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**SREE SAKTHI PAPER MILLS LIMITED**

ANNUAL  
REPORT  
1993-94



**SREE SAKTHI PAPER MILLS LIMITED**



**SREE SAKTHI PAPER MILLS LTD.**

**ANNUAL REPORT**

1993-94

<b>DIRECTORS</b>	Mr. S. Sivathanu Pillai (Chairman) Mr. S. Rajkumar (Managing Director) Mr. S. Giridhar Mr. A. S. Unni Mr. N. Ravindranathan Mr. M.R. Karmachandran (KSIDC Nominee)
<b>BANKERS</b>	State Bank of India M.G. Road, Ernakulam
<b>AUDITORS</b>	M/s Balan & Co. Ernakulam.
<b>REGISTERED OFFICE</b>	39/2724 A, Palam Road, Ernakulam.
<b>FACTORY</b>	Development Area, Edayar, Alwaye.



**NOTICE OF THE THIRD ANNUAL GENERAL MEETING OF  
SREE SAKTHI PAPER MILLS LIMITED**

Notice is hereby given that the Third Annual General Meeting of the Share holders of the Company will be held at 3 PM. on Monday the 28th of November 1994 at hotel Abad Plaza, MG. Road, Ernakulam to transact the following Business:

**Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 1994 and the profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.

2. To appoint a Director in place of Sri. S. Sivatharu Pillai, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Sri. N. Ravindranathan, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.

4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following as a Special Resolution.

"RESOLVED that M/s Balan & Co., Chartered Accountants, Ernakulam be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and the Board be and is hereby authorised to fix their remuneration excluding expenses incurred towards traveling and other out of pocket expenses for and in connection with the Audit of Accounts of the Company."

The present Auditors M/s Balan & Co., retire and are eligible for re-appointment. Certificate has been obtained from them that re-appointment if made will be in accordance with the limits specified in Sub-Section (1B) of Section 224 of the Companies Act, 1956.

Even though the provisions of Sec. 224 A of the said Act are not strictly applicable Special Resolution is proposed by way of abundant caution.

5. To declare dividend

**Special Business**

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

a. "RESOLVED that the Authorised Share Capital of the Company be and is hereby increased from Rs. 100 Lacs to Rs. 300 Lacs by creation of additional 20 Lacs Equity Shares of Rs. 10/- each ranking pari-passu with the existing shares."

b. "FURTHER RESOLVED that Clause V of the Memorandum of Association of the Company be altered to read as under—  
The Authorised Share Capital of the Company is Rs. 3,00,00,000 (Rupees Three Crores Only) divided into 30,00,000 (Thirty lacs only) Equity shares of Rs. 10/- (Rupees Ten Only) each. The Company has power to increase or decrease the Authorised Capital as may be determined from time to time in accordance with law."

c. "RESOLVED FURTHER that the Article 3 of the Articles of Association of the Company be altered to read as under—  
The Authorised Share Capital of the Company is Rs. 3,00,00,000 (Rupees Three Crores Only) divided into 30,00,000 (Thirty lacs only) Equity shares of Rs. 10/- (Rupees Ten only) each."

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

"RESOLVED that pursuant to Section 149(2 A) read along with Section 13(d) and other applicable provisions if any of the Companies Act, 1956, the Company in General Meeting hereby accords its approval for the erection of Wind Mill (Wind Turbine generator) and consequential generation of Wind energy covered under sub clause 10.11 & 12 of part B of clause III of Memorandum of Association of the Company."

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in supersession of the Resolution passed at the Extra Ordinary General Meeting held on 24th August 1992 fixing the borrowing limits of the Company at Rs. 300 Lacs, the consent of the Company be and is hereby accorded to the Board of Directors under Section 293 (1) (ii) of the Companies Act, 1956, to borrow any sum or sums of moneys from time to time not withstanding that the money or moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up Capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes provided however, the total amount so borrowed shall not exceed Rs. 10 Crores (Rupees Ten Crores)."

9. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in modification of the resolution passed at the Extraordinary General Meeting of the Company held on 24th August 1992, consent of the Company be and is hereby accorded u/s 293 (1) (a) of the Companies Act, 1956, to the Board of Directors of the Company for Mortgaging/Charging all the Fixed Assets and all the immovable and moveable properties of the Company both present and future, subject to prior charges in respect of stock of raw materials, stocks in process, finished goods, consumable stores, spares, etc. and receivables charged to Bankers for Working Capital and in respect of Wind Mill charged to I.D.B.I. under their Equipment Finance Scheme, on a first charge pari passu basis or in favour of:

1. Industrial Development Bank of India
2. State Bank of India
3. State Bank of Hyderabad
4. Kerala State Industrial Development Corporation
5. Kerala Financial Corporation  
to secure

(A) 1. the proposed term loan of Rs. 500.00 Lacs (Rupees Five Hundred Lacs only) or such lower sum as is agreed to between the Company and I.D.B.I. for the Duplex Board Project



2. the proposed term loan of Rs. 75.00 Lacs (Rupees Seventy Five Lacs only) to be borrowed from S.B.I for the Duplex Board Project
  3. the proposed term loan of Rs. 100.00 Lacs (Rupees One Hundred Lacs only) or such lower sum as is agreed to between the Company and S.B.H. for the Duplex Board Project
  4. the existing term loan of Rs. 90 Lacs from K.S.I.D.C.L.M. for the Kraft Paper Project
  5. the existing term loan of Rs. 60 Lacs from K.F.C. for the Kraft Paper Project
- (B) the interest at the respective rates, compound / additional interest by way of liquidated damages, commitment charges, expenses and all other moneys payable by the Company in respect of the said Loans."

