

*Sree Sakthi Paper  
Mills Limited*

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*Seventh Annual Report*  
**1997-98**

## SREE SAKTHI PAPER MILLS LIMITED

### DIRECTORS

Mr. S. Sivathanu 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. Pal  
(KSIDC Nominee)

### BANKERS

State Bank of India

### AUDITORS

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



### REGISTERED OFFICE

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

### FACTORIES

KRAFT PAPER UNIT:  
Development Area,  
Edayar, Alwaye.  
DUPLEX BOARD UNIT:  
Kanjirapilly  
Chalakkudy

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## SREE SAKTHI PAPER MILLS LIMITED

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Seventh Annual General Meeting of the shareholders of the Company will be held at 4.00 PM on Saturday, the 26th September, 1998 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, 1998 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. Siva thanu 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. A.S. Unni, 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.
4. 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.
5. To appoint Auditors and fix their remuneration.

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

Cochin-16  
1-9-1998

R.Ponnambalam  
Company Secretary

#### 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. Members are requested to notify their change of address, if any

## SREE SAKTHI PAPER MILLS LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the seventh Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998.

#### FINANCIAL RESULTS

	1997-98	1996-97
	(Rs.Lacs)	(Rs.Lacs)
Sales (net)	2883.26	2726.98
Operating profit	463.23	422.77
Interest and Finance charges	290.98	281.15
Depreciation	81.05	77.13
Profit before tax	91.20	64.49
Provision for tax	9.60	9.08
Profit after tax	81.60	56.43
Income Tax relating to earlier year	2.20	0.20
Provision for Dividend & Tax		
Written back	9.07	16.05
Balance of Profit brought forward	312.58	259.37
Amount available for appropriation	401.05	331.65
Appropriation :-		
General Reserve	350.00	10.00
Proposed Dividend & Tax on Dividend	Nil	9.07
Retained Profits carried to Balance sheet	51.05	312.58

#### REVIEW OF OPERATIONS 1997-1998

During the year under review, operations at Edayar factory and Chalakudy factory has been steady and overall there was slender volume growth. While the production at Edayar factory dropped by 7.5% over previous year's production, there was marked increase in production by 25.5% after stabilisation of operation at Chalakudy factory. But this phenomenon of volume growth has not seen in values as the unit realisation of different varieties of paper, paper board, duplex board was less owing to trade recession which persisted throughout the year. Further the sale of kraft paper met with stiff competition from a few newly started mills. Operating profits of the Company, however, have improved compared to previous year. This was made possible by introduction of different varieties of paper board and special thrust on product mix backed up by efficient marketing and by undertaking effective steps in cost cutting operation-wise. Profits would have been still higher but for the impact of increased interest and financing charges. There was no easing of power cut restrictions during the year thereby necessitating continued usage of Diesel generated power causing escalation in power cost.

#### AWARDS

The Board is also happy to inform that an amount to Rs. 23.10 lakhs has been spent on Pollution control Equipment at Edayar factory and it was inaugurated by Prof. A.D. Damodaran, Ph.D. (Leeds), Chairman Science, Technology and Environment Committee and Ex-officio Secretary, S.T.E. Department, Govt. of Kerala, Trivandrum on 4-12-1997. Subsequently after inspection of the Edayar Factory by Kerala State Pollution Control Board authorities, our Company was adjudged for the First place in the State

## SREE SAKTHI PAPER MILLS LIMITED

Pollution control award 1998 amongst medium scale industries. Cash award of Rs. 15,000/- was received along with Certificate of merit and revolving trophy.

### PROSPECTS FOR 1998-99

The current year's performance so far is satisfactory and after the annual maintenance of plant it has been planned to achieve rated capacity production for the rest of the year. It is unlikely that the Company will gain from the improvement in production since ill effects of sluggish economy and depressed market conditions still persist and this phenomenon is likely to continue for the remaining part of the year. In line with the recessionary conditions pervading the economy, the outlook for improvement in selling price and margin of profit seem bleak. Depreciation of rupee against dollar and the recent budget proposal to levy additional non-modvatable import duty have put the Company in tight spot by way of increased raw material input cost. Again the recent change introduced by Kerala State Electricity Board in withdrawing the payment of power charges at concessional rate and charging the normal tariff on industries eligible for concessional tariff and to claim subsidy amount direct from Industries Department have imposed severe strain on the constrained finances which the Company is already facing.

Company's hopes hinges on cost rationalisation and a shake out in recession and possible price hike in volume sales owing to reduced imports into the country on account of budget levy and depreciating rupee value against dollar, to maintain stable profit in the current scenario.

Barring unforeseen circumstances, Company expects to achieve satisfactory results for the current year.

### INDUSTRIAL RELATIONS

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

### DIVIDEND

In view of critical financial strain presently faced by the Company there is extreme necessity to improve the working capital position of the Company. Your Directors feel it would be prudent to plough back the entire profits earned to augment the working capital resources of the Company and therefore, do not recommend any Dividend.

### BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Sri S. Sivathanu Pillai, Sri A.S. Unni and Sri N. Ravindranathan retire on rotation, they being eligible offer themselves for re-appointment.

### AUDITORS

M/s Bajan & 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

## SREE SAKTHI PAPER MILLS LIMITED

outgo was solely for purchase of raw materials amounting to Rs.305.15 Lakhs.

