

ANNUAL REPORT 2010 - 2011



Images come alive



JK PAPER LTD.



Decide with Confidence

is pleased to certify that
JK Paper Limited

has been ranked **1st** as per Total Income

in the

Paper
Sector

in

Dun & Bradstreet's
India's Top 500 Companies 2010

released on 26th day of April 2011

A handwritten signature in black ink, appearing to read 'Kaushal Sampat', with a small flourish at the end.

Mr Kaushal Sampat
President & CEO - India
Dun & Bradstreet



Certifications. Promotions. Endorsements.

Recognition. Expressions of affection.

Some of life's finest moments

come alive on paper.

And since inception

we have striven to make our paper special...

by upgrading technologies,

optimizing processes,

enhancing materials...

Exploring every possible way

to make paper that creates lasting impressions.

A paper on which images come alive

in all their glory.

This infuses life into our business

and has made us grow rapidly

over the decades.



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Chairman's Statement

Dear Shareholder,

Global paper industry had a reasonably good year with total output regaining pre-crisis levels. Asia was a major contributor though we did see some recovery in advanced countries viz. Europe and North America. The global paper industry is witnessing a significant change in its dynamics with production shifting out from North America and Europe to South America and Asia. This is likely to accelerate as we see growth tapering off in advanced economies. China and India with their high economic growth rates are emerging as major markets for paper.

India recovered well from the global slowdown but inflation poses a short term threat to the economic growth. Along with this, high global energy and commodity prices and rising interest rates are areas of concern. India's growth story, however, remains intact in the medium to long term and prospects of Indian paper industry look bright. Rising education and income levels, growing consumerism and the fact that our per capita paper consumption is amongst the lowest in the world, are some of the factors that should help sustain annual growth of 8-9% in the coming years. Our Company is well positioned in this market to tread this high growth trajectory. Nevertheless, escalating cost of raw material, energy and other inputs pose major challenges to the Indian Paper Industry in the short to medium term.

JK Paper, which until few years ago was predominantly into the Copier segment has now successfully diversified into Packaging Board and Coated Paper segments. The Company today caters to these high growth segments which are value added and not just commodities and it has emerged as a major player in each of these segments.

The Company has shown dynamism in adapting to the changing business environment and has embraced the latest processes and systems to meet its Customer expectations. This has helped it spot opportunities ahead of the competition and build brands with distinct competitive advantage. As we embark on our Rs.1650 crore Expansion Project that would see results coming out by first quarter of 2013, we should be seeing accelerated growth in our journey forward. The new capacity will produce superior quality paper at competitive costs using eco-friendly contemporary technology and will further strengthen our leadership position. Our aim is to consolidate our current position and then target the next wave of growth in our chosen segments through aggressive marketing and capacity augmentation. In its zeal for excellence the Company critically examines its processes and systems and benchmarks them with international best practices for optimising efficiencies. The various awards received by the Company are recognition of our market standing and adoption of world class standards in producing and selling paper and packaging board.

JK Paper will continue to identify opportunities that are in line with its core competencies and would drive the next phase of growth for the Company. I am sure that with continued support and cooperation from all of you we would deliver increasing value to all our stakeholders every year.

With Best Wishes to all of you and your family members

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

HARI SHANKAR SINGHANIA

Board of Directors

HARI SHANKAR SINGHANIA

Chairman

HARSH PATI SINGHANIA

Managing Director

OM PRAKASH GOYAL

Whole-time Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

M.H. DALMIA

R.V. KANORIA

SHAILESH HARIBHAKTI

S.K. PATHAK

UDAYAN BOSE

VINITA SINGHANIA

Offices

Registered Office

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

Administrative Office

Nehru House,

4, Bahadur Shah Zafar Marg

New Delhi - 110 002

Bankers

State Bank of India

Axis Bank

Canara Bank

IDBI Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills (Unit JKPM)

Jaykaypur - 765 017

Rayagada (Orissa)

Central Pulp Mills (Unit CPM)

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

Auditors

Lodha & Co.

Chartered Accountants

Company Secretary

S. C. Gupta

Managing Director's Message

Dear Shareholder,

JK Paper recorded its highest Gross Sales, Operating Profit and Profit After Tax in the year 2010-11. This performance has been achieved despite continuous increase in the cost of wood, coal, pulp and other inputs through better operational efficiencies, increased production and improved net sales realisation.

Raw material availability and steep escalation in prices continues to be the most serious challenge facing the Indian Paper Industry. To help mitigate this, JK Paper has renewed its efforts in enhancing its Farm Forestry programme. It has increased its plantation activities to cover 6700 hectares during the financial year. Similar efforts including stepping up its technology based clonal plantation will bear fruit in the years to come.

The Company has always believed in offering best quality products to its customers. During the year it started manufacturing high performance Colorlok® papers, which give visibly enhanced printability and lower ink consumption, in an exclusive tie-up with HP.

The Company continuously evaluates its product portfolio on a regular basis so as to focus on products with higher returns while enhancing its product offering. Quality is benchmarked with reputed global producers and performance of dealers is evaluated in terms of service to customers. We are also contemplating to upgrade the ERP system to seamlessly integrate our facilities as well as the distributors and customers.

Development of Human Capital to meet the business objectives of the Company is an important focus area. The Company has adopted a new Strategic Talent Management process in addition to the various development programmes it has for nurturing existing talent and creating a robust leadership pipeline.

JK Paper continued its emphasis on high operating efficiencies, cost reduction through its TPM and Operation Excellence activities so as to maximise returns in this capital intensive industry.

The Company has been playing its role towards the society as a responsible corporate citizen. Conscious efforts have been made for conservation of scarce natural resources and ensuring minimal impact on environment. The community development initiative of JK Paper also aim to spread literacy among tribal women, empowerment of women through self

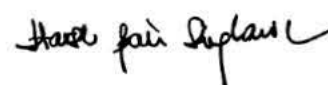
help groups, skills training for girls and healthcare facilities for the deprived. These efforts have yielded results in the form of increased livelihood opportunities and improved quality of life for the communities in and around the factories.

You are all aware that a major expansion project is already under progress at Unit JKPM, Jaykaypur, Orissa. Orders for all major machinery have been placed with reputed global suppliers and construction at the site is being undertaken rapidly. This facility would arguably be the most modern

in India for producing Office Papers. This along with the plans to strengthen the Company's competitive advantage of customer relationships, widespread network, service excellence and brand will help us to fortify our position in the market place. We have to continuously raise the bar with the changing business environment to address the challenges as well as expectations of our stakeholders. I am sure that with your continued support, we shall evolve as a lean, strong and socially valued organisation in the near future.



With Best Wishes,

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

HARSH PATI SINGHANIA

Images of a trend-setter





The Company has always been a trend-setter. Creating new benchmarks is not new to us, last year being no exception. It saw us take several initiatives towards reaching the goal of creating superior paper.

We became the **first paper company** in India to achieve HP's proprietary ColorLok® technology. Our largest selling brands in the Copier segment in India - JK Copier, JK Easy Copier, JK Copier Plus now come with this coveted certification, bringing them on par with the print quality standards that the major international brands are following.

Our Packaging Board division too initiated several changes to significantly improve the print quality of our boards, including switching to Tungsten blades, changing the couch roll and upgrading the machines.

The Coated paper division has visibly improved the quality of paper through several dynamic initiatives. With improved materials and by upgrading coating solution, substantial value has been added to the aesthetic and functional properties of products.

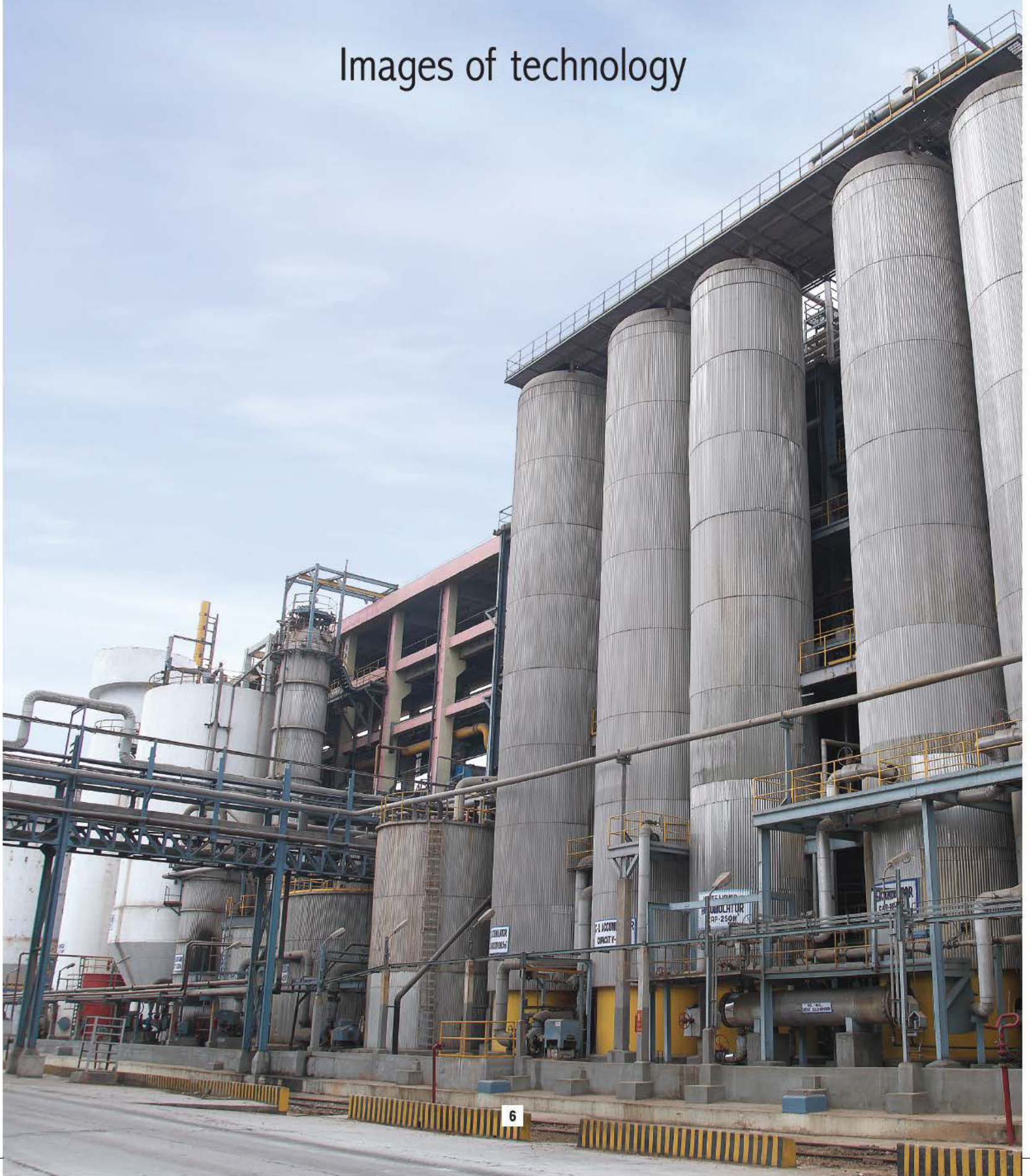
While all these initiatives ensure that images come alive on our products, they go a long way in enhancing the image of our customers as well.

At JK Paper, our business is firmly focused on value to the customers and to our stakeholders, which ultimately benefits all of us.

Images of a trend-setter



Images of technology





Growing volumes and widening the range of product offerings make images come alive for more and more users.

Today, with the galloping spread of IT & online facilities like e-ticketing, e-bills etc. in the remote corners, the copier paper segment is set for a major growth curve. We are geared to be on the forefront of this growth in the digital printing space with ColorLok® technology.

Our packaging boards business achieved highest production volumes and had sales of 75500 MT of Virgin Fibre Based Boards. We have established ourselves as a leading player in this highly demanding and competitive segment. In fact, in February, we invested in rebuilding our board machine; this is probably the first time in the Indian paper industry, when a machine was rebuilt soon after its installation.

This has enhanced product quality besides expanding production volumes as well.

The company has also initiated an expansion project that involves state-of-the-art pulp and paper machines. These will lead to economies of scale and enhancing of technology status. Besides setting up 215,000 TPA Pulp Mill and 165,000 TPA Paper machine, a 55 MW Power block with all balancing auxiliaries is also being installed.

The equipments are being sourced from leading international and domestic suppliers. The plant will deliver not only high quality end product but will also conserve water and energy there by enabling lower cost of operation. It will also have a beneficial impact on the environment through lower emissions.

Images of technology



Images of collective ambition





Better people make better products. Experience has taught us that the better an individual's self-image and self-confidence, the better his or her commitment. We go out of our way to make this happen... and at every employee's level.

Our robust HR processes ensure the right talent is in the right job, develop managers to strengthen leadership bench-strength and ensure career growth opportunities and challenges to talented people in all areas. Our systems are transparent and we have an open environment for lateral and vertical communication. Our structured job rotation scheme for high potential talents ensures wider exposure.

A key strength of the Company is to continuously encourage and motivate young people to take on more responsibilities. This is done through training of middle and top management: by sending them to top Business Schools including ISB and IIMs for enhancing their leadership, strategy and other skills.

We have developed a "Krishna-Arjuna" initiative where we put young and talented managers under mentorship of senior professionals to help them take leadership responsibilities in future. It is our strong belief that today's young managers would transform into tomorrow's leaders if they enjoy the challenges of thinking differently to build and implement new business models and way of thinking.

It is this collective ambition through a well knit group of employees with an excellent team spirit that has made JK Paper what it is today.

Images of collective ambition



Images of a greener tomorrow





At JK Paper we have long believed that we have a moral responsibility to ensure environment friendly practices even if there are no external regulations and controls. We have taken substantial initiatives towards promoting green cover both within the factory premises and in the neighbouring settlements.

We have, over the years, developed a holistic perspective in addressing issues of environmental care and climate change: this covers a spectrum of activities such as enhancing green belts and through conserving resources like water and energy.

By adopting modern technology and process innovations, JK Paper has been able to reduce the consumption of water and also reduce discharge from the plant. The water has been reused for the plant processes themselves, by treating the outflows and through design modifications that allow them to be piped back into operations or for irrigation purposes etc. Through continuous efforts, the Company has been able to bring down its energy use per ton of paper produced. Waste materials like fly ash have also been utilized in making products that can be used by the society at large.

Apart from greening the environment ourselves, we have also helped others to encourage Green Cover through developing plantations. JK Paper has been taking up farm forestry activities for the last 2 decades. This has provided income to a large number of farmers and has helped us to bring large tracts of land under farm forestry in the country.

Besides increasing the area of plantations covered by farm forestry, we have also enlarged the activities in this field leading to lower green house gas emissions. Carbon sequestration is another important contribution to environment management by the company.

Images of a greener tomorrow



DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 50th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

	Rs in Crore (10 million)	
	2010-11	2009-10
Gross Sales	1,432.97	1,299.57
Profit before Interest and Depreciation	265.77	245.46
Interest & Financial Charges	45.70	48.49
Profit before Depreciation	220.07	196.97
Profit before Tax	148.45	126.93
Provision for Tax	42.03	35.90
Profit after Tax	106.42	91.03
Surplus brought forward	174.51	111.95
Total amount available for appropriation	<u>280.93</u>	<u>202.98</u>

APPROPRIATIONS:

Capital Redemption Reserve	0.11	0.21
General Reserve	11.00	10.00
Debenture Redemption Reserve	22.94	Nil
Debenture Redemption Reserve Written Back	(22.94)	Nil
Dividend:		
- On Preference Shares (incl. Tax on Dividend)	0.01	0.03
- On Equity Shares (incl. Tax on Dividend)	20.51	18.23
Surplus carried to Balance Sheet	249.30	174.51
TOTAL	<u>280.93</u>	<u>202.98</u>

DIVIDENDS

Considering the better performance during the year, your Directors had declared an interim dividend of 22.50% on the Equity Capital (Rs. 2.25 per share) on 28th January, 2011. The dividend paid on Preference Share Capital (including interim dividend) at the specified rate is Rs. 0.01 Crore. The total outgo including tax on account of dividend was Rs. 20.52 Crore. In order to conserve funds for the on-going Expansion at Unit JKPM, the Board proposes that the Interim Dividend be treated as Final Dividend for the year ended 31st March, 2011.

PERFORMANCE REVIEW

The Company's Gross Sales during the year was Rs 1,432.97 Crore, the Operating Profit (PBIDT) was Rs. 265.77 Crore and PAT stood at Rs 106.42 Crore as against Rs. 91.03 Crore during the previous year, an increase of 17%. These represent the highest Gross Sales, PBIDT and PAT achieved by the Company.

The Company's production increased to 286,019 tonnes (previous year 273,755 tonnes, up 4.5%) and sales stood at 267,081 tonnes as against 265,045 tonnes. Overall, plant capacity utilization was 119% and it is heartening to note that the Packaging Board plant operated at 125 % of its installed capacity. The Company, however, cut back its outsourced volumes due to volatility in the international markets and limited domestic supplies.

Operating Profit (PBIDT) was higher despite increase in raw material cost and price of purchased pulp. Continued spikes in crude oil prices, made several petroleum based chemicals costlier. Lower availability of linkage coal and increase in the price of coal also contributed to higher cost of production. Though the Company was able to contain some of these cost increases due to higher productivity and efficiencies, it was constrained to raise paper prices during the year. PAT was higher by 17%, despite a higher provision for taxes of Rs 42.03 Crore (previous period Rs 35.90 Crore).

The Indian Paper and Paper Board industry is among the 15 largest in the world by volume. Per capita consumption in the country has increased from 8 Kg to 9.6 Kg over the last 3 years. This, however, is far below the Asian per capita consumption of 35 Kg.

The Company has been following a policy of focussing on value added products, which has paid rich dividends. As a



result, it has strong presence in the segments of Copier Paper, Coated Paper and Virgin Fibre based Packaging Boards. These have all shown rapid growth in demand. The Company's wide distribution network along with emphasis on meeting customer expectations has helped it establish a leadership position in the market, despite strong competitive challenges. JK Paper continues to be the highest producer of Copier and Office Paper in the Country with well established Brands like "JK Copier", "JK Easy Copier", "JK Copier Plus", "Sparkle", and "Cedar". During the year it tied up with HP to introduce high performance "ColorLok" papers which gives better printability and saves consumption of ink. The Company has also been targeting niche segments through speciality products like "JK Excel Bond", "JK Ledger", "MICR Cheque papers" etc.

The market for coated paper continues to grow well. Domestic coated paper prices hardened during the year due to rising costs of inputs. "JK Cote", the Company's coated paper continues to attract a wide variety of customers.

The Packaging Boards business achieved highest production volumes with increased sales of Virgin Fiber based Boards. Demand continues to be strong and JK Paper has established itself as a leading player in this highly demanding segment with Brands like "JK Ultima", "JK Tuffcote", "JK Neo Purefil" etc. The Board machine was rebuilt in March 2011, which added 24,000 TPA of capacity.

Global pulp and paper industry recovered sharply during the year to reach pre-crisis levels. Prices of pulp rose significantly though they are expected to decline over the next 6-9 months. International paper prices also went up during the year.

In 2010-11 the Company took steps to overcome the setback in plantation activities due to outbreak of "gall disease" last year. It increased plantation to cover 6700 Ha. during the year. As a result of plantation activities taken up by the Company, its share of wood sourced from farm forestry in total raw material use has been on the rise.

EXPANSION

During the year your Company placed orders for major plant and machinery for its expansion program at Unit JKPM. The Rs. 1650 Crore Project envisages

setting up a 215,000 TPA Pulp Mill, 165,000 TPA Paper machine, 55 MW Power block with all requisite auxiliaries.

The equipment is being sourced from leading international and domestic suppliers and incorporates efficient & contemporary technologies. The plant will deliver not only high- quality end product but will also result in lower cost of operation and have a beneficial impact on the environment.

A dedicated team has been put in place for implementing the Project, aided by external technical consultants. Photocopier and Office papers from the new facility will be available for sale towards the later part of FY 2012-13.

The Company is at an advanced stage of achieving financial closure through an appropriate mix of internal accruals, debt & equity.

CUSTOMER SATISFACTION AND QUALITY

The Company's commitment and success in delivering high quality products and services to customers has been a major reason for its attaining and retaining a leadership position in the Indian Paper Industry. JK Paper's obsession towards Quality and Customer Satisfaction is reflected in understanding and fulfillment of expectations of the customers, big or small. This in turn has been a key factor in its growth and the advantage that the Company has been able to build over the years in terms of a wide and loyal distribution network.

JK Paper became the first Indian Company to produce and sell ColorLok copier paper in India. This exclusive tie up with HP, helps us in bringing in world class printing paper for the increasingly demanding Indian customers.