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to finalise with the said Financial Institutions the documents for creating the aforesaid mortgage and / or charge and to do all such acts and things as may be necessary for giving effect to the above resolutions."

10. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that, subject to the consent to be received from the first charge holders, consent of the Company be and is hereby accorded under Section 293 (1)(a) of the Companies Act, 1956, to the Board of Directors for giving second charge to State Bank of India for the Working Capital loan sanctioned / to be sanctioned by State Bank of India from time to time, so however that the second charge to be given to State Bank of India shall be subsequent to and subservient to the first charge created / to be created on pari passu basis to and in favour of I.D.B.I., S.B.I., S.B.H., K.S.I.D.C. and K.F.C. for the various term loans sanctioned/ to be sanctioned by them."

11. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that the Board of Directors of the Company be and is hereby authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of the employees subject to a maximum of Rs. 1,00,000/- (Rupees One Lac Only) per annum starting from the Financial Year ending on 31st March 1995."

12. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in modification of the terms and conditions of appointment of Sri S Rajkumar, Managing Director of the Company, he be paid remuneration as shown below:

- a. Salary Rs. 30,000/- (Rupees Thirty Thousand only) per month
- b. Commission One percent of net profit for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956.
- c. perquisites:
  - i) House Rent Allowance at the rate of Fifty percentage of the salary

- ii) Medical Expenses incurred for the Managing Director and his family subject to a ceiling of one months salary in a year or three months salary over a period of three years.
- iii) Leave Travel concession for the Managing Director and his family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of Clubs subject to a maximum of two clubs.
- v) Personal accident insurance for an amount the annual premium of which does not exceed Rs 2,500/-
- vi) Contribution to Provident Fund, Superannuation and Annuity Fund in accordance with the rules specified by the Company. Gratuity payable shall not exceed half a months salary for each completed year of service.
- vii) Encashment of leave at the end of the tenure
- viii) Provision of Car for use on Company's business and telephone at residence

Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable."

"FURTHER RESOLVED wherein in any Financial Year the Company has not profit or if profits are inadequate the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites as above mentioned subject to the ceiling set out under Schedule XIII to the Companies Act, 1956."

"FURTHER RESOLVED that the Board of Directors may alter or vary the composition/ elements of the remuneration payable to Sri S Rajkumar in such manner as agreed to between the Board of Directors and Sri S Rajkumar within the overall limits as set out above."

"FURTHER RESOLVED that the enhanced remuneration and perquisites be paid to the Managing Director retrospectively effective from 1st of April 1994."

Kochi  
29th October '94.

By order of the Board  
For Sree Sakthi Paper Mills Ltd.  
Finance Manager

### Explanatory Statements

#### Item No. 6

The Company has undertaken a diversification project at a Total Cost of approximately Rs. 8.55 Crores. As per the proposed financial plan, further Equity Contribution will be required for the project to enable the Company to issue further Equity shares. The Authorised Capital of the Company has to be increased, hence the Resolution. Save and except as a shareholder, no director is interested in the resolution.

#### Item No. 7

The Company has plans of expansion by putting up a new paper related unit in Tamil Nadu. Considering the scarcity of power in Tamil Nadu, your board has concluded that erection of a Generator for power is necessary in the said state. As the availability of suitable land for setting up of Generator is getting fast depleted your Company after getting the permission from the state of Tamil Nadu



2. the proposed term loan of Rs. 75.00 Lacs (Rupees Seventy Five Lacs only) to be borrowed from S.B.I for the Duplex Board Project
  3. the proposed term loan of Rs. 100.00 Lacs (Rupees One Hundred Lacs only) or such lower sum as is agreed to between the Company and S.B.H. for the Duplex Board Project
  4. the existing term loan of Rs. 90 Lacs from K.S.I.D.C. Ltd. for the Kraft Paper Project
  5. the existing term loan of Rs. 60 Lacs from K.F.C. for the Kraft Paper Project
- (B) the interest at the respective rates, compound / additional interest by way of liquidated damages, commitment charges, expenses and all other moneys payable by the Company in respect of the said Loans."

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to finalise with the said Financial Institutions the documents for creating the aforesaid mortgage and / or charge and to do all such acts and things as may be necessary for giving effect to the above resolutions."

10. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that, subject to the consent to be received from the first charge holders, consent of the Company be and is hereby accorded under Section 293 (1)(a) of the Companies Act, 1956, to the Board of Directors for giving second charge to State Bank of India for the Working Capital loan sanctioned / to be sanctioned by State Bank of India from time to time, so however that the second charge to be given to State Bank of India shall be subsequent to and subservient to the first charge created / to be created on pari passu basis to and in favour of I.D.B.I., S.B.I., S.B.H., K.S.I.D.C. and K.F.C. for the various term loans sanctioned/ to be sanctioned by them."

11. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that the Board of Directors of the Company be and is hereby authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of the employees subject to a maximum of Rs. 1,00,000/- (Rupees One Lac Only) per annum starting from the Financial Year ending on 31st March 1995."

12. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that in modification of the terms and conditions of appointment of Sri S.Rajkumar, Managing Director of the Company, he be paid remuneration as shown below:

- a. Salary Rs. 30,000/- (Rupees Thirty Thousand only) per month
- b. Commission One percent of net profit for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956
- c. perquisites:
  - i) House Rent Allowance at the rate of Fifty percentage of the salary.

