



**SREE SAKTHI PAPER
MILLS LIMITED**

SIXTH ANNUAL REPORT
1996-97

SREE SAKTHI PAPER MILLS LIMITED

DIRECTORS

Mr. S. Sivithanu Pillai (Chairman)
Mr. S. Rajkumar (Managing Director)
Mr. S. Giridhar (Executive Director)
Mr. A.S. Unni
Mr. N. Ravindranathan
Mr. S. Subramaniam
Mrs. E. Kamalam
Mr. A. J. Pai
(KSIDC Nominee)

BANKERS

State Bank of India

AUDITORS

M/s Balan & Co.
Emakulam, Cochin - 18.



REGISTERED OFFICE

39/2724 A,
Pallam Road,
Emakulam, Cochin - 16.

FACTORIES

KRAFT PAPER UNIT:
Development Area,
Edayar, Alwaye,

DUPLEX BOARD UNIT:
Kanjrapilly
Chalakkudy

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SREE SAKTHI PAPER MILLS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixth Annual General Meeting of the shareholders of the Company will be held at 12.05 P.M. on Friday, the 31st October, 1997 at Hotel Abad Plaza, M.G. Road, Ernakulam, Cochin-35 to transact the following business:

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.

2. To declare dividend

3. To appoint a Director in place of Sri S. Subramaniam, 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 a Director in place of Smt.E.Kamalam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers herself for re-appointment.

5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

6. To consider, and if thought fit to pass, with or without modification the following resolution as an ORDINARY RESOLUTION :

SREE SAKTHI PAPER MILLS LIMITED

"RESOLVED THAT subject to the provisions of Section 195, 269, 309, 310, Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals, if any, the Company hereby accords its approval for the appointment of Mr. S.Rajkumar as Managing Director of the Company again for a period of 5 years from 9th September, 1997 to 8th September, 2002 on the terms and conditions including remuneration and perquisites as approved by the Board of Directors at their meeting held on 9th September, 1997 and accepted by Sri S.Rajkumar with liberty to the Board of Directors to alter and vary the approved terms and conditions as the Board of Directors may consider necessary and as may be agreed to by Mr.S.Rajkumar within the overall limits as specified in Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof and / or any rules or regulations framed thereunder."

"FURTHER RESOLVED wherein in any Financial year, the Company has no 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."

By order of the Board,
for Sree Sakthi Paper Mills Limited

R.Ponnambalam
Company Secretary

Cochin-16
6.10.1997

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 the Registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 21st October, 1997 to 31st October, 1997 (both days inclusive).
3. Dividend, if declared, will be paid to those members whose names appear in the Register of Members on 31st October, 1997 or to their mandatees.
4. Members are requested to notify any change of address, if any.
5. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no.5 of the notice is annexed hereto.

SREE SAKTHI PAPER MILLS LIMITED

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE
COMPANIES ACT, 1956**

At the meeting of Board of Directors of the Company held on 9th September, 1997 Mr. S.Rajkumar, who was First Managing Director of the Company for a period of 5 years, was appointed as Managing Director of the Company again for a period of 5 years from 9th September, 1997 on the following terms and conditions, which are the same as existed before.

I Mr.S.Rajkumar shall hold office of Managing Director for a period of 5 years from 9th September, 1997 to 8th September, 2002.

II. He shall be paid remuneration including perquisites as follows:

- 1) Salary: Rs.30,000/- (Rupees Thirty Thousand only) per month.
- 2) 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
- 3) 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.2500/-
 - 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.

Minimum Remuneration:- Same substantive salary and perquisites subject to ceiling set out under Schedule XIII to the Companies Act, 1956

Notice dated 26.9.97 of the terms and conditions of the appointment of Mr. S.Rajkumar have been sent to all the members of the Company pursuant to Section 302 of the Companies Act, 1956.

Mr.S.Rajkumar, Mr.S.Sivathanu Pillai, S.Subramaniam, Mrs.E.Kamalam and Mr.S.Girdhar are interested in the resolution as they are related to each other. Save and except the above none of the Directors is concerned or interested in the resolution.