The Company continues to conduct regular audit for its quality standards and customer satisfaction through research conducted in-house and also by an independent agency. This helps it to be in constant touch with changing customer preferences and develop its products to stay well ahead of the curve.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to the health and safety of its employees and its neighbourhood and believes

in pursuing its business growth objectives in a socially responsible and ecologically sustainable way.

We strive to actively contribute to the social and economic development of the communities in which we operate. Our CSR efforts are focused on helping the citizens of our vicinity lead a healthier, happier & more meaningful life.

Towards this end a new School building was opened with spacious premises and all modern infrastructure for housing the English medium Singhania Public School at Unit CPM, Gujarat. This CBSE School is open to children of employees as well as those from surrounding communities. It has received enthusiastic response in the whole of Tapi district.

The Company has been pursuing an adult education model to help adults become literate through community based Adult Education Centers. Teachers from villages have been nominated to spread literacy in the peripheral villages.

Basic health services through distribution of free medicines and organizing of health camps is done at regular intervals to serve underprivileged communities. More than 5500 persons have benefited from such programs and 1760 children have been immunized during the year.

The Company continued with its efforts towards empowerment of women through Self Help Groups (SHGs) that have already been established. During the year more activities for income generation of these predominantly tribal women were undertaken. Several young girls were also trained in embroidery and tailoring and were educated on health and hygiene through activities like Balika Mandals.

ENVIRONMENT

JK Paper has always laid emphasis on adoption of best environmental management practices in order to go beyond stipulated standards. Both the production units strive continuously to benchmark best practices and inculcate them in their systems. The ISO 14001: 2004 and OHSAS 18001 : 2007 certification of both the units bears a testimony of our commitment towards Safety and Environment. The occupational Health and Safety process is implemented through periodic Safety Audits, Safety observations, TPM

Audits and Environment Audits focusing on SHE issues.

It is really matter of great pride that JK Paper Ltd. was nominated as one of the 6 finalists worldwide for the “Environmental Strategy of the Year Award 2010” sponsored by Pulp and Paper International, UK. These global awards recognize the achievements of Companies, mills and individuals in the sector based on their contribution to the Environment, Adoption of superior technology and equipment with respect to resource conservation, energy and eco-friendliness.

A number of schemes for energy and water saving were identified during the audit under Cleaner Production Programme of IFC Washington. Many of these schemes have been implemented along with internally generated ideas which have resulted in reducing the Water requirement by 11% and Electricity requirement by 6% per Tonne of production over the last two years.

At Unit CPM, a project is underway for usage of treated effluent water for irrigation in nearby areas. Combined recharging cum Rain Water Harvesting (RWH) system has been implemented at our plant and its housing colony. In its pursuit of excellence in Environmental management practices, the Company also operates lime sludge recycling plant at both its factories.

AWARDS AND RECOGNITION

It is a matter of great satisfaction that JK Paper has been conferred “Dun & Bradstreet – Rolta Corporate Award 2010” as the top Indian Company in the Paper Industry.

Unit CPM was awarded “Greentech Environment Gold Award – 2010” and “Greentech Safety Gold Award – 2010” in the Paper Sector from Greentech Foundation, New Delhi. Unit JKPM also received the “Greentech Environment Excellence Award – 2010” in the Silver category. These awards are a recognition of exemplary environmental and safe operation systems being practiced at the Mills, and reflect our commitment towards Environment Protection and Safety.

Quality circles at Unit JKPM bagged 6 awards in the Gold category and also a Best Case study presentation Award at the 19th Koraput Chapter Convention. Two quality circles also received recognition in the “Excellent” category at the National Convention on



Quality Circles held at Visakhapatnam between 27th and 29th December 2010.

The Industrial Health & Safety Department, Government of Gujarat, also gave “Shram Veer Award” to one of our employees for innovative idea and productivity improvements.

DIRECTORS

Shri Arun Bharat Ram, Shri Dharendra Kumar and Shri Shailesh Haribhakti retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Shailendra Swarup ceased to be a Director on the Company’s Board from 28th January, 2011 The Board places on record its sincere appreciation of the valuable services rendered by him during his tenure.

AUDITORS

M/s. Lodha and Co., Chartered Accountants, the Auditors of the Company are eligible for re-appointment at the ensuing Annual General Meeting. The Auditors have confirmed that they have undergone the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the ‘Peer Review Board’ of ICAI. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

COST AUDIT

The Cost Audit Report for the financial year ended 31st March 2010 was filed by the Cost Auditor with the ministry of Corporate Affairs, Government of India, on 07.09.2010 (Due date 30.09.2010).

The Cost audit for the year ended 31st March 2011 will be conducted by M/s. R.J. Goel & Co., Cost Accountants and the reports will be submitted to the Ministry of Corporate Affairs, Government of India.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation, technology absorption, foreign exchange earnings and outgo, required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read, with the Companies (Disclosure of Particulars in the Report of Board of

Directors) Rules, 1988 is annexed to this Report and forms part of it.

PARTICULARS OF EMPLOYEES

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

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis, Corporate Governance Report and Auditor’s Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

SUBSIDIARY COMPANIES AND SCHEME OF ARRANGEMENT

The accounts of the wholly-owned subsidiaries i.e. Songadh Infrastructure & Housing Limited (SIHL) and Jaykaypur Infrastructure & Housing Limited (JIHL), have been consolidated as required by applicable Accounting Standards. With reference to the General Circular No. 2/2011 dated 8th Feb. 2011, issued by the Ministry of Corporate Affairs, Government of India, copies of the Balance Sheet, Profit & Loss Account, Reports of the Board and the Auditors of the aforesaid Subsidiary Companies have not been attached to the Balance Sheet of the Company. However, annual accounts of the Subsidiary Companies and the related detailed information of the holding and subsidiary Companies, shall be made available to the shareholders seeking such information at any point of time. The annual accounts of the subsidiary companies are also available for inspection by any shareholder at the Registered and Head Offices of the Company and that of the Subsidiary Companies concerned.

The Scheme of Arrangement, between the Company and the wholly owned subsidiaries of the Company (SIHL and JIHL) and their respective Shareholders (the

Scheme) was sanctioned by the Hon'ble High Court of Orissa on 1st October 2010 and by the Hon'ble High Court of Gujarat on 24th December 2010. Upon filing the certified copies of the Orders of the Hon'ble High Courts of Orissa and Gujarat with the respective Registrar of Companies, the said Scheme became effective on 20th January 2011 ("Effective Date") and become operative w.e.f "The Appointed Date" i.e. 1st April 2009 as per the Scheme.

Consequently the CPM Staff Housing Undertaking and JKPM Staff Housing Undertaking of the Company stood transferred and vested in SIHL and JIHL respectively, w.e.f. 1st April, 2009 as going concerns. The consideration as per the Scheme has been settled by the Subsidiary companies and further necessary steps as required by the scheme are being taken.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. the accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit & Loss of the Company for that period;
- iii. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and

for preventing and detecting fraud and other irregularities;

- iv. The annual accounts have been prepared on a going concern basis.

INDUSTRIAL RELATIONS

Industrial Relations remained cordial throughout the year under review. We acknowledge the wholehearted support and cooperation provided by employees at all levels of the organization and appreciate the valuable contribution made by them towards the growth of your company. Several Industrial Relations initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the workforce.

ACKNOWLEDGEMENT

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

The Board also wishes to record its sincere appreciation of the total commitment, dedication and hard work, put in by every member of Team JK.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA
Chairman

New Delhi
Date : 29th April, 2011



ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

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

A) Energy Conservation:

1) Old inefficient motors have been replaced by energy efficient motors 2) Variable Frequency Drive installed for various pumps, fans and agitators in various sections of the mill, CFB-VI Soot blower, TG-III condensate extraction pump and Recovery Boiler sealing air fan. 3) Trimming of impeller in chip washing area. 4) Air supply to Line-O-Matic cutter from main header and stopping compressor of Line-O-Matic cutter. 5) Increase HD pulper sequence time. 6) Installation of Energy saver for lighting. 7) Optimizing the operating efficiency by reducing ingress air in Coal Fired Boiler.

B) Research & Development:

During the year, the Company has spent approx Rs 104.21 Lac on Research & Development. To further enhance product quality and for development of new products, the Company carried extensive application research by undertaking various trials on the shop floor.

- (1) Introduced Cedar digital coated paper for colour printing in various sizes.
- (2) Complete switch over to wet ground calcium carbonate (WGCC) as filler from conventional talcum powder for improvement in aesthetic and functional properties of photocopy and bond paper.
- (3) Use of Hydrogen Peroxide in Oxygen Delignification (ODL) introduced to reduce bleaching chemical.
- (4) Increase in pulp production by addition of BSW washer and debottlenecking of evaporator plant.

C) Technology Absorption, Adaptation and Innovation:

- (1) Adoption of ColorLok Technology for improving inkjet printability of photocopy paper grades.
- (2) Use of proper Retention aid, wet end starch and surface sizing aid for optimization of ASA consumption & stream lining of filler retention.
- (3) Poly-disc filter installed for improvement in fibre recovery and reduction in fresh water consumption.
- (4) De-bottlenecking of Pulp Mill and Evaporator with in-house engineering to further increase Pulp production.
- (5) Paper Machine converted to complete sectional drive from line shaft drive for better productivity.
- (6) Replacement of fresh water by treated effluent in direct contact condenser of evaporator and mud filter.
- (7) Replacement of fresh water by Hypo back water in alkali filter screw conveyor.
- (8) Installation of Jash screen in drain before paper machine effluent clarifier.
- (9) Utilisation of Board Plant effluent in Paper plant.
- (10) Recirculation of equipment sealing water.

D) Foreign Exchange Earnings and Outgo:

Rs. In Lac (0.1 Million)

(a)	Foreign Exchange earned	4,225.34
(b)	Foreign Exchange outgo:	
	- CIF Value of Imports	17,037.39
	- Others	1,637.87

PARTICULARS OF CONSERVATION OF ENERGY

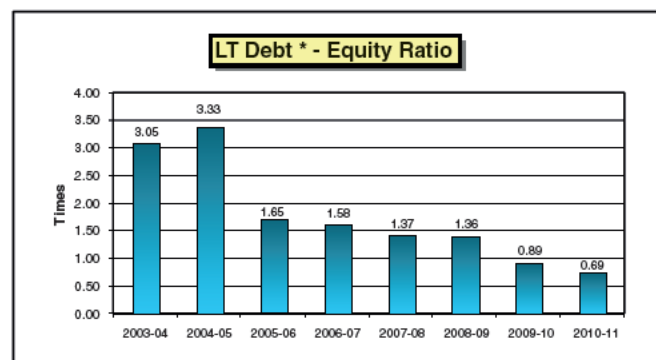
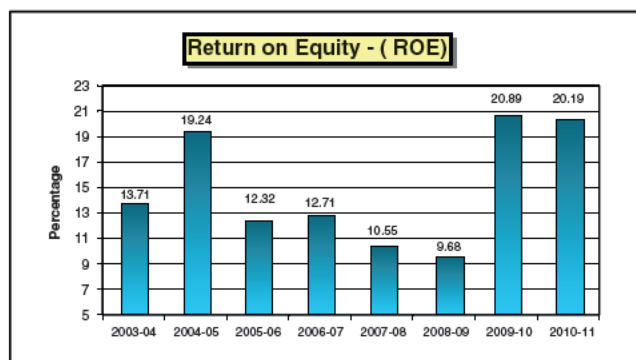
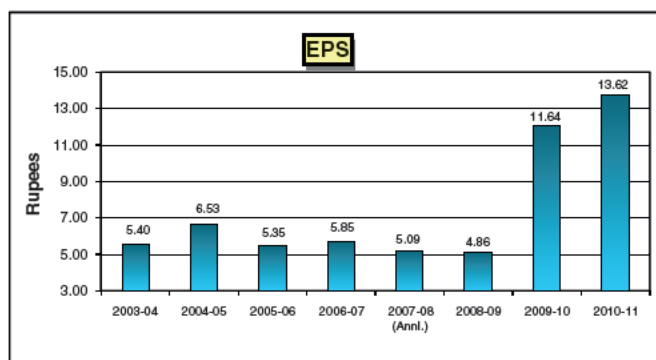
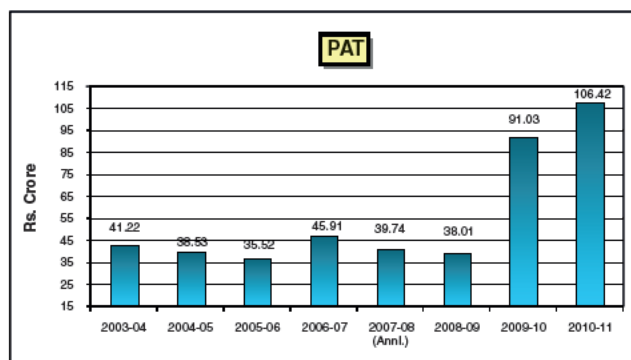
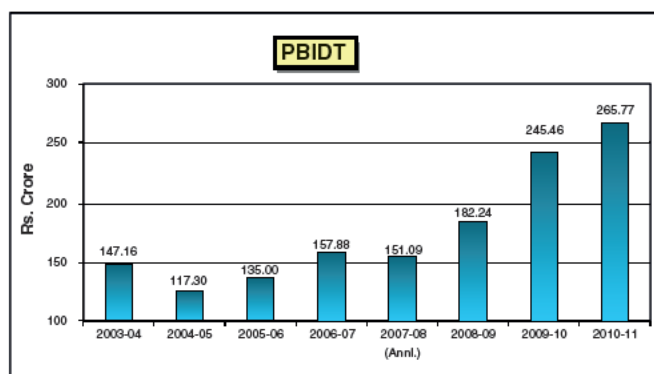
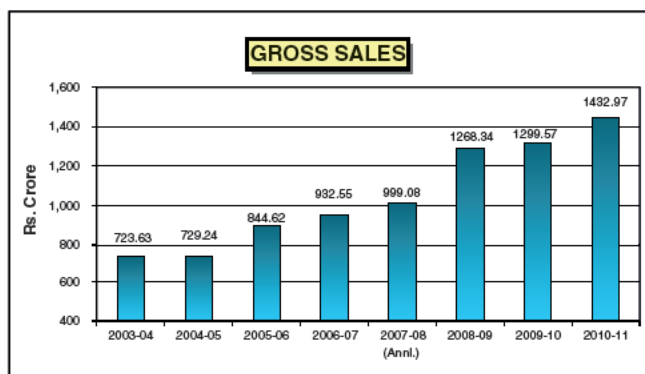
Sl. No.	Particulars	Unit	2010-11	2009-10
A	POWER AND FUEL CONSUMPTION			
I	Electricity			
a)	Purchased Power			
	- Units	KwH in Lac	355.60	333.30
	- Total Amount	Rs. Lac	1,760.12	1,411.52
	- Rate / Units	Rs/KwH	4.95	4.23
b)	Own Generation			
i)	Through Steam Turbine / Generators			
	- Units	KwH in Lac	2,927.24	2,862.23
	- Cost / Units	Rs/KwH	2.55	2.45
ii)	Through Diesel Generator			
	- Units	KwH in Lac	10.57	11.32
	- Units per Litre of Diesel Oil	KwH	3.60	3.85
	- Cost / Units	Rs/KwH	15.14	13.34
2	Coal			
	- Quality (Grade)		“D” to “F”	“D” to “F”
	- Where Used		CF Boiler	CF Boiler
	- Quantity (includes lignite)	MT	418,604	407,772
	- Total Amount	Rs. Lac	9,766.29	8,427.71
	- Average Rate / MT	Rs./T	2,333	2,067
3	Furnace Oil			
	- Quantity	Kilo Ltr	263.40	273.80
	- Total Amount	Rs. Lac	74.04	60.83
	- Average Rate / Ltr.	Rs./Ltr	28.11	22.22

B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Year	Electricity Kwh/MT	Coal Kg/MT	Furnace Oil Ltrs./MT
Paper & Board	- 2010-11	1,180	1,490	1.44
	- 2009-10	1,191	1,457	1.50



JK PAPER LIMITED GROWTH PATH



* Including Redeemable Preference Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Global Economic Recovery

The global economy began to show signs of recovery by end 2009 overcoming the slowdown that started in late 2008. This recovery gained momentum in 2010 though it was affected to some extent by the austerity measures in Europe following the debt crisis. The recovery process was also uneven with most developed economies growing slowly vis-à-vis emerging market economies.

The calendar year 2011 started well but the rising crude oil prices due to political turmoil in Libya, Egypt and Tunisia have cast its shadow on the strength and pace of global economic recovery. The problems in Japan resulting from the severe earthquake and tsunami have also added to uncertainty about global growth.

The fortunes of global paper and board industry are closely linked with the overall economic growth. The industry was adversely affected in 2009 due to economic slowdown with production declining to 370 million tonnes down from 390 million tonnes in 2008. Prices of pulp and paper also mirrored a similar trend during the period.

Last 10-15 years have been witnessing a power shift in global pulp and paper industry with emerging economies growing faster than advanced countries. Low growth in Europe and North America combined with competition from computer and internet based technologies and various cost cutting programs have led to significant slowdown in paper demand from these regions.

The global production of paper and board picked up in 2010 to reach 395 million tonnes driven by strong growth in Asian and Latin American markets especially in China, India and Brazil. There has also been some recovery in demand in advanced economies mainly in packaging board segment.

Impact on Indian Pulp and Paper Industry

The Indian economy weathered the economic downturn well thanks to stimulus measures aided by robust domestic consumption, particularly in rural areas. Return to the 9% growth trajectory may take

some time but India is among the fastest growing economies with growth rate of 8.5% in 2010-11.

The Indian paper industry saw demand revival in recent quarters across all segments though in varying proportions. All the segments in which your Company operates continue to experience double digit growth rates. Cost optimisation measures implemented to weather the downturn have helped the industry to shed some of its flab and become more competitive.

The rising global prices of pulp and paper along with increased domestic demand have helped prices to firm up in the Indian market. Input costs of Coal, Lime and Chemicals, however, continued to rise; these have put pressure on profit margins.

Supply and demand scenario in Indian Paper and Board Industry

The long term outlook for paper and board Industry remains strong. The demand drivers viz. increased economic activity, rising population and incomes, growing thrust on education and greater use of sophisticated packaging will ensure good growth in future.

With no major capacity additions expected in the next 3 years, some segments might also experience a demand-supply gap. The Industry might also witness announcements of new projects to address this gap in the market. The potential that India offers is also best illustrated by the eagerness of some of the global players to enter the market.

The sluggish demand for paper and board in Europe and North America is another factor that will further force global players to look for growth opportunities in emerging markets. Asia, with its growing market may thus see more foreign firms entering its market and competition is bound to intensify.

MARKET FOR COMPANY'S PRODUCTS

The Company, over the decades, has been consciously adopting a strategy to continuously move-up the value-chain. This has paid rich dividends and currently we are well placed to take full advantage of growth opportunities that the industry has to offer in the years to come.



JK Paper has been in the forefront of changing the marketing of paper from one of commodity to that of brands. This, along with our obsession for quality has helped us to ensure Customer loyalty and also deliver superior value to the Customers.

Copier & Office Paper

Industry estimates suggest that the overall Indian market for the Copier Paper has grown by 17% in 2010-11 with premium segment growing at 12% and economy segment growing even faster at 18%.

The future outlook for this sector is bright in view of growth in mobile phone, internet connectivity and government focus on education through “Sarva Shiksha Abhiyan” and “Right to Education” Act.

Growth of Information Technology and its increasing applications has led to a significant rise in transactions being done through internet and desktop computers. This has resulted in a sharp rise in demand for office papers.

In the coming years, one can visualize fall in cost of mobile connectivity as a result of quantum growth in mobile telephony network in rural India. This in turn will enable the rural population to take advantage of internet applications through hand held devices. All these will encourage rapid growth in Copier Paper.

Despite production capacity constraints we have made focused attempt to increase sale of high value products such as JK Copier vis-à-vis JK Easy Copier so as to enhance the market share in the premium segment of the copy paper. To supplement in-house production the Company imports Copier Paper in its own brands to meet the rising domestic demand.

The Company is also gearing up to take advantage of the growing demand for paper from digital printing in the coming years.

Coated Paper

Domestic Coated Paper prices remained relatively stable during the first half of the year thanks to favourable global pricing situation and low import from China. In addition, the rising share of output in high GSM coated paper segment has also helped increasing our production volume.

The outlook for Coated Paper remains strong with prices expected to remain firm in the near future.

Outsourcing

Outsourcing is now used more as a strategy for supplementing our in-house production so as to satisfy the diverse and changing needs of our Customers, big or small.

Outsourcing helps the Company especially where the Company is unable to offer products from its own production to its Customers and distributors. This is all the more so in view of existing capacity constraints.

Copier Paper segment saw revival of outsourcing by the Company. In Coated Papers we have been able to develop additional suppliers and making an entry in lower GSM segment which is not in our production range.

