclosed in the Prospectus for the previous issue. The amount raised by way of last public issue has been fully utilised and deployed.



### Outstanding debentures or redeemable preference shares

The Company has not issued any outstanding debentures or preference shares.

### Stock Market Data

Movement of share prices of the Company at Mumbai Stock Exchange is given in the following tables.

#### a) Yearly Prices

FY	High			Low			Total Volume for the Year	Average Price for the Year
	High (Rs.)	Date of High	Volume on the date of high (no. of shares)	Low (Rs.)	Date of low	Volume on the date of low (no. of shares)		
2002	12.95	05.07.02	19840	3.25	25.02.02	1000	241653	8.10
2003	17.40	19.08.03	51260	8.00	01.01.03	2600	676291	12.70
2004	29.55	28.12.04	15905	10.04	18.06.04	100	1125049	19.79

#### b) Monthly Prices

Months	High (Rs.)	Date of High	Volume on the date of low (no. of shares)	Low (Rs.)	Date of low	Volume on the date of high (no. of shares)	Total Volume for the Month	Average Price for the month
Nov-04	22.36	29.11.04	18791	15.36	04.11.04	16645	479239	18.86
Dec-04	29.55	28.12.04	159051	20.80	03.12.04	11313	653153	25.17
Jan-05	28.35	03.01.05	38572	23.40	24.01.05	8950	213535	25.87
Feb-05	26.90	15.02.05	17938	24.65	03.02.05	5770	292621	25.77
Mar-05	26.15	21.03.05	20432	24.20	29.03.05	3027	249666	25.17
Apr-05	27.80	06.04.05	22950	24.15	29.04.05	6150	169883	25.97
May-05	32.85	25.05.05	58577	23.80	04.05.05	2077	725624	28.32

(Source: [www.bseindia.com](http://www.bseindia.com))

The closing share price on 29/10/2004 on The Stock Exchange, Mumbai being the first day of trading after the Board Meeting approving the further Public Offer was Rs. 13.25/-.

### Redressal of Investor Grievances

The Company has a team of qualified and experienced staff in its Secretarial Department for attending the correspondence / queries of its investors. A Shareholders/Investors' Grievance Committee has also been constituted in terms of provisions of the Listing Agreement with the Stock Exchanges. The meeting of the Committee are held from time to time to deal with investor grievances. The Company has appointed M/s Skyline Financial Services Private Limited, New Delhi as its Registrar and Share Transfer Agent. The Company ensures that all the correspondence / queries of its investors are replied satisfactorily and promptly.

The Company assures that the following schedules shall be adhered to by the Board of Directors in respect of the complaints, if any, to be received.

SL.No.	Nature of the Complaint	Time taken
1	Non-receipt of the refund warrants or share certificates	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2	Change of address notification	Within 7 days of receipt of information.
3	Any other complaint in relation to public issue	Within 7 days of receipt of complaint with all relevant details.



The Company has appointed Mr. Deepak Nathani as Compliance Officer who would directly deal with SEBI office with respect to implementation of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre-issue/post issue related problems. The Compliance Officer will be available at the following address:

Yash Nagar, P.O.  
Darshan Nagar,  
Faizabad - 224 135  
Tel. No.: 05278 -258589/258174  
Fax No.: 05278 - 258062  
Email: info@yash-papers.com

The Company has received two complaints for the quarter ended March 31, 2005 and the same were resolved. There are no complaints pending for more than one month.

#### **Changes in Auditors during the last three years and reasons there for**

There has been no change in the Auditors of the Company during the last three years.

#### **Capitalisation of reserves or profits**

The Company has issued 5,68,000 Equity Shares by way of Bonus by capitalization of free reserves on 2nd January 1992. Except for the above, no shares were issued for consideration other than cash.

#### **Revaluation of Assets**

The Company has not revalued any of its assets since its incorporation.

### **VIII. OFFERING INFORMATION**

#### **1. Terms of the Issue**

##### **Ranking of Equity Shares**

The equity shares to be issued shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu with the existing equity shares of the Company including rights in respect of dividends.

##### **Mode of payment of dividend**

The dividend is paid in cash only.

##### **Principal terms and conditions of the Issue**

The Equity shares now being offered are subject to the terms of this Prospectus, the Application Form and Memorandum and Articles of Association of the Company, the guidelines for listing of Securities issued by Government of India and guidelines issued by the Securities and Exchange Board of India (SEBI) from time to time, the Depositories Act, 1996 and the provisions of the Companies Act, 1956.

In addition, the Equity Shares shall also be subject to such other terms and conditions as may be incorporated in the Letter of Allotment, Share Certificates, as per guidelines, notifications and other regulations for the issue of the capital and listing of securities laid down from time to time by the Government of India and/or other authorities and other documents that may be executed in respect of the Equity Shares.

##### **Face Value and Issue price**

Each equity share shall be of Face value of Rs.10/- and the issue is made at a price of Rs.14/- per share.

##### **Terms of Payment:**

The Applications should be for minimum of 500 equity shares and in multiples of 500 equity shares thereafter. Entire amount per share is payable on application.

Where an applicant is allotted lesser number of Equity Shares than he/she has applied for, the excess amount paid on application shall be refunded to the applicant.



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### **Rights of the equity share holders**

- o To receive dividend, if declared.
- o To attend general meeting and exercise voting rights unless prohibited by law.
- o To vote either personally or by proxy.
- o To receive offer for rights shares and be allotted bonus shares.
- o To receive surplus on liquidation.
- o Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

### **Market Lot**

In terms of Section 68B of the Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of Equity Shares of the Company is in dematerialized mode, the tradable lot is one Equity Share. For the purpose of basis of allotment, the market lot is assumed as 500 shares.

### **Nomination facility to investor**

In accordance with Section 109A of the Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of death of the original holder(s), shall in accordance with Section 109A of the Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the Prescribed Form available on request at the Registered Office of the Company or at the Registrar and Transfer Agents of the Company. In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. To register himself or herself as the holder of the Equity Shares; or
- b. To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

### **Minimum subscription**

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

### **Arrangement for disposal of odd lots**

The Company has not made any arrangements for disposal of odd lot shares arising out of this issue as the tradable lot is ONE.