SREE SAKTHI PAPER MILLS LIMITED

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the sixth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	1996-97 (Rs.Lacs)	1995-96 (Rs.Lacs)
Sales (net)	2726.98	1662.99
Operating profit	422.77	311.42
Interest and Finance charges	281.15	148.20
Depreciation	77.18	51.12
Profit before tax	64.49	112.11
Provision for tax	8.26	Nil
Profit after tax	56.23	112.11
Balance of Profit brought forward	275.42	211.55
Amount available for appropriation	331.65	323.66
Appropriation :-		
General Reserve	10.00	40.20
Proposed Dividend	8.25	24.09
Corporate Dividend Tax	0.82	Nil
Retained Profits carried to Balance sheet	312.58	259.37

REVIEW OF OPERATIONS 1996-1997

Despite severe powercut and related load restrictions which continued throughout the year, at Edayar factory a production of 11,870 MT Kraft paper was achieved as against 11,955 MT in the previous year. At Chalakudy factory

production operations which commenced in the previous year from September 1995, have since been stabilised and the plant has achieved a production of 8,470 MT paper board. The above production at both the Factories was sustained by captive power generation which increased power cost considerably.

Although the production performance during the year is reasonably satisfactory, the profit before tax has declined to Rs. 64.49 Lacs due to increased operation costs especially on power front. The recession in paper industry which set in in the latter half of last year, further aggravated during the year under review. Sluggish market conditions also had its impact on the sales realisation and on profits. On account of these factors your company faced severe working capital constraints which in turn resulted in increased finance cost and lower profits.

PROSPECTS FOR 1997-98

The trade depression still persists and chances of improvement in trading conditions and firming up of prices in the near future are dim. The operations during the current year have also been affected by powercut at varying percentages introduced by Kerala State Electricity Board. In the circumstances the Company had to depend on captive power generation which made inroad to the otherwise meagre-profit margin of the company. However, depending on a favourable monsoon the power supply position is expected to improve as otherwise the situation will continue to be difficult. Further, competition is expected from a few paper mills which have been commissioned recently. The competition is likely to result in downward trend of sales price and availability of raw material - waste paper - critical and costly. Because of cash crunch, the

SREE SAKTHI PAPER MILLS LIMITED

company is finding it extremely difficult to reduce finance cost in tough market conditions. As the company's products are already well-known and carved a market, taking an overall view of stabilisation of production at Edayar and Chalakudy units, improved operational efficiencies, better materials and working capital management, and aggressive marketing and subject to reasonable availability of power from Kerala State Electricity Board, current year's operations are expected to yield satisfactory results.

INDUSTRIAL RELATIONS

The Company continues to maintain cordial industrial relations at all locations.

DIVIDEND

Although there is need to conserve the entire profits earned to augment the working capital requirements of the Company, to keep the track record of dividend payment, your Directors recommend a Dividend of 5 per cent, as was paid last year, for the year ended 31st March, 1997 subject to necessary approvals. In accordance with the provisions of the Finance Act, 1997 no tax will be deducted at source on the dividend, but your Company will absorb Rs.82,500 towards tax on distributed profits.

BOARD OF DIRECTORS

In accordance with Article 63 of the Articles of Association of the Company, Sri S. Subramaniam and Smt.E.Kamalam retire on rotation, they being eligible offer themselves for re-appointment.

AUDITORS

M/s Balan & Co. Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment. Necessary certificate has been obtained from the Auditors

as per section 224(1) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had no exports and no foreign exchange earnings during the year. The outgo was solely for purchase of raw materials amounting to Rs.154.68 Lacs.

PARTICULARS UNDER SECTION 217

Statement of particulars under section 217 (1)(e) and particulars of employees under section 217(2A) of the Companies Act, 1956 are annexed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to the State and Central Governments, Kerala State Industrial Development Corporation Ltd., Kerala Financial Corporation, Industrial Development Bank of India, State Bank of India, State Bank of Hyderabad, Kerala State Electricity Board and customers, dealers / Agents and shareholders including S.B.I. Capital Markets Ltd. for their continued co-operation and support.

Your Directors also wish to express their appreciation of the services of all the employees for their valued co-operation, dedication and loyalty.