Product Upgradation:

The Company in its continuous efforts to reach out to new Customers and markets has been introducing new products or through product extensions on a regular basis.

It has established a tie-up with Hewlett Packard to manufacture and sell ColorLok Papers which give better quality prints even while enhancing printer life and significantly reducing ink consumption. We are one of the few companies around the world who have been licensed to produce this paper and the only Company from Indian industry.

Packaging Board

Packaging boards business achieved highest production volumes during the year. Demand for your Company's brands “JK Tuffcote”, “JK Ultima” and “JK Purefil” which are well established in the market place continues to be strong. Last year was a year of consolidation where we were able to streamline our operations, achieve production efficiencies and establish best practices.

In February 2011, the Company carried out rebuilding of the board Machine. This has led to a release of an additional capacity of 24000 TPA besides improving the consistency and quality of our products.

The New Year brings new challenges and new resolves. To strengthen ourselves to meet these challenges better, we have earmarked 2011-12 as the ‘**Year of Service**’. The plan for this year is to lock in our Customers through improved service and quality.

Branding

JK brands occupy unique position in the minds of its Customers, which has been possible only by the extensive branding activity undertaken for its targeted market.

A mix of print advertisements, road shows and outdoor media campaigns to communicate introduction of “ColorLok” Papers were used to reach out to the target segments and create better visibility for our brands. Introduction of sophisticated packaging in “JK Copier” and “JK Easy Copier” has also helped in generating better mind share.

EXPANSION

The Copier market has exhibited a good growth for the last 5 years and is expected to continue its growth at the same pace for the next few years. With this rate of growth, there is bound to be a supply shortfall in a couple of years. JK Paper, as a leader in this segment is rightly placed to exploit this gap.

Foreseeing this opportunity your Company has embarked on a major expansion programme with a total investment of Rs 1650 Crore at its plant in Rayagada, Odisha that will increase its pulp and Copier Paper capacity.

The expansion shall be largest by any paper manufacturer in the country in recent times using latest technology. The Company is in advanced stages of achieving financial closure for the project with an appropriate mix of debt, internal accruals and equity. The project is progressing as per schedule and is likely to be commissioned by fourth quarter of 2012-13.

OPPORTUNITIES & STRENGTHS OF THE COMPANY

India has emerged to be among the top 15 countries in global pulp and paper industry - the growing population, rising consumerism being the major factors. The current per capita consumption of 9.6 Kilograms is far below the world average of 57 Kilograms, which points to the significant potential that industry offers in the future. With such a growth potential, India may emerge among the top 10 pulp and paper consuming nations of the world in the not too distant future.

Indian paper and board industry has been growing annually at around 8.8% in recent years. Within this, there are some segments, where the growth rates have been in double digits. Over the decades, the Company has been able to position itself well in the niche and fast growing segments namely Copier Paper, Coated Paper and Packaging Board.

High product quality standards, aggressive marketing efforts and wider penetration of markets through distributors and responsive service delivery have helped the Company to earn a name for itself in the market. Most of its brands command a price premium in the market place. The JK Brand equity has been increasingly enjoying the trust of its distributors and Customers alike.

The marketing team also has a direct connect with the Customers to understand insights that help in improving existing products and launching new products. The service levels are continuously upgraded to offer clients a holistic solution – technical support and the right type of product to meet their growing and changing needs and requirements.

The Company’s major strength is its marketing efforts. On a continuous basis it has been targeting new markets and Customers, launching new products to strengthen JK Brand equity.

The strong and loyal network of distributors, one of the largest in the industry is the backbone of your Company’s distribution efforts. They have helped the Company in achieving increased penetration for your Company’s products. Dealer meets are arranged on a periodic basis to further strengthen the relationship with these valued partners and thus provide a competitive edge in the market place.

The strategically located plants also provide access to key markets and raw materials thus helping to serve the market more effectively and efficiently. Both the units have an integrated pulp mill and bulk of the total pulp requirement is met in-house. This minimises the impact of international pulp prices on our operations.

MAJOR CONCERNS

Wood is a key input for pulp and paper production. An assured long term supply of wood is therefore extremely essential for sustenance of the industry.



Over the past two decades most of the wood based pulp and paper mills in the country have taken initiatives and advanced very well in developing farm forestry in their mill catchment areas. In fact, Indian paper industry is the only wood based industry in India which promotes farm forestry on such a large scale. However, it has per force to share the benefits of its efforts with other industries such as Plywood and Furniture Industry, Construction Industry (for poles), and Bio-energy power plants.

If the current trend continues the paper industry is likely to suffer a severe scarcity of wood in the medium term. This would result in higher cost of pulp and affect the competitiveness of the domestic paper industry. The industry cannot resort to import of wood due to lack of wood chips handling facilities at Indian ports. The industry would thus have to import costly pulp from international market to meet its pulp requirement. This could further hamper the competitiveness of the domestic industry.

The rising prices of crude oil and inflation are likely to increase prices of key inputs thus requiring increase in prices of our products. Interest rate increases could also have an adverse effect on the economic growth and hence the paper industry.

As mentioned earlier, India may attract some more foreign players to compensate for the slow growth in their respective markets. The escalating costs of key inputs, decrease in availability of raw material, rising cost of capital can also force closure of some capacities at the lower end of the value chain and force them to migrate to high margin segments where your Company operates.

The industry has to compete with other industries including IT industry for attracting talent. In addition, shortage of qualified and experienced manpower will pose a challenge to the industry.

RAW MATERIAL AND OTHER PURCHASES

The current forestry/ agricultural laws in India do not permit corporations to own and manage forest lands, even as wood continues to be a major source of raw material for pulp.

The Company took up this challenge and started working with farmers to help them put their less productive, rain-fed land under farm forestry as early

as in 1991. The objective of farm forestry promotion was also aimed at ensuring and improving the long term cost competitiveness of the Company by following sustainable forestry management practices. A strong team of qualified forestry staff was put in place to help, guide and motivate the growers and provide service support at their doorstep for development of well-managed tree farms.

Over a period of time the Company has introduced new models and innovative schemes in this pursuit. These include tie-up with local industry to use their land for developing green belt, engaging farmers through various Government supported schemes like watershed development and tribal development programs, agro-forestry with Cotton, Sugarcane, Paddy, Maize etc.

The Company also facilitates financial assistance for small and marginal farmers through bank loans to encourage them to take up plantations in their rain fed fallow lands. The Company also gives buy back assurance for the wood produced at a declared support price or market price, whichever is higher.

The Pulpwood plantation area covered, to-date, by farm forestry under the Company's schemes in the states of Orissa, Andhra Pradesh, Gujarat and Maharashtra is about 81700 Ha including an area of 6700 Ha. covered during 2010-11. The farm forestry initiative in 2010-11 involved 5700 farmers utilizing over 31 million seedlings/plants and around 3000 Kilograms of quality seeds of Subabul.

During the year the Company underwent audit of its operations at both the units by the Forest Stewardship Council for FSC - CoC and FSC - CW certification.

The year 2010-11 was marked by sharp increases in other input prices as well i.e. Chemicals, Coal etc. While chemicals like Hydrogen Peroxide, Latex etc. which are directly related to petroleum products, witnessed an extraordinary increase; non-availability of agri-commodities like Maize, Tapioca caused Starch prices to go up abruptly.

The prices of other Chemicals were continuously ruling at higher level mostly due to price pressure of inputs in their respective industries. The cost of Coal procured through e-auction and open market witnessed a steady rise throughout the year due to lack of availability and

rising demand. During the second half of the fiscal, the Government also sharply increased the prices of linkage Coal available to the industry.

The price of pulp which shot-up during the beginning of the financial year due to earthquake in Chile,

softened during mid-year and declined marginally towards the end of the year. This decline was possible due to slackening of demand from China during third and fourth quarter of the year and restart of pulp operation in Chile.

FINANCIAL HIGHLIGHTS

Rs. Cr (10 Million)

	2010-11	2009-10	Increase / decrease () - over previous year	Increase / decrease () - over previous year (%)
(1)	(2)	(3)	(4=2-3)	(5=4/3) %
Gross Sales	1,432.97	1,299.57	133.40	10%
Net Sales and Other Income	1,230.72	1,105.53	125.19	11%
Profit before Interest and Depreciation (PBIDT)	265.77	245.46	20.31	8%
Profit before Depreciation (PBDT)	220.07	196.97	23.10	12%
Profit before Tax (PBT)	148.45	126.93	21.52	17%
Profit after Tax (PAT)	106.42	91.03	15.39	17%

Production at 2,86,019 tonnes and sales at 2,67,081 tonnes achieved by the Company during the year are the highest ever for the Company. Operating Profit (PBIDT) went up 8% and PBDT by 12% despite sharp increase in cost of Raw Materials, Pulp, Coal and Chemicals on account of continued focus on cost optimization, better product mix and better efficiency levels. The Net Profit After Tax (PAT) was Rs 106.42 Crore which is 17% more than the previous year.

The Company had issued 1.25% Foreign Currency Convertible Bonds (FCCBs) and raised USD 5 million in 2006. These FCCB were repaid on due date i.e., March 29, 2011 with accumulated premium.

Increased Cash Profit (PBDT) has helped the Company reduce its total debt (net of investments and cash balances) significantly during the year. The current position places the Company ideally to mobilize funds for the expansion project. Due to reduced debt levels, the interest paid on outstanding loans other than the one time premium paid on FCCBs has come down from Rs 48.49 Crore to Rs 37.93 Crore for the year.

During the year, the Reserve Bank of India (RBI) took steps for tightening liquidity to control inflation. Various measures taken by RBI have impacted the interest rates across maturity and the base rate of most banks have been revised upwards as a consequence. The Company has repaid some high cost loans and renegotiated some others but the average interest rate for the Company is poised to move upwards.

In line with the corporate policy, hedging of currency exposures is resorted to manage the overall risks and exposures. The Company uses a mix of Swaps, Forwards, and Options to manage risks. As a policy Company does not initiate any covers without a corresponding trade exposure thus ruling out any speculation.

The Company has embarked on an expansion of about Rs 1650 Crore at Unit JKPM. To partly fund this expansion the Company is issuing Equity Shares by way of Rights besides issuing a new series of FCCBs. The balance of funds is being tied up through Foreign Currency loans and Domestic loans from banks. Together with internal accruals in the book as on date, the Company hopes to mobilize the requisite funds for enabling the expansion.



ENVIRONMENT & NEIGHBOURHOOD

The Company does not believe in achieving growth at the expense of the environment. In this regard, the Company has taken necessary steps for ensuring the safety of environment and surrounding communities in all the locations where it operates. The Company tries to protect the interest of all stakeholders while taking key decisions. Both the units of our Company practice high standards of Health, Safety and Environment.

HUMAN RESOURCE DEVELOPMENT

With the Company entering the expansion phase, the challenges to Human Resources Management in terms of acquiring talented manpower, nurturing the existing talent and creating a strong leadership pipeline have assumed greater significance.

The Company has adopted contemporary processes of evaluating critical behavioural aspects for all recruits from the level of Manager and above. Results of this are used for further development of the Manager.

The Individual Development Plans (IDP) of high performers identified by the internally designed assessment cum development centre are being rigorously implemented through a process christened as “Krishna-Arjuna Initiative” wherein the Senior (“Krishna”) helps his Mentee (“Arjuna”) to achieve his development plan.

The Company has adopted a new Strategic Talent Management Process to improve organisations performance. Through a series of workshops for the senior leadership of the Company facilitated by an eminent professor, the organisation is aiming at making maximum impact on business results by ensuring that the “A” positions serving “A” Customers are occupied by “A” class employees.

The performance management system of the Company has become stronger with timely goal/target setting by the individual and his/ her boss. The half yearly and annual review of performance is also taking place in a more relaxed atmosphere thereby ensuring greater commitment and participation from the employees.

The Company believes in “Open Door Policy” and employees are encouraged to meet the senior

management at any time to highlight key issues and share ideas. Interactions with senior management are also organized on a periodic basis to provide a platform for voicing employees views and concerns.

Employee engagement is essential to develop a feeling of ownership for the Company and enable them to deliver optimal performance. A number of initiatives like festival celebrations in office, family get together and outings, Sports, Employee reward and recognition and Suggestion schemes are undertaken to boost employee engagement.

INTERNAL CONTROL SYSTEM

The Company continuously updates its systems and procedures to keep it contemporary and to ensure that it is commensurate with size and nature of its business. The internal audit department of the Company reviews the internal control system on a regular basis to improve its effectiveness. Regular internal audits are conducted based on annual internal audit programme as agreed with audit committee of board covering all the offices, factories and key areas of business. The findings are then taken up by audit committee along with management for suitable action. The audit committee also reviews the effectiveness of Company’s internal controls and regularly monitors implementation of audit recommendations.

The Company has a comprehensive budgetary control system in operation and key performance goals are set for each of the units and product lines. These are monitored and reviewed on a periodic basis and corrective actions as needed are initiated.

RISK MANAGEMENT

The Company has systematic process for analysing and mapping the risks based on discussions with different stakeholders and study of past records. Outside experts are also consulted to provide an external perspective to the risks. The risks so identified are addressed by an appropriate risk mitigation plan.

Each plant has a risk management committee headed by the plant head. This committee meets on a regular basis and reviews the systems and procedures. Suitable modifications are made where necessary after the deliberations, if found necessary. These are

further reviewed at the corporate office once on a biannual basis.

Similarly the risks are thoroughly analysed for any new project prior to the implementation. These risks are segregated into market risks, operating risks, financial risks etc. These project risks are taken care off through regular monitoring and taking appropriate action to address them.

Training is also imparted to executives for effective analysis of various risks and formulation of appropriate mitigating strategies.

The Company normally hedges about 50% of the emerging foreign exchange exposures as and when they arise. The remaining portion is hedged or left open and reviewed periodically. Interest rate risks are swapped as and when conditions are favourable.

CAUTIONARY STATEMENT

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

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



CORPORATE SOCIAL RESPONSIBILITY REPORT

1. The Company's Philosophy

At JK Paper, CSR is more than an act of philanthropy; it is an integral part of our business. The Company has long held the view that the growth is not only about rising sales and production but it should also ensure development of the society at large. It is our strong belief that we need to give as much to the society as we take from it particularly for the community residing in and around our locations.

We respect and aim to preserve the environment whose resources we utilise for producing our products and achieving business goals. To this end, all our efforts are made to ensure that the Company's business activities are carried out in a safe, ethical, environmental friendly and sustainable manner.

The initiatives taken by us, over the years, have brought joy and happiness in the community around us. The CSR efforts are being monitored and reviewed constantly in order to ensure its effectiveness. In the current year also a number of focused initiatives have been implemented to achieve this objective of inclusive growth.

2. Employee Welfare

Employees are our valuable assets and JK Paper believes that ensuring safe and hygienic work environment for its employees is its responsibility.

JK Paper is an equal opportunity employer and employees are assessed on their merit irrespective of their gender, caste and nationality. Company does not solicit child labour or forced labour directly or indirectly. Safety of contractual labour is also given due importance and treated at par with regular staff.

3. Respect for Environment

JK Paper has received acclaim for its pioneering work directed toward environmental sustenance. Both the units of the company have been awarded ISO 14001:2004 and OHSAS 18001:2007.

The company has made continuous efforts to reduce use of water and energy. The waste water generated during production is recycled and reused thus minimising the fresh water consumption.

Adoption of modern technology combined with process innovation and continuous improvement through Kaizen

have led to significant conservation of natural resources besides reducing emissions.

In continuation with our journey of environmental excellence, the company has gone for certification of its operations by the Forest Stewardship Council (FSC). The FSC certification ensures that the forest products used for production are from responsibly harvested and verified sources

4. Activities for Social and Inclusive development

Our CSR efforts aim at supplementing the Government's endeavours to assist the communities in the vicinity to lead a healthier, happier and meaningful life. This is done by contributing to the social and economic development as well as help to build a better, sustainable way of life for communities around us.

a) Adult Literacy

The Adult Education Model adopted by the Company has successfully enabled many women illiterates to become literates through our community based Adult Education Centres. This initiative has also helped the adult learners to act as a motive force for the mainstreaming of the drop outs to the school again. So far we have enabled around 3500 people to become literates, most of them belonging to the less privileged social groups.

b) Education

JK Paper believes that every citizen of the country has the right to get quality education. Our JKPM Unit has distributed 1050 uniforms, study materials to the tribal Schools of periphery villages. 7 students from socially weaker sections were sponsored for pursuing ITI education towards our commitment to affirmative action.

Scholarship was also provided to 10 meritorious students from economically backward sections for pursuing higher education. Communication skill competitions were also organised in 35 schools to hone their skills and facilitate personality development.

c) Farm Forestry Initiatives

The Company facilitates financial assistance for small and marginal farmers through bank loans to

encourage them to take up plantations in their rain fed fallow lands. The field farm forestry teams provide extensive support by providing information and awareness of best practices like inter-cropping, protecting plants from insect/ pest attacks, soil nutrients balancing and logging. Regular trainings are also conducted to educate and update the farmers on following best-practices for raising pulpwood plantations with maximum land productivity.

d) Promoting Sports

The plants also contribute towards the vision of building a healthy nation by motivating youth to take up sports activities. Rural Sports meets are organised to promote and nurture talent from rural areas. We also provide necessary support and assistance to various Clubs and Institutes for organizing sports / games.

5. Community development Initiatives

The Company has taken up community development efforts in a systematic way by categorising it into two broad areas, Livelihood Interventions and Healthcare interventions.

a) Livelihood interventions through Self Help Groups

The Company's efforts have helped to motivate 293 tribal women to organize into Self Help Groups. These have helped in their taking up different income generating activities like Hill broom binding that find ready market in nearby urban areas.

Appreciating our good work, the banks have also come forward with loan assistance to build the confidence of Self Help Groups & help them scale up different income generating activities e.g. Hill broom binding, Phenyl making, Tamarind processing and a host of other activities.

b) Other Income Generating Activities:

Eight tribal women have been identified from nearby villages for encouraging them to take up business activities through broiler poultry farming. The Company provides handholding support including financial assistance for setting up these enterprises and help exploring market linkage for selling of the birds.

Additional income has also been created for 25 farmers (SC & ST) through introducing scientific practices in agriculture in Hybrid Maize, Paddy cultivation. Also 26 adolescent girls (SC & ST) have been imparted skill training in tailoring & embroidery. After the training, they started stitching of uniforms to be distributed by us and earn some money.

Similarly 43 tribal girls have been imparted with comprehensive training to be Adult Education Teachers & Community Health Facilitators (CHFs) & thus provided an opportunity to work & earn.

c) Community Health care initiatives

As a part of community health care, 123 tribal mothers had safe institutional delivery & each mother got a benefit of Rs. 1400/- under our "Janani Suraksha Yojna". 1760 children from socially weaker sections have been also immunized through our Community Health Facilitators. Besides these, basic health services including free medicines were provided to the ST & SC people through health camps in the nearby villages at regular intervals. Close to 5500 patients have availed the services.

In an artificial limb camp organized for the physically challenged, 72 people from socially weaker sections were benefitted, providing a new ray of hope in their personal & professional life.



CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value

and remaining committed to high standards of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

2. BOARD OF DIRECTORS:

The Board of Directors presently consists of Eleven Directors of which three are Executive Directors and eight are Non-executive Directors. Details are as given hereunder:

Director	Category	No. of Board Meetings attended during 2010-11	Whether attended last A.G.M. (02.08.2010)	No. of other Directorships and Committee Memberships / Chairmanships		
				Other Directorships*	Other Committee Memberships **	Other Committee Chairmanships **
Sh. Hari Shankar Singhania, Chairman	Executive	4	Yes	3	-	-
Sh. Arun Bharat Ram	Non-Executive Independent	4	No	8	2	-
Sh. Dharendra Kumar	Non-Executive non-Independent	3	No	5	2	-
Sh. M.H. Dalmia	Non-Executive Independent	0	No	2	-	-
Sh. R.V. Kanoria	Non-Executive Independent	4	No	7	-	-
Sh. S. K. Pathak	Non-Executive Independent	0	No	-	-	-
Sh. Shailesh Haribhakti	Non-Executive Independent	2	No	13	5	5
Sh. Udayan Bose	Non-Executive Independent	4	Yes	2	1	-
Smt. Vinita Singhania	Non-Executive non-Independent	3	No	3	-	-
Sh. Harsh Pati Singhania, Managing Director	Executive	4	Yes	2	2	-
Sh. O. P. Goyal, Whole-time Director	Executive	3	Yes	2	-	-

Shri Shailendra Swarup ceased to be a Director w.e.f. 28.01.2011 (attended 1 Board Meeting)

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

** only covers Memberships/Chairmanships of Audit Committee and Shareholders/Investors Grievance Committee. Shri Dharendra Kumar and Smt. Vinita Singhania, Directors are relatives of Shri Hari Shankar Singhania, Chairman.

