

**15th
Annual Report
2004-2005**



CHADHA PAPERS LIMITED

CHADHA PAPERS LIMITED

BOARD OF DIRECTORS :

S. KULWANT SINGH CHADHA
S. GURDEEP SINGH CHADHA
S. RAJENDER SINGH CHADHA
S. HARDEEP SINGH CHADHA
S. H. P. S. BHATIA
MRS. JASDEEP KAUR

CHAIRMAN & MANAGING DIRECTOR
DIRECTOR
DIRECTOR
EXECUTIVE DIRECTOR
DIRECTOR
DIRECTOR (w.e.f 28.06.2004)

BANKERS :

- A) ORIENTAL BANK OF COMMERCE,
CIVIL LINES,
RAMPUR-244 901 (U.P.)
- B) PUNJAB & SIND BANK,
GREEN PARK EXT.,
NEW DELHI
- C) PUNJAB NATIONAL BANK
LARGE CORP. BRANCH
"A" BLOCK CONNAUGHT CIRCUS
NEW DELHI-110001
- D) PUNJAB & SIND BANK
INDUSTRIAL FINANCE BRANCH
CONNAUGHT CIRCUS
NEW DELHI-110065

AUDITORS :

M/S. SHIV OM & CO.
STATION ROAD, KOTHIWAL NAGAR,
MORADABAD.

COST AUDITORS :

M/S R.M.BANSAL & CO.
A-201, TWIN TOWERS
LAKHANPUR ,
KANPUR - 208024

REGISTERED OFFICE : & WORKS

CHADHA PAPERS LTD. ,
CHADHA ESTATE, NAINITAL ROAD,
BILASPUR - 244 921
DISTT. RAMPUR , U. P.

CORPORATE OFFICE :

A-129, CHADHA PALACE
NEW FRIENDS COLONY,
NEW DELHI-110 065

CHADHA PAPERS LIMITED

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of CHADHA PAPERS LIMITED will be held at the Registered office of the Company at Chadha Estate, Nainital Road, Bilaspur, Distt. Rampur (U.P.) on Friday, September 30, 2005, at 11: 00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005 and the Profit & Loss Account for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of S. Rajender Singh Chadha, who retires by rotation and being eligible offers himself for re-appointment .
3. To appoint a Director in place of S. H.P.S. Bhatia, who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to provisions of Sections 149 (2-A) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the shareholders of the Company be and is hereby accorded for commencement of the business in relation to object(s) as covered by clauses 18,22,26 and 28 in the Other Objects of the Memorandum of Association of the Company, other than the main objects or objects incidental or ancillary thereto, which are reproduced hereunder:

18. To carry on the business of manufactures, distillers and refiners of and dealers in methylated spirit, rectified spirit, power alcohol, molasses, sugar or any other material.
22. To carry on business of general manufactures and to manufacture, buy sell and deal in apparatus, machinery, materials and articles of all kinds.
26. To build, construct, re- construct, alter, improve, develop, equip, decorate, furnish, maintain, administer, manage, control of toll bridge, toll bridges on rivers and to participate & bid in for such toll roads/ bridges anywhere in the country.
28. To carry on business of an investment company and to buy, invest, acquire hold and deal in shares, stock, debentures and others securities issued by any company carrying on business in India.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things as may be required in connection therewith."

By order of the Board
For Chadha Papers Limited

Place: BILASPUR (RAMPUR)
Date: 03.09.2005

(Hardeep Singh Chadha)
Executive Director

NOTES:

1. Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956, in respect of item No. 5 being special business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT FOR APPOINTMENT OF PROXY IS ENCLOSED WHICH SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING

CHADHA PAPERS LIMITED

3. The Register of Members and Share Transfer Books of the Company will be closed from 27th September 2005 to 30th September 2005. (both days inclusive).
4. Members/ Proxies are requested to bring Annual Report and attendance slip duly filled in.
5. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the annual general meeting. .