By and on behalf of the
Board of Directors

S. Sivathanu Pillai

CHAIRMAN

Cochin-16
Date: 6/10/97

SREE SAKTHI PAPER MILLS LIMITED

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	81,43,704	58,41,428	
Total amount	80,18,152	45,30,810	
Rate/Unit	0.98	0.78	
b. Own Generation			
(i) Through Diesel Generator			
Unit	47,01,545	12,25,805	
Unit per liter of diesel oil	3.49	4.43	
Cost /Unit	2.45	1.76	
(ii) Through steam turbine/generator	-	-	
2. Coal	-	-	
3. Furnace oil	-	-	
4. Others/internal generation	-	-	
B. Consumption per unit of production			
Electricity (kwh)	632	515	
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

SREE SAKTHI PAPER MILLS LIMITED

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. No.	Name Qualification and designation	Age as on 31-3-97 (Years)	Remuneration Received Rs.	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	39	2,72,900*	Managing Director	18	4-31/91	Poysha Industrial Company		2 years
2.	S. Gindhar Executive Director	32	3,14,000	Executive Director	9	10/95	Business		-

* Part of the year

• Appointed as Managing Director again w.e.f. 9-9-97 subject to necessary approvals

SREE SAKTHI PAPER MILLS LIMITED

BALAN & CO.

Chartered Accountants

1st Floor
43/1436, Dhanya Nivas
Power House Extn. Road
Cochin - 682 018
Phone: 392529/393649
Fax No: 0484-393649

AUDITOR'S REPORT

We have audited the attached Balance Sheet of M/s SREE SAKTHI PAPER MILLS LIMITED, COCHIN - 16 as at 31st March, 1997 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 appears 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, 1997 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.

Cochin - 18
06-10-97.

For **BALAN & CO.**,
Chartered Accountants

A. MOHANAN, B.Sc. FCA,
Partner

SREE SAKTHI PAPER MILLS LIMITED

RE:- M/S. SREE SAKTHI PAPER MILLS LIMITED, COCHIN -16

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 stock of finished goods and raw materials have been physically verified during the year by the management. In our opinion and considering the nature of the raw materials used the frequency of such 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 any 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.

SREE SAKTHI PAPER MILLS LIMITED

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 though the extent of coverage needs to be enlarged.
16. On a prima-facie examination we are of the opinion that the Company is maintaining cost accounting records though not in strict conformity with those prescribed by the Central Government u/s 209 (1)(d) of the Companies Act, 1956.
17. The Company is regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts in respect of Income-tax, Wealth-tax, Sales-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 explanations 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 (i) of Subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **BALAN & CO.**,
Chartered Accountants

Cochin - 18
06-10-97

A. MOHANAN B.Sc. FCA
Partner

SREE SAKTHI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH 1997

	Sch No.	31/03/97 Rupees	31/03/96 Rupees
I SOURCE OF FUNDS			
(1) Share Holders' Funds:			
a) Capital	1	1,65,00,000	1,65,00,000
b) Reserves & Surplus	2	4,34,97,520	3,71,76,831
		<u>5,99,97,520</u>	<u>5,36,76,831</u>
(2) Loan Funds:			
a) Secured Loans	3	14,41,65,815	13,11,25,663
b) Unsecured Loans	4	12,34,903	13,75,000
		<u>14,53,90,818</u>	<u>13,25,00,663</u>
Total		<u>20,53,88,338</u>	<u>18,61,77,494</u>
II APPLICATION OF FUNDS			
(1) Fixed Assets:	5		
a) Gross Block		15,98,83,271	14,91,08,182
b) Less: Depreciation		1,58,07,240	90,94,382
c) Net Block		<u>14,30,76,031</u>	<u>14,00,13,800</u>
d) Capital Work-in-progress		21,32,938	13,93,231
		<u>14,52,08,970</u>	<u>14,14,07,031</u>
(2) Investments:	6	2,69,000	2,69,000
(3) Current Assets, Loans & Advances:			
a) Inventories	7	3,59,28,348	2,63,42,323
b) Cash & Bank balances	8	20,37,659	25,35,936
c) Sundry Debtors	9	6,01,03,831	3,92,79,843
d) Loans & Advances	10	1,05,08,935	1,13,62,763
		<u>10,86,78,773</u>	<u>7,95,20,965</u>
Less: Current Liabilities and Provisions:	11		
a) Current Liabilities		4,69,94,140	3,25,48,466
b) Provisions		17,75,250	24,71,006
Net Current Assets		<u>5,99,10,368</u>	<u>4,45,01,463</u>
(4) Miscellaneous expenditure		Nil	Nil
Total		<u>20,53,88,338</u>	<u>18,61,77,494</u>
Notes on Accounts	20		