DATE AND NUMBER OF BOARD MEETINGS HELD:-

Four Board Meetings were held during the year 2010-11 on 17th May 2010, 20th July 2010, 29th October 2010 and 28th January 2011.

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

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

3. AUDIT COMMITTEE:

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

The Committee presently consists of Shri Udayan Bose (Chairman), Shri Dharendra Kumar and Shri R.V. Kanoria, as members. Shri Shailendra Swarup ceased to be a member of Committee w.e.f. 28.01.2011. The Composition of the Committee is in conformity with Clause 49 II (A) of the Listing Agreement.

Four meetings of the Audit Committee were held during the year 2010-11 as detailed hereunder:

Dates of meetings	No. of members attended
17 th May 2010	4
20 th July 2010	3
29 th October 2010	2
28 th January 2011	3

4.1 REMUNERATION COMMITTEE (Non mandatory):

The Remuneration Committee presently consists of three Independent Directors, namely Shri Arun

Bharat Ram, (Chairman), Shri R.V.Kanoria and Shri Udayan Bose to consider, determine and recommend remuneration to the Executive Director(s) of the Company. Shri Udayan Bose joined and Shri Shailendra Swarup ceased to be a member of Committee w.e.f. 28.01.2011.

Two meetings of the Remuneration Committee were held during the year 2010-11 as detailed hereunder:

Dates of meetings	No. of members attended
14 th May 2010	3
6 th January 2011	3

4.2 REMUNERATION TO DIRECTORS:

A. Executive Directors

The aggregate value of salary, perquisites and contribution to Provident Fund and Superannuation Fund for the year ended 31st March, 2011 to the Chairman, the Managing Director and the Wholetime Director is as follows: Shri Hari Shankar Singhania, Rs.243.61 lac plus Rs.328.97 lac payable as commission; Shri Harsh Pati Singhania, Rs. 230.06 lac plus Rs. 402.64 lac payable as commission and performance linked incentive as applicable; and Shri O. P. Goyal, Rs. 115.20 lac plus Rs. 68.92 lac payable as commission and performance linked incentive as applicable.

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

B. Non-executive Directors

The Non - Executive Directors were paid sitting fees of Rs. 15,000/- for each meeting of the Board, Rs. 10,000/- for each meeting of Audit Committee and Rs. 5,000/- for each meeting of other Committees of the Board attended by them and the company has paid Rs. 4,90,000/- towards sitting fees to them during the year 2010-11. Besides the sitting fees, they are also paid commission. At the Annual General Meeting of the Company held on 12.12.2007, the Members had approved payment of commission not exceeding 1% per annum of the net profits of the Company to the Non - Executive



Directors. Each year, the Board fixes the amount to be paid as commission to them. For the year 2010-11, the Board has approved a commission of Rs. 7.00 lac each to be paid to Shri Arun Bharat Ram, Shri Dharendra Kumar, Shri M.H.Dalmia, Shri R.V. Kanoria, Shri S. K. Pathak, Shri Shailesh Haribhakti, Shri Udayan Bose and Smt. Vinita Singhania, & Rs. 5.81 Lac to Shri Shailendra Swarup.

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

Number of Equity shares of Rs.10/- each of the Company held by the Non-Executive Directors: Smt.Vinita Singhania (50,000 Equity Shares).

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

The Committee presently consists of four Directors, namely Shri R.V.Kanoria (Chairman), Shri Arun Bharat Ram, Shri Harsh Pati Singhania, Managing Director and Shri O.P.Goyal, Whole-time Director. Shri R.V.Kanoria joined as Chairman and Shri Shailendra Swarup ceased to be a member of Committee, w.e.f. 28.01.2011. The Composition of the Committee is in conformity with Clause 49 IV (G) (iii) of the Listing Agreement. Four meetings of the said Committee were held during the year 2010-11 as detailed hereunder:

Dates of meetings	No. of members attended
17 th May 2010	4
20 th July 2010	3
29 th October 2010	2
28 th January 2011	3

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

Thirteen investor complaints were received during the financial year ended 31st March 2011, which were promptly resolved to the satisfaction of the investor concerned. The Board has delegated the power of share transfer to a committee of Directors and the share transfer formalities are attended to as required. All valid requests for transfer of shares in physical form were processed in time and there were no pending transfers of shares. During the year ended 31st March 2011, 16 meetings of the said committee were held.

6. GENERAL BODY MEETINGS:

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

Year	Location	Date	Time
2007-08	P.O. Central Pulp Mills – 394 660 Fort Songadh, Distt.Tapi,Gujarat	29-08-2008	12.30 P.M.
2008-09	Same as above	03-08-2009	2.30 P.M.
2009-10	Same as above	02-08-2010	1.30 P.M.

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

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

(a) At the last Annual General Meeting of the Company held on 2nd August 2010, no Special Resolution was required to be passed.

(b) At the Annual General Meeting of the Company held on 3rd August 2009, a Special Resolution was passed unanimously, to re-appoint and determine the terms of remuneration of the Whole-time Director.

(c) At the Annual General Meeting of the Company held on 29th August 2008, Special Resolutions were passed unanimously, for revision in salary range of Chairman, Managing-Director and Whole-time Director of the Company for the remaining period of their respective tenures.

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

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

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

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

8. MEANS OF COMMUNICATION:

Quarterly and annual financial results are normally published in the English Newspapers like Economic Times, Business Standard and the Gujarati Newspaper Sandesh, etc. and are promptly furnished to the Stock Exchanges for display on their respective websites. The results are also displayed on the web-site of the company "www.jkpaper.com". Management Discussion & Analysis forms part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION:

(i) Annual General Meeting (AGM) :-

- (a) Date and Time : Monday, 8th August 2011 at 12.30 P.M.
Venue : P.O. Central Pulp Mills- 394660, Fort Songadh, Distt. Tapi, Gujarat.

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

- (ii) **Book Closure** : 11th June 2011 to 13th June 2011 (both days inclusive)

- (iii) **Dividend Payment Date** : None (During 2011)

- (iv) **Financial Calendar** : Year Ending March 31

Annual General Meeting for the year ending March 31, 2012 : Between June and September 2012

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

The Equity Shares of the Company are listed on National Stock Exchange of India Limited (Stock Code - JK Paper) and Bombay Stock Exchange Limited (Stock Code - 532162). Listing Fee for the year 2011-12 has been paid to the said Stock Exchanges.

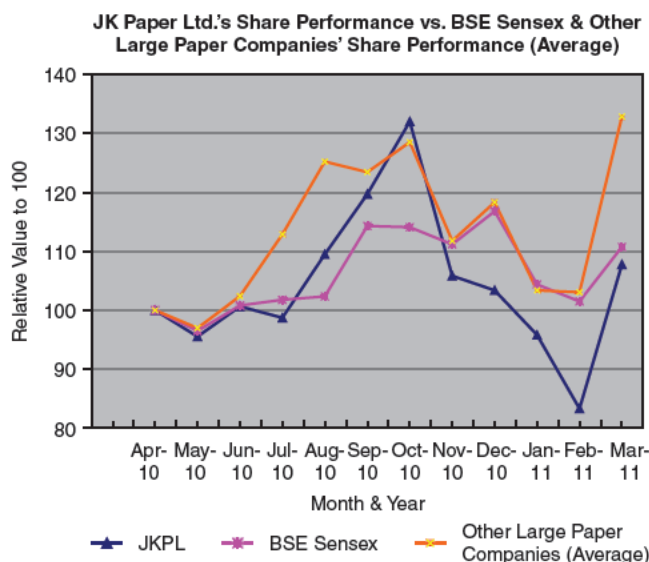
(vi) Stock Market Price Data :

Month	Stock Market Price on Bombay Stock Exchange Limited (BSE)		Stock Market Price on National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2010				
April	58.35	51.45	58.40	51.55
May	57.40	50.25	57.40	50.25
June	56.50	51.25	56.35	51.00
July	59.75	53.95	60.80	53.70
August	64.00	54.70	63.25	54.50
September	71.30	60.20	71.30	60.25
October	75.20	65.45	75.25	63.60
November	74.10	53.50	74.40	53.30
December	60.00	53.00	60.00	51.15
2011				
January	60.00	49.00	60.00	48.65
February	53.10	45.00	55.70	44.90
March	65.30	44.10	65.35	45.00

(Source: www.bseindia.com)

(Source : www.nseindia.com)

(vii) JK Paper Ltd.'s Share Performance vs. BSE Sensex & Other Large Paper Companies' Share Performance (Average) [April 2010 to March 2011]:





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

The Equity Shares of the Company are presently tradeable in compulsory demat segment. The ISIN No. for Equity Shares of the Company for both the depositories is INE789E01012. As on 31st March 2011, 99.96% of the Company's Equity Share Capital was in dematerialised form.

In respect of Shares held in electronic form, all the requests for nomination, change of address and rematerialisation etc. are to be made only to the Depository Participant with whom

the Shareholders have opened their Demat Account. The Company will not be in a position to process such requests.

(ix) **Share transfer system :**

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

(x) (a) **Distribution of Equity Shareholding (both in physical and electronic form) as on 31st March 2011:**

Number of Equity Shares held	Shareholders		Shares Held	
	Number	%	Number	%
1 to 500	14,126	79.29	22,11,323	2.83
501 to 1,000	1642	9.22	14,30,592	1.83
1,001 to 5,000	1501	8.42	34,72,735	4.44
5,001 to 10,000	248	1.39	18,72,002	2.40
Over 10,000	299	1.68	6,91,63,287	88.50
Total	17,816	100.00	7,81,49,939	100.00

(b) **Pattern of Equity Shareholding (both in physical and electronic form) as on 31st March 2011:**

Category	No. of Equity Shares held	Percentage of Shareholding
Domestic Companies	3,40,02,420	43.51
Resident Individuals & Trust	2,63,93,962	33.77
FIs, Mutual Funds & Banks	38,16,505	4.88
Foreign Investors/ FIIs / NRIs	1,39,37,052	17.84
Total	7,81,49,939	100.00

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

FCCBs : 1.25% Foreign Currency Convertible Bonds (FCCBs), aggregating to US \$ 5 Million, issued by the Company on 30th March 2006, which were redeemable on the expiry of five years, have been redeemed by the Company on 29th March 2011.

(xii) **Plant locations :**

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

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

1. Registrar and Share Transfer Agent (RTA)
M/s MCS Limited,
F-65, 1st Floor,
Okhla Industrial Area,
Phase – I, New Delhi-110 020
Ph. (011) 41406149-52
Fax No.(011)-41709881
E-mail: admin@mcsdel.com
2. Company Secretary
JK Paper Limited
Gulab Bhawan (Rear Block - 3rd Floor)
6A, Bahadur Shah Zafar Marg
New Delhi-110 002
Ph. 011-30179100
(ext : 560,564,776)
Fax No. 91-11-23739475

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

In compliance of Clause 47(f) of the Listing Agreement, “sharesjkpaper@jkm.com” is the

e-mail ID exclusively for the purpose of registering complaints by investors.

10. DECLARATION:

It is hereby declared that all the members of the Board and Senior Management personnel have affirmed compliance with the “Code of Conduct for Members of the Board and Senior Management of JK Paper Limited” during the Financial Year ended 31st March 2011.

Harsh Pati Singhania
Managing Director

11. CODE FOR PREVENTION OF INSIDER TRADING:

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



AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of JK Paper Limited

We have examined the compliance of conditions of Corporate Governance by JK Paper Limited for the year ended on 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For LODHA & CO.
Chartered Accountants

N.K.Lodha
Partner

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

Place: New Delhi
Date: 29th April, 2011

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

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

AUDITORS' REPORT

To the Members of JK PAPER LIMITED

We have audited the attached Balance Sheet of JK PAPER LIMITED, as at 31st March, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (The Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Accounting Policy and Notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Firm Registration No.:- 301051E
Membership No.:- 85155

Place: New Delhi
Date: 29th April, 2011



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (I) of our Report of even date of JK PAPER LIMITED for the year ended 31st March 2011)

- 1) (a) The Company has maintained proper records in respect of its fixed assets showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the Management according to the programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. The discrepancies, if any, noticed on such physical verification have been properly dealt with in the books of accounts.
 - (c) As per the records and information and explanations given to us, no substantial part of fixed assets has been disposed off during the year read with note no. B5 of Schedule 20.
- 2) (a) We have been explained by the management that the inventory has been physically verified at reasonable intervals during the year and confirmations are obtained where inventory are lying with third parties.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. As far as we can ascertain and according to information and explanations given to us by the management, the discrepancies whenever material noticed on such physical verification of inventory as compared to book records were properly dealt within the books of accounts.
- 3) (a) As informed to us, the Company has given unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect of said Company is Rs 2,776.86 Lac and the year end balance of such loan is Rs 2,655.31 Lac.
 - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms & conditions on which aforesaid loan has been given are not, prima facie, prejudicial to the interest of the Company.
 - (c) In respect of aforesaid loan, the repayment of principal as well as interest is regular.
 - (d) In respect of the loan given by the Company, no amount, principal as well as interest, is overdue and therefore provision of clause 4(iii) (d) of the order is not applicable.
 - (e) As informed to us, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and (g) of the Order are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature where suitable alternative sources do not exist for obtaining comparable quotations, there is reasonable internal control system commensurate with the size of the Company (read with note no. B16 of schedule 20) and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5) (a) According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that the particulars of contracts or arrangements that needs to be entered into register maintained pursuant to Section 301 of the Act have been so entered; and

- (b) In our opinion and according to information and explanations given to us, the transactions, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lac rupees in respect of each party during the year have been made at prices which are reasonable (read with Para 4 above) having regard to prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under with regard to deposits accepted from the public. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
- 7) The Company has an internal audit system which is commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate and complete.
- 9) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Income Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the date they become payable as at 31st March 2011.

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

Nature of statute	Nature of dues	Period to which the amount relates	Amount Involved (Rs. in Lac)	Forum where dispute is pending
Sales Tax Act	Sales Tax	2002-03	0.73	Dy. Commissioner, Delhi Sales Tax Tribunal, Cuttack High Court, Allahabad Sales Tax Deptt. Delhi Addl. Commissioner- Cuttack Dy. Commissioner Delhi Joint. Commissioner Appeals-Vadodra
		1997-98/2002-07	12.11	
		2004/2005-06/2008	176.32	
		1983-84/1987-88	4.93	
		2005-2009	161.21	
		2009-10	10.40	
		2006-07	336.51	
Central Excise Act	Excise Duty	1979-80/1981-82	89.20	Dy. Commissioner Central Excise Rayagada Supreme Court High Court Orrisa Cuttack Commissioner (Appeals)- Surat Addl. Commissioner- Surat CESTAT, Kolkata Commissioner (Appeals)- Surat Commissioner of Customs, Chennai
		1982-83	40.75	
		1987-94	130.63	
		2005-07	3.01	
		2004-07	6.20	
		2008-09	555.00	
		2005-09	129.85	
		2009-10	6.95	
Income Tax Act	Income Tax	2005-06	78.44	Commissioner (Appeals), Surat Commissioner (Appeals), Surat
		2007-08	23.48	
Provident Fund Act	Provident Fund	2006-07	28.24	High Court Orrisa Cuttack PF Commissioner, Surat
		1971-72/1977-78	11.60	
Water (PCP) Cess Act	Cess	2000-05/2010-11	49.21	Cess Appellate Committee, OSPCB, Bhubaneshwar

- 10) The Company does not have accumulated losses and has not incurred cash losses during the current year and in the immediately preceding financial year.
- 11) In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of any dues to banks, financial institutions and debenture/bond holders.



- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund or a nidhi /mutual benefit fund /society, therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- 14) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) (a) According to the information and explanations given to us, the Company has given an undertaking to Infrastructure Development Finance Company Limited against loan given to JK Enviro-tech Limited amounting to Rs. 4,000 Lac as stated in note no. B3 (b) of schedule 20. In our opinion, the terms and conditions on which the Company has given the undertaking is not, prima facie, prejudicial to the interest of the Company.
- (b) As explained to us, the Company has not given any guarantee for loans taken by others from banks and financial institution.
- 16) In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which they were obtained.
- 17) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have not been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 19) According to the information and explanations given to us and the records examined by us, no security or charge is required to be created in respect of the debentures/bonds issued/ outstanding as at year end.
- 20) The Company has not raised any money through a public issue during the year.
- 21) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Firm Registration No.:- 301051E
Membership No.: - 85155
Place: New Delhi
Date: 29th April, 2011

BALANCE SHEET

AS AT 31ST MARCH, 2011

Rs. in Crore (10 Million)

	Schedule	31 st March, 2011	31 st March, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	78.24	78.35
Reserves and Surplus	2	<u>510.66</u>	<u>397.39</u>
		588.90	475.74
LOANS			
Secured Loans	3	412.40	392.15
Unsecured Loans	4	<u>125.96</u>	<u>156.06</u>
		538.36	548.21
Deferred Tax Liability (Net)		<u>128.40</u>	<u>134.56</u>
	TOTAL	1,255.66	1,158.51
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,455.41	1,428.79
Less: Depreciation		<u>610.95</u>	<u>549.21</u>
Net Block		844.46	879.58
Capital work-in-progress		<u>93.89</u>	<u>20.80</u>
		938.35	900.38
INVESTMENTS	6	82.77	41.94
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	127.53	126.89
Sundry Debtors	8	107.87	104.49
Cash and Bank Balances	9	30.89	7.87
Loans and Advances	10	<u>171.78</u>	<u>160.98</u>
		438.07	400.23
LESS: CURRENT LIABILITIES AND PROVISIONS	11	<u>204.47</u>	<u>184.31</u>
NET CURRENT ASSETS		233.60	215.92
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		<u>0.94</u>	<u>0.27</u>
	TOTAL	1,255.66	1,158.51
NOTES ON ACCOUNTS	20		

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Chairman
Managing Director
Whole Time Director

Directors



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Rs. in Crore (10 Million)

	Schedule	2010-11	2009-10
INCOME			
Sales		1,432.97	1,299.57
Less: Discounts		152.59	149.68
		1,280.38	1,149.89
Less: Excise Duty		49.66	44.36
Net Sales		1,230.72	1,105.53
Other Income	12	5.11	2.77
		1,235.83	1,108.30
Increase/(Decrease) in Stocks	13	(10.47)	(8.95)
		1,225.36	1,099.35
EXPENDITURE			
Employees	14	130.01	119.70
Materials and Manufacturing	15	787.53	689.92
Other Expenses	16	42.05	44.27
		959.59	853.89
PROFIT BEFORE INTEREST AND DEPRECIATION		265.77	245.46
Interest & Financial Charges	17	45.70	48.49
PROFIT BEFORE DEPRECIATION & TAX		220.07	196.97
Depreciation	18	71.62	70.04
PROFIT BEFORE TAX		148.45	126.93
Provision for Current Tax		43.66	23.57
MAT Credit Entitlement		—	(12.29)
PROFIT BEFORE DEFERRED TAX		104.79	115.65
Provision for Deferred Tax		(1.63)	24.62
PROFIT AFTER TAX		106.42	91.03
Surplus brought forward		174.51	111.95
		280.93	202.98
Appropriations:			
Debenture Redemption Reserve		22.94	—
Debenture Redemption Reserve written back		(22.94)	—
Capital Redemption Reserve		0.11	0.21
General Reserve		11.00	10.00
Dividend	19	17.60	15.66
Corporate Dividend Tax		2.92	2.60
Surplus carried to Balance Sheet		249.30	174.51
		280.93	202.98
Earnings per Share (Rs.)			
— Basic		13.62	11.64
— Diluted		13.62	11.33

NOTES ON ACCOUNTS

20

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

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

For LODHA & CO.
Chartered Accountants

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

Chairman
Managing Director
Whole Time Director

N.K. LODHA
Partner

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Directors

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

Rs. in Lac (0.1 Million)

31st March, 201131st March, 2010**Schedule 1****CAPITAL****Authorised:**

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

Issued, Subscribed and Paid-up:

Equity Shares - 7,81,49,939 (Previous year 7,81,49,939) of Rs. 10 each fully paid up	7,814.99	7,814.99
10% Cumulative Redeemable Preference Shares - 9,000 (Previous Year 20,000) of Rs.100 each fully paid-up (a)	9.00	20.00
	<u>7,823.99</u>	<u>7,834.99</u>

Notes:

- (a) These shares were allotted as fully paid-up pursuant to the Scheme sanctioned by the Hon'ble High Courts of Orissa & Gujarat. Company has redeemed 10% Cumulative Redeemable Preference Shares (Series E) of Rs.11 Lac with premium of Rs. 546 Lac on 30th day of June, 2010. Series F and G of Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.