- ii) Medical Expenses incurred for the Managing Director and his family subject to a ceiling of one months salary in a year or three months salary over a period of three years.
- iii) Leave Travel concession for the Managing Director and his family once in a year incurred in accordance with the rules of the Company.
- iv) Fees of Clubs subject to a maximum of two clubs.
- v) Personal accident insurance for an amount the annual premium of which does not exceed Rs.2,500/-
- vi) Contribution to Provident Fund, Superannuation and Annuity Fund in accordance with the rules specified by the Company. Gratuity payable shall not exceed half a months salary for each completed year of service.
- vii) Encashment of leave at the end of the tenure
- viii) Provision of Car for use on Company's business and telephone at residence.

Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable."

"FURTHER RESOLVED wherein in any Financial Year, the Company has not profit or if profits are inadequate the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites as above mentioned subject to the ceiling set out under Schedule XIII to the Companies Act, 1956."

"FURTHER RESOLVED that the Board of Directors may alter or vary the composition elements of the remuneration payable to Sri S.Rajkumar in such manner as agreed to between the Board of Directors and Sri S.Rajkumar within the overall limits as set out above."

"FURTHER RESOLVED that the enhanced remuneration and perquisites be paid to the Managing Director retrospectively effective from 1st of April 1994."

By order of the Board

Kochi  
29th October '94

For Sree Sakthi Paper Mills Ltd.  
Finance Manager

### Explanatory Statements

#### Item No.6

The Company has undertaken a diversification project at a Total Cost of approximately Rs. 8.55 Crores. As per the proposed financial plan, further Equity Contribution will be required for the project to enable the Company to issue further Equity shares. The Authorised Capital of the Company has to be increased, hence the Resolution. Save and except as a shareholder, no director is interested in the resolution.

#### Item No. 7

The Company has plans of expansion by putting up a new paper related unit in Tamil Nadu. Considering the scarcity of power in Tamil Nadu, your board has concluded that erection of a Generator for power is necessary in the said state. As the availability of suitable land for setting up of Generator is getting fast depleted your Company after getting the permission from the state of Tamil Nadu

has gone ahead with it. It is also considered to be conducive to the profits and interests of the Company for reasons indicated above. We are advised that the erection of generator and related activity is ancillary to the attainment of the main objects of the Company in the above context and hence is well within the objects set out in the Memorandum of Association of the Company.

No director is interested in the resolution.

**Item No. 8**

The proposed finance plan for diversification into the area of manufacture of Duplex Boards involves borrowings of about Rs.575 lacs. This will require enhancement of existing borrowing limits of Rs. 300 Lacs fixed at the Extra Ordinary General Meeting held on 24th August 1992. Hence the resolution.

No director is interested in the resolution.

**Item No. 9**

Term Loan for the Duplex Board Project is to be availed from M/s (D.B.I., S.B.I., and S.B.H. Hence it is proposed to obtain the approval of Share Holders under Sec. 293 (1) (a) to authorise the Board to mortgage/ charge properties of the Company in favour of the aforesaid institutions.

No director is interested in the resolution.

**Item No.10**

The present Working Capital limit sanctioned by State Bank of India to the Company is Rs. 103.50 Lacs (Rupees One hundred three lacs and fifty thousand only) which will have to be enhanced to take care of increased production and diversification. Second charge on fixed assets will have to be given to State Bank of India. Hence the resolution.

No director is interested in the resolution.

**Item No.11**

In view of the good performance turned out by the Company and as part of its obligation to the society and for the welfare of the public in general, it is proposed to make donations to deserving causes as a social obligation upto a limit of Rs. 1,00,000/- (Rupees One Lac Only) per annum starting from the Financial Year ending 31st March 1995.

No director is interested in the resolution.

**Item No. 12.**

Considering the increased responsibilities and duties of the Managing Director in view of expansion in existing operations as well as the proposed diversification, it is sought to increase his remuneration suitably. This is very much in line with the pay and perquisites pattern of similar units.

Sri. S. Rajkumar is interested in the Resolution. Sri.S. Sivatharu Pillai, Chairman and Sri. S. Girdhar, Director being, respectively, the father and brother of Sri. S. Rajkumar may be deemed to be concerned or interested in the increase in remuneration for Sri. S. Rajkumar.

**Notes**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. Proxies in order to be effective must be lodged at Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. Members attending the meeting are requested to bring their copy of the Annual Report.

Kochi  
29th October '94.

By order of the Board  
For Sree Sakthi Paper Mills Ltd.  
Finance Manager



**DIRECTORS' REPORT TO THE SHARE HOLDERS**

The Directors have pleasure in presenting to you their Annual Report together with the Audited Accounts for the year ended 31st March 1994.

<b>Financial Results</b>	1993-94	
	(Rs. Lacs)	

Sales (net)	684.36	
Operating Profit	190.39	
Interest & Finance charges	46.64	Being the first year of operation, no previous year figures are given.
Depreciation	15.50	
Profit before Tax	127.16	
Provision for Tax	28.80	
Profit after Tax	98.36	

which is apportioned as follows:-

Proposed Dividend @ 15%	10.50
General Reserve	9.80
Balance carried forward to profit and Loss Account	78.06

**Dividend**

The Directors are glad to recommend for consideration at the ensuing Annual General Meeting a payment of Dividend at the rate of 15% subject to deduction of Tax at source wherever applicable on the Equity shares of the Company.

**Production**

During the year under review, as against an installed capacity of 5,400 Tonnes, actual production was 6,702 Tonnes. The high capacity utilisation of 124% was on account of continuous Research & Development, Line Balancing, Optimisation of the Production process and excellent performance of the production personnel.

**Prospects**

Your Company's production per annum is slated to increase to 12,000 Tonnes with the installation of additional equipment worth Rs. 50 Lacs. The market for Kraft paper is fairly good and the increased production would be absorbed by the market easily.