By order of the Board

S. Swathara Pillai
Chairman

A. S. Uthir
Director

S. Rajumar
Managing Director

Cochin: 16, Dt. 06-10-97

R. Ponnambalam
Company Secretary

Pradeep K.S.
D.G.M., Finance & Accounts

Subject to our report of even date

For Rajan & Co.,
Chartered Accountants

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

Cochin - 16
06 - 10 - 97

SREE SAKTHI PAPER MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1997

	Sch No.	31/03/97 Rupees	31/03/96 Rupees
INCOME			
Sales	12	28,96,14,533	17,53,39,439
Miscellaneous Income	13	9,42,906	4,91,783
Increase in Stock	14	<u>91,97,239</u>	<u>71,37,836</u>
Total		<u>29,90,54,678</u>	<u>18,29,69,058</u>
EXPENDITURE			
Manufacturing Expenses	15	21,23,06,760	12,60,71,824
Excise Duty		1,72,17,323	88,49,817
Payments to & provision for Employees	16	1,44,32,864	81,92,520
Administrative Expenses	17	1,23,52,885	80,96,297
Selling & Distribution Expenses	18	13,68,406	6,16,577
Interest & Finance Charges	19	2,81,15,123	<u>1,48,19,495</u>
Total		<u>28,57,93,163</u>	<u>16,66,46,530</u>
Profit before Tax and Depreciation		1,41,61,515	1,63,22,528
Depreciation		77,12,858	51,12,202
Profit before Tax		64,48,657	1,12,10,326
Provision for Taxation		8,06,000	Nil
Profit after Tax		56,42,657	1,12,10,326
Less: Income Tax relating to prior year		19,535	Nil
		56,23,122	1,12,10,326
Add: Excess provision for Dividend written back		16,05,067	Nil
Add: Balance brought forward from previous year		<u>2,59,36,831</u>	<u>2,11,55,752</u>
		<u>3,31,65,020</u>	<u>3,23,66,078</u>
APPROPRIATIONS			
Proposed Dividend		8,25,000	24,09,247
Provision for Additional Tax on Proposed Dividend		82,500	Nil
Transfer to General Reserve		10,00,000	40,20,000
Balance carried forward to Balance Sheet		<u>3,12,57,520</u>	<u>2,59,36,831</u>

Notes on Accounts

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By order of the Board

S. Sathyan Pillai
Chairman

A.S. Unn
Director

S. Rajkumar
Managing Director

Cochin - 16, Dt. 06-10-97

R. Ponnambalam
Company Secretary

Pradeep K.B.
D.G.M., Finance & Accounts

Subject to our report of even date

For Balan & Co.,
Chartered Accountants

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

Cochin - 16
96 - 10 - 97

SREE SAKTHI PAPER MILLS LIMITED

Sch.

No. Schedules annexed to and forming part of the Balance Sheet as at 31-03-97

	31/03/97 Rupees	31/03/96 Rupees
1. SHARE CAPITAL		
AUTHORISED		
30,00,000 Equity shares of Rs. 10/- each.	<u>3,00,00,000</u>	<u>3,00,00,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
16,50,000 Equity Shares of Rs. 10/- each (16,50,000 Equity Shares previous Year)	1,65,00,000	1,65,00,000
Share Application Money	Nil	Nil
	<u>1,65,00,000</u>	<u>1,65,00,000</u>
2. RESERVES & SURPLUS		
1. Kerala State Govt. Investment Subsidy	15,00,000	15,00,000
2. Tamil Nadu State Govt. Subsidy	7,40,000	7,40,000
3. General Reserve	1,00,00,000	90,00,000
4. Profit & Loss Account	3,12,57,520	2,59,36,831
	<u>4,34,97,520</u>	<u>3,71,76,831</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97 Rupees	31/03/96 Rupees
3. SECURED LOANS		
(i) Term Loans		
a. Kerala State Industrial Development Corp. Ltd.	60,00,000	80,50,000
b. Kerala Financial Corporation	36,06,820	46,06,583
c. Industrial Development Bank of India	5,00,00,000	5,00,00,000
d. State Bank of Hyderabad	75,00,000	75,00,327
e. Interest Accrued and Due	7,54,175	Nil
(ii) Equipment Finance Loan from I.D.B.I		
a. For Wind Mill	28,97,500	36,35,000
b. For Coating Plant etc.	1,50,00,000	1,00,00,000
(iii) Cash Credit Loan from State Bank of India	5,83,48,420	4,73,33,753
	<u>14,41,85,915</u>	<u>13,11,25,663</u>