By order of the Board
For Chadha Papers Limited

Place: BILASPUR (RAMPUR)
Date: 03.09.2005

(Hardeep Singh Chadha)
Executive Director

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, ITEM NO. 5

Looking up the market scenario the Board of Directors of your company has decided to start certain activities other than the main objects of the Company. These activities are already mentioned in the Other Objects of the Memorandum of Association in the clauses from clause 18, 22, 26 and clause 28. To start the business of any activity, which are mentioned in the Other Objects, the approval of shareholders is required by passing a Special Resolution.

The Board of Directors, therefore, recommends the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.



By order of the Board
For Chadha Papers Limited

Place : BILASPUR (RAMPUR)
Date : 03.09.2005

(Hardeep Singh Chadha)
Executive Director

CHADHA PAPERS LIMITED

DIRECTORS REPORT

TO,
THE MEMBERS,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Statement of Accounts of the company for the year ended 31-03-2005 with the Auditors Report thereon :

1. FINANCIAL RESULTS :

| | 2004-2005 | 2003-2004 |
|---|----------------------|----------------------|
| P.M.-I | | |
| Installed Capacity | 19800.000 MT | 19800.000 MT |
| Production | 4753.553 MT | 6473.115 MT |
| Capacity utilisation | 24.00 % | 32.70 % |
| P.M.-II | | |
| Installed Capacity | 21750.000 MT | 21750.000MT |
| Production | 8375.960 MT | 11819.145 MT |
| Capacity utilisation | 38.51 % | 54.34 % |
| P.M. III | | |
| Installed Capacity | 36000.000 MT | 36000.000 MT |
| Production | 27776.068 MT | 43.028 MT |
| Capacity Utilisation | 77.16% | 0.12 % |
| (Production started on 04.03.2004) | | |
| | (Rs. in lacs) | (Rs. in lacs) |
| Sales (Net of Returns) | 9747.53 | 2670.38 |
| Profit before Depreciation | 357.63 | 268.50 |
| Depreciation for the year | 467.78 | 211.08 |
| Expenses/Income related to earlier year | (+) 5.39 | (-) 2.06 |
| Excess/Short provision of Income Tax | (+) 0.03 | (-) 2.63 |
| Profit after Depreciation | (-) 104.73 | (+) 52.85 |
| Provision for Income Tax | | (-) 4.50 |
| Deffered Income Tax | (+) 109.30 | (-) 21.63 |
| Profit after Tax | (+) 4.57 | (+) 26.72 |

2. PERFORMANCE :

During the year under review, the company has not been able to maintain the same capacity utilisation in both kraft paper machines. The productivity remained low since both the machines are outdated as far as process is concerned. The sales target also could not be achieved due the liberal policy of our adjoining state of Uttaranchal in regard to full excise duty exemption and overall recession. Because of basic reason of excise exemption, maximum medium and small units which are not opting for availment of Cenvat, have diverted to duty free paper from Uttaranchal and Himachal States.

The overall performance during the year was little encouraging since your company could achieve the desired profitability as PBD stood at Rs. 357.63 Lacs as against Rs.268.32 Lacs in immediate preceding year.

During this year also fire occurred in the waste paper yard of the company on 15th April, 2004. A substantial part of stock of Imported waste paper was burnt due to fire. The Company had sufficient arrangement of fire fighting equipments like water, hydrant points, pipes, fire buckets, fire extinguishers etc, but due to devastating nature of fire, it could not be controlled immediately. The management has taken certain effective preventive measures such as Minimax Trailor Pumps, Temperature Sensor System and other latest fire fighting equipments to avoid such type of accidents in future. The company had lodged claim for fire loss on New India Assurance Company Limited which has been settled

3. COMPLETION OF EXPANSION PLAN OF NEWS PRINT/ WRITING-PRINTING PAPER WITH CO-GENERATION :

You would appreciate that expansion plan of the unit with diversified project of News print and Writing-Printing paper having installed capacity of 36000 MT per annum has been completed last year. The production of the News print and Writing-Printing plant is satisfactory and plant achieved 77.16% capacity utilization during first year.