Schedule 2**RESERVES AND SURPLUS**

Rs. in Lac (0.1 Million)

Description	1 st April, 2010	Additions	Transfers/ Adjustments	31 st March, 2011
Debenture Redemption Reserve	-	2,293.91	2,293.91	-
Capital Redemption Reserve	280.00	11.00	-	291.00
Revaluation Reserve	540.24	-	162.84 (a)	377.40
Securities Premium	18,714.36	-	546.00 (b)	18,168.36
General Reserve	2,754.48	1,552.71 (c)	-	4,307.19
Capital Reserve	-	2,992.35 (d)	-	2,992.35
Surplus in Profit and Loss Account	17,450.41	24,929.26	17,450.41 (e)	24,929.26
	<u>39,739.49</u>	<u>31,779.23</u>	<u>20,453.16</u>	<u>51,065.56</u>
Previous Year	33,030.11	18,471.41	11,762.03	39,739.49

- (a) i) Rs.141.95 Lac pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)
ii) Rs. 20.89 Lac to Profit and Loss Account towards Additional Depreciation arising out of revaluation of Fixed Assets (Previous year Rs. 22.57 Lac)
- (b) Premium on Redemption of Preference Shares adjusted (Previous year Rs. 545 Lac)
- (c) i) Rs. 452.71 Lac towards adjustment against the Deferred Tax Liability (Note no. B.5, Schedule 20)
ii) Rs. 1,100.00 Lac to Profit & Loss Account.
- (d) Pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)
- (e) To Profit & Loss Account



Rs. in Lac (0.1 Million)

31st March, 201131st March, 2010**Schedule 3****SECURED LOANS**

Term Loans from Financial Institutions	7,861.55	7,812.58
Term Loans from Banks	29,390.19	28,496.38
Working Capital Loans from Banks	3,988.34	2,905.84
	<u>41,240.08</u>	<u>39,214.80</u>

NOTES:

- (a) Term Loans of Rs 31,953.64 Lac (FIs – Rs 7,861.55 Lac, Banks Rs 24,092.09 Lac) are secured by means of first pari passu mortgage/charge created/to be created on the fixed assets of the Company save and except specific assets exclusively charged in favour of specified lenders as mentioned in Note (c). Out of the above Term Loan, Rs. 13,031.90 Lac (FIs - Rs. 7,411.90 Lac, Banks Rs. 5,620.00 Lac) are further secured / to be secured by second charge on the current assets of the Company.
- (b) Term Loans of Rs 5,000.00 Lac (FIs – Rs Nil, Banks Rs 5,000.00 Lac) are secured by means of first pari passu mortgage/charge to be created on the fixed assets both present and future of Unit JKPM of the Company save and except specific assets exclusively charged in favour of specified lenders as mentioned in Note (c).
- (c) Term Loan of Rs 298.10 Lac from banks are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- (d) Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the movable and immovable assets of the Company.
- (e) Certain charges have been created against which loan disbursement yet to be availed.
- (f) Certain charges in the process of satisfaction.
- (g) Instalments of Term Loans repayable within one year - Rs. 10,100.92 Lac.
- (h) Term loans from Financial Institutions and Banks include Rs. 11,504.52 Lac foreign currency loans.

Schedule 4**UNSECURED LOANS**

Fixed Deposits	2,883.62	2,851.14
1.25% Foreign Currency Convertible Bonds (FCCB's) (a)	–	2,257.00
Foreign Currency Term Loan from Bank	318.39	429.18
Short-Term Loans from Banks (b)	7,500.00	9,000.00
Buyers Credit facilities from Bank	1,893.68	1,068.93
	<u>12,595.69</u>	<u>15,606.25</u>

NOTES:

- (a) The Company has redeemed 50 numbers of 1.25% unsecured Foreign Currency Convertible Bonds on 29th March 2011 for an aggregate consideration of Rs 2,992.20 Lac USD 65,22,050 (Including premium on redemption of Rs 698.29 Lac (net of tax), USD 15,22,050) as per the terms of Offering Circular dated 30th March 2006.
- (b) Includes Commercial Paper of Nil (Previous year Rs. 2,500 Lac), maximum outstanding balance during the year was Rs. 2,500 Lac (Previous year Rs. 2,500 Lac)

Schedule 5 FIXED ASSETS

Rs. in Lac (0.1 Million)

Description	GROSS BLOCK (b)				DEPRECIATION				NET BLOCK		
	As at 1 st April, 2010	Additions/ Adjustments (d)	Sales/ Adjustments	Impact of Scheme (e)	As at 31 st March, 2011	Upto 31 st March, 2010	For the Year	On Sales/ Adjustments	Impact of Scheme (e)	As at 31 st March, 2011	As at 31 st March, 2010
Land - Freehold (a) - Leasehold	326.30 20.60	- -	- -	2.50 3.88	323.80 16.72	- 2.60	- 0.24	- -	- 0.51	323.80 14.39	326.30 18.00
Buildings	14,233.65	715.99	57.48	2,717.37	12,174.79	3,573.87	369.14	15.41	465.92	8,713.11	10,659.78
Plant & Machinery	123,806.51	5,129.84	569.16	-	128,367.19	48,996.57	6,387.21	314.76	-	73,298.17	74,809.94
Furniture, Fixtures & Equipments	1,598.16	189.84	51.29	221.38	1,515.33	790.90	140.58	31.04	124.40	739.29	807.26
Vehicles & Locomotives	1,191.79	408.77	160.37	-	1,440.19	366.87	112.42	58.13	-	1,019.03	824.92
Railway Sidings	464.41	-	-	-	464.41	202.32	21.92	-	-	240.17	262.09
Intangible Assets (c) - Performance Improvement & Development - Software	486.89 750.99	- -	- -	- -	486.89 750.99	486.89 501.45	- 151.87	- -	- -	- 97.67	- 249.54
Total	142,879.30	6,444.44	838.30	2,945.13	145,540.31	54,921.47	7,183.38	419.34	590.83	84,445.63	87,957.83
Previous year	141,345.08	2,554.80	1,020.58	-	142,879.30	48,473.70	7,026.51	578.74	-	87,957.83	

Notes:

- Includes cost of 4.67 acres land given on lease to Employees State Insurance Corporation for construction of Hospital for Employees and cost of 34.72 acres land for which title is yet to be transferred in name of the Company.
- Gross Block includes amount of revaluation (Note no. B.7, Schedule 20)
- Intangible Assets are being depreciated @ 20% p.a.
- During the year Rs. 150.02 Lac has been added (Previous year Rs. 652.66 Lac was deducted) to the cost of depreciable asset due to Foreign Exchange Fluctuation (Net).
- Transfer pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)



Rs. In Lac (0.1 Million)

Schedule 6

INVESTMENTS

(Non-trade)

Long-term Investments (Quoted)

(Equity Shares fully paid up)

	31 st March, 2011		31 st March, 2010	
	Nos.	Book Value	Nos.	Book Value
JK Lakshmi Cement Ltd.	216,000	51.56	216,000	51.56
Udaipur Cement Works Ltd. (formerly JK Udaipur Udyog Ltd.)	5,000,000	500.00	5,000,000	500.00
Bengal & Assam Company Ltd.	4,677	5.73	4,677	5.73

Long-term Investments (Unquoted)

JK Enviro-tech Ltd. (Associate) #	1,700,000	170.00	1,700,000	170.00
JK Paper Mills Employees' Co-Operative Stores Ltd.	250	0.02	250	0.02
Songadh Infra. & Housing Ltd (Wholly Owned Subsidiary)	4,950,600	495.06	50,600	5.06
Jaykaypur Infra & Housing Ltd (Wholly Owned Subsidiary)	4,950,600	495.06	50,600	5.06
Government Securities (Deposited with Government Departments)	-	0.03	-	0.03

Current Investments (Unquoted) (Units)

SBI-SHF-Ultra Short Term Fund - Institutional Plan - Daily Dividend (Purchased 14,00,00,244 units and sold 16,20,72,419 units)	-	-	22,072,175	2,208.54
SBI-Premier Liquid Fund - Institutional - Daily Dividend (Purchased 19,98,423 units and sold 39,95,687 units)	-	-	1,997,264	200.38
SBI-Premier Liquid Fund - Super Institutional - Daily Dividend (Purchased 31,44,14,534 units and sold 25,94,74,431 units)	69,896,708	7,012.39	14,956,605	1,500.52

8,729.85 **4,646.90**

Less : Provision for diminution in value of Investments

(452.50) **(452.50)**

8,277.35 **4,194.40**

Aggregate book value of quoted investments

104.79 **104.79**

Aggregate book value of unquoted investments

8,172.56 **4,089.61**

Aggregate market value of quoted investments

169.11 **211.93**

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

Investments Purchased and Sold during the current year.

- (i) Jaykaypur Infrastructure & Housing Limited - 0% Redeemable Debenture - 3,34,97,896 and Songadh Infrastructure & Housing Limited - 0% Redeemable Debenture - 86,73,142,
- (ii) Reliance Liquidity Fund - Daily Dividend Reinvestment Plan - 7,86,72,068 units,
- (iii) Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan - 3,41,045 units,
- (iv) Reliance Monthly Interval Plan - Series I - Institutional Dividend Plan - 3,24,75,204 units,
- (v) Reliance Monthly Interval Plan - Series II - Institutional Dividend Plan - 3,02,38,676 units,
- (vi) Reliance Liquid Fund - Cash Plan - Daily Dividend Option - 3,64,86,202 units,
- (vii) SBI-SHDF-Short Term - Institutional Plan - Weekly Dividend - 5,91,86,693 units,
- (viii) LIC MF Liquid Fund - Daily Dividend - 9,10,829 units,
- (ix) LIC MF Savings Plus Fund - Daily Dividend Plan - 10,02,132 units,
- (x) LFDD - IDBI - Liquid Fund - Daily Dividend - Reinvestment - 2,70,17,754 units,
- (xi) DSP Black Rock Money Manager Fund - Institutional Plan - Daily Dividend - 2,62,591 units,
- (xii) DSP Black Rock Liquidity Fund - Institutional Plan - Daily Dividend - 3,00,937 units.

	31 st March, 2011	Rs. in Lac (0.1 Million) 31 st March, 2010
Schedule 7		
INVENTORIES		
(As certified by the Management)		
Raw Materials	4,803.42	5,334.87
Stores, Spares and Chemicals	5,506.53	3,865.13
Finished Goods	1,551.99	2,653.60
Stock-in-process	890.67	835.72
	<u>12,752.61</u>	<u>12,689.32</u>
Schedule 8		
SUNDRY DEBTORS		
(Unsecured and considered good, net of provision)		
Exceeding six months	2,071.99	1,601.38
Other Debts	8,715.29	8,847.67
	<u>10,787.28</u>	<u>10,449.05</u>
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	28.82	23.06
Cheques/Drafts on hand	13.75	15.00
Balances with Scheduled Banks :		
- On Current Accounts	717.64	43.54
- On Unclaimed Dividend Accounts	26.36	17.31
- On Deposit Accounts (Lodged with Government Authorities and Others Rs. 40.65 Lac, Previous year Rs. 39.47 Lac)	2,301.98	687.11
- On Savings Bank Accounts (Employees Security Deposit)	0.63	0.63
	<u>3,089.18</u>	<u>786.65</u>
Schedule 10		
LOANS AND ADVANCES		
(Unsecured and considered good, net of provision)		
Advances recoverable in cash or in kind or for value to be received	13,556.25	11,177.66
Income Tax (net)	242.26	223.12
MAT Credit Entitlement	2,067.87	3,483.90
Deposits with Government Authorities and Others	1,311.24	1,213.27
	<u>17,177.62</u>	<u>16,097.95</u>
Schedule 11		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities:		
Sundry Creditors (Note no. B. 16(a), Schedule 20)	14,158.34	11,571.13
Unclaimed Dividends @	26.36	17.31
Unclaimed Matured Deposits @	63.35	47.85
Interest accrued on Unclaimed Matured Deposits @	7.40	4.62
Other Liabilities	4,863.01	3,530.05
Interest accrued but not due on Loans	658.47	683.25
	<u>19,776.93</u>	<u>15,854.21</u>
Provisions:		
Proposed Dividend	-	1,565.00
Tax on Proposed Dividend	-	259.93
Provision for Employee Benefits	670.10	751.58
	<u>20,447.03</u>	<u>18,430.72</u>

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



	Rs. in Lac (0.1 Million)	
	2010-11	2009-10
Schedule 12		
OTHER INCOME		
Profit on sale of Fixed Assets (Net)	36.99	—
Provisions of earlier years no longer required (Net)	48.19	48.32
Profit on sale of Current Investments	2.01	3.26
Miscellaneous Income (Note no. B.11(a), Schedule 20)	424.04	225.30
	<u>511.23</u>	<u>276.88</u>
Schedule 13		
INCREASE / (DECREASE) IN STOCKS		
Opening Stocks		
Stock-in-process	835.72	1,113.17
Finished Goods	2,653.60	3,271.50
	<u>3,489.32</u>	<u>4,384.67</u>
Closing Stocks		
Stock-in-process	890.67	835.72
Finished Goods	1,551.98	2,653.60
	<u>2,442.65</u>	<u>3,489.32</u>
Increase / (Decrease)	<u>(1,046.67)</u>	<u>(895.35)</u>
Schedule 14		
EMPLOYEES		
Salaries, Wages, Bonus and Gratuity etc.	10,791.66	10,100.41
Contribution to Provident and Other Funds	657.67	623.08
Employees' Welfare and other benefits	1,551.37	1,246.32
	<u>13,000.70</u>	<u>11,969.81</u>
Schedule 15		
MATERIALS AND MANUFACTURING		
Raw Materials Consumed	33,427.13	28,678.95
Excise Duty on variation of Stock	(8.86)	(62.13)
Consumption of Stores, Spares and Chemicals	27,299.20	23,147.67
Purchase of Finished Goods	3,334.93	4,398.09
Power, Fuel and Water	13,608.04	11,849.12
Repairs to Buildings	593.27	441.73
Repairs to Machinery	499.04	538.63
	<u>78,752.75</u>	<u>68,992.06</u>

	Rs. in Lac (0.1 Million)	
	2010-11	2009-10
Schedule 16		
OTHER EXPENSES		
Rent (Net)	214.16	163.10
Rates & Taxes	115.22	349.10
Insurance	127.84	119.76
Commission on Sales	164.63	67.43
Directors' Fee	4.90	5.10
Directors' Commission	61.81	52.56
Assets written off	179.89	312.82
Loss on Sale of Fixed Assets (Net)	-	16.14
Deferred Revenue Expenditure Written off	8.61	119.99
Bad Debts	100.30	33.15
Provision for Doubtful Debts	45.36	594.15
Bank charges, Transport, Clearing and Forwarding Charges, Travelling and Other Misc. Expenses	3,182.11	2,593.05
	<u>4,204.83</u>	<u>4,426.35</u>
Schedule 17		
INTEREST & FINANCIAL CHARGES		
Interest on :		
- Term Loans, Debentures and Fixed Deposits	3,600.11	4,169.02
- Others	631.45	1,094.18
Redemption Premium on FCCBs	777.16	-
Foreign Exchange Fluctuation	(182.79)	264.17
Premium on Forward Exchange Contracts	475.42	119.25
	<u>5,301.35</u>	<u>5,646.62</u>
Less: Interest Income		
(Include Tax Deducted at Source - Rs. 57.96 Lac Previous year Rs. 75.24 Lac)	746.50	830.72
	<u>4,554.85</u>	<u>4,815.90</u>
Add: Lease Rent on Machinery	15.22	33.35
	<u>4,570.07</u>	<u>4,849.25</u>
Schedule 18		
DEPRECIATION		
Depreciation on Fixed Assets	7,183.38	7,026.50
Less: Transfer from Revaluation Reserve	20.89	22.57
	<u>7,162.49</u>	<u>7,003.93</u>
Schedule 19		
DIVIDEND		
On Preference Shares - Interim	1.18	0.53
- Final	-	2.00
On Equity Shares - Interim	1,758.39	-
- Final	-	1,563.00
	<u>1,759.57</u>	<u>1,565.53</u>



Schedule 20

NOTES ON ACCOUNTS

A. Significant Accounting Policies

1. Accounts are maintained on accrual basis. Claims/Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
2. Fixed Assets are stated at cost adjusted by revaluation of certain assets.
3. Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/ erection.
4. a) Foreign currency transactions are recorded at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the Balance Sheet date are translated at exchange rate prevailing at the year end. Premium or discount in respect of forward contracts covered under AS 11 (Revised 2003) is recognized over the life of contract. Exchange differences arising on actual payments / realizations and year end translations including on forward contracts are dealt with in Profit and Loss Account except foreign exchange loss/gain on reporting of long-term foreign currency monetary items used for depreciable assets, which are capitalized. Non Monetary Foreign Currency items are stated at cost.
b) In accordance with Announcement issued by the Institute of Chartered Accountants of India all outstanding derivatives except covered under AS 11 (Revised 2003) are mark to market on Balance Sheet date and loss, if any, is recognized in Profit & Loss Account and gain being ignored.
5. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management. The current investments are stated at lower of cost and quoted / fair value computed category-wise. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as a part of the cost of acquisition of the convertible portion of the debenture. Income in respect of securities with long-term maturities is accounted for as per contractual obligation.
6. Inventories are valued at the lower of cost and net realisable value (except scrap/ waste which are valued at net realisable value). The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
7. Export incentives, Duty drawbacks and other benefits are recognized in the Profit and Loss Account. Project subsidy is credited to Capital Reserve.
8. Revenue expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred and capital expenditure is added to Fixed Assets.
9. Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.
10. (a) Depreciation on Buildings, Plant & Machinery, Railway Siding and Other Assets of all Units is provided as per straight line method considering the rates in force at the time of respective additions of the assets made before 02.04.1987 and on additions thereafter at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Continuous Process Plants as defined in Schedule XIV have been considered on technical evaluation. Depreciation on additions due to exchange rate fluctuation is provided on the basis of residual life of the assets. Depreciation on assets costing up to Rs.5,000/- and on Temporary Sheds is provided in full during the year of additions.

Schedule 20 (Contd....)

- (b) Depreciation on the increased amount of assets due to revaluation is computed on the basis of the residual life of the assets as estimated by the valuers on straight-line method.
 - (c) Leasehold Land is being amortised over the lease period.
11. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable amount. An impairment loss is charged to the profit and loss account when an asset is identified as impaired. Reversal of impairment loss recognised in prior periods is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.
12. Employee Benefits:
- (a) **Defined Contribution Plan**
Employee benefit in the form of Superannuation Fund is considered as defined contribution plan and charged to the Profit and Loss Account in the year when the contribution to the respective fund is due.
 - (b) **Defined Benefit Plan**
Retirement benefits in the form of Gratuity is considered as defined benefit obligation and provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.
The Provident Fund Contribution is made to trust administered by the trustees. The interest rate to the members of the trust shall not be lower than the statutory rate declared by the Central Government under Employees' Provident Fund and Miscellaneous Provision Act, 1952. Any shortfall, if any, shall be made good by the Company.
 - (c) **Other long-term benefits**
Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.
Actuarial gain/losses, if any, are immediately recognized in the Profit and Loss Account.
13. Lease rentals in respect of assets taken on finance lease are accounted for in reference to lease terms.
14. Miscellaneous expenditure are amortised as under:
Expenditure incurred against which benefit is expected to flow into future periods, are treated as Deferred Revenue Expenditure and charged to Revenue Account over the expected duration of benefit. Share issue expenses will be charged to Profit & Loss account in the year of issue.
15. Intangible Assets are being recognised if the future economic benefits attributable to the asset are expected to flow to the company and the cost of the asset can be measured reliably. The same are being amortised over the expected duration of benefits.
16. Current tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax Act, 1961. Deferred tax assets and liabilities are recognised in respect of current year and prospective years. Deferred tax assets are recognised on the basis of reasonable certainty / virtual certainty as the case may be, that sufficient future taxable income will be available against which the same can be realised.
17. Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes.
18. Premium on redemption of preference shares is accounted for in the year of redemption.



Schedule 20 (Contd....)

B. Notes on Accounts

1. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 1,10,706.21 Lac (Previous year Rs. 1,139.98 Lac).

2. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

	Rs. in Lac (0.1 million)	
	31 st March, 2011	31 st March, 2010
a) Excise duty liability in respect of matters in appeal	961.59	271.91
b) Sales tax liability in respect of matters in appeal	387.69	182.27
c) Other Matters	1,175.02	1,199.15

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

3. a) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally determined.

b) The Company has entered into a Take or Pay agreement for the purpose of sourcing lime from JK Enviro-tech Ltd. The Company has given an undertaking that on the happening of certain events, it will takeover loan taken by JK Enviro-tech Ltd. from IDFC Ltd. of the value of Rs. 40 Crore.