- Term Loans as per (i) above, are secured on pari passu basis by an Equitable Mortgage by deposit of title deeds of the Company's property and hypothecation of all the movable assets of the company, both present and future save and except assets covered under 2 and 3 below.
- Equipment Finance Term Loan (ii) (a) above is secured by exclusive charge over Wind Mill and (ii) (b) by exclusive charge over assets acquired under the assistance.
- Cash Credit Loan from State Bank of India is secured by a first charge on the entire stock of raw materials, work-in-process, finished goods and receivables and further secured by an Equitable Mortgage by deposit of title deeds of the Company's property as covered under item 1 above ranking subsequent and subservient to the charges created in favour of Lenders as per 1 above.
- Loans under (i) a and b and under (iii) are further personally guaranteed by three directors of the Company and loans under (i) c and d and under (ii) a and b personally guaranteed by Managing Director.

4. UNSECURED LOANS

From Directors	<u>12,24,903</u>	<u>13,75,000</u>
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SREE SAKTHI PAPER MILLS LIMITED

5. FIXED ASSETS

(Figures in Rupees)

Sl. No.	PARTICULARS	COST BLOCK			DEPRECIATION BLOCK			NET BLOCK		
		Bal as on 31-03-96	Addition during the year	Sales/Adj during year	Total on 31-03-97	Upto 31-03-96	For the year	Total on 31-03-97	As on 31-03-96	As on 31-03-97
1.	Land	42,88,540	0	5,594	42,81,946	0	0	42,88,540	42,81,946	
2.	Buildings	2,52,94,504	2,02,940	1,30,189	2,63,67,355	10,52,662	9,07,228	19,59,890	2,42,41,642	2,34,07,265
3.	Furniture & Fixtures	7,91,586	1,04,934	0	8,55,520	2,26,244	67,538	2,93,883	5,25,942	5,62,637
4.	Plant & Machinery	11,80,53,960	1,05,54,276	1,57,665	12,94,40,501	76,81,729	66,65,856	1,43,47,885	11,03,72,251	11,40,82,006
5.	Office Equipments	7,19,572	2,17,387	0	9,36,959	1,33,747	72,335	2,06,082	5,85,825	7,30,877
	Total	14,91,08,182	1,10,79,537	3,04,448	15,04,83,271	90,94,382	77,12,858	1,68,07,240	14,00,13,800	14,30,76,031
	Figures for the Previous year	5,55,07,031	9,35,70,551	0	14,91,08,182	35,62,180	5,12,902	90,94,380	5,15,55,451	14,00,13,800

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97 Rupees	31/03/96 Rupees
6. INVESTMENTS - AT COST		
Unquoted		
State Bank of India Bonds	1,00,000	1,00,000
Quoted		
Equity shares in I.D.B.I.	1,69,000	1,69,000
(Market value as on 31-3-97 Rs. 1,09,525/-)		
(Previous year Rs. 1,41,700/-)	<u>2,69,000</u>	<u>2,69,000</u>

7. INVENTORIES

1. Raw Materials & Packing Materials	94,64,175	1,14,73,284
2. Work-in-Process	78,42,866	16,83,044
3. Finished Goods	67,55,871	57,18,454
4. Stock in transit	3,39,076	0
5. Stores, Spares & Fuel	95,27,560	74,67,541
	<u>3,59,29,348</u>	<u>2,63,42,323</u>

8. CASH AND BANK BALANCES

1. In Current Account with Scheduled Banks	12,538	3,22,511
2. Cash on Hand	11,83,146	21,84,450
3. Fixed Deposit with S.B.I	8,41,975	28,975
	<u>20,37,659</u>	<u>25,35,936</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97 Rupees	31/03/96 Rupees
9. SUNDRY DEBTORS		
OVER SIX MONTHS		
Unsecured Considered Good	25,02,641	1,01,600
OTHER DEBTS		
Unsecured Considered Good	5,76,01,190	3,91,78,143
	<u>1,01,03,831</u>	<u>3,92,79,943</u>