CHADHA PAPERS LIMITED

4. FUTURE OUTLOOK

In order to improve company's turnover, management has taken various steps and concentrating more on markets where demand of our product is more and favourable business conditions exist. The company is planning for modernization of Paper Machine II by making it compatible for use of total waste paper based pulp in place of agro pulp.

All possible efforts are being made to improve the overall performance of the company and effect of same will be seen in near future, as good demand of writing printing paper exists in domestic as well as export market.

5. FINANCIAL ASSISTANCE:-

Term loan of Rs. 2980 lacs from Punjab National Bank, Large Corporate Branch, New Delhi and Rs. 2100 lacs from Punjab & Sind Bank, Industrial Finance Branch, New Delhi was availed for the Writing Printing/Newsprint Paper project and co-generation plant and the interest and instalments are being repaid in time as per sanction. Further, during this year Cash Credit/Working Capital limit enhanced from 930.00 lacs to Rs. 1730.00 lacs Fund Based and Rs. 925.00 lacs to Rs. 1725.00 Lacs Non Fund Based sanctioned by the Punjab National Bank, Large Corporate Branch, New Delhi for smooth working of your new plant.

6. DIVIDEND

In view of Loss/inadequacy of profit, the Board of Directors of your company have not recommended any dividend for the year 2004-05.

7. INDUSTRIAL RELATIONS

The employee-employer relationship remained cordial and harmonious throughout the year. The Board of Directors of your Company place on record their satisfaction for the dedicated services rendered by the employees of the Company.

8. CAPITAL EXPENDITURE

The total capital expenditure incurred during the year amounts to Rs.559.02 lacs in the plant for its smooth running.

9. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars in respect of conservation of Energy Technology absorption and Foreign Exchange earnings and outgoing as required 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 are given in the Form 'A' attached hereto and Form 'B' part of this Report.

10. SUBSIDIARY COMPANY:

During the financial year, no company was the subsidiary of our Company

11. DIRECTORS :

S. Rajender Singh Chadha and S. H.P.S. Bhatia retire by rotation in accordance with the Articles of Association of the Company at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

None of the Directors of your company is disqualified under section 274(1)(g) of the companies Act'1956. As required by law, this position is also reflected in the Auditor Report.

12. AUDITORS:-

M/s Shiv Om & Co., Chartered Accountants, Moradabad, statutory auditors retire at the conclusion of the ensuing Annual General Meeting of the company and being eligible offer themselves for re-appointment. They have confirmed that their appointment, if made, will be in accordance with the limits specified U/s 224(1B) of the Companies Act'1956.

13. PARTICULARS OF EMPLOYEES :

None of the employees was in receipt of remuneration in excess of the limit specified U/s 217(2A) of the Companies Act 1956 during the year under report.

CHADHA PAPERS LIMITED

14. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956 your Directors state that :

- (i) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of financial year and the profit of the company for the period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

15. Compliance Certificate

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

16. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

(i) INDUSTRY STRUCTURE AND DEVELOPMENTS:

During the financial year 2004-05 the sales target could not be achieved due the liberal policy of our adjoining state of Uttaranchal in regard to full excise duty exemption. Because of basic reason of excise exemption, maximum medium and small units which are not opting for availment of Cenvat, have diverted to duty free paper from Uttaranchal and Himachal States. New project of Writing Printing/News Print plant with new Co-generation plant of 8 M/W in which commercial production has been started in March, 2004 is running smoothly.

(ii) OPPORTUNITIES & THREATS :

New opportunities for the company are open after the launch of News Print/and export quality Writing & Printing Paper and the Management is making strategies to capture the market.

Threat to our business is the gradual erosion of the market, specially in the Kraft Paper, to the small scale industries, whose cost of production of the item is lower than ours.

(iii) SEGMENTWISE OR PRODUCTWISE PERFORMANCE :

For the financial year 2004-05, following are the performance figures for our main products.