4. In respect of levy of Octroi pertaining to Unit - CPM by Songadh Group Gram Panchayat, the Company has paid Rs.125.07 Lac till 31st March 1997 under protest and also created a liability for the similar amount. As the matter is still pending in the court of law, the necessary adjustment, if any, would be made after its disposal.

5. Pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Courts of Gujarat & Orissa under section 391 to 394 of the Companies Act, 1956 which has become effective on 20th January 2011, CPM Staff Housing Undertaking and JKPM Staff Housing Undertaking of the Company have been transferred and vested to Songadh Infrastructure & Housing Limited (SIHL) and Jaykaypur Infrastructure & Housing Limited (JIHL) respectively on a going concern basis w.e.f. 1st April 2009, as a result:

(i) The effect of the above on the accounts is shown below: Rs. in Lac (0.1 million)

Sl. No	Particulars	Amount
A	Assets as reduced by transfer and vesting of above two undertaking	2,204.75
B	Settled as follows:	
	SIHL	
	– 49,00,000 Fully paid up Equity Share of Rs. 10/- each	490.00
	– 86,73,142 Fully paid up 0% Redeemable Debenture of Rs.10/- each	867.31
	JIHL	
	– 49,00,000 Fully paid up Equity Share of Rs. 10/- each	490.00
	– 3,34,97,896 Fully paid up 0% Redeemable Debenture of Rs.10/- each	3,349.79
		5,197.10
C	Capital Reserve	2,992.35

(ii) The Company carried on the business of the above two Housing Undertaking w.e.f. 1st April 2009 till 20th Jan 2011 for and on behalf of SIHL and JIHL.

(iii) The Deferred Tax Liability of Rs. 452.71 Lacs has been adjusted against the General Reserve.

(iv) Based upon an agreement, the Company has reimbursed all the expenses incurred, during 1st April, 2009 to 20th January, 2011 by SIHL and JIHL.

Schedule 20 (Contd....)

6. The Company has only one business segment i.e. Paper and Boards and geographical reportable segment i.e. Operations within India, hence Segment Reporting as defined in Accounting Standard (AS – 17) is not required.
7. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Unit - CPM were revalued as on 30.09.1976. The revaluation in respect of these assets (other than Land and Roads) were updated and Plant & Machinery of Paper Machine I & II and Railway Sidings were revalued as on 31.3.1994 based on current replacement cost by the approved valuers appointed for the purpose. As a result, the book value of such assets has been increased by Rs. 4,227.24 Lac, which has been transferred to Revaluation Reserve during the year ended 31.3.1994.
8. Loans and Advances are net of provisions for doubtful advances of Rs. 49.40 Lac (Previous year Rs. 53.04 Lac) and includes loans of Rs. 2,348.45 Lac (previous year Rs. 2,848.45 Lac) to JK Paper Employees' Welfare Trust, a shareholder of the Company, {includes concessional loans of Rs. 1,948.45 Lac (Previous year Rs. 2,248.45 Lac)}, loans to JK Enviro-tech Limited (an Associate) Rs. 2,655.31 Lac (Previous year Rs. 2,739.27 Lac), Loan to subsidiaries Rs. 4,250.00 Lac (Previous year Nil) & to body corporate Rs. 50.00 Lac (Previous year Rs. 50.00 Lac) and loan to employees Rs. 79.86 Lac (Previous year Rs. 87.17 Lac) in the ordinary course of business and as per service rules of the Company.
Maximum amount outstanding from employees at any time during the year were Rs. 102.98 Lac (Previous year Rs. 98.57 Lac).
9. a) Sales include export incentives of Rs. 314.90 Lac (Previous year Rs. 205.80 Lac).
b) Discount includes Trade Discount Rs 5,198.92 Lac (Previous year Rs. 5,046.08 Lac) and other than Trade Discount Rs 10,060.76 Lac (Previous year Rs 9,922.03 Lac).
10. Employee Defined Benefits:
 - (a) Defined Benefit Plans / Long Term Compensated Absences – As per Actuarial Valuation on Balance Sheet date:

Rs. in Lac (0.1 million)

Sl No.	Nature of Transactions	2010-11		2009-10		2008-09	
		Gratuity (Funded)	Long Term Compensated Absences (Non Funded)	Gratuity (Funded)	Long Term Compensated Absences (Non Funded)	Gratuity (Funded)	Long Term Compensated Absences (Non Funded)
I	Expenses recognized in the Statement of Profit & Loss Account						
1	Current Service Cost	154.99	97.94	141.38	86.49	133.29	79.41
2	Interest Cost	236.13	40.29	187.84	36.56	183.38	43.40
3	Expected return on plan assets	(237.59)	–	(200.75)	–	(155.70)	–
4	Actuarial (gains)/losses	59.91	70.12	351.87	9.22	150.14	(119.46)
5	Past Service Cost	15.64	–	17.26	–	–	–
6	Total expense	229.08	208.35	497.60	132.27	311.11	3.35
II	Net Assets/(Liability) recognized in the Balance Sheet						
1	Present Value of Defined Benefit Obligation	3,149.49	557.77	2,981.15	480.98	2,409.17	421.89
2	Fair Value of plan assets	3,037.16	–	2,710.55	–	1,770.91	–
3	Funded status [Surplus/(Deficit)]	(112.33)	(557.77)	(270.60)	(480.98)	(638.26)	(421.89)
4	Net Assets/(Liability) recognized	(112.33)	(557.77)	(270.60)	(480.98)	(638.26)	(421.89)

Schedule 20 (Contd....)

Sl No.	Nature of Transactions	2010-11		2009-10		2008-09	
		Gratuity (Funded)	Long Term Compensated Absences (Non Funded)	Gratuity (Funded)	Long Term Compensated Absences (Non Funded)	Gratuity (Funded)	Long Term Compensated Absences (Non Funded)
III Change in obligation during the period							
1	Present Value of Defined Benefit Obligation at the beginning of the year	2,981.15	480.98	2,409.17	421.89	2,306.13	507.70
2	Current Service Cost	154.99	97.94	141.38	86.49	133.29	79.41
3	Interest Cost	236.13	40.29	187.84	36.56	183.38	43.40
4	Actuarial (gains)/losses	17.66	70.12	479.08	9.22	80.83	(119.46)
5	Past Service Cost	15.64	-	17.26	-	-	-
6	Benefits Paid	(256.08)	(131.56)	(253.58)	(73.18)	(294.46)	(89.16)
7	Present Value of Defined Benefit Obligation at the end of the year	3,149.49	557.77	2,981.15	480.98	2,409.17	421.89
IV Change in Assets during the period							
1	Fair Value of plan assets at the beginning of the year	2,710.55	-	1,770.91	-	1,487.88	-
2	Expected return on plan assets	237.59	-	200.75	-	155.70	-
3	Contribution by employer	387.35	-	865.26	-	491.10	-
4	Actual benefits paid	(256.08)	-	(253.58)	-	(294.46)	-
5	Actuarial gains/(losses)	(42.25)	-	127.21	-	(69.31)	-
6	Fair value of plan assets at the end of the year	3,037.16	-	2,710.55	-	1,770.91	-
7	Actual return on plan assets	195.34	-	327.96	-	86.39	-
V The major categories of plan assets as % of total plan							
1	Mutual Funds	78%	-	94%	-	100%	-
VI Actuarial Assumptions:							
1	Discount Rate	7.98%	7.98%	7.85%	7.85%	7.75%	7.75%
2	Expected rate of return on plan assets	8.00%	-	8.00%	-	8.00%	-
3	Mortality	LIC (1994-96) duly modified		LIC (1994-96) duly modified		LIC (1994-96) duly modified	
4	Turnover rate	Age upto 30-3%, upto 44-2%, above 44-1%		Age upto 30-3%, upto 44-2%, above 44-1%		Age upto 30-3%, upto 44-2%, above 44-1%	
5	Salary Escalation	5.50%		5.50%		5.50%	

(b) Defined Benefit Plans –

Gratuity Expense Rs. 229.08 Lac (Previous year Rs. 497.60 Lac) has been recognized in “Salaries, Wages, Bonus and Gratuity etc.” under Schedule 14.

Amount recognized as an expense and included in Schedule 14 & Note 23 below, item “Contribution to Provident and Other Funds” Rs. 487.27 Lac (Previous year Rs. 458.36 Lac).

Schedule 20 (Contd....)

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

- (c) Defined Contribution Plans –
Amount recognized as an expense and included in Schedule 14 item “Contribution to Provident and Other Funds” Rs. 204.58 Lac (Previous year Rs. 192.61 Lac) for Superannuation Fund.
- (d) Other long-term benefits –
Amount recognized as an expense and included in Schedule 14 item “Salaries, Wages, Bonus and Gratuity etc.” Rs. 208.35 Lac (Previous year Rs. 132.27 Lac) for long term compensated absences.
- (e) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risk of assets management, historical results on plan assets and the policy for plan assets management.
- (f) The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
11. (a) Miscellaneous Income includes dividend income of Rs. 227.18 Lac (Previous year Rs. 38.79 Lac).
(b) Interest Income includes Rs. 81.28 Lac (Previous year Rs. 77.16 Lac) on deposits with banks, Rs. 13.32 Lac (Previous year Rs. 86.12 Lacs) on Income Tax refund & Rs. 651.90 Lac (Previous year Rs. 667.44 Lac) on others.
12. Capital Work in progress includes machinery, building under construction, advance to suppliers & pre-operative expenses pending allocation/capitalization. Pre-operative expenses pending allocation/ capitalisation are as follows:

	Rs. in Lac (0.1 million)	
	31 st March, 2011	31 st March, 2010
Fees for Technical/ Professional Assistance	258.75	–
Salaries & Wages	156.38	–
Contribution to PF & Other Funds	8.01	–
Employee Welfare & Other benefits	4.23	–
Travelling Expenses	69.10	–
Miscellaneous & Other Expenses	20.40	–
Borrowing Cost :		
Interest on Term Loan	14.04	–
Others	356.10	–
Add: Expenditure upto previous year	–	–
Total	887.01	–
Less: Allocated to the Fixed Assets	–	–
Balance	887.01	–

13. Stocks of Stores & Spares and Raw Material include in-transit Rs. 75.48 Lac (Previous year Rs. 227.07 Lac).
14. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs. 1,052.22 Lac (Previous year Rs. 1,006.86 Lac).
15. Future minimum lease payments under non-cancelable operating leases as on 31st March, 2011 are Rs. 17.70 Lac - Rs. 5.57 Lac within one year and Rs. 12.13 Lac later than one year but not later than five years (Previous year Rs. 8.22 Lac - Rs. 8.22 Lac within one year and Nil later than one year but not later than five years).



Schedule 20 (Contd....)

16. (a) Based on information so far available in respect of MSME (as defined in 'The Micro Small & Medium Enterprises Developments Act, 2006') there is no delay in payment of dues to such enterprises during the year and there is no such dues payable at the end of the year.
- (b) The Balances of certain Advances, Security Deposits, Creditors and Other liabilities are in the process of confirmation/reconciliation.
17. Consumption of Stores, Spares and Chemicals is net of scrap sale of Rs. 438.13 Lac (Previous year Rs. 298.62 Lac).
18. (a) In accordance with Announcement issued by the Institute of Chartered Accountants of India all outstanding derivatives except covered under AS 11 (revised 2003) are mark to market on Balance Sheet date and there is gain of Rs. 47.25 Lac (reversal of previously recognised MTM Losses) (Previous year loss of Rs. 183.83 Lac) which has been recognized in Profit & Loss Account.
- (b) Forward contract outstanding for purpose of hedging as at Balance Sheet date:

Foreign Currency	31 st March, 2011		31 st March, 2010	
	FC in Million	Rs. in Lac	FC in Million	Rs. in Lac
(i) US Dollar*	11.56	5,161.75	13.99	6,314.60
(ii) Euro	-	-	0.22	133.23
(iii) Sterling Pound	(0.08)	(57.54)	-	-

*net of receivables US \$ 1.13 Million – Rs. 502.41 Lac (Previous year US \$ 1.13 Million – Rs. 511.78 Lac)

- (c) Nominal amounts of Currency and Interest Rate Swaps for hedging entered into by the Company and outstanding at end of the year is Rs. 11,504.52 Lac (Previous year Rs. 12,706.88 Lac)
- (d) Foreign currency exposure not hedged as at Balance Sheet date:

Foreign Currency	31 st March, 2011		31 st March, 2010	
	FC in Million	Rs. in Lac	FC in Million	Rs. in Lac
(i) US Dollar*	0.71	318.39	10.57	4,773.05
(ii) Euro*	0.059	37.54	0.11	68.67
(iii) Sterling Pound*	(0.0001)	(0.04)	(0.06)	(42.19)
(iv) Swiss Franc	-	-	0.03	12.78

*net of receivables US \$ Nil – Rs. Nil (Previous year US \$ 0.44 Million – Rs. 196.37 Lac), Euro 0.003 Million – Rs. 2.09 Lac (Previous year Euro 0.003 Million –Rs. 2.01 Lac) and Sterling Pound 0.001 Million – Rs. 0.37 Lac (Previous year Nil). And, net of payables Sterling Pound Nil – Rs. Nil (Previous year 0.002 Million – Rs. 1.33 Lac)

19. Research and Development expenditure amounting to Rs. 104.21 Lac (Previous year Rs. 88.24 Lac) has been charged to Profit and Loss Account.

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

	Rs in Lac (0.1 million)	
	31 st March, 2011	31 st March, 2010
a) Syndication Fee, Upfront Fee etc. amortised over tenure of loans	18.37	26.97
b) Right issue expenses	75.84	-

Schedule 20 (Contd....)**21. Amount Paid to Auditors (including service tax):**

	Rs. in Lac (0.1 million)	
	2010-11	2009-10
(i) Statutory Auditors:		
Audit Fee	9.93	9.93
Tax Audit Fee	1.65	1.65
Other Services	19.18	2.61
Reimbursement of expenses	0.52	0.39
	<u>31.28</u>	<u>14.58</u>
(ii) Cost Auditors:		
Cost Audit Fee	0.55	0.55
Reimbursement of expenses	0.10	0.08
	<u>0.65</u>	<u>0.63</u>

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

	Rs. in Lac (0.1 million)	
Profit before tax as per Profit & Loss Account		14,845.42
Add: Managerial Remuneration	1,389.40	
Directors' Fee	4.90	
Commission to Non Executive Directors	61.81	
Wealth Tax	5.98	
Assets written off	<u>179.89</u>	<u>1,641.98</u>
		<u>16,487.40</u>
Less: Profit on sale of Current Investments (Net)	2.01	
Profit on sale of assets (Net)	<u>36.99</u>	<u>39.00</u>
Net profit as per section 198 of the Companies Act, 1956		<u>16,448.40</u>

Commission payable, subject to overall ceiling of section 198 and 309 :

a) Chairman (Whole-time Director), Managing Director and Whole-time Director as per terms of appointment	690.94
b) Non Executive Directors, as approved by the Board of Directors	61.81

	Rs. in Lac (0.1 million)	
Managerial Remuneration #:	2010-11	2009-10
i) Salaries	484.99	400.22
ii) Commission	690.94	609.40
iii) Contribution to Provident and Other Funds	101.36	82.93
iv) Value of Perquisites (as per Income-Tax rules)	112.11	99.16
	<u>1,389.40</u>	<u>1,191.71</u>

excludes actuarial provision of gratuity & leave encashment.



Schedule 20 (Contd....)

23. Expenses included under other heads of account:

	Rs. in Lac (0.1 million)	
	2010-11	2009-10
Salaries, Wages, Bonus and Gratuity etc.	925.78	268.30
Contribution to Provident and Other Funds	34.18	27.89
Employees' Welfare and Other benefits	64.59	24.37
Consumption of Stores and Spares	26.01	30.55
Power, Fuel and Water	0.34	0.23
Rent	7.89	1.03
Insurance	7.03	2.20
Rates and Taxes	31.59	13.61
Royalty for Bamboo	248.58	386.21
Miscellaneous Expenses	505.53	388.08
	<u>1,851.52</u>	<u>1,142.47</u>

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

	Rs. in Lac (0.1 million)	
	31 st March 2011	31 st March 2010
i) Tax on difference between book value of depreciable assets as per books of account and written down value as per Income Tax Act.	(13,840.31)*	(14,378.62)
iii) Tax on Others	1,000.00	923.02
	<u>(12,840.31)</u>	<u>(13,455.60)</u>

*After the effect of deferred tax liabilities of Rs. 452.71 Lac pursuant to the Scheme of Arrangement (Refer Note 5).

- b) Based on the past performance and current plans, the Company expects to continue to generate taxable income which will enable it to utilise MAT credit entitlement.
- c) During the current year Company has recognized additional MAT credit entitlement of Rs. 31.32 Lac related to earlier year.

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

a) List of Related Parties

- i. Subsidiaries (Wholly Owned)
 - Songadh Infrastructure & Housing Ltd
 - Jaykaypur Infrastructure & Housing Ltd
- ii. Associate
 - JK Enviro-tech Limited
- iii. Key Management Personnel (KMP)
 - Shri Hari Shankar Singhania - Chairman
 - Shri Harsh Pati Singhania - Managing Director
 - Shri Om Prakash Goyal - Whole-time Director
- iv. Enterprise over which KMP's have significant influence
 - Habras International Limited

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

Rs. In Lac (0.1 million)

Sl No.	Nature of Transactions	Associate	
		2010-11	2009-10
(i)	Sale of Assets	–	198.27
(ii)	Reimbursement of Expenses – Received	260.73	42.08
(iii)	Purchase of Goods	3,471.46	2,026.22
(iv)	Reimbursement of Expenses – Paid	440.05	404.05
(v)	Interest received	267.64	218.15
(vi)	Sale of Goods	144.03	42.40
(vii)	Loans given	191.57	742.87
(viii)	Loan installment received	275.53	–
(ix)	Outstanding at end of the year – Receivable	2,614.59	3,050.92

Sl No.	Nature of Transactions	Enterprise over which KMP's have significant influence	
		2010-11	2009-10
(i)	Sale of Goods	153.32	–
(ii)	Commission on purchase	16.73	15.69
(iii)	Outstanding at end of the year:		
	– Receivable	37.84	–
	– Payable	–	15.69

Sl No.	Nature of Transactions	Subsidiaries #	
		2010-11	2009-10
(i)	Reimbursement of Expenses – Paid	413.86	–
(ii)	Reimbursement of Expenses – Received	0.62	–
(iii)	Equity Contribution	–	10.12
(iv)	Sale of Assets	126.77	–
(v)	Rent Paid	74.00	–
(vi)	Redemption of Debenture	4,217.10	–
(vii)	Interest on Loan	4.83	–
(viii)	Loans given	4,250.00	–
(ix)	Outstanding at end of the year – Receivable	4,261.23	–

Additional details of the Scheme of Arrangement given in Note 5 above

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



26. Earnings Per Share:

	Rs. In Lac (0.1 million)	
	31 st March 2011	31 st March 2010
a) Profit after tax	10,641.66	9,102.49
Less : Preference Dividend (including tax on Dividend)	1.37	2.95
Profit for Basic Earnings Per Share	<u>10,640.29</u>	<u>9,099.54</u>
Effect of Conversion Option:		
Add : Interest on Foreign Currency Convertible Bonds (Net of tax expense)	19.03	18.62
Premium on Foreign Currency Convertible Bonds (Net of tax expense)	519.01	-
Profit for Diluted Earnings Per Share	<u>11,178.33</u>	<u>9,118.16</u>
b) Weighted average no. of Ordinary Shares		
- Basic	7,81,49,939	7,81,49,939
- Effect of Conversion Option	22,55,443	23,52,105
- Diluted	8,04,05,382	8,05,02,044
c) Nominal Value of Ordinary Share (Rs.)	10.00	10.00
d) Earnings per Ordinary Share		
- Basic	13.62	11.64
- Diluted (as anti dilutive)	13.62	11.33

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

Description	Installed Capacity Quantity Per Annum (MT)	Production Quantity (MT)	Sales		Opening Stocks		Closing Stocks	
			Quantity (MT)	Rs. in Lac	Quantity (MT)	Rs. in Lac	Quantity (MT)	Rs. in Lac
Paper & Board incl. Pulp for sale	2,40,000	2,86,019*	2,67,081	1,43,297.23	6,155	2,653.60	3,108	1,551.99
Previous Year	2,40,000	2,73,755*	2,65,045	1,29,957.40	7,936	3,271.50	6,155	2,653.60

*includes 27,525 MT transferred to Packaging Board (Previous year 19,618 MT)

Purchase of finished goods (Paper and Board) during the year 5,540 tonnes (Previous year – 9,127 tonnes).