Out of the above Rs. 3,46,897 was due by directors/ firms or private companies in which directors are partners or directors. The maximum amount due by the above parties at any time during the year was Rs. 3,91,897 (previous year Rs. 38,83,582)

10. LOANS AND ADVANCES

1. Prepaid Expenses	29,69,080	2,03,993
2. Deposits	16,80,560	14,76,950
3. Other Advances	59,59,285	96,81,820
	<u>1,06,08,935</u>	<u>1,13,62,763</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/3/97 Rupees	31/3/96 Rupees
11. CURRENT LIABILITIES & PROVISIONS		
a) CURRENT LIABILITIES		
1. Sundry Creditors for		
a) Supplies	3,13,27,677	1,43,65,037
b) Expenses	14,95,704	15,23,455
c) For stores & Spares	44,35,442	25,69,873
d) For Capital Purchases	19,35,325	75,62,839
2. Interest accrued but not due on loans	35,61,064	32,45,940
3. Other Liabilities	42,38,934	32,91,552
	<u>4,69,94,146</u>	<u>3,25,48,496</u>
b) PROVISIONS		
Provision for Income Tax	9,50,259	61,759
Provision for Dividend	8,25,000	24,09,247
	<u>17,75,259</u>	<u>24,71,006</u>

SREE SAKTHI PAPER MILLS LIMITED

Schedules annexed to & forming part of Profit & Loss Account for year ended 31-03-97

	31/03/97 Rupees	31/03/96 Rupees
12. SALES		
Sales	29,87,55,513	18,21,79,714
Less: Discount	<u>88,40,980</u>	<u>68,40,275</u>
	<u>28,99,14,533</u>	<u>17,53,39,439</u>
13. MISCELLANEOUS INCOME		
Interest Received	57,711	1,47,854
Dividend Received (TDS Rs. 415/-)	1,801	0
Others	<u>7,83,394</u>	<u>3,43,929</u>
	<u>8,42,906</u>	<u>4,91,783</u>
14. INCREASE IN STOCK		
Closing Stock		
Finished Goods	87,55,871	57,18,455
Work in Progress	78,42,888	16,83,043
Less: Opening Stock		
Finished goods	57,18,454	2,26,083
Work in progress	<u>16,63,044</u>	<u>37,579</u>
	<u>91,97,239</u>	<u>71,37,836</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97	31/03/96
	Rupees	Rupees
15. MANUFACTURING EXPENSES		
Raw Materials consumed	13,89,68,041	8,55,77,605
Packing Materials consumed	49,55,648	13,49,987
Power & Fuel consumed	3,35,25,588	1,57,34,762
Stores and spares consumables	1,50,26,716	92,13,004
Freight Inwards	1,31,85,716	1,10,74,366
Repairs and Maintenance - Plant & Machinery	12,19,792	4,86,574
Repairs and Maintenance - Building	8,42,237	3,97,991
Insurance Expenses - Works	10,33,662	6,44,970
Factory Expenses	1,56,677	1,20,659
Coolie charges	33,92,685	14,71,906
	<u>21,23,06,760</u>	<u>12,60,71,824</u>