Restrictions, if any, on transfer and transmission of shares/debentures and on their consolidation/ splitting

- a) Subject to the provisions of Section 111 of the Act or any statutory modification of the said provisions for the time being in force, the directors may decline to register or acknowledge any transfer of shares and in which the company has lien upon the shares or any of them or whilst any money in respect of the shares desired be transferred, or any of them remain unpaid or unless the transfer is approved by the directors and such refusal shall not be affected by, the fact that the proposed transferee is already a member. The Registration of the transfer shall be conclusive



evidence of the approval of the directors for transfer, registration of transfer shall not be refused on the ground of the transfer being either alone or jointly with any such other person or persons indebted to the company on any account whatsoever except lien on shares.

- b) No transfer shall be made to a minor infant or person of unsound mind without the consent of the Board.
- c) There is no restriction on consolidation and splitting.

## 2. Issue Procedure

### Availability of Application Forms & Prospectus

The Memorandum, Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office and Corporate Office of the Company, Lead Manager to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

### Option to subscribe

Except as otherwise stated in this Prospectus, the Company has not entered into, nor does it at present propose to enter into any contract or arrangements whereby any option or preferential right of any kind has been, or is proposed to be, given to any person to subscribe for any shares of the Company.

**The Investor shall have an option either to receive the security certificate or to hold the securities in dematerialized form with the depository.**

### Application may be made by

- a. Indian nationals resident of India who are adult individuals in single name or joint names (not more than three)
- b. Hindu Undivided Families through the Karta of the Hindu Undivided Family
- c. Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares.
- d. Indian Mutual Funds registered with SEBI.
- e. Indian Financial Institutions and Banks.
- f. Venture Capital Funds / Foreign Venture Capital investors registered with SEBI.
- g. State Industrial Development Corporation.
- h. Insurance Companies registered with Insurance Regulatory and Development Authority;
- i. Provident Funds with minimum corpus of Rs.25 Crore;
- j. Pension Funds with minimum corpus of Rs.25 Crore;
- k. Trusts that are registered under the Societies Registration Act, 1860 or any other trust law and are authorised under its constitution to hold and invest in shares.
- l. Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from the Reserve Bank of India.
- m. Non-Resident Indians (NRIs) on repatriable/ non-repatriable basis.
- n. Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis.
- o. Foreign Nationals and Foreign Companies.

### Applications cannot be made by

- a) Minors
- b) Partnership firms or their nominees
- c) Overseas Corporate Bodies



## **Applications by Hindu Undivided Families (HUF)**

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

## **Subscription by NRIs/ FIIs**

There is no reservation and separate application form for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of allotment.

### **A. General instructions**

1. Application must be made in the prescribed Application Form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form and are liable to be rejected if not so made.
2. The application for Equity Shares should be for a minimum of 500 Equity Shares and in multiples of 500 shares thereafter. An applicant in the public category can make an application only for a maximum of Equity Shares that are offered to the public.
3. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

### **4. Bank Account Details of Applicant:**

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DPID) number and the Beneficiary number provided by the Depository participant must be correctly mentioned in the Application Form at the appropriate place. The Registrars will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

### **5. Applications under Power of Attorney:**

In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of Trusts, Provident Funds, Superannuation Funds, Gratuity Funds, a certified copy of the Power of Attorney or the relevant authority, as the Case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the Application Form, indicating the serial number of the Application Form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

### **6. PAN/ GIR Number**

Where an application is for a total value of Rs. 50,000 or more, the Applicant or in Case of applications in joint names, each of the Applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In Case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the Application Form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

### **7. Joint Applications in the case of individuals**

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the HUF and will be treated at par with individual applications.

### **9. Multiple Applications**

An Applicant should submit only one Application Form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first Applicant is one and the same.



In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

The Company reserves the right to accept or reject, in its absolute discretion, any or all multiple applications. A separate single Cheque/draft must accompany each Application Form.

#### 10. **Stock invest**

Investors will not have the facility of applying through Stockinvest instrument, as RBI has withdrawn the Stockinvest scheme vide notification No.DBOD.NO.FSC.BC.42/ 24.47.001/2003-04 dated 5.11.2003.

#### 11. **Depository Option to Investors**

In terms of Section 68B of the Companies Act, the equity shares in this Issue shall be allotted only in dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

The ISIN No allotted to the Company is: INE 551D01018.

Applications from any investor without the following details of his or her depository account are liable to be rejected:

- An applicant applying for equity shares must have at least one beneficiary account either of the depository participants of NSDL or CDSL prior to making the Application.
- The applicant must necessarily fill in the details (including the beneficiary account number and depository participants identification number) appearing in the application form.
- Equity shares allotted to applicant will be credited in electronic form directly to the beneficiary account (with the depository participant) of the applicant.
- Names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the applicants(s).
- If incomplete or incorrect details are given under the heading 'Applicant Depository Account Details' in the Application Form it is liable to be rejected.
- The applicant is responsible for the correctness of his or her demographic details given in the application form vis-à-vis those with his or her depository participant.
- It may be noted that equity shares in electronic form can be traded only on stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where the equity shares are proposed to be listed are connected to NSDL and CDSL.
- The trading of equity shares would be in dematerialised form only for all investors.

#### **Note:**

- (a) Applicants are requested to write their names and the serial number of the Application Form on the reverse of the instruments, by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
- (b) Investors may contact the compliance officer in case of any pre-issue/post issue related problems such as non-receipt of letters of allotment/share certificates/refund orders, etc.,

#### **B. Payment Instructions**

1. Payment shall be made only by way of cash or Cheque/ demand draft (money/ postal orders will not be accepted) drawn on any Bank, including a Co-operative Bank, which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the Application Form is submitted, i.e. at designated collection centers.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.



3. All cheques/ demand drafts accompanying the Application Form should be payable in the name of “**Yash Papers -Public Issue**” in case of resident Indians and “**Yash Papers - Public Issue - NR**” in case of NRI investors and crossed “A/C payee only”.
4. If the amount payable on application is Rs. 20,000 or more, such payment must be effected only by way of an account payee Cheque/ or Bank Draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

#### **Specific Instructions for Applications by NRIs/FIIs (on Repatriable Basis)**

1. As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
2. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
3. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.
4. In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
5. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue at Mumbai and New Delhi only.
6. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
7. Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

#### **Applications by Indian Mutual Funds & Indian and Multilateral Development Financial Institutions**

1. A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the asset Management Company or Trustees / Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.



2. Indian Mutual Funds & Indian and Multilateral Development Financial Institutions should apply in this Public Issue based upon their own investment limits and approvals.
3. Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable must be delivered before the close of subscription list to such branches of the Bankers to the Issue at places mentioned in the application form.
4. A separate cheque / bank draft must accompany each application form.