28. Particulars of Raw Material consumed:

	2010-11		2009-10	
	Quantity (MT)	Amount Rs. in Lac (0.1 million)	Quantity (MT)	Amount Rs. in Lac (0.1 million)
(i) Bamboo	1,26,575	4,583.00	1,00,520	3,165.12
(ii) Hardwood	3,50,279	14,948.74	3,57,535	13,956.92
(iii) Pulp & Others	43,856	13,895.39	47,630	11,556.91
		<u>33,427.13</u>		<u>28,678.95</u>

29. Other Particulars:	Rs. in Lac (0.1 million)	
	2010-11	2009-10
(a) Earnings in Foreign Exchange:		
i) Export of goods at FOB Value	4,225.34	2,905.43
(b) CIF Value of Imports:		
i) Raw Materials	11,839.71	10,810.53
ii) Stores, Spares and Chemicals	1,485.87	1,494.19
iii) Capital Goods	1,265.25	776.71
iv) Others – Paper	2,446.36	2,452.00
	<u>17,037.39</u>	<u>15,533.43</u>
(c) Expenditure in Foreign Currency (as remitted) on account of:		
i) Interest payment in Rupee to Financial Institutions/Banks on foreign currency loans	1,166.29	832.60
ii) Consultancy	349.82	123.71
iii) Others	121.76	104.49
	<u>1,637.87</u>	<u>1,060.80</u>
(d) Remittance in foreign currency on account of Final Dividend for the year – 2009-10 (Previous year 2008-09) and Interim Dividend for the year – 2010-11		
(i) Number of Non-resident Shareholders (No.)	1	1
(ii) Number of Equity Shares held by them (No.)	25,00,000	25,00,000
(iii) Amount of Dividend remitted	106.25	43.75

	2010-11		2009-10	
	Rs. in Lac (0.1 million)	% of Total	Rs. in Lac (0.1 million)	% of Total
(e) Raw Materials, Stores, Spares and Chemicals consumed:				
i) Raw Materials				
– Imported	13,435.53	40.19	11,354.14	39.59
– Indigenous	19,991.60	59.81	17,324.81	60.41
	<u>33,427.13</u>	<u>100.00</u>	<u>28,678.95</u>	<u>100.00</u>
ii) Stores, Spares and Chemicals:				
– Imported	1,614.59	5.82	1,649.28	7.03
– Indigenous	26,148.75	94.18	21,827.56	92.97
	<u>#27,763.34</u>	<u>100.00</u>	<u>#23,476.84</u>	<u>100.00</u>

includes Rs. 438.13 Lac scrap sale (Previous Year Rs. 298.62 Lac) & Rs. 26.01 Lac grouped in other head of account (Previous Year 30.55 Lac).

30. The Company has on 14th April, 2011, executed subscription agreements with certain multilateral financial institutions, for the issuance of unsecured unlisted FCCBs (carrying interest rate of 6 month Euribor + 4.75%) for an aggregate amount not exceeding Euro 35 million (approximately Rs. 225 crores) on a private placement basis. The FCCBs which will be issued are convertible into equity shares of the Company at an initial conversion price of Rs. 65 per share, subject to price adjustment as per agreement, after 3 years and 6 months from the date of issue, and if FCCBs not converted than will be redeemed at par between 15th May, 2016 to 15th May, 2018.



31. The Company has filed Draft Letter of Offer for Right issue of shares on 31st Jan, 2011 to SEBI.

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Chairman
Managing Director
Whole Time Director

Directors

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

I. REGISTRATION DETAILS:

Registration No.	04-18099
State Code	04
Balance Sheet Date	31.03.2011

II. CAPITAL RAISED DURING THE PERIOD:

(Amount in Rs./Thousands)

Public Issue	Nil
Rights Issue	Nil
Private Placement	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUND:

(Amount in Rs./Thousands)

Total Liabilities	12,556,561
Total Assets	12,556,561
SOURCES OF FUNDS	
Paid-up Capital	782,399
Reserves & Surplus	5,106,554
Deferred Tax Liability	1,284,031
Secured Loan	4,124,008
Unsecured Loan	1,259,569
APPLICATION OF FUNDS	
Net Fixed Assets	9,383,439
Investments	827,735
Net Current Assets	2,335,966
Miscellaneous Expenditure	9,421

IV. PERFORMANCE OF THE COMPANY

(Amount in Rs./Thousands)

Turnover including Other Income	12,358,296
Total Expenditure	10,873,753
Profit Before Tax	1,484,542
Profit After Tax	1,064,166
Earnings Per Share (Rs.)	13.62
Dividend Rate (%)	22.50%

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

(As per Monetary terms)

Item Code No.	4907.00
Product Description	Paper and Board

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

ARUN BHARAT RAM DHIRENDRA KUMAR M.H. DALMIA SHAILESH HARIBHAKTI UDAYAN BOSE	} <i>Directors</i>
---	--------------------

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MARCH, 2011

Rs. in Lac (0.1 Million)

	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax and Extra-ordinary Items	14,845.42	12,692.71
Adjustments for :		
Depreciation	7,162.49	7,003.93
Income from Investments	(2.01)	(3.26)
(Profit) / Loss on sale of assets (Net)	(36.99)	16.14
Interest and Financial Charges (Net)	4,570.07	4,849.25
Assets written off	179.89	312.82
Bad Debts	100.30	33.15
Provision for Doubtful Debts	45.36	594.15
Miscellaneous Expenditure written off	8.61	119.99
Provision for earlier years no longer required	(48.19)	(48.32)
Operating Profit Before Working Capital Changes	26,824.95	25,570.56
Adjustments for Working Capital Changes:		
Trade and Other Receivables	(4,441.19)	(1,022.95)
Inventories	(63.29)	(978.25)
Trade and Other Payables	3,885.53	2,701.57
Cash generated from Operations	26,206.00	26,270.93
Taxes paid	(2,969.45)	(1,888.37)
Miscellaneous Expenditure	(75.85)	—
Net Cash from Operating Activities	23,160.70	24,382.56
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(12,416.07)	(3,592.86)
Sale of Fixed Assets	4,500.76	112.88
Sale/(Purchase) of Investments (Net)	(3,100.94)	(3,916.30)
Interest Received	838.44	782.98
Net Cash from Investing Activities	(10,177.81)	(6,613.30)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MARCH, 2011

Rs. in Lac (0.1 Million)

	2010-11	2009-10
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Redemption of Preference Share Capital incl. Premium	(557.00)	(566.00)
Proceeds of Long-term Borrowings	14,853.09	—
Repayment of Long-term Borrowings	(16,181.52)	(12,309.22)
Proceeds from/(Repayment) of Short-term Borrowings (Net)	322.99	(600.53)
Interest and Financial Charges	(5,250.23)	(5,328.14)
Dividend (including Dividend Tax)	(3,867.69)	(1,600.89)
Net cash from Financing Activities	(10,680.36)	(20,404.78)
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	2,302.53	(2,635.52)
E. Cash and Cash Equivalents as at the beginning of the year		
- Cash & Bank Balances (Schedule No. 9)	786.65	3,422.17
F. Cash and Cash Equivalents as at the close of the year		
- Cash & Bank Balances (Schedule No. 9)	3,089.18	786.65

Note:

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Chairman
Managing Director
Whole Time Director

Directors



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Rs. in Lac (0.1 Million)

Sl No.	Name of the Subsidiary Company	Financial Year of the Subsidiary ended on	Holding Company's Interest in Equity Capital	Net Aggregate of Profit or Losses of the Subsidiary Companies as far as it concern the members of the Holding Company @	
				Not Dealt with in Holding Company's Account	
				For the Financial Year of the Subsidiary	for the Previous Financial Year since it became the Subsidiary
1	Jaykaypur Infrastructure & Housing Limited	31 st March, 2011	100%	(36.59)	(1.46)
2	Songadh Infrastructure & Housing Limited	31 st March, 2011	100%	(2.38)	(1.76)

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

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE
Directors

S.C. GUPTA
Company Secretary

New Delhi, the 29th April, 2011

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

Rs. in Lac (0.1 million)

Sl. No	Particulars	Jaykaypur Infrastructure & Housing Ltd.	Songadh Infrastructure & Housing Ltd.
1	Share Capital	495.06	495.06
2	Reserve & Surplus/ (Accumulated Losses)	(38.05)	(4.15)
3	Total Assets	3,860.06	1,380.06
4	Total Liabilities	3,860.06	1,380.06
5	Details of Investments (other than investment in Subsidiary Companies)	-	-
6	Total Turnover	58.72	15.28
7	Profit/ (Loss) before tax	(25.00)	0.54
8	Income Tax	11.59	2.92
9	Profit/ (Loss) after tax	(36.59)	(2.38)
10	Proposed Dividend	-	-

Note: The Ministry of Corporate Affairs, Government of India, New Delhi vide its General Circular No. 2/2011 dated 8th Feb. 2011, issued under Section 212 (8) of the Companies Act, 1956 has granted a general exemption from attaching the accounts of Subsidiary Companies. However, annual accounts of the Subsidiary Companies and the related detailed information shall be made available to the shareholders of the Holding and Subsidiary Companies seeking such information at any point of the time. The annual accounts of the Subsidiary Companies are also available for inspection by any shareholder at the Registered and Head Offices of the Company and that of the Subsidiary Companies concerned.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have examined the attached Consolidated Balance Sheet of JK Paper Limited, its subsidiaries and its interest in associate as at 31st March, 2011, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of all the subsidiaries. The financial statement of the subsidiary, namely, Songadh Infrastructure & Housing Limited reflects total assets of Rs. 1,377.31 Lac as at 31st March, 2011 and total revenue of Rs. 15.28 Lac for the year then ended and Jaykaypur Infrastructure & Housing Limited reflects total assets of Rs. 3,848.75 Lac as at 31st March, 2011 and total revenue of Rs. 58.72 Lac for the year then ended. The financial statements of the subsidiaries have been audited by other auditor, whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the said subsidiaries, is based solely on the report of other auditor.

We did not audit the financial statements of associate, namely, JK Enviro-tech Limited whose audited financial statements reflects total assets of Rs. 7,246.07 Lac as at 31st March, 2011 and total revenue of Rs. 3,772.28 Lac for the year then ended.

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

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

- i) In the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company, its subsidiaries and its interests in associate as at 31st March 2011;
- ii) In the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company, its subsidiaries and its interests in associate for the period then ended, and
- iii) In the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company, its subsidiaries and its interest in associates for the period then ended.

For LODHA & CO.
Chartered Accountants

(N.K. LODHA)
Partner
Firm Registration No.:- 301051E
Membership No.:-85155

Place: New Delhi
Date: 29th April, 2011



CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2011

Rs. in Crore (10 Million)

	Schedule	31 st March, 2011	31 st March, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	78.24	78.35
Reserves and Surplus	2	511.01	397.65
		<u>589.25</u>	<u>476.00</u>
LOANS			
Secured Loans	3	412.40	392.15
Unsecured Loans	4	125.96	156.06
		<u>538.36</u>	<u>548.21</u>
Deferred Tax Liability (Net)		128.40	134.56
	TOTAL	<u>1,256.01</u>	<u>1,158.77</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,508.10	1,428.79
Less: Depreciation		612.46	549.21
Net Block		<u>895.64</u>	<u>879.58</u>
Capital work-in-progress		94.43	20.80
		<u>990.07</u>	<u>900.38</u>
	6	73.65	42.13
INVESTMENTS			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	127.53	126.89
Sundry Debtors	8	107.87	104.49
Cash and Bank Balances	9	31.10	7.94
Loans and Advances	10	129.33	160.98
		<u>395.83</u>	<u>400.30</u>
LESS: CURRENT LIABILITIES AND PROVISIONS	11	<u>204.48</u>	<u>184.31</u>
NET CURRENT ASSETS		<u>191.35</u>	<u>215.99</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		0.94	0.27
	TOTAL	<u>1,256.01</u>	<u>1,158.77</u>
NOTES ON ACCOUNTS	20		

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Chairman
Managing Director
Whole Time Director

Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2011

Rs. in Crore (10 Million)

	Schedule	2010-11	2009-10
INCOME			
Sales		1,432.97	1,299.57
Less: Discounts		<u>152.59</u>	<u>149.68</u>
		1,280.38	1,149.89
Less: Excise Duty		<u>49.66</u>	<u>44.36</u>
Net Sales		1,230.72	1,105.53
Other Income	12	<u>5.11</u>	<u>2.77</u>
		1,235.83	1,108.30
Increase / (Decrease) in Stocks	13	<u>(10.47)</u>	<u>(8.95)</u>
		<u>1,225.36</u>	<u>1,099.35</u>
EXPENDITURE			
Employees	14	130.01	119.70
Materials and Manufacturing	15	787.53	689.92
Other Expenses	16	<u>41.51</u>	<u>44.30</u>
		<u>959.05</u>	<u>853.92</u>
PROFIT BEFORE INTEREST AND DEPRECIATION			
		266.31	245.43
Interest & Financial Charges	17	<u>45.75</u>	<u>48.49</u>
PROFIT BEFORE DEPRECIATION & TAX			
		220.56	196.94
Depreciation	18	<u>72.36</u>	<u>70.04</u>
PROFIT BEFORE TAX			
		148.20	126.90
Provision for Current Tax		43.81	23.57
MAT Credit Entitlement		—	(12.29)
PROFIT BEFORE DEFERRED TAX			
		104.39	115.62
Provision for Deferred Tax		<u>(1.63)</u>	<u>24.62</u>
PROFIT AFTER TAX			
		106.02	91.00
Share in Profits of Associate		0.49	0.29
Surplus brought forward		<u>174.77</u>	<u>111.95</u>
		<u>281.28</u>	<u>203.24</u>
Appropriations:			
Debenture Redemption Reserve		22.94	—
Debenture Redemption Reserve written back		<u>(22.94)</u>	—
Capital Redemption Reserve		0.11	0.21
General Reserve		11.00	10.00
Dividend	19	17.60	15.66
Corporate Dividend Tax		2.92	2.60
Surplus carried to Balance Sheet		<u>249.65</u>	<u>174.77</u>
		<u>281.28</u>	<u>203.24</u>
Earnings per Share (Rs.):			
- Basic		13.63	11.68
- Diluted		13.63	11.36

NOTES ON ACCOUNTS

20

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

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

For LODHA & CO.
Chartered Accountants

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

Chairman
Managing Director
Whole Time Director

N.K. LODHA
Partner

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Directors

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary



Rs. in Lac (0.1 Million)

31st March, 2011

31st March, 2010

Schedule I

CAPITAL

Authorised:

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

Issued, Subscribed and Paid-up:

Equity Shares - 7,81,49,939 (Previous year 7,81,49,939) of Rs. 10 each fully paid up	7,814.99	7,814.99
10% Cumulative Redeemable Preference shares - 9,000 (Previous year 20,000) of Rs. 100 each fully paid-up (a)	9.00	20.00
	<u>7,823.99</u>	<u>7,834.99</u>

Notes:

(a) These shares were allotted as fully paid-up pursuant to the Scheme sanctioned by the Hon'ble High Courts of Orissa & Gujarat.

Company has redeemed 10% Cumulative Redeemable Preference Shares (Series E) of Rs. 11 Lac with premium of Rs. 546 Lac on 30th day of June, 2010. Series F and G of Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.

Schedule 2

RESERVES AND SURPLUS

Rs. in Lac (0.1 Million)

Description	1 st April, 2010	Additions	Transfers/ Adjustments	31 st March, 2011
Debenture Redemption Reserve	-	2,293.91	2,293.91	-
Capital Redemption Reserve	280.00	11.00	-	291.00
Revaluation Reserve	540.24	-	162.84 (a)	377.40
Securities Premium	18,714.36	-	546.00 (b)	18,168.36
General Reserve	2,754.48	1,552.71 (c)	-	4,307.19
Capital Reserve	-	2,992.35 (d)	-	2,992.35
Surplus in Profit and Loss Account	17,475.79	24,964.36	17,475.79 (e)	24,964.36
	39,764.87	31,814.33	20,478.54	51,100.66
Previous Year	33,030.11	18,496.79	11,762.03	39,764.87

- (a) i) Rs. 141.95 Lac pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)
ii) Rs. 20.89 Lac to Profit and Loss Account towards Additional Depreciation arising out of revaluation of Fixed Assets (Previous year Rs. 22.57 Lac)
- (b) Premium on Redemption of Preference Shares adjusted (Previous year Rs. 545 Lac)
- (c) i) Rs. 452.71 Lac towards adjustment against the Deferred Tax Liability (Note no. B.5, Schedule 20)
ii) Rs. 1,100.00 Lac to Profit & Loss Account.
- (d) Pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)
- (e) To Profit & Loss Account.

Rs. in Lac (0.1 Million)
31st March, 2011 31st March, 2010

Schedule 3

SECURED LOANS

Term Loans from Financial Institutions	7,861.55	7,812.58
Term Loans from Banks	29,390.19	28,496.38
Working Capital Loans from Banks	3,988.34	2,905.84
	<u>41,240.08</u>	<u>39,214.80</u>

NOTES:

- (a) Term Loans of Rs 31,953.64 Lac (Fls – Rs 7,861.55 Lac, Banks Rs 24,092.09 Lac) are secured by means of first pari passu mortgage/charge created/to be created on the fixed assets of the Company save and except specific assets exclusively charged in favour of specified lenders as mentioned in Note (c). Out of the above Term Loan, Rs. 13,031.90 Lac (Fls - Rs. 7,411.90 Lac, Banks Rs. 5,620.00 Lac) are further secured / to be secured by second charge on the current assets of the Company.
- (b) Term Loans of Rs 5,000.00 Lac (Fls – Rs Nil, Banks Rs 5,000.00 Lac) are secured by means of first pari passu mortgage/charge to be created on the fixed assets both present and future of Unit JKPM of the Company save and except specific assets exclusively charged in favour of specified lenders as mentioned in Note (c).
- (c) Term Loan of Rs 298.10 Lac from banks are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- (d) Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the movable and immovable assets of the Company.
- (e) Certain charges have been created against which loan disbursement yet to be availed.
- (f) Certain charges in the process of satisfaction.
- (g) Instalments of Term Loans repayable within one year - Rs. 10,100.92 Lac.
- (h) Term loan from Financial Institutions and Banks include Rs. 11,504.52 Lac foreign currency loans.