**General****a. Wind Mill Project**

Your Company has installed a Wind Mill (250 KW, Procured from M/s A.M.T.L.) at Muppandal, Kanya Kumari Dist., Tamil Nadu at a total cost of Rs. 80 Lacs (Rupees Eighty lacs Only) with Term Loan assistance from I.D.B.I. of Rs 50 lacs (Rupees Fifty Lacs Only). Also the Company has installed a Fluidised Bed Combustion Boiler worth Rs. 25 Lacs (Rupees Twenty Five Lacs Only) with Hire-purchase finance from M/s Mercantile Credit Corporation Ltd. The installation of the aforementioned items also brings in substantial Tax Savings on account of availability of 100% depreciation.

**b. Duplex Board Project**

Your Company has embarked on a diversification project to manufacture Duplex Boards at a total project of Rs. 855.00 Lacs which is proposed to be financed as under:

Fresh Equity	95.00
Internal Accruals	185.00
Term Loan From I.D.B.I.	500.00
Term Loan from S.B.I.	75.00
<b>Total</b>	<b>855.00</b>

Out of the above, share Capital for Rs. 15.00 Lacs (Rupees Fifteen Lacs only) has already been issued vide a resolution u/s 81 (1A) of the Companies Act, 1956 passed by Share holders of the Company at an Extra Ordinary General Meeting held on 31st May 1994. Of the balance Rs. 80 Lacs (Rs. 95 Lacs - Rs. 15 Lacs) equity, K.S.I.D.C. has already agreed to invest Rs. 24.75 Lacs in the Capital of the Company. Balance Share Capital will be arranged by the Board of the Company.

**Increase in Authorized Share Capital**

The Authorized Share Capital of the Company at present is Rs. 100 Lacs. Considering the fact that the Company is going in for diversification there is need to increase the Authorized Share Capital to Rs. 300 Lacs. Also the borrowing power of the Company have to be increased to facilitate the borrowing of Term Loans from I.D.B.I. and S.B.I. for the Duplex Board Project. The Resolutions to be passed to increase the Authorized Share Capital of the Company and increase the Borrowing powers under Section 293 (1) (d) of the Companies Act, 1956 and consequential amendments to Articles of Association of the Company on account of such increase are being placed before the share holders for approval at this Annual General Meeting.

**Directors**

Sri. S. Sivatharu Pillai and Sri. N. Ravindranathan, Directors of the Company, retire by rotation in accordance with the Articles of Association of the Company and they being eligible offer for reappointment.

**Auditors**

M/s Balan & Co., Chartered Accountants, the present Auditors of the Company retire and are eligible for reappointment.

**Foreign Exchange Earnings and Out-Go**

The Company had no foreign exchange earnings during the year. The outgo was solely for purchase of raw materials amounting to Rs. 45 Lacs.

**Conservation of Energy**

The Company had retained Confederation of Indian Industries (C.I.I.) to conduct an Energy Audit and based on the results of the study, the Company is in the process of implementing the suggestions in their report and savings expected due to these measures amount to Rs. 5.79 Lacs.

**Annexures**

Particulars of employees as required under Section 217 (2-A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975 and particulars as required under Section 217(1)(e) are annexed.

**Acknowledgment**

The Directors gratefully acknowledge the continued support and assistance given by K.S.I.D.C., K.F.C., S.B.I., S.B.I.C.A.P., I.D.B.I. and K.S.E.B. The Directors also thank the employees of the Company, shareholders and customers for their co-operation and confidence reposed in the Company.

BY AND ON BEHALF OF THE BOARD OF DIRECTORS

Kochi

S. Sivatharu Pillai

29th October 94.

(Chairman)



## ANNEXURE TO THE DIRECTORS' REPORT

## FORM - 'A'

(See rule 2)

Disclosure of particulars with respect to Conservation of Energy.

A. Power and Fuel Consumption	Current Year	Previous Year
1. Electricity		
a. Purchased		
Unit	33,75,807	-
Total amount	17,93,196	-
Rate/unit	0.53	-
b. Own Generation	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others/internal generation	-	-
<b>B. Consumption per unit of production</b>		
Electricity (kwh)	503	-
Furnace Oil	-	-
Coal	-	-
Others	-	-

## ANNEXURE TO THE DIRECTORS' REPORT

## FORM - 'B'

(See rule 2)

Disclosure of particulars with respect to Technology absorption.

**A. Research and Development (R & D)**

- |   |   |  |
|---|---|--|
| 1. Specific areas in which R & D carried out by the Company | : | Nil  |
| 2. Benefit derived as a result of the above R & D           | : | Nil  |
| 3. Future plan of action                                    | : | The Company would undertake appropriate R & D activities depending upon future requirements. |
| 4. Expenditure on R & D                                     | : | N.A  |

**B. Technology Absorption, Adaption and Innovation**

The Company has engaged consultants to study the production systems with a view to improve productivity. Based on the results of the studies conducted by them the Company has installed additional equipment and balanced the Production line which has helped in achieving higher capacity utilisation. The process of improvement is a continuous one and the Company is experimenting with use of new raw materials, fuels etc. to improve productivity further.

Particulars of Imported Technology.

No technology has been imported.