**For further instructions regarding applications for the equity shares, investors are requested to read the application form carefully.**

**APPLICATION WILL NOT BE ACCEPTED BY THE LEAD MANAGER(S) OR REGISTRAR TO THE ISSUE.**

#### **GROUND FOR TECHNICAL REJECTIONS**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:-

- a) Bank Account details are not provided.
- b) Age is not mentioned.
- c) Application by minors.
- d) PAN or GIR numbers is not given if the value of the application is for Rs.50,000/- or more.
- e) Multiple applications.
- f) Incase of under power of attorney or by limited companies, corporate, trustee, etc. relevant documents are not submitted.
- g) Applications accompanied by stock invests.
- h) Applications by OCBs.
- i) Applications not duly signed by the sole/joint applicants.
- j) Application forms does not have the applicant depository account details.
- k) Application not in multiples of 500 shares.

#### **Submission of completed Application Forms**

All applications duly completed and accompanied by cash/ cheques/ demand drafts shall be submitted at any of the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should not be sent to the Company or the Lead Managers to the Issue.

Application Forms along with Bank drafts payable at New Delhi can also be sent by registered post with acknowledgement due to the Registrars to the Issue, Skyline Financial Services Private Limited so that the same can be received before the closure of the subscription list. **The envelopes should be superscribed with the words “Yash Papers- Public Issue”.**

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrars as detailed above and not otherwise.

For further instructions, please read the Application Form carefully.

#### **Acceptance of Applications**

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post to the applicant. If the Application Form is accepted in part, the excess application money will be refunded to the Applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.



## **Disposal of Application and Application Money**

No receipt will be issued for application money. However, the Bankers to the issue receiving the application will acknowledge the receipt of the application by stamping and returning the detachable acknowledgment slip appended to each application.

The sum received in respect of the issue will be kept in separate bank accounts and the Company will not have any access to the funds unless approval of the Stock Exchange, Mumbai is obtained for the basis of allotment and listing approval from the Stock Exchanges where listing is proposed.

The Company reserves the full unqualified and absolute right to accept or reject any application in whole or part and in either case without assigning any reason thereof.

## **Impersonation**

Attention of applicants is specifically drawn to sub-section (1) of Section 68-A of the Act, which is reproduced below:

**“Any person who-**

- 1. Makes in a fictitious name, an application to a Company for acquiring, or subscribing for, any shares therein, or**
- 2. Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years” as applicable under the provisions of law.**

## **Basis of Allotment**

### **For Net offer to the Public portion**

In the event of public Issue of Equity Shares being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. 500 shares as explained below:

1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Equity Shares of or for a value of not more than Rs.50,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/ Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the net Issue to Indian public shall be made available to investors including Corporate Bodies/ Institutions and individual Applicants who have applied for allotment of Equity Shares for a value of more than Rs.50,000/-.
3. The Unsubscribed portion of the net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each Applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than 500 shares per Applicant, the allotment shall be made as follows :
  - a. Each successful Applicant shall be allotted a minimum of 500 shares; and
  - b. The successful Applicants out of the total Applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (6) above.



8. If the proportionate allotment to an Applicant works out to a number that is more than 500 but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and if that fraction is lower than 0.50, the fraction shall be ignored.
9. All Applicants in such categories shall be allotted shares arrived at after such rounding off.
10. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful Applicants in that category.
11. The balance shares, if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
12. The process of rounding off to the nearest integer subject to a minimum allotment being equal to 500, which is the minimum application size in this Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10 % of the net offer to public.

### **Allotment/Refund Orders**

Allotment Letter(s) and/or Letter of Regret as the case may be together with refund cheques / pay order shall be dispatched by registered post (refund cheques / pay order of value upto Rs. 1500/- by ordinary post under postal certificate) at the sole/first named applicant address within 10 weeks from the date of closing of the subscription list. If such money is not repaid within 8th day from the day the company becomes liable to pay. The Company and every Director of the Company who is an officer in default shall on and from the expiry of the 8th day be jointly and severally liable to repay that money with interest @ 15% per annum. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the Application form.

The Company, as far as possible, will allot the equity shares within 30 days from closure of the subscription list and pay interest at the rate of 15% p.a. (except to applicants through Stock invests), if the allotment is not made and the refund orders are not dispatched to the investors within 30 days from closure of the issue period for delay beyond 30 days. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

The Company will also make available adequate funds to the Registrars to the Issue for the purpose of dispatch of Allotment letters/Share Certificates/Refund Orders as stated above.

Where the permission have been sought for dealing and listing of equity shares in the stock exchange(s) referred to above, if such permission has not been granted by the stock exchange(s) within 70 days from the date of closure of the subscription list or where such permission is refused before the expiry of 78 days from the date of subscription list, then the Company shall forthwith repay without interest all money received from applicants in pursuance of the Offer Document, and if any such money is not repaid within eight days after the company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closure of subscription list, whichever is earlier), the company and every director of the company who is an officer in default shall, on and from the expiry of eight days, be jointly and severally liable to repay that money with interest for the delayed period @ 15% per annum, if however, an appeal against the decision of any recognized stock exchange(s) refusing permission for the equity shares to be dealt on that stock exchange has been preferred under section 22 of the Securities Contract (Regulation) act, any allotment made under this Offer Document shall not be void until the appeal is dismissed.

Refunds will be made by cheques or pay orders drawn on the bank(s) appointed by the company as refund banker. Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant

### **Application u/s 269 SS of the Income Tax Act, 1961**

In respect of the provisions of section 269SS of the Income Tax act, 1961, the subscription against the equity shares should be effected only by an account payee cheques or an account payee draft, if the amount payable is Rs. 20000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

### **Issue of Share Certificates**

In case the Company issues Letters of Allotment, the related equity share certificates will be dispatched through registered post within two (2) months from the date of allotment in exchange of the Letters of Allotment.



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### **Denomination of Share Certificates**

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall Issue the shares to all applicants who provide their demat account details in dematerialized form only. However, an investor will have an option to hold the shares in physical form or demat form. The Registrar to the Issue will issue to the said allottee a single certificate for all the shares allotted to the said applicant in case an investor requests for rematerialisation of his/her shares.

### **Despatch of Refund Orders**

The Company shall ensure despatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. The Company would also make available adequate funds to the Registrars to the Issue for this purpose.