Schedule 4

UNSECURED LOANS

Fixed Deposits	2,883.62	2,851.14
1.25% Foreign Currency Convertible Bonds (FCCB's) (a)	-	2,257.00
Foreign Currency term loan from Bank	318.39	429.18
Short-Term Loans from Banks (b)	7,500.00	9,000.00
Buyers Credit facilities from Bank	1,893.68	1,068.93
	<u>12,595.69</u>	<u>15,606.25</u>

NOTE:

- (a) The Company has redeemed 50 numbers of 1.25% unsecured Foreign Currency Convertible Bonds on 29th March 2011 for an aggregate consideration of Rs 2,992.20 Lac USD 65,22,050 (Including premium on redemption of Rs 698.29 Lac (net of tax), USD 15,22,050) as per the terms of Offering Circular dated 30th March 2006.
- (b) Includes Commercial Paper of Nil (Previous year Rs. 2,500 Lac), maximum outstanding balance during the year was Rs. 2,500 Lac (Previous year Rs. 2,500 Lac)

**Schedule 5
FIXED ASSETS**

Rs. In Lac (0.1 Million)

Description	GROSS BLOCK (b)						DEPRECIATION					NET BLOCK	
	As at 1 st April, 2010	Additions/ Adjustments (d)	Sales/ Adjustments	Impact of Scheme (e)	As at 31 st March, 2011	Upto 31 st March, 2010	For the Year	On Sales/ Adjustments	Impact of Scheme (e)	To date	As at 31 st March, 2011	As at 31 st March, 2010	
Land – Freehold (a) – Leasehold	326.30 20.60	– –	– –	680.79 1,197.52	1,007.09 1,218.12	– 2.60	34.43	–	– (0.37)	– 36.66	1,007.09 1,181.46	326.30 18.00	
Buildings	14,233.65	715.99	57.48	566.27	15,458.43	3,573.87	405.59	15.41	(396.21)	3,567.84	11,890.59	10,659.78	
Plant & Machinery	123,806.51	5,129.84	569.16	–	128,367.19	48,996.57	6,387.21	314.76	–	55,069.02	73,298.17	74,809.94	
Furniture, Fixtures & Equipments	1,598.16	189.84	51.29	(119.56)	1,617.15	790.90	143.51	31.04	(116.19)	787.18	829.97	807.26	
Vehicles & Locomotives	1,191.79	408.77	160.37	–	1,440.19	366.87	112.42	58.13	–	421.16	1,019.03	824.92	
Railway Sidings	464.41	–	–	–	464.41	202.32	21.92	–	–	224.24	240.17	262.09	
Intangible Assets (c) – Performance Improvement & Development – Software	486.89 750.99	– –	– –	– –	486.89 750.99	486.89 501.45	– 151.87	– –	– –	486.89 653.32	– 97.67	– 249.54	
Total	142,879.30	6,444.44	838.30	2,325.02	150,810.46	54,921.47	7,256.95	419.34	(512.77)	61,246.31	89,564.15	87,957.83	
Previous year	141,345.08	2,554.80	1,020.58	–	142,879.30	48,473.70	7,026.51	578.74	–	54,921.47	87,957.83	–	

Notes:

- Includes cost of 4.67 acres land given on lease to Employees State Insurance Corporation for construction of Hospital for Employees and cost of 34.72 acres land for which title is yet to be transferred in name of the Company.
- Gross Block includes amount of revaluation (Note no.7, Schedule 20)
- Intangible Assets are being depreciated @ 20% p.a.
- During the year Rs. 150.02 Lac has been added (Previous year Rs. 652.66 Lac was deducted) to the cost of depreciable asset due to Foreign Exchange Fluctuation (Net).
- Transfer pursuant to the Scheme of Arrangement (Note no. B.5, Schedule 20)



	31 st March, 2011	Rs. in Lac (0.1 Million) 31 st March, 2010
Schedule 6		
INVESTMENTS		
(Non-trade)		
Long-term Investments (Quoted)		
– Equity	557.29	557.29
Long-term Investments (Unquoted)		
– Equity [includes investment in associates Rs. 247.29 Lac (Previous year Rs. 198.60 Lac)]	247.31	198.62
– Government Securities	0.03	0.03
Current Investments (Unquoted)		
– Mutual Funds	7,012.39	3,909.44
	<u>7,817.02</u>	<u>4,665.38</u>
Less: Provision for diminution in value of Investments	<u>(452.50)</u>	<u>(452.50)</u>
	<u>7,364.52</u>	<u>4,212.88</u>
Schedule 7		
INVENTORIES		
(As certified by the Management)		
Raw Materials	4,803.42	5,334.87
Stores, Spares and Chemicals	5,506.53	3,865.13
Finished Goods	1,551.99	2,653.60
Stock-in-process	890.67	835.72
	<u>12,752.61</u>	<u>12,689.32</u>
Schedule 8		
SUNDRY DEBTORS		
(Unsecured and considered good, net of provision)		
Exceeding six months	2,071.99	1,601.38
Other Debts	8,715.29	8,847.67
	<u>10,787.28</u>	<u>10,449.05</u>
Schedule 9		
CASH AND BANK BALANCES		
Cash on hand	49.51	32.23
Cheques/Drafts on hand	13.75	15.00
Balances with Scheduled Banks:		
On Current Accounts	717.64	41.53
On Unclaimed Dividend Accounts	26.36	17.31
On Deposit Accounts (Lodged with Government Authorities and Others Rs. 40.65 Lac, Previous year Rs. 39.47 Lac)	2,301.98	687.11
On Savings Bank Accounts (Employees Security Deposit)	0.63	0.63
	<u>3,109.87</u>	<u>793.81</u>



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

31st March, 2011

Schedule 10

LOANS AND ADVANCES

(Unsecured and considered good, net of provision)

Advances recoverable in cash or in kind or for value to be received	9,290.67	11,177.66
Income Tax (net)	263.65	223.12
MAT Credit Entitlement	2,067.87	3,483.90
Deposits with Government Authorities and Others	1,311.24	1,213.27
	<u>12,933.43</u>	<u>16,097.95</u>

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities:

Sundry Creditors	14,158.34	11,571.13
Unclaimed Dividends @	26.36	17.31
Unclaimed Matured Deposits @	63.35	47.85
Interest accrued on Unclaimed Matured Deposits @	7.40	4.62
Other Liabilities	4,863.82	3,530.31
Interest accrued but not due on Loans	658.47	683.25
	<u>19,777.74</u>	<u>15,854.47</u>

Provisions:

Proposed Dividend	–	1,565.00
Tax on Proposed Dividend	–	259.93
Provision for Employee Benefits	670.10	751.58
	<u>20,447.84</u>	<u>18,430.98</u>

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

2010–11

2009–10

Schedule 12

OTHER INCOME

Profit on sale of Fixed Assets (Net)	36.99	–
Provisions of earlier years no longer required (Net)	48.19	48.32
Profit on sale of Current Investments	2.01	3.26
Miscellaneous Income	424.04	225.30
	<u>511.23</u>	<u>276.88</u>

	2010-11	Rs. in Lac (0.1 Million) 2009-10
Schedule 13		
INCREASE/(DECREASE) IN STOCKS		
Opening Stocks		
Stock-in-process	835.72	1,113.17
Finished Goods	2,653.60	3,271.50
	<u>3,489.32</u>	<u>4,384.67</u>
Closing Stocks		
Stock-in-process	890.67	835.72
Finished Goods	1,551.98	2,653.60
	<u>2,442.65</u>	<u>3,489.32</u>
Increase/(Decrease)	<u>(1,046.67)</u>	<u>(895.35)</u>

Schedule 14
EMPLOYEES

Salaries, Wages, Bonus and Gratuity etc.	10,791.66	10,100.41
Contribution to Provident and Other Funds	657.67	623.08
Employees' Welfare and other benefits	1,551.37	1,246.32
	<u>13,000.70</u>	<u>11,969.81</u>

Schedule 15
MATERIALS AND MANUFACTURING

Raw Materials Consumed	33,427.13	28,678.95
Excise Duty on variation of Stock	(8.86)	(62.13)
Consumption of Stores, Spares and Chemicals	27,299.20	23,147.67
Purchase of Finished Goods	3,334.93	4,398.09
Power, Fuel and Water	13,608.04	11,849.12
Repairs to Buildings	593.27	441.73
Repairs to Machinery	499.04	538.63
	<u>78,752.75</u>	<u>68,992.06</u>



Rs. in Lac (0.1 Million)

	2010-11	2009-10
Schedule 16		
OTHER EXPENSES		
Rent (Net)	140.16	163.10
Rates & Taxes	115.22	349.10
Insurance	127.87	119.76
Commission on Sales	164.63	67.43
Directors' Fee	5.15	5.10
Directors' Commission	61.81	52.56
Assets written off	179.89	312.82
Loss on Sale of Fixed Assets (Net)	–	16.14
Deferred Revenue Expenditure Written off	8.61	119.99
Bad Debts	100.30	33.15
Provision for Doubtful Debts	45.36	594.15
Bank charges, Transport, Clearing and Forwarding Charges, Traveling and Other Misc. Expenses	3,201.88	2,596.27
	<u>4,150.88</u>	<u>4,429.57</u>
Schedule 17		
INTEREST & FINANCIAL CHARGES		
Interest on:		
– Term Loans, Debentures and Fixed Deposits	3,600.11	4,169.02
– Others	631.45	1,094.18
Redemption Premium on FCCBs	777.16	–
Foreign Exchange Fluctuation	(182.79)	264.17
Premium on Forward Exchange Contracts	475.42	119.25
	<u>5,301.35</u>	<u>5,646.62</u>
Less: Interest Income (Include Tax Deducted at Source – Rs. 57.96 Lac, Previous year Rs. 75.24 Lac)	741.67	830.72
	<u>4,559.68</u>	<u>4,815.90</u>
Add: Lease-rent on Machinery	15.22	33.35
	<u>4,574.90</u>	<u>4,849.25</u>
Schedule 18		
DEPRECIATION		
Depreciation on Fixed Assets	7,256.96	7,026.50
Less: Transfer from Revaluation Reserve	20.89	22.57
	<u>7,236.07</u>	<u>7,003.93</u>
Schedule 19		
DIVIDEND		
On Preference Shares – Interim	1.18	0.53
– Final	–	2.00
On Equity Shares – Interim	1,758.39	–
– Final	–	1,563.00
	<u>1,759.57</u>	<u>1,565.53</u>

Schedule 20

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Principles of Consolidation:

- (a) The Consolidated Financial Statements comprise of the financial statements of JK Paper Limited (Parent Company) and the following as on 31st March, 2011;

(i) Subsidiaries:

Name	Proportion of ownership interest	Financial Statements as on	Status
Jaykaypur Infrastructure & Housing Limited, India	100%	31 st March, 2011	Audited
Songadh Infrastructure & Housing Limited, India	100%	31 st March, 2011	Audited

Accounts of both the Companies, are made for the year. Both the Companies are, Wholly Owned Subsidiary with effect from 30th April, 2009.

(ii) Associate:

Name	Proportion of ownership interest	Financial Statements as on	Status
JK Enviro-tech Limited, India	34.34%	31 st March, 2011	Audited

- (b) The Financial Statements of the Parent Company and its Subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions.
- (c) In case of Associate, where Company holds directly or indirectly 20% or more equity or/ and exercises significant influence, Investments are accounted for by using Equity Method in accordance with Accounting Standard (AS-23) – “Accounting for Investments in Associate in Consolidated Financial Statements”.
- (d) The Accounting Policies of the Parent Company, its Subsidiaries and Associate are largely similar, hence not be re-produced.
- (e) Significant Accounting Policies and Notes on Accounts of the Financial Statements of the Company and its Subsidiaries are stated in their respective Financial Statements.
2. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 1,10,706.21 Lac (Previous year Rs. 1,139.98 Lac).
3. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

	31 st March, 2011	31 st March, 2010
a) Excise duty liability in respect of matters in appeal	961.59	271.91
b) Sales tax liability in respect of matters in appeal	387.69	182.27
c) Other Matters	1,175.02	1,199.15

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



4. In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally determined.
5. Pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Courts of Gujarat & Orissa under section 391 to 394 of the Companies Act, 1956 which has become effective on 20th Jan 2011, CPM Staff Housing Undertaking and JKPM Staff Housing Undertaking of the Company have been transferred and vested to Songadh Infrastructure & Housing Limited (SIHL) and Jaykaypur Infrastructure & Housing Limited (JIHL) respectively on a going concern basis w.e.f. 1st April 2009, as a result:

- (i) The effect of the above has been considered in restated consolidated financial information as shown below:

Rs. in Lac (0.1 million)

SI No.	Particulars	Amount
A	Assets as increased by transfer and vesting of above two undertakings from JK Paper Ltd. to SIHL and JIHL	2,992.35
B	Capital Reserve	2,992.35

- (ii) The Company carried on the business of above two Housing Undertaking w.e.f. 1st April, 2009 till 20th January, 2011 for and on behalf of SIHL and JIHL.
- (iii) The Deferred Tax Liability of Rs. 452.71 Lac has been adjusted against the General Reserve.
- (iv) Based upon an agreement, the Company has reimbursed all the expenses incurred, during 1st April, 2009 to 20th January, 2011 by SIHL and JIHL

6. Segment Reporting:

The Company has identified business segment as the primary segment after considering all the relevant factors. The Company's manufactured products are sold primarily within India and as such there is no reportable geographical segment. During the last year ended 31st March, 2010 the Company had one Business segment, namely Paper & Boards.

The Company's operation predominantly relates to manufacture of Paper & Boards. Other Business Segment comprise activities of providing housing facilities to the employees engaged in Paper & Boards Manufacturing Business of JK Paper Ltd., whose operations are insignificant in the context of total turnover, hence same has been shown as "others" which comprise the information from 1st April, 2009 to 31st March, 2011.

Rs. in Lac (0.1 million)

For the year ended 31st March, 2011

SI. No	Particulars	Paper & Board	Others	Total
A	SEGMENT REVENUE			
	Net sale	123,329.32	–	123,329.32
	Less: Inter-segment Revenue	–	–	–
	Net sales/Income from operations	123,329.32	–	123,329.32
B	SEGMENT RESULTS			
	Segment Result (PBIT)	19,161.85	(20.16)	19,141.69
	Less: (i) Interest & Financial charges (Net)	4,570.07	4.83	4,574.90
	(ii) Other Un-allocable Expenditure net off Un-allocable income	(253.64)	–	(253.64)
	Total Profit/(Loss) before Tax (PBT)	14,845.42	(24.99)	14,820.43
C	CAPITAL EMPLOYED (Segment Assets-Segment Liabilities)	66,472.83	5,197.93	71,670.76

7. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Unit - CPM were revalued as on 30.09.1976. The revaluation in respect of these assets (other than Land and Roads) were updated and Plant & Machinery of Paper Machine I & II and Railway Sidings were revalued as on 31.3.1994 based on current replacement cost by the approved valuers appointed for the purpose. As a result, the book value of such assets has been increased by Rs. 4,227.24 Lac, which has been transferred to Revaluation Reserve during the year ended 31.3.1994.

8. Loans and Advances are net of provisions for doubtful advances of Rs. 49.40 Lac (Previous year Rs. 53.04 Lac) and includes loans of Rs. 2,348.45 Lac (previous year Rs. 2,848.45 Lac) to JK Paper Employees' Welfare Trust, a shareholder of the Company, {includes concessional loans of Rs. 1,948.45 Lac (Previous year Rs. 2,248.45 Lac)}, loans to JK Enviro-Tech Limited (Associate) Rs. 2,655.31 Lac (Previous year Rs. 2,739.27 Lac) & to body corporate Rs. 50.00 Lac (Previous year Rs. 50.00 Lac) and loan to employees of Rs. 79.86 Lac (Previous year Rs. 87.17 Lac) in the ordinary course of business and as per service rules of the Company.

Maximum amounts outstanding from employees at any time during the period were Rs. 102.98 Lac (Previous year Rs. 98.57 Lac).

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

	Rs. in Lac (0.1 million)	
	31 st March, 2011	31 st March, 2010
i) Tax on difference between book value of depreciable assets as per books of account and written down value as per Income Tax Act.	(13,840.31)*	(14,378.62)
ii) Tax on Others	1,000.00	923.02
	(12,840.31)	(13,455.60)

* after the effect of deferred tax liabilities of Rs. 452.71 Lac pursuant to the Scheme (Refer Note 5).

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

(c) During the current year Company has recognized additional MAT credit entitlement of Rs. 31.32 Lac related to earlier year.

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

(a) List of Related Parties

(i) Associate

- JK Enviro-tech Limited

(ii) Key Management Personnel (KMP)

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

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

- Habras International Limited



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

Rs. in Lac (0.1 million)

SI No.	Nature of Transactions	Associates	
		2010-11	2009-10
(i)	Sale of Assets	–	198.27
(ii)	Reimbursement of Expenses – Received	260.73	42.08
(iii)	Purchase of Goods	3,471.46	2,026.22
(iv)	Reimbursement of Expenses – Paid	440.05	404.05
(v)	Interest received	267.64	218.15
(vi)	Sale of Goods	144.03	42.40
(vii)	Loans given	191.57	742.87
(viii)	Loan installment received	275.53	–
(ix)	Outstanding at end of the year – Receivable	2,614.59	3,050.92

SI No.	Nature of Transactions	Enterprise over which KMP's have significant influence	
		2010-11	2009-10
(i)	Sale of Goods	153.32	–
(ii)	Commission on purchase	16.73	15.69
(iii)	Outstanding at end of the year:		
	– Receivable	37.84	–
	– Payable	–	15.69

II. Earnings Per Share:

Rs. in Lac (0.1 million)

31st March, 2011 31st March, 2010

a) Profit after tax	10,651.45	9,128.62
Less : Preference Dividend (including tax on Dividend)	1.37	2.95
Profit for Basic Earnings Per Share	10,650.08	9,125.67
Effect of Conversion Option:		
Add : Interest on Foreign Currency Convertible Bonds (Net of tax expense)	19.03	18.62
Premium on Foreign Currency Convertible Bonds (Net of tax expense)	519.01	–
Profit for Diluted Earnings Per Share	11,188.12	9,144.29
b) Weighted average no. of Ordinary Shares		
- Basic	7,81,49,939	7,81,49,939
- Effect of Conversion Option	22,55,443	23,52,105
- Diluted	8,04,05,382	8,05,02,044
c) Nominal Value of Ordinary Share (Rs.)	10.00	10.00
d) Earnings per Ordinary Share		
- Basic	13.63	11.68
- Diluted (As anti dilutive)	13.63	11.36

12. The Company has on 14th April, 2011, executed subscription agreements with certain multilateral financial institutions, for the issuance of unsecured unlisted FCCBs (carrying interest rate of 6 month Euribor + 4.75%) for an aggregate amount not exceeding Euro 35 million (approximately Rs. 225 crores) on a private placement basis. The FCCBs which will be issued are convertible into equity shares of the Company at an initial conversion price of Rs. 65 per share, subject to price adjustment as per agreement, after 3 years and 6 months from the date of issue, and if FCCBs not converted than will be redeemed at par between 15th May, 2016 to 15th May, 2018.

13. The Company has filed Draft Letter of Offer for Right issue of shares on 31st Jan. 2011 to SEBI

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

N.K. LODHA
Partner

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

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

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

*Chairman
Managing Director
Whole Time Director*

Directors



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MARCH, 2011

Rs. in Lac (0.1 Million)

	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax and Extra-ordinary Items	14,820.96	12,689.49
Adjustments for :		
Depreciation	7,236.07	7,003.93
Income from Investments	(2.01)	(3.26)
(Profit)/Loss on sale of Assets (Net)	(36.99)	16.14
Interest and Financial Charges (Net)	4,574.90	4,849.25
Assets Written off	179.89	312.82
Bad Debts	100.30	33.15
Provision for Doubtful Debts	45.36	594.15
Miscellaneous Expenditure written off	8.61	119.99
Provision for earlier years no longer required	(48.19)	(48.32)
Operating Profit Before Working Capital Changes	26,878.90	25,567.34
Adjustments for Working Capital Changes:		
Trade and Other Receivables	(228.28)	(1,022.95)
Inventories	(63.29)	(978.25)
Trade and Other Payables	3,885.69	2,701.83
Cash generated from Operations	30,473.02	26,267.97
Taxes paid	(3,005.35)	(1,888.37)
Miscellaneous Expenditure	(75.85)	-
Net Cash from Operating Activities	27,391.82	24,379.60
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(12,416.07)	(3,592.86)
Sale of Fixed Assets	283.65	112.88
Sale/(Purchase) of Investments (Net)	(3,100.94)	(3,906.18)
Interest Received	837.96	782.98
Net Cash from Investing Activities	(14,395.40)	(6,603.18)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Redemption of Preference Share Capital incld. Premium	(557.00)	(566.00)
Proceeds of Long-term Borrowings	14,853.09	-
Repayment of Long-term Borrowings	(16,181.52)	(12,309.22)
Proceeds from/(Repayment) of Short-term Borrowings (Net)	322.99	(600.53)
Interest and Financial Charges	(5,250.23)	(5,328.14)
Dividend (including Dividend Tax)	(3,867.69)	(1,600.89)
Net cash from Financing Activities	(10,680.36)	(20,404.78)
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	2,316.06	(2,628.36)
E. Cash and Cash Equivalents as at the beginning of the year - Cash & Bank Balances (Schedule No. 9)	793.81	3,422.17
F. Cash and Cash Equivalents as at the close of the year - Cash & Bank Balances (Schedule No. 9)	3,109.87	793.81

Note:

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

As per our report of even date

For LODHA & CO.
Chartered Accountants

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

Chairman
Managing Director
Whole Time Director

N.K. LODHA
Partner

ARUN BHARAT RAM
DHIRENDRA KUMAR
M.H. DALMIA
SHAILESH HARIBHAKTI
UDAYAN BOSE

Directors

New Delhi, the 29th April, 2011

S.C. GUPTA
Company Secretary

Images of a happier world





At JK Paper we have always believed that caring and sharing is the essence of ethical enterprise. Our several committed CSR initiatives have helped to create a better world for humanity and have brought happier images to life.

Some of our CSR initiatives are:

CPM adopted ITI Ukai. We have made significant improvements to reduce the gap between training given to the students and industry requirements. New trades of Electrician and Attendant Operator Chemical Plant were introduced and 6 existing trades were upgraded by the year 2010.

Adult Education Model has successfully enabled many illiterate women, especially SCs/STs, to become literate through our community based Adult Education Centres. So far we have created around 3500 literates under this scheme.

Self Help Groups: Our efforts have motivated many tribal women to organize into Self Help Groups. They have initiated different activities that generate income through activities like Hill Broom Binding, Phenyl making, Tamarind Processing. These products also find ready market in nearby urban areas.

Community development initiatives: To carry out community development initiatives systematically, an NGO "SPARSH" has been formed. We have also signed an agreement with Shroff Foundation Trust for Capacity Building for the poor and shall soon start structured activities in two broad areas viz. Livelihood Interventions and Health Care Interventions.

Basic health services including free medicines to the ST & SC people through health camps have been organised in nearby villages at regular intervals. Close to 5500 patients have availed the services.

We have also helped 123 tribal mothers achieve safe institutional delivery under *Janani Suraksha Yojna* and are encouraging 43 Tribal Girls through training to become Adult Education Teachers & Community Health Facilitators (CHFs). They facilitated the immunization of 1760 children.

Images of a happier world





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