## ANNEXURE TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956  
AND FORMING PART OF THE DIRECTORS' REPORT

Sl. #	Name, Qualification and Designation	Age as on 31/03/94 (Years)	Remuneration received	Nature of Duties	Experience (Years)	Date of Joining	Last Employment held	
							Name of Employer	designation Period of Service
1.	S. Rajkumar, M.Com, Managing Director	36	Rs.90,000/- (6 Months)	Administration	15	03/10/91	Poytha Industrial Company	2 Years

Kochi  
29th October '94

By order of the Board  
S. Sivatharu Pillai  
(Chairman)

**AUDITOR'S REPORT**

We have audited the attached Balance Sheet of SREE SAKTHI PAPER MILLS LIMITED, COCHIN -16 as at 31st March 1994 and the Profit and Loss Account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4-A) of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph (1) above, we state that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appear from our examination of such books.
  - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (d) In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and Profit and Loss Account, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1994 and
    - ii) in so far as it relates to the Profit and Loss Account of the Profit of the Company for the year ended on that date.

For BALAN & CO.  
CHARTERED ACCOUNTANTS  
A. Mohanan BSc. FCA.  
(Partner)

Kochi-16  
29th October '94.

**ANNEXURE REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE.**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management. No material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods and raw materials have been physically verified during the period by the management. In our opinion the frequency of verification is reasonable.
4. The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No material discrepancies were noticed on physical verification of stock with book records.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken loans from Companies, firms or other parties listed in the register maintained under section 301 of

the Companies Act, 1956 or from companies under the same management as defined under sub section (1B) of section 370 of the Companies Act, 1956.

8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to Companies under the same management.
9. The Company has not given any loans and advances in the nature of loans except to its employees which are being repaid regularly.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant & machinery, equipments and other assets and with regard to the sale of goods.
11. The transactions of purchase of goods and materials and sale of goods made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices and practices for such goods and materials.
12. The Company has a system for identifying and providing for losses on account of unserviceable or damaged stores, raw materials or finished goods.
13. The Company has not accepted any deposits from the public u/s 58A of Companies Act, 1956.
14. The Company is maintaining reasonable records for the sale and disposal of scrap.
15. On the basis of test checks conducted by us and as per the explanation given to us, the Company has a reasonable internal audit system commensurate with its size and nature of its business.
16. On a prima-facie examination we are of opinion that the Company is maintaining cost accounting records prescribed by the Central Government u/s 209 (1)(d) of the Companies Act, 1956.
17. The Company is not covered by the Provident Fund Act and hence has no Provident Fund dues and the Company is mostly regular in depositing Employees State Insurance dues with appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts in respect of Income tax, Wealth tax, Customs duty and excise duty are payable as on the date of the balance sheet for a period of more than six months from the date they become payable.
19. According to the information and explanation given to us, no personal expenses of employee or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (a) of subsection (1) section 3 of the Sick Industrial Companies (Special Provisions) Act 1985.

For BALAN & CO.  
CHARTERED ACCOUNTANTS  
A. Mohanan BSc. FCA.  
(Partner)

Kochi -16  
29th October '94.



## BALANCE SHEET AS AT 31ST MARCH 1994.

	Sch No.	31/03/94 Rupees	31/03/93 Rupees
<b>I SOURCES OF FUNDS</b>			
(1) Share Holders' Funds:			
(a) Capital	1	71,78,326.35	71,78,326.35
(b) Reserves & Surplus	2	1,02,86,325.99	Nil
		<u>1,74,64,652.34</u>	<u>71,78,326.35</u>
(2) Loan Funds:			
(a) Secured Loans	3	2,06,84,947.57	2,05,00,000.00
(b) Unsecured Loans	4	Nil	11,25,000.00
		<u>2,06,84,947.57</u>	<u>2,16,25,000.00</u>
<b>TOTAL</b>		<u>3,81,29,599.71</u>	<u>2,88,03,326.35</u>
<b>II APPLICATION OF FUNDS</b>			
(1) Fixed Assets:			
(a) Gross Block	5	3,41,07,507.08	7,76,462.70
(b) Less: Depreciation		15,72,460.66	13,303.70
(c) Net Block		<u>3,24,35,046.42</u>	<u>7,63,159.00</u>
(d) Capital Work-in-progress		Nil	2,40,10,655.97
		<u>3,24,35,046.42</u>	<u>2,47,82,814.97</u>
(2) Investments:			
	6	1,00,000.00	Nil
(3) Current Assets, Loans & Advances:			
(a) Inventories	7	29,11,022.64	22,42,995.78
(b) Cash & Bank balances	8	3,04,565.07	13,02,837.47
(c) Sundry Debtors	9	99,19,031.49	Nil
(d) Loans & Advances	10	35,20,906.13	6,51,210.70
		<u>1,66,65,525.33</u>	<u>41,97,043.95</u>
Less: Current Liabilities and Provisions:			
(a) Current Liabilities	11	71,83,606.04	35,24,119.54
(b) Provisions		39,30,000.00	Nil
Net Current Assets		<u>55,52,019.29</u>	<u>6,72,924.41</u>
(4) Miscellaneous expenditure:	12	42,534.00	33,47,586.97
<b>TOTAL</b>		<u>3,81,29,599.71</u>	<u>2,88,03,326.35</u>
Notes on Accounts	21		

By order of the board

S. Sivathanu Pillai  
ChairmanA.S. Unni  
DirectorS. Rajkumar  
Managing DirectorKochi  
29th October 1994.Pradeep K.B.  
Finance Manager