### **Interest In Case of Delay on Allotment/Dispatch**

The Company agrees that -

- a. As far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of the public issue.
- b. It shall pay interest @ 15% per annum if the allotment has not been made and the allotment letters/refund orders have not been dispatched to the investors within 30 days from the date of the closure of the issue.

### **Undertaking by the Company**

The Company undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
- c. that the funds required for dispatch of Refund Orders/Allotment Letters/ Certificates by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that the promoters contribution in full shall be brought in advance before the issue opens for public subscription
- e. that the Certificates of the Equity Shares/Refund Orders to NRI applicants shall be dispatched within specified time;
- f. that no further Issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

### **Utilisation of Issue Proceeds**

The Board certifies that -

- a. All monies received out of the Issue of Equity Shares to the public shall be transferred to a separate Bank Account other than the Bank Account referred to in sub-section (3) of Section 73 of Act, 1956;
- b. Details of all monies utilized out of this Issue referred to in item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such monies had been utilized;
  - a. Details of all unutilized monies out of this Issue of shares, if any referred to in item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the manner in which such unutilized monies have been invested;
  - b. The utilization of monies received under Promoters' contribution and public issue shall be disclosed under an appropriate head in the Balance Sheet of the Company indicating the purpose for which such monies have been utilized; and
  - c. The details of all unutilized monies, out of the funds received under Promoters contribution and public issue, shall be disclosed under a separate head in the Balance Sheet of the Company indicating the manner in which such unutilized monies have been invested;



## **IX. DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION**

### **4. Share Capital**

“The Authorised Share Capital of the Company is Rs.30,00,00,000 (Rupees thirty crores) divided into 2,60,00,000 equity shares of Rs.10 each and 4,00,000 preference shares of Rs.100/- each.

### **5. Redeemable preference share**

Subject to the provisions of these Articles, the company shall have the power to issue further shares including preference shares carrying a right to redemption out of profit which would otherwise be available for dividend or out of the proceeds of fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the company and the Board may, subject to the provisions of section 80 of the Act, exercise such power in such manner as may be provided in these Articles.

Provided that the Preference Share will be redeemed at any time from the date of allotment after a period of 10 year but in any event not later than 15 years from aforesaid date out of any proceeds or money or the company which may be lawfully applied for the purpose at the whole or any part of the said shares at the par together with a sum equal to the arrears of the fixed dividend share on up to the date of redemption.

### **6. Issue at discount etc. or with special privileges**

Any debentures, or other securities may be issued at a discount, premium or otherwise and with any special privileges, as to redemption, surrender, drawings allotment of shares, appointment of directors and otherwise, debentures, and other securities may be made assignable free from any equalities between the company and the person to whom the same may be issued.

Provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the company in General meeting.

### **7. Allotment of shares**

Subject to the provisions of these Articles, the shares shall be under the control of the Directors who may allot or otherwise dispose off the same to such persons on such terms and conditions, at such times, either at par or at a premium and for such consideration as the Directors think fit. Provided that where at any time (subsequent to the first allotment of shares) it is proposed to increase the subscribed capital of the company by the issue of new shares then subject to any directions to the contrary which may be given by the company in general meeting: The directors shall issue such shares in the manner set out in Section 81 of the Act, on option or right to call off shares shall not be given to any person except with the sanction of the Company in general meeting.

### **8. Restriction of allotment**

If the company shall offer any of its shares to the public for subscription:

- (i) No allotment thereof shall be made, unless the amount stated in the prospectus as the minimum subscription has been subscribed, and the sum payable on application thereof has been paid to and received by the Company.
- (ii) The amount payable on applicable on each share shall not be less than 5 (five) percent of the nominal amount of the share; and
- (iii) The company shall comply with the provisions of sub-section (4) of section 69 of the Act

### **9. Commission and Brokerage**

The company may pay commission to any person in consideration of this subscribing or agreeing to subscribe, procuring or agreeing to procure, subscription, whether absolute or conditional, for any shares in, or debentures of the company in manner and to the extent permitted by section 76 of the Act.

The company may also, on any issue of shares or debentures, pay such brokerage as may be lawful.

### **10. Share at a discount**

With the previous authority of the company in general meeting and the sanction of the company law Board and upon otherwise complying with section 79 of the Act. The Board may issue at a discount shares of a class already issued.



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## **JOINT HOLDERS OF SHARES**

### **11. Joint Holder**

Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefit of survivorship, subject to the following provisions and to the other provisions of these articles relating to joint-holders.

- (a) The company shall not be bound to register more than three persons as the joint holders of any shares
- (b) The joint-holders of a share shall be liable severally as well as jointly in respect of all payment which ought to be made in respect of such shares.
- (c) On the death of any one of such joint-holders the survivor or survivors shall be the only person or persons recognized by the company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit.
- (d) Only the persons whose name stands first in the Register as one of the joint holders of any shares shall be entitled to delivery of the certificate relating to such share and to receipt of dividends, cash bonus and notices, and other communications from the company.

### **12. Company not bound to recognize any interest in shares other than that of Registered holders**

Except as required by law, no person shall be recognized by the company as holding any shares upon any trust and the company shall not be bound by, or be compelled in any way, to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or interest in any fractional part of a share or (except only as by these Articles or as ordered by the court or competent jurisdiction or by law otherwise provided) any other right in respect any share except an absolute right to the entirety thereof in the registered holder.

### **13. Who may be registered?**

Shares may be registered in the name of any person (including a minor through legal guardian) Company or other body corporate. Not more than three persons shall be registered jointly as members in respect of any share certificates/shares shall not be registered in the name of a person of unsound mind save in transmission or in the name of a firm as such.

### **14. Power to increase**

The company in general meeting may, from time to time increase the capital of the company by the creation of new shares of such amount as may be determined expedient.

### **15. On what conditions new shares may be issued**

Subject to any special rights or privileges for the time being attached to any shares in the capital of the company issued, the new shares may be issued upon such terms and conditions, and with such rights and privileges attached thereto as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the company.

### **16. How far new shares to rank with existing shares**

Except so far as otherwise provided by the conditions of issue or by these present, any capital raised by the creation of new shares shall be considered part of the then existing capital of the company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls and installments, transfer and transmission, forfeiture, lien, surrender and otherwise.