(a) Kraft Paper:

Share of the market retained almost the same as of previous year. Actions are initiated to gain better market share in future.

(b) News Print/Writing & Printing Paper:

Commercial production started in the month of March, 2004. During the first year of the production your company achieved good market share of new products. Further the Management is making sincere efforts to gain better market share in future.

(c) Services :

The value of services have come down in comparison to previous year due to manpower being used in new project of Writing Printing and Newsprint paper.

(iv) OUTLOOK :

The company has installed News Print/Writing & Printing Paper Plant last year keeping in view the good market demand of this product. The demand of Kraft Paper is low in the market due to excessive installed capacity of Kraft Paper plants in the country and overall recession. In addition, the Management is concentrating more on markets where demand of our products is more and favourable business conditions exists including overseas market.

CHADHA PAPERS LIMITED

(v) RISKS & CONCERNS :

The company faces commercial competition from other paper industries. The reduced demand from market combined with threat from over existing capacity of kraft paper plants in country, continue to pose a major threat. The additional concern for the company is the low productivity of P.M. I and P.M. II since both the machines are outdated as far as process is concerned. However, with the installation of diversified project of News Print/Writing & Printing paper, the company is expecting more profitability as good demand of writing printing paper exists in domestic as well as export market. The quality of our product has been well accepted in the market.

(vi) INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY :

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly.

The internal control systems are supplemented by an extensive programme of internal audits, reviews by management, and documented policies, guidelines and procedures. The internal control systems are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

(vii) DISCUSSION ON FINANCIAL PERFORMANCE IN RESPECT TO OPERATIONAL PERFORMANCE :

The total turnover of the company for the year 2004-05 is Rs.9747.53 Lacs compared to Rs. 2670.39 Lacs in 2003-04. The operational profit of the company for the year 2004-05 is Rs. 357.63 Lacs as compared to Rs.268.33 Lacs in 2003-04. The profit before tax for the year 2004-05 is Rs 4.57 Lacs as compared to profit of Rs.31.22 Lacs in 2003-04. The material cost and fixed costs of raw material gone up partially compared to previous year.

(viii) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED :

Human resources are the strength of your company. The company believes in empowering employees through greater knowledge, opportunity, responsibility, accountability and reward. The company takes immense pride in providing an equal opportunity, work environment to its employees with great emphasis on identifying & nurturing the talent. This involves a practice of encouraging all the employees to give their best towards attainment of laid down objectives of the company.

The industrial relations between the Management & employees are cordial and important decisions are taken after mutual discussions. The company has technically qualified workforce, which is well paid, motivated and moderate in approach. The company workforce is efficient and hard working. Overall the industrial relations in the company are cordial and harmonious.

Number of people employed at the year under review were 172, as compared to 92 in the year before.

17. ACKNOWLEDGEMENTS :

Yours Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

**For and on behalf of the
BOARD OF DIRECTORS**

Dated: 03th September, 2005
Place: BILASPUR (Rampur)

(S. KULWANT SINGH CHADHA)
Chairman cum Managing Director

CHADHA PAPERS LIMITED

ANNEXURE TO DIRECTORS' REPORT

FORM "A"

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

POWER & FUEL CONSUMPTION

CURRENT
YEAR

PREVIOUS
YEAR

1. ELECTRICITY

(A) Internal Generation

(i) Turbine Set

(From Paddy Husk, Coal etc)

Total Unit Generated

26038693

11098140

Total Cost (Rs.)

48910309

34758889

Rate/ Unit (MT)

2.02

3.13

(ii) From Generator

Total units Generated

779366

1566759

Total Amount

3569616

6768941

Rate/unit

4.55

4.32

(B) CONSUMPTION PER MT OF PRODUCTION

1. D.G. Set/Turbine Set

655.63 Units

692.32 Units

Note: Paddy Husk and Coal consumed for units generated from Boiler turbine set also includes steams being used in plant.