Subject to our report of even date

For Basan & Co.  
Chartered AccountantsA. Mohanan, B.Sc., F.C.A.  
Partner

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1994

	Sch No	31.03.1994 Rupees	31.3.1993 Rupees
<b>INCOME</b>			
Sales	13	7,28,66,912.93 ✓	Nil
Miscellaneous income	14	98,622.50 ✓	Nil
Increase in Stock	15	67,796.00 ✓	Nil
<b>TOTAL</b>		<b>7,28,01,331.53 ✓</b>	<b>0.00</b>
<b>EXPENDITURE</b>			
Manufacturing Expenses	16	4,36,60,324.36 ✓	Nil
Excise Duty		44,32,158.64 ✓	Nil
Payments to and provision for Employees	17	92,51,000.18 ✓	Nil
Administrative Expenses	18	24,74,343.92	Nil
Selling & Distribution Expenses	19	1,08,676.07	Nil
Interest & Finance Charges	20	48,61,717.45 ✓	Nil
<b>TOTAL</b>		<b>5,96,00,222.62 ✓</b>	<b>0.00</b>
Less: Pre-operative Expenses		14,374.04 ✓	0.00
		<b>5,96,00,048.58 ✓</b>	<b>0.00</b>
Profit before Tax and Depreciation		1,43,75,482.95 ✓	0.00
Depreciation		16,58,166.96 /	0.00
Profit before Tax		1,27,19,325.99 ✓	0.00
Provision for Taxation		28,80,000.00 ✓	0.00
Profit after Tax		98,39,325.99 /	0.00
Proposed Dividend (15%)		10,50,000.00 /	0.00
Transfer to General Reserve		9,80,000.00 /	0.00
Balance carried forward to Balance Sheet		<b>78,06,325.99 /</b>	<b>0.00</b>

Notes on Accounts 21

By order of the board

S. Svathanu Pillai  
ChairmanA.S. Unni  
DirectorS. Rajkumar  
Managing DirectorKochi  
29th October 1994Pradeep K.B.  
Finance Manager

Subject to our report of even date

For Balan & Co.  
Chartered AccountantsA. Mohanan B.Sc., F.C.A.  
Partner



## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31.03.94

	31.03.94 Rupees	31.03.93 Rupees
<b>1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
10,00,000 Equity shares of Rs. 10/- each	<u>1,00,00,000.00</u>	<u>1,00,00,000.00</u>
<b>ISSUED SUBSCRIBED AND PAID UP</b>		
7,00,000 Equity Shares of Rs 10/- each (6,60,000 Equity Shares previous Year)	70,00,000.00/	66,00,000.00
<b>SHARE APPLICATION MONEY</b>	<u>1,78,326.35/</u>	<u>5,78,326.35</u>
	<u>71,78,326.35</u>	<u>71,78,326.35</u>
<b>2. RESERVES &amp; SURPLUS</b>		
1. Kerala State Govt. Investment Subsidy	15,00,000.00/	Nil
2. General Reserve	9,50,000.00/	Nil
3. Profit & Loss Account	78,06,325.99/	Nil
	<u>1,02,56,325.99</u>	<u>0.00</u>
<b>3. SECURED LOANS</b>		
1. Term Loan from Kerala State Industrial Development Corporation Ltd.	85,50,000.00/	90,00,000.00
2. Term Loan from Kerala Financial Corporation	58,00,000.00/	60,00,000.00
3. Term Loan from State Bank of India	Nil	43,00,000.00
4. Seed Capital assistance from Industrial Development Bank of India	12,00,000.00/	12,00,000.00
5. Cash Credit Loan from State Bank of India	51,14,947.37/	Nil
	<u>2,06,64,947.37/</u>	<u>2,05,00,000.00</u>
Out of the above the Term Loans are secured by a first pari-passu charge on the entire assets of the Company save & except stock of rawmaterials, finished goods & receivables and the Seed Capital Assistance is secured by second charge on entire assets as stated above. S.B.I. Cash Credit Loan is secured by a first charge on stock of rawmaterials, finished goods & receivables. All the Loans are further personally guaranteed by three of the Directors of the Company		
<b>4 UNSECURED LOANS</b>		
Bridge Loan from K.S.I.D.C Ltd. against State Investment Subsidy	<u>Nil</u>	<u>11,25,000.00</u>





	31.03.94 Rupees	31.03.94 Rupees
<b>6. INVESTMENTS</b>		
State Bank of India Bonds - Unquoted at cost	1,00,000.00 /	Nil
	<u>1,00,000.00</u>	<u>0.00</u>
<b>7. INVENTORIES</b>		
1. Raw Materials & Packing Materials	11,59,946.94 /	12,58,162.78
2. Work-in-Progress	22,352.53 /	Nil
3. Finished goods	35,443.47 /	Nil
4. Stores, Spares & Fuel items	14,03,050.70 /	97,180.06
5. Stock of Raw-materials in Transit	2,00,229.00 /	8,87,652.94
	<u>29,11,022.64 /</u>	<u>22,42,995.78</u>
<b>8. CASH AND BANK BALANCES</b>		
1. With SBI, M.G. Road, EKM, Current Account	Nil	12,25,764.81
2. Cash on Hand	3,04,565.07 /	77,072.66
	<u>3,04,565.07 /</u>	<u>13,02,837.47</u>
<b>9. SUNDRY DEBTORS (UNSECURED)</b>		
Over Six Months		
Considered Good	24,500.50 /	Nil
Considered Doubtful		Nil
Other Debtors		
Considered Good	98,94,530.99 /	Nil
	<u>99,19,031.49 /</u>	<u>0.00</u>
<p>Out of the above Rs. 53,18,012.88 was due by directors/ firms or private companies in which directors are partners or directors. Maximum amount due by the above parties at any time during the year was Rs. 81,57,546.49</p>		
<b>10. LOANS AND ADVANCES</b>		
1. Pre paid Insurance	43,257.00 /	58,471.00
2. Deposits	5,27,830.00 /	5,02,874.00
3. Other Advances	29,59,819.13 /	89,865.70
	<u>35,30,906.13 /</u>	<u>6,51,210.70</u>
<b>11. CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>(a) CURRENT LIABILITIES</b>		
1. Sundry creditors for		
(a) Capital purchases	16,77,999.24 /	7,80,753.18
(b) Suppliers	37,18,055.61 /	14,26,935.54
(c) Expenses	28,222.54 /	17,718.52
2. Interest accrued but not due on loans	7,28,051.50 /	11,24,439.00
3. Other Liabilities	10,31,187.05 /	1,74,273.30
	<u>71,83,506.04 /</u>	<u>35,24,119.54</u>
<b>(b) PROVISIONS</b>		
provisions for income tax	28,80,000.00 /	0.00
provisions for dividend	10,50,000.00 /	0.00
	<u>39,30,000.00 /</u>	<u>0.00</u>