### **17. Inequality in number of new shares**

If, owing to any inequality in the number of new shares to be issued and the number of shares held by members entitled to have the offer of such new shares, any difficulty shall arise in the appointment of such new shares or any of them amongst the members such difficulty shall, in the absence of any direction in the resolution creating the shares or by the company in general meeting, be determined by the Board.



## 18. Reduction of Capital etc.,

The Company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law:

- (a) its share capital
- (b) any capital redemption reserve account; or
- (c) any share premium account

## 19. Power to subdivide and consolidate shares

**The company may, by ordinary resolution**

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divides its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
- (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

## 20. VARIATION OF SHAREHOLDER'S RIGHTS

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, subject to the provisions of section 106 and 107 of the Act, and whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at the separate meeting of the holders of the shares of that class.

To every such separate meeting the provisions of these regulations relating to general meetings, shall mutatis-mutandis apply but so that necessary quorum shall be two persons atleast holding or representing by proxy one-third of the issued shares of the class in question.

## 21. SHARE CERTIFICATES

Subject to the provisions of the companies (issue of share certificate) Rules, 1960 or any statutory modifications or reenactment thereof shares scrips shall be issued as follows:

- (i) The certificates of title to shares and duplicate thereof when necessary shall be issued under the seal of the company, which shall be affixed in the presence of (a) two directors or a director and a person acting on behalf of another under a duly registered power of attorney for directors as aforesaid; and (b) the secretary or some other person appointed by the Board for the purpose, all of whom shall sign such share certificates; provided that, if the composition of the Board permits of it, atleast one of the aforesaid two directors shall be a person other than a Managing Director or whole time Director,

A Director may sign a share certificate by affixing his signature thereon By means of any machine, equipment or other mechanical means such as engraving in metal or lithography PROVIDED ALWAYS that notwithstanding anything contained in this Article, the certificates of title to shares may be issued and executed in accordance with such other provisions of the Act or the rules made thereunder, as may be in force from time to time.

- (ii) The company, shall, within three months after the allotment of any of its shares or debentures and within one month after the application for the registration of the transfer of any such shares or debentures, complete and have already for delivery the certificates of all shares or debentures, allotted or transferred, unless the conditions of issue of the shares or debentures otherwise provide and the company shall otherwise comply with the requirements of section 113 and other applicable provisions (if any) of the Act.

## CALLS

### 22. Calls

The Board may, from time to time, subject to the terms on which any shares may have been issued, and subject to the provisions of section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all



moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the times and place appointed by the Board. A call may be made payable by installments and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed.

**23. Restriction on power to make calls and notice**

No call shall exceed one - fourth of the nominal amount of a share, be made payable at less than one month from the date fixed for the payment of the last preceding call & not less than thirty days notice of any call shall be given specifying the time and place of payment and the Person or persons to whom such call shall be paid Provided that before the time for payment of such call the directors may, by notice in writing to the members, revoke the same or extend the time for payment thereof.

**24. When amount payable**

If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the nominal amount of the share or by way of premium every such amount of installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given, and all the provisions herein contained in respect of calls, forfeiture or otherwise shall relate to such amount of installment accordingly.

**25. When interest on call or installment payable**

If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment, The holder for the time being of the shares in respect of which the shall have been made, or the installment shall be due, shall pay interest for the same at the rate of 12 percent per annum from the day appointed for the payment thereof to the time of the actual payment or at such other rate as the directors may determine. The Directors may in their absolute discretion waive the payment of interest, wholly, or in part.

**26. Evidence of action for call**

On the trial or hearing of any action or suit for the recovery of any money due for any call be sufficient to prove that the name of the member used is entered in the Register as the holder or one of the holders, or the share in respect of which such debt accrued, that the resolution making the calls is duly recorded in the minutes book; and that notice of such call duly given to the member sued in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors, who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

**27. Payment of calls in advance**

The board may accept from any member the whole or a part of the amount remaining unpaid on any shares held by him although no part of that amount has been called up. The Directors may pay interest on such amount at such rate as determined by them. The Directors may, at any time, repay the amount so advanced. The member shall not however be entitled to any voting rights or dividend or to participate in the profits of the company, in respect of the money so paid by him until the same would, but for such payment, become presently payable.

**28. Revocation of call**

A call may be revoked or postponed at the discretion of the Board.

**FORFEITURE AND LIEN**

**29. Notice for payment of call for installment**

If a member fails to pay any sum payable in respect of any call or any installment of a call on or before the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of the said call or installment remains unpaid, serve a notice on such member requiring payment of so much of the call or installments as is unpaid together with any interest which may have accrued and all expenses that may have been incurred by the company by reason of such non-payment.

**30. Mode of notice**

The notice aforesaid shall name a further day, not being earlier than the expiry of thirty days from the date of service of notice, on or before which the payment required by the notice it is to be made and a place at which such call or



installment and such interest and expenses as aforesaid are to be paid. The notice shall state that in the event of non-payment on or before the day so named, the shares in respect of which such call or installment was payable shall be liable to be forfeited.

**31. Forfeiture of shares**

If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. The forfeiture shall include all dividend declared in respect of the forfeited shares and not actually paid before the forfeiture.

**32. Notice of forfeiture**

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall in any manner be invalidated by any omission or failure to give such notice or to make such entry as aforesaid.

**33. Forfeited shares to become property of the company**

Any share so forfeited shall be deemed to be the property of the company, and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board thinks fit.

**34. Board may annul forfeiture**

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof on such terms it thinks fit.

**35. Liability on forfeiture**

A person whose shares have been forfeited shall cease to be a member in respect of forfeited shares but shall notwithstanding forfeiture remain liable to pay and shall forthwith pay to the company all calls, installments, interest and expenses owing upon or in respect of such shares at the time of forfeiture, together with interest thereon from the time of forfeiture, until payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture.

**36. Effect of forfeiture**

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the company in respect of the shares and all other rights incidental to the share except any such of those rights as by these Articles are expressly saved.

**37. Evidence of forfeiture**

A duly verified declaration in writing that the declarant is a Director of the company and that certain shares in the company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares.

**38. Forfeiture provisions to apply to non-payment in terms of issue**

The provision of these regulations as to forfeiture shall apply in the case of non payment of any sum which, by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if, the same had been payable by virtue of a call duly made and notified.