16. PAYMENTS TO AND PROVISION FOR EMPLOYEES

Salaries, Wages & Allowances	1,14,95,415	67,96,933
Stipend & Exgratia	76,956	30,245
Bonus	6,20,182	4,22,784
Gratuity	1,90,385	Nil
Staff Welfare Expenses	12,67,941	5,94,823
Medical Expenses to staff	1,54,085	1,98,690
Employer's contribution to P.F.	4,42,638	Nil
Employer's contribution to E.S.I	1,85,062	1,49,045
	<u>1,44,32,664</u>	<u>81,92,520</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97 Rupees	31/03/96 Rupees
17. ADMINISTRATIVE EXPENSES		
Office & General expenses	2,04,250	2,33,892
Travelling expenses - Directors	6,50,744	4,34,253
Travelling expenses - Others	32,55,443	13,90,476
Remuneration to Whole Time Directors	5,96,903	8,46,900
Vehicle Maintenance	5,23,594	2,94,382
Rent	7,14,103	3,47,967
Professional Service Charges	14,04,028	5,24,681
Pooja Expenses	2,54,589	78,818
Printing and Stationery	4,33,912	3,94,360
Telephone, Postage and Telegram	24,65,827	17,15,709
Hire charges	3,75,726	4,16,955
Repairs and Maintenance - others	4,64,753	3,21,391
Books and Periodicals	11,795	18,429
Recruitment Expenses	12,472	30,856
Insurance Premium	1,50,545	37,881
Auditors Remuneration		
for Audit	75,000	75,000
for Tax Audit	10,000	10,000
for Certification	2,000	6,000
for Out of Pocket expenses	14,838	6,103
Rates and Taxes	1,84,145	1,20,784
Donation	2,76,156	2,05,966
Sitting Fee	56,000	84,000
Subscription and Membership	3,429	8,925
Inauguration Expenses	Nil	71,073
Entertainment Expenses	68,260	1,44,625
Advertisement Charges	1,24,345	2,76,891
	<u>1,23,52,895</u>	<u>80,96,297</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/97 Rupees	31/03/96 Rupees
18. SELLING AND DISTRIBUTION EXPENSES		
Freight Outwards	76,410	1,52,497
Cash Discount	4,50,465	1,90,409
Sales promotion expenses	6,41,533	2,73,671
	<u>13,68,408</u>	<u>6,16,577</u>
19. INTEREST AND FINANCE CHARGES		
Interest - Term Loans	1,54,72,893	84,98,987
Interest - Others	1,07,93,110	47,44,335
Finance Charges	2,94,736	8,37,381
Lease Expenses	16,54,384	7,38,792
	<u>2,81,15,123</u>	<u>1,48,19,495</u>

SREE SAKTHI PAPER MILLS LIMITED

NOTES TO BALANCE SHEET AND PROFIT AND LOSS
ACCOUNT

SCHEDULE No.20

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 :

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

3. Fixed Assets & Depreciation:

- a. 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. Cost of Fixed Assets has been taken net of MODVAT in cases where credit for MODVAT has been taken.
- b. Machinery includes Machines costing Rs. 72.60 Lacs (Previous Year Rs. 72.60 Lacs) purchased under Hire Purchase Agreement with M/s Mercantile Credit Corporation, Emakulam.
- c. Machines costing Rs. 46.42 Lacs (Previous Year 46.42 Lacs) were acquired and held under Lease from M/s Kerala State Industrial Development Corporation Ltd, Trivandrum, as on 31.3.97. Future liability towards Lease Rent as on 31.3.97 amounts to Rs. 38.31 Lacs

4. Investments:

Investments are stated at cost.

SREE SAKTHI PAPER MILLS LIMITED

5. Inventory:

Inventory of raw materials and consumables are valued at cost. Finished Goods are valued at cost or market price whichever is lower. Cost for the purposes of valuation of finished goods includes cost of direct material, direct labour and other direct overheads but excludes Excise Duty & Cess. Stock-in-process is valued at raw material cost plus, wherever applicable, proportionate direct 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. Excise Duty

Excise duty on manufactured goods is accounted on clearance. Excise duty on goods not cleared is not provided for nor included in closing stock valuation.

8. Others:

Contingent Liabilities are not provided for and are disclosed in notes to the accounts.

B. NOTES ON ACCOUNTS

1. Managerial Remuneration :

Remuneration paid to Managing Director

	Rs.
Salary	1,63,742
House Rent Allowance	1,08,161
Total	<u>2,72,903</u>

Remuneration paid to Executive Director

Salary	2,16,000
House Rent Allowance	1,08,000
Total	<u>3,24,000</u>

SREE SAKTHI PAPER MILLS LIMITED

2. Value of Imports on C.I.F. basis during the year amounted to Rs.193.04 Lacs (Previous Year Rs. 84.21 Lacs)

3. Raw Materials consumed

	Quantity Tonnes	Value Rs.Lacs
Imported Waste Paper	3241.782	242.71
	(815.105)	(84.21)
Indigenous Waste Paper	20791.755	1012.84
	(14873.776)	(703.50)
Chemicals	1428.758	149.74
	(566.874)	(68.21)