	31/03/94 Rupees	31/03/93 Rupees
<b>12. MISCELLANEOUS EXPENDITURE</b>		
a. Pre-operative Expenses	33,00,326.97	33,00,326.97
Addition during the year	14,374.04	0.00
Total	33,14,701.01	33,00,326.97
Less: Apportioned to various Assets	33,14,701.01	0.00
	<u>0.00</u>	<u>33,00,326.97</u>
b. Preliminary Expenditure to the extent not written off or adjusted	47,260.00	47,260.00
Less: Written off during the year	4,726.00	Nil
	<u>42,534.00</u>	<u>47,260.00</u>
<b>TOTAL</b>	<u>42,534.00</u>	<u>33,47,586.97</u>

**SCHEDULES ANNEXED TO & FORMING PART OF PROFIT & LOSS A/C FOR YEAR ENDED 31-03-94**

<b>13. SALES</b>		
SALES	7,38,14,796.25	Nil
Less: Discount	9,47,883.32	Nil
	<u>7,28,66,912.93</u>	<u>0.00</u>
<b>14. MISCELLANEOUS INCOME</b>		
Weigh bridge receipts	30,450.50	
Pre operative Expenses excess Capitalised written back	36,172.10	
	<u>66,622.60</u>	<u>0.00</u>
<b>15. INCREASE IN STOCK</b>		
Closing Stock Finished Goods	35,443.47	
Work in progress	32,352.53	
Less: Opening Stock	0.00	
	<u>67,796.00</u>	<u>0.00</u>
<b>16. MANUFACTURING EXPENSES</b>		
Raw Materials consumed	3,04,73,941.29	
Packing Materials consumed	5,20,807.24	
Fuel consumed	32,37,561.67	
Stores and spares consumed	22,47,933.11	
Freight Inwards	30,07,415.65	
Repairs and Maintenance - Plant & Machinery	3,54,976.98	
Repairs and Maintenance - Building	1,49,609.00	
Consumables	14,93,345.20	
Insurance Exps - Works	1,30,524.00	
Electricity Charges	18,00,863.00	
Coolie charges	2,43,346.41	
	<u>4,38,60,324.36</u>	<u>0.00</u>
<b>17. PAYMENTS TO AND PROVISION FOR EMPLOYEES</b>		
Salary, Wages & Allowances	25,72,242.77	
Stipend	18,485.00	
Bonus	1,56,400.00	
Staff Welfare Expenses	3,81,076.95	
Medical Expenses to staff	44,122.97	
E.S.I	78,672.49	
	<u>32,51,000.16</u>	<u>0.00</u>



**SREE SAKTHI PAPER MILLS LTD.**

	31/03/94	31/03/93
	Rupees	Rupees
<b>18. ADMINISTRATIVE EXPENSES</b>		
Printing and stationary	1,27,715.01/	
Travelling expenses - Directors	80,555.95/	
Travelling expenses - Others	3,75,639.48/	
Remuneration to Managing Director	90,000.00/	
Vehicle Maintenance	1,47,828.55/	
Rent	1,40,878.00/	
Professional charges	60,523.00/	
Pooja Expenses	19,515.93	
Services charges	68,139.00	
Office expenses	1,36,974.26	
Telephone, Postage and Telegram	5,35,870.00	
Computer consumables	5,573.02	
Hire charges	94,490.00	
Repairs and Maintenance - others	56,368.27	
Books and Periodicals	3,196.20	
Recruitment Expenses	21,300.50	
Consultancy charges	2,73,226.78	
Insurance Premium	14,494.00	
Auditors Remuneration		
for Audit	25000.00	
for Tax Audit	10000.00	
Rates and Taxes	35,000.00	
Donation	52,686.20	
Filing Fee	47,752.00	
Sitting Fee	1,100.00	
Subscription and Membership	17,700.00	
Security service charges	10,299.25	
Entertainment Expenses	28,275.19	
Preliminary Expenses w/o	15,457.25	
	4,726.00	
	<u>24,74,343.92</u>	<u>0.00</u>
<b>19. SELLING AND DISTRIBUTION EXPENSES</b>		
Freight Outwards	4,980.00/	
Advertisement Expenses	72,125.00	
Sales promotion expenses	81,573.07/	
	<u>1,58,678.07</u>	<u>0.00</u>
<b>20. INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loan KSIDC Ltd.	17,41,293.50/	
Interest on Term Loan KFC	11,77,351.00/	
Interest on Term Loan SBI	7,26,817.00/	
Interest on C/C SBI	6,23,806.00/	
Interest on Bridge Loan against Subsidy	97,348.00/	
Interest on seed capital (D.B)	97,348.00/	
Interest - overdue	10,985.93/	
Bank Charges and Commission	50,823.36/	
Finance Charges	1,82,042.86/	
	53,250.00/	
	<u>46,63,717.45/</u>	<u>0.00</u>

## NOTES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

## SCHEDULE 21

## A. SIGNIFICANT ACCOUNTING POLICIES

## 1. Basis of Accounting

The accounts of the Company are prepared under the historical cost convention on accrual basis as a going concern.