**39. Partial payment or any indulgence show not be preclude forfeiture**

Neither the receipt by the company of a portion of any money which shall, from time to time, be due from any member to the company in respect of his share, either by way of principal or interest, not only indulgence granted by the company in respect of the payment of any such money shall preclude the Directors from there after proceeding to enforce a forfeiture of such share as provided in these regulations for non-payment of the whole or any balance due ion respect of the shares.



#### **40. Company's lien on shares**

The company shall have a first and paramount lien upon all the shares, other than fully paid up shares, registered in the name of each member, whether solely or jointly with others, and upon the proceeds of sale thereof for all moneys, whether presently payable or not called or payable at a fixed time in respect of such shares. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the company's lien, if any, on such shares.

#### **41. Enforcement of lien by sales**

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as it thinks fit. But no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executor or a administrator, committee, curator, bonis or other legal representative, as the case may be, and default shall have been made by him or them in payment of the sum payable as aforesaid in respect of such share for fourteen days after the date of such notice.

#### **42. Application of proceeds of sales**

The net proceeds of any such sale shall be received by the company and after payment of the cost of such sale be applied in or towards payment of the such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall be paid to the person entitled to the shares at the date of the sale.

#### **43. Validity of sales in exercise of lien and after forfeiture**

Upon any sale after forfeiture or surrender or for enforcing a lien purported in exercise of the powers hereinbefore conferred, the Board may appoint some person to execute an instrument of transfer, the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money, and after his name has been entered to the Register in respect of such share the validity of the sale shall not be impeached by any person on any ground whatsoever, and the remedy or any person aggrieved by such sale shall be in damages only and against the company exclusively.

#### **44. Board may issue new certificates**

Where any share has been sold by the Board pursuant to these Articles and the certificate in respect thereof has not been delivered to the company by the former holder of such share the Board may issue a new certificate for such share, distinguishing it in such manner as it may think fit for the certificate not so delivered. Where in any such case the certificate in respect of the share forfeited and/or sold is not delivered, and a new certificate for such share has been issued, the original certificate shall be treated as cancelled and no claim or title based on such certificate shall be binding on the company.

### **TRANSFER AND TRANSMISSION OF SHARES**

#### **45. Execution of transfer etc.**

Save as provided in section 108 of the Act, no transfer of a share shall be registered unless an instrument of transfer, in the form presented under the Act or as near thereto as circumstances may permit duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation of the transferee has been delivered to the company along with the certificate relating to the shares of, if no such certificate is in existence along with the letter of allotment of the shares, in accordance with the provisions of section 108 of the Act. The transferor shall be deemed to remain a member in respect of such share until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer shall be duly attested by the signature of one credible witness, who shall add his address.

Provided, that where on application in writing made to the company by the transferee, and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the company may register the transfer on such terms as to indemnity as the Board may think fit.



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**46. Application for registration of transfer**

Application for the registration of the transfer of a share may be made either by the transferor or the transferee, provided that where such application is made by the transferor, no registration shall, in the case of the partly paid share be effected unless the company gives notice of the application to the transferee in the manner prescribed by section 110 of the Act and subject to the provisions of these Articles, the company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register, the name of the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the transferee.

**47. In what case to decline to register transfer of shares**

Subject to the provisions of Section 111 of the Act or any statutory modification of the said provisions for the time being in force, the directors may decline to register or acknowledge any transfer of shares and in which the company has lien upon the shares or any of them or whilst any money in respect of the shares desired be transferred, or any of them remain unpaid or unless the transfer is approved by the directors and such refusal shall not be affected by, the fact that the proposed transferee is already a member. The Registration of the transfer shall be conclusive evidence of the approval of the directors for transfer, registration of transfer shall not be refused on the ground of the transfer being either alone or jointly with any such other person or persons indebted to the company on any account whatsoever except lien on shares.

**48. No transfer to minor or person of unsound mind**

No transfer shall be made to a minor infant or person of unsound mind without the consent of the Board.

**49. Instrument of transfer to be left to office**

Every instrument of transfer shall be left at the office of the company for registration accompanied by the certificate of the shares to be transferred or if there is no certificate, the letter of allotment thereto and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the share. The Board may waive the production of any certificate upon evidence to them of its having been lost or destruction, Every instrument of transfer, which shall be registered, shall be returned to the person depositing the same.

**50. Suspension of transfers**

Subject to the provisions of section 154 of the Act, the registration of transfers may be suspended as such times and for such periods as the Board may from time to time determine.

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty five days in the aggregate in any year.

**51. Persons entitled to shares by transmission**

The executor or administrators of a deceased member (not being of several joint holders) shall be the only person recognised by the company as having any title to shares registered in the name of such member and in case of the death of any one or more of the joint holders of any registered shares of survivors shall be the only persons recognised by the company as having any title to or interest in such shares but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person before recognising any executor or administrator, Board may require him to obtain a grant of probate or letters of administration or other legal representation as the case may be from some competent court. Provided nevertheless, that in any case where the Board in its absolute discretion thinks fit, it shall be lawful for the Board to dispense with the production of probate or letters of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board in its absolute discretion may consider adequate.

**52.** Any person becoming entitled to or to transfer shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by operation of law, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors think sufficient, may, with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares or may, subject to the regulations as to transfer (hereinbefore) contained, transfer, such shares. This Article is hereinafter referred to as The Transmission Article, subject to any other provisions of these Articles, if the person so becoming entitled to shares under this or the last preceding Article shall elect to be registered himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects, if he shall elect to transfer



the shares to some other person he shall execute an instrument of transfer in accordance with the provisions of these Articles relating to transfers of shares. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of shares shall be applicable to any such notice or transfer as aforesaid.

**53. Rights of persons entitled to shares under the transmission article**

A person so becoming entitled under the transmissions articles to a share by reason of the death, lunacy, bankruptcy or insolvency of the member shall, subject to the provisions of these articles and of section 206 of the Act, be entitled to the same dividends and other advantages to which he would be entitled if he were the Board may, at any time, give notice requiring any such person to elect either to be registered himself as member or to transfer the shares, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money payable in respect of these shares, until the requirements of the notice have been complied with.

**54. Company not liable for disregard of a notice purporting to prohibit registration of transfer**

The company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the company may have had notice of such equitable right, title or interest or notice purporting to prohibit registration of such transfer, and may have entered such notice or referred thereto in any book of the company and company shall not be bound or required to regard or attend or give effect to a notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do, though it may have been entered or referred to in some books of the company.