4. Finished Goods

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs.Lacs
Opening Stock	407.549	57.19
	(30.459)	(2.26)
Production	20340.168	3009.83
	(13719.042)	(1878.73)
Sales	20073.043	2979.46
	(13342.852)	(1821.80)
Closing Stock	674.674	87.56
	(407.549)	(57.19)
Sale of Electricity	3,95,476 Units	Rs. 8.09 Lacs
		(Previous Year 3,99,004 Units Rs. 8.31 Lacs)

5. Work-in-Progress

	Quantity Tonnes	Value Rs.Lacs
Opening	117.10	16.83
	(6.00)	(0.37)
Closing	615.618	78.43
	(117.10)	(16.83)

SREE SAKTHI PAPER MILLS LIMITED

6. Percentage of consumption of Raw Materials

	Rs. Lacs	Percentage to total
Imported	242.711 (84.21)	17.27% (9.84%)
Indigenous	1162.579 (771.74)	82.73% (90.16%)

7. Sales are inclusive of Excise Duty & Cess.
8. Some of the Balances of Sundry Debtors, Sundry Creditors, Advances and Loans are subject to confirmation.
9. Previous year figures have been rearranged/regrouped wherever necessary.
10. Assets, Loans and advances are in realisable state in the ordinary course of business.
11. Contingent Liabilities not provided for
- a. Unexpired Contracts for Capital Expenditure Rs. 3.57 Lacs. (Previous year Rs. 8.50 Lacs).
- b. Claims against the company not acknowledged as debts Rs. 1,91,349/-
12. Capacity M.T.
- | | |
|---|--------------------|
| Licensed Capacity (Registered with S. I. A) | 18,900
(18,900) |
| Installed Capacity | 19,800
(19,800) |
| Actual Production | 20,340
(13,719) |
13. Professional service charges include Rs. 36,000/- to a director (Previous Year Rs. 36,000/-).
14. Provision has not been made for the diminution in value of quoted investments.
15. The Company is eligible for exemption from State Government Sales Tax and concessional rate of Tax for interstate sales at the Chalakudy Unit. 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 at the Chalakudy unit for which the Company is eligible for exemption comes to Rs. 39.68 Lacs.
16. Consequent to share holders approving a lesser dividend than what was proposed by the board, the excess provision for dividend relating to 95-96 has been written back.
17. Depreciation includes Rs. 1,33,320/- relating to earlier year

SREE SAKTHI PAPER MILLS LIMITED

18. Information pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet abstract and Company's general business profile

a)	Registration details	
	Registration Number	06207 of 1991
	State Code Number	09
	Balance Sheet date	31st March 1997
b)	Capital raised during the year	(Amount in '000)
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private Placement	Nil
c)	Position of Mobilisation and Deployment of Funds (Amount in '000)	
		31.03.1997
		Rupees
	Total Liabilities	205388
	Total Assets	205388
	Sources of funds	
	Paid-up Capital	16500
	Reserves & Surplus	43497
	Secured Loans	144186
	Unsecured Loans	1225
	Deferred payment Credit	Nil
	Application of funds	
	Net Fixed Assets	145209
	Investments	269
	Net Current Assets	59910
	Miscellaneous Expenditure	Nil

SREE SAKTHI PAPER MILLS LIMITED

d) Performance of the Company

Turn over (including other income)	290758
Total Expenditure	284309
Profit before Tax	6449
Profit after Tax	5623
Earnings per share	3.40
Dividend rate percentage	5%

e) Generic names of three principal products of the Company:

ITC Code No.	Description
1 6413	Kraft Paper from Non-Conventional raw materials like waste paper Kraft cuttings
2 48101209	Paper Board coated with china clay using Unconventional raw materials

Signatories to Schedules 1 to 20 :

By order of the Board

Subject to our report of even date
For Balan & Co.,
Chartered Accountants

S.Sivathanu Pillai
Chairman

A.Mohanan, B.Sc., F.C.A.
Partner
Cochin - 18

A.S.Unni
Director

S.Rajkumar
Managing Director

R.Ponnambalam
Company Secretary

Pradeep K.B.
D.G.M. - Finance & Accounts

Cochin - 18
Dt. 06-10-97