## 2. Revenue Recognition

Items of income and expenditure are recognised on accrual basis except for the following which are being accounted on cash basis, since it is not possible to ascertain with reasonable accuracy the quantum to be provided in respect of:

- Interest and delayed payment charges on overdue bills pending as on the date of Balance Sheet.
- Insurance and other claims.
- The additional liability, if any, arising at the time of assessment of tax/duty.

## 3. Fixed Assets &amp; Depreciation

- Fixed assets are capitalised at cost inclusive of direct expenses and proportionate indirect expenses incurred during construction period. Depreciation on fixed assets is provided on pro-rata basis on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on additions is calculated on a monthly pro-rata basis.
- Machinery includes Machines costing Rs. 18.90 Lacs purchased under Hire Purchase Agreement with M/s Mercantile Credit Corporation, Emakulam.
- During the previous year Company was having only Furniture & Fixtures as Depreciable assets on which Depreciation was provided on W.D.V. method.

## 4. Investments

Investments are stated at cost.

## 5. Inventory

Inventory of raw materials and consumables are valued at cost or market price which ever is lower. Cost for the purposes of valuation of finished goods is computed on the basis of cost of direct material, direct labour and other direct Over Heads but excludes Excise Duty as manufacturing cost. Stock-in-process is valued at raw material cost.

## 6. Foreign Currency Transactions:

Expenditure in foreign currency is converted into Indian rupees at the rate of exchange prevailing on the date of the remittance.

## 7. Others:

- Preliminary expenses have been amortised in accordance with section 35D of the Income Tax Act, 1961.
- Contingent Liabilities are not provided and are disclosed in notes to the accounts.
- Capital investment subsidy has been capitalised in full.

## B. NOTES ON ACCOUNTS

- The Company commenced its Commercial Production on and from 19th of April 1993.
- Value of Imports on C.I.F. basis during the year amounted to Rs. 45.54 Lacs
- Details in respect of Raw Materials consumed

	Quantity Tonnes	Value Rs. Lacs
Imported Waste Paper	913.128	54.92
Indigenous Waste Paper	6714.216	293.67
Chemicals	371.298	36.15

## 4. Details regarding sale of Finished Goods

Particulars	Quantity Tonnes	Gross Value Rs. Lacs
14 BF	3615.47	366.40
16 BF	1012.85	111.96
18 BF	1657.83	204.47
22 BF	410.72	55.32
	<u>6696.87</u>	<u>738.15</u>
Stock of Finished Goods	4.85	0.35



## E. Details of Work-in-Progress

	Quantity Tonnes	Value Rs. Lacs
Opening	Nil	Nil
Closing	6.00	0.32

## 6. Percentage of consumption of Raw Materials

	Rs.	Percentage
Imported	54.92	18.02
Indigenous	249.82	81.98

## 7. Sales are inclusive of Excise Duty

8. Balance of Sundry Debtors, Sundry Creditors, Advances and Loans are subject to confirmation.

9. Previous year figures have been rearranged/regrouped wherever necessary.

10. The Company does not have any liability towards Gratuity at present.

11. Assets, Loans and advances are in realisable state in the ordinary course of business.

12. Contingent Liabilities not provided for:

a. Cheques discounted Rs. 6 Lacs

b. Unexpired Contracts for Capital Expenditure Rs. 7 Lacs

13. The Company is eligible for exemption from State Government Sales Tax and concessional rate of Tax for inter state sales. The order from the appropriate Authority granting exemption / concession from Sales Tax is yet to be received. The estimated amount of Sales Tax liability on the sales effected by the Company for which the Company is eligible for exemption comes to Rs. 10.22 Lacs.

Capacity	M.T
Licensed Capacity	4500.00
Installed Capacity	5400.00
Actual Production	6701.52

15. In respect of free hold land, pattayam is yet to be received. Full value of the land has been paid and agreement has been executed with the Government of Kerala for purchase of land.

16. Consultancy Charges include Rs. 5,750/- paid to the auditors of the Company for secretarial services and Rs. 21,000/- to a director

Signatories to Schedules 1 to 21.

By order of the board

S. Sivathanu Pillai  
Chairman

A.S. Unni  
Director

S. Rajkumar  
Managing Director

Kochi  
25th October 1994.

Pradeep K.B.  
Finance Manager

Subject to our report of even date

For Balan & Co.

Chartered Accountants

A. Mohanan B.Sc., F.C.A.  
Partner

**SREE SAKTHI PAPER MILLS LIMITED**

Regd Office: 39/2724-A, Paliam Road,  
Cochin-682016

**PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_ being a Member/ Members of Sree Sakthi Paper

Mills Limited hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ of

failing him \_\_\_\_\_ of \_\_\_\_\_

or failing him \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 28th November 1994 and at any adjournment thereof.

Signed this \_\_\_\_\_ day \_\_\_\_\_ 1994.

Affix  
Revenue  
Stamp

Signature \_\_\_\_\_

Note: The proxy form must be returned so as to reach the Registered Office of the Company, 39/2724-A, Paliam Road, Cochin-682016 not less than forty eight hours before the time for holding the aforesaid meetings. The proxy need not be a member of the Company.