**STOCKS**

**55. Conversion of shares into stock and reconversion**

The company may exercise the power of conversion of its shares into stock and in that case clauses 36 to 39 of the Table "A" in schedule I to the Act, shall apply.

**SHARE WARRANTS**

**56. Power to issue share warrants**

Subject to the provisions of section 114 and 115 of the Act and subject to any directions which may be given by the company in General meeting, the Board may issue share warrants in such manner and on such terms and conditions as the Board may deem fit. In case of such issue clauses 40 to 43 of the Table 'A' in schedule I to the Act, shall apply.

**BORROWING POWERS**

**57. Power to borrow**

The Board may, from time to time, at its discretion, subject to the provisions of section 292 and 293 of the Act, raise or borrow, from the directors or from elsewhere and secure the payment of any sum, of money for the purposes of the company.

Provided however that where the moneys to be borrowed together with moneys already borrowed by the company apart from temporary loans obtained from the Company's bankers in the ordinary course of business exceed the aggregate of the paid-up capital of the capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, the Directors shall not borrow such moneys without the consent of the company in general meeting, every resolution passed by company general meeting in relation to the exercise of the power to borrow, moneys shall specify the total amount up to which money may be borrowed by the Board of Directors. No debt incurred by the company in excess of the limit imposed by this clause shall be valid or effectual unless lender proves that he advanced the loan in good faith and without knowledge that, limit imposed by this clause has been exceeded.

**58. Conditions on which money may be borrowed**

The board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and, in particular by the issue of bonds, perpetual or redeemable debentures, or any mortgage of other security on the undertaking of the whole or any part of the property of the company (both present and future) including its uncalled capital for the time being.



#### **59. Issue at discount etc or with special privilege**

Any debentures, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise; debentures, bonds and other securities may be made assignable free from any equities between the company and the person to whom the same may be issued. Provided that debentures with the right of allotment of or conversion into shares shall not be issued except with the consent of the company in general meeting.

#### **60. Payment of interest**

The company may subject to the provisions of section 208 of the Act, pay interest on so much of the share capital as is for the time being paid up as was issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant, which can not be made profitable for a lengthy period.

### **GENERAL MEETINGS**

#### **61. Statutory Meeting:**

The statutory meeting of the Company shall, as, required by section 165 of the Act, be held at such time being not less than one month nor, more than six months from the date at which the company shall be entitled to commence business and at such place, the Board may determine and the board shall comply with the other requirement of that section as to the report to be submitted and otherwise.

#### **62. Annual or ordinary general meeting:**

The annual General Meeting shall be held in accordance with section 166 of the Act, and shall be called for a time during business hours on a day that is not public holiday and shall be held either at the registered office of the company or at some other place within the city or town in which the registered office of the company is situated, as Board of Directors may determine and the notices calling the meeting shall specify it as the annual General Meeting.

#### **63. Rights to attend General Meeting:**

Every member of the company shall be entitled to attend every General Meeting either in person or by proxy, and the Audit or Auditors to the Company shall have the right to attend and to be heard at any General Meeting on any part of the business which concerns him as Auditors.

#### **64. Distinction between Ordinary and Extraordinary meeting:**

All General Meetings other than Annual General Meeting shall be called Extraordinary General Meetings.

#### **65. Calling of extra ordinary General Meeting by the Board:**

The board may, whenever they think fit, call an Extraordinary General Meeting provided however if, at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum, any Director may call an 'Extra Ordinary General Meeting in the same manner as nearly as possible as that in which a meeting may be called by the board.

#### **66. Calling of Extra ordinary general Meeting**

The board of Directors of the company shall on the requisition of such number of the company as is specified in sub-section (4) of section 169 of the Act, forthwith proceed duly to call an Extraordinary meeting and of any meeting to be called pursuant thereto, all other provisions of section 169 of the Act and of any statutory modification thereof for the time being shall apply.

#### **67. Circulation of members resolution**

The company shall comply with the provisions of section 188 of the Act as to give notice of resolutions and circulating statements on the requisition of members.

### **DIVIDEND**

139. Provisions of Articles 85 to 94 of Table 'A' in schedule I to the Act shall apply

#### **140. Dividends out of profit only**

No dividend shall be payable except out of the profits of the company or out of moneys provided by the Central or



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State Government for the payment of dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the company.

**141. What to be deemed to be net profits**

The declaration of the Board as to the amount of net profits of the company shall be conclusive.

142. The Company shall not be responsible for the loss of any cheque dividend warrant or postal order send by post in respect of dividends, whether by request or other wise at the registered address of the addressee communicated to the office before hand by the member or for any dividend or loss to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means.

**143. To whom dividends payable**

No dividend shall be paid in respect of any share except to the member registered in respect of such share or his bankers but nothing contained in this Article shall be deemed to require the banker of a member to make a separate application for the payment of dividend.

**144. Unclaimed Dividends**

The Board shall not forfeit any unclaimed dividend and the unclaimed dividend shall be dealt with in accordance with the provisions of Section 205 A 205 B of the Act.

**WINDING UP**

**153. Right of Preference shareholders**

On winding up, preference shares will rank as regards capital in priority to equity shares, to the extent the paid up value of the said shares but to no other rights of participating in its assets.

**154. Distribution of assets in specie**

If the company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special Resolution divide among the contributories, in specie or kind, the whole and part, of the assets of the company, may with the like sanction, vest in the whole or part of the assets of the company in Trustees upon such trusts for the benefit of the contributories, or any of them as the Liquidators, with the like sanction, think fit.

**155. Winding up**

If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be losses shall be borne by the members in proportion to the capital paid-up at the commencement of the winding up on the shares held by them respectively and if in winding up the assets available for distribution among the members shall be more than sufficient to pay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid-up or which ought to have been paid on the shares held by them respectively. But this Article is to be without prejudice to the rights of members registered in respect of shares, issued upon special terms and conditions.

**SECRECY**

156. Every Director, Manager, Auditor, Trustee, Member of a Committee, Officer Servant, Agent, Accountant or other person employed in the business of the company shall observe a strict secrecy respecting all transactions of the Company with customers and state of accounts with the individuals and in matters relating thereto, and shall not reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required so to do by the Directors or by any meeting or by a court of law or by the person to whom matters relate, and except so far as may be necessary in order to comply with any of the provisions in these Articles contained.