FORM "B"

TECHNOLOGY ABSORPTION

a) Research and Development

The company has started production of Writing Printing/News Print Grade paper through most modern technology.

b) Technology absorption, adaption and innovation:

(i) Latest technology has been adopted in the plant to maximize production, yield and better quality alongwith minimum consumption of energy by Installing Co-generation plant.

(ii) Technology Imported: NIL

D. FOREIGN EXCHANGE EARNING & OUTGO

CIF VALUE OF IMPORTS

Qty. (MT)

Value

Qty (MT)

Value

Raw Materials

29919.308

367227518

19361.379

191071842

Spare Parts

—

—

—

988815

Capital Equipments

—

26793933

—

39619593

C Chemicals

—

5765825

—

2269940

E. INFORMATION PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956 RELATING TO SUBSIDIARY COMPANIES:

During the financial year, no company was the subsidiary of our Company.

For and on behalf of the
BOARD OF DIRECTORS

K.S. CHADHA
Chairman & Managing Director

CHADHA PAPERS LIMITED

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The Company aims at conducting its business efficiently, by following professionally acknowledged good governance policies, thus meeting its obligation to all shareholders in a balanced and accountable manner.

2. BOARD OF DIRECTORS

(a) Composition:

The Board of directors comprises of six directors including the Chairman. Shree Kulwant Singh Chadha is Chairman & Managing director and he is non executive director. Shree Hardeep Singh Chadha is Executive Director while other four are non executive directors. However, independent directors does not comprise fifty percent of the board as required by the Listing Agreement.

(b) The names and categories of the Directors on the Board, their attendance at Boards Meetings during the year and at the last Annual General Meeting.

| Name | Category | No. of Board Meetings attended during 2004-05 | Whether attended AGM held on 29th Sept.2004 |
|--------------------------|--------------------|---|---|
| Mr. K.S.Chadha | Chairman | 9 | Yes |
| Mr.H.S.Chadha | Executive Director | 9 | Yes |
| Mr.G.S.Chadha | Director | 8 | Yes |
| Mr.R.S.Chadha | Director | 7 | Yes |
| Mr. H.P.S. Bhatia | Director | 8 | Yes |
| Mrs. Jasdeep Kaur | Director | 6 | Yes |
| (w.e.f. 28th June, 2004) | | | |

9 Board Meetings were held during the year 2004 -05 and the gap between two meetings did not exceed three months. The dates on which the Boards Meetings were held were as follows:

30th April 2004, 28th June 2004, 30th July 2004, 27th August 2004, 2nd September 2004, 27th October 2004, 12nd January 2005, 29th January 2005, and 21st March 2005.

The transactions and pecuniary relationship of non-executive directors with the company are as follows:

| Name of the Directors | Op. Unsecured Loan taken by the company | Received during the year | Payment during the year | Closing Balance |
|--------------------------|---|--------------------------|-------------------------|-----------------|
| S. Gurdeep Singh Chadha | 512.93 Lacs | 93.01 Lacs | — | 605.94 Lacs |
| S. Rajendra Singh Chadha | 135.36 Lacs | 91.46 Lacs | — | 226.82 Lacs |
| S. Kulwant Singh Chadha | 2.48 Lacs | 0.01 Lacs | — | 2.49 Lacs |
| Smt. Jasdeep Kaur | 0.45 Lacs | — | 0.38 Lacs | 0.07 Lacs |

3. AUDIT COMMITTEE

(a) The Company had constituted an Audit Committee in the year 2000-01. The following three directors are members of audit committee:

1. Shree Kulwant Singh Chadha, also as Chairman
2. Shree Gurdeep Singh Chadha, Member
3. Shree Rajendra Singh Chadha, Member

None of the member of audit committee is independent director.

(b) In terms of reference of this committee, cover matters specified under the listing agreement and the Companies Act 1956. Further, the area & scope of internal audit is being considered to be enlarged to make the same more effective & meaningful.