**157. No member to enter the premises of the company without permission**

No member or other person ( not being a Director) shall be entitled to visit or inspect any work of the company or to enter upon the property of the company or to inspect or examine the company's premises, or properties of the company without the permission of the Board or, subject to Article 131 to require discovery or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the company and which in the opinion of the Directors, it will be expedient in the interest of the members of the company to communicate.



## 159. INDEMNITY

Subject to the provisions of section 201 of the Act, every Director Manager, secretary or other officer of the company or any person ( whether an officer of the Company or not) employed by the Company and any person appointed Auditor shall be indemnified out of the funds of the Company against all liability (including all costs, losses and expenses) incurred by him as such Director, Manager, Secretary ,Officer, Employee or auditor by reason or any contract entered into or act to deed done by him in the discharge of his duties or in defending any proceedings whether civil or criminal in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 of the act in which relief is granted to him by the court. Nothing herein contained shall apply to a constituted Attorney of the Company, unless such attorney is or is deemed to be an officer of the Company, Subject to the provisions of section 201 of the Act, no director or other officer of the Company shall be liable to for any acts, receipts, neglects, or defaults of any other director or officer or for doing in any receipt or other act of conformity, or for any loss or expenses happening to the company through inefficiency or deficiency or title of any property acquired by order of the Directors for or behalf of the Company, or for the insufficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss of damage arising from the bankruptcy, insolvency or tortous act of any, Company or Corporation with whom any money, securities of effects shall be entrusted or deposited or for a loss occasioned by an error of judgement or oversight on his part, or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own willful misconduct or neglect or dishonesty.

## X. OTHER INFORMATION

### 1. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to in Para "A" below (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before the date of this Prospectus) which are / or may be deemed to be material have been entered into by or on behalf of the Company.

Copies of these contracts together with copies of documents referred to in Para "B" below all of which have been attached to the copy of this Prospectus and which have been delivered to the ROC for registration and may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Prospectus until the date of closing of subscription list.

#### A MATERIAL CONTRACTS

1. Memorandum of Understanding (MOU) dated February 28, 2005 between the Company and Karvy Investor Services Limited for this Public Issue.
2. Memorandum of Understanding (MOU) dated February 28, 2005 between the Company and the Registrar to the Issue, Skyline Financial Services Private Limited
3. Copy of tripartite agreement dated July 19, 2004 between NSDL, the Company and Skyline Financial Services Private Limited
4. Copy of tripartite agreement dated June 15, 2004 between CDSL, the Company and Skyline Financial Services Private Limited
5. Copies of quotations obtained for Plant and Machinery.

#### B DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation dated May 05, 1981 obtained from Registrar of Companies, Uttar Pradesh & Uttaranchal, Kanpur.
3. Copy of special resolution passed u/s 81 (1A) on December 03, 2004 authorising the Issue of Equity Shares
4. Letter from BSE & UPSE dated May 10, 2005 and May 12, 2005 respectively granting permission to include their names in the Prospectus.
5. Auditors Report on Financials dated June 13, 2005 and copies of the Annual Reports mentioned in the report.
6. Statutory Auditors Report on tax benefits dated June 2, 2005.



7. Consent letters from Directors, Lead Manager, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisors, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus.
8. Relevant extracts with regard to Industry Information.
9. Copies of members' Resolution for appointment of Whole-time Directors.
10. Copy of the Board resolution approving the draft Prospectus and Final Prospectus.
11. Power of Attorney(s) executed by the directors for signing and making correction in the prospectus on their behalf
12. Due diligence certificate dated March 23, 2005 issued by Lead Manager to the Issue, Karvy Investor Services Limited.
13. Copies of letters received from United Bank of India, Union Bank of India, UCO Bank and Oriental Bank of Commerce, vide their dated January 13, 2005, March 9, 2005, March 17, 2005 & March 14, 2005 respectively, sanctioning term loans.
14. Legal Clearance Certificate dated June 2, 2005 given by the Legal Advisor.
15. Legal advisor Certificate dated June 2, 2005 regarding Litigation.
16. SEBI observation letter No.CFD/DIL/ISSUES/PB/EB/41319/2005 dated May 24, 2005.
17. Copies of various statutory approvals received by the Company for the existing and proposed project.
  - a. NOC for Air emission from Uttar Pradesh Pollution Control Board for both the units dated 16.02.2005.
  - b. NOC for effluent water from Uttar Pradesh Pollution Control Board License for both the units dated 09.05.2005.
  - c. License under the Factories Act for both the units Regn. No. FZD - 35 & FZD - 157 for 2005
  - d. Consent from Uttar Pradesh Electricity Regulatory Commission dated 07.06.2001 for 5.755 MVA Captive Generation Capacity
  - e. Boiler Economiser Registration No.UP/5753 dated 23.03.2004 (max working pressure 31.5 kg
  - f. Boiler Economiser Registration No.RJ/138 dated 15.05.2004 (max working pressure 25.3 kg
  - g. Certificate of Importer-Exporter Code 0688006060
  - h. Application for NOC from Environmental Pollution Angle, UP Pollution Control Board
  - i. Acknowledgement from SIA under ministry of Industry, Development of Industrial development for existing and the new manufacturing unit.
18. Copy of bridge loan agreement dated 30th April 2005 entered into with United Bank of India.
19. Copy of the common loan agreement dated May 14, 2005 entered into with United Bank of India, Oriental Bank of Commerce, Union Bank of India and UCO Bank.
20. Auditors certificate dated June 3, 2005 regarding sources and deployment of funds as on May 31, 2005.
21. Copies of the application made to Stock Exchanges for listing of Equity Shares issued through this Prospectus.



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## 2. DECLARATION

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statements made in this Prospectus shall contravene any of the provisions of the Companies Act, 1956 and the Rules made there-under. All the legal requirements connected with the said Issue as also the guidelines, instructions etc issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

We further certify that all statements in this Prospectus are true and fair.

### SIGNED ALL DIRECTORS

Mr. G. Narayana, Chairman\*

Mr. Ved Krishna, Managing Director

Mr. G N Gupta, Director\*

Mr. D S Gandikota, Director\*

Mr. A. K. Gupta, Director Finance

Mrs. Manjula Jhunhunwala, Director

Dr. P Banerjee, Director

Mr. Yash Krishna, Additional Director

(Signed by Ms. Sheetal Jhunhunwala in the capacity of alternate director to Mr. Yash Krishna)

\*(By his constituted attorney Mr. A.K. Gupta)

Place: Lucknow

Date: June 15, 2005