### 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

Cochin-16  
Date: 24-08-1998

S. Sivathanu Pillai  
CHAIRMAN

**SREE SAKTHI PAPER MILLS LIMITED**

ANNEXURE TO THE DIRECTORS' REPORT  
**FORM "A"**

**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	79,65,073	81,43,704
Total amount	64,18,374	80,18,152
Rate/Unit	0.80	0.98
b. Own Generation		
(i) Through Diesel Generator		
Unit	42,01,322	47,01,545
Unit per liter of diesel oil	3.34	3.49
Cost /Unit	3.13	2.45
(ii) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace oil	-	-
4. Others/internal generation	-	-
<b>B. Consumption per unit of production</b>		
Electricity (kwh)	564	632
Furnace oil	-	-
Coal	-	-
Others	-	-



**SREE SAKTHI PAPER MILLS LIMITED**

**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 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**

BALAR & CO

**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 31-3-88 (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	40	3,03,000	Managing Director	19	3-10-81	Poysha Industrial Company		2 years
2.	S. Giridhar Executive Director	33	3,24,000	Executive Director	10	20-4-86	Business		-

**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 - 18 as at 31st March, 1998 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, 1998 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

Cochin - 18  
24-08-1998

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, as defined under sub section (1B) of section 370 of the Companies Act, 1956.
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 accepted deposits from the public which are not in contravention of Section 58A of the 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 became 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 (D) of Subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

Cochin - 18  
24-08-1998

**A. MOHANAN B.Sc. FCA**  
Partner

**SREE SAKTHI PAPER MILLS LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 1998**

Particulars	Sch No.	31/03/98 Rupees	31/03/97 Rupees
<b>I SOURCES OF FUNDS</b>			
(1) Share Holders' Funds:			
a) Capital	1	2,02,50,000	1,65,00,000
b) Reserves & Surplus	2	5,80,95,088	4,34,97,520
		<u>7,83,45,088</u>	<u>5,99,97,520</u>
(2) Loan Funds:			
a) Secured Loans	3	13,73,82,818	14,41,65,915
b) Unsecured Loans	4	30,57,000	12,24,903
		<u>14,04,39,818</u>	<u>14,53,90,818</u>
<b>Total</b>		<u><u>21,87,84,904</u></u>	<u><u>20,53,88,338</u></u>
<b>II APPLICATION OF FUNDS</b>			
(1) Fixed Assets:	5		
a) Gross Block		17,08,06,170	15,98,83,271
b) Less: Depreciation		2,49,12,048	1,68,07,240
c) Net Block		<u>14,58,94,122</u>	<u>14,30,76,031</u>
d) Capital Work-in-progress		10,88,700	21,32,939
		<u>14,70,82,822</u>	<u>14,52,08,970</u>
(2) Investments:	6	2,69,000	2,69,000
(3) Current Assets, Loans & Advances:			
a) Inventories	7	1,90,34,942	3,59,29,348
b) Cash & Bank balances	8	39,01,021	20,37,659
c) Sundry Debtors	9	7,71,79,657	6,01,03,831
d) Loans & Advances	10	95,38,028	1,06,08,935
		<u>10,96,53,648</u>	<u>10,86,79,773</u>
<b>Less: Current Liabilities and Provisions:</b>	11		
a) Current Liabilities		3,90,76,539	4,68,03,761
b) Provisions		11,64,027	19,65,844
<b>Net Current Assets</b>		<u>6,94,13,082</u>	<u>5,99,10,368</u>
(4) Miscellaneous expenditure:		Nil	Nil
<b>Total</b>		<u><u>21,87,84,904</u></u>	<u><u>20,53,88,338</u></u>
Accounting Policies & Notes on Accounts	20		

By order of the Board  
S. Sivathanu Pillai  
Chairman

A.S. Unni  
Director  
S. Rajkumar  
Managing Director  
Cochin - 18, Dt. 24-05-1998

R. Ponnambalam  
Company Secretary

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

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

A. Mohanan B.Sc., F.C.A.  
Partner  
Cochin - 18  
24-05-1998

**SREE SAKTHI PAPER MILLS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1998**

Particulars	Sch No.	31/03/98 Rupees	31/03/97 Rupees
<b>INCOME</b>			
Sales	12	30,34,01,362	28,99,14,533
Miscellaneous Income	13	27,01,413	8,42,906
Increase / (Decrease) in Stock	14	(1,18,76,580)	91,97,239
Total		<u>29,42,26,195</u>	<u>29,99,54,678</u>
<b>EXPENDITURE</b>			
Manufacturing Expenses	15	20,07,56,381	21,23,06,760
Excise Duty		1,50,75,117	1,72,17,323
Payments to & provision for Employees	16	1,80,69,379	1,44,32,884
Administrative Expenses	17	1,26,15,993	1,23,52,885
Selling & Distribution Expenses	18	13,87,099	13,68,406
Interest & Finance Charges	19	2,90,97,612	2,81,15,123
Total		<u>27,70,01,581</u>	<u>28,57,93,163</u>
Profit before Tax and Depreciation		1,72,24,614	1,41,61,515
Depreciation		81,04,808	77,12,858
Profit before Tax		91,19,796	64,48,657
Provision for Taxation		9,93,000	8,06,000
Profit after Tax		81,26,796	56,42,657
Less: Income Tax relating to prior year		2,19,728	19,535
		<u>79,07,068</u>	<u>56,23,122</u>
Add: Provision for Dividend & Tax written back		9,07,500	16,05,067
Add: Balance brought forward from previous year		3,12,57,520	2,59,36,831
		<u>4,01,72,088</u>	<u>3,31,65,020</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend & Tax on Dividend		0	9,07,500
Transfer to General Reserve		3,50,00,000	10,00,000
Balance carried forward to Balance Sheet		51,05,088	3,12,57,520
Accounting Policies & Notes on Accounts	20		

By order of the Board  
E. Sivakumar Pillai  
Chairman

A.S. Umm  
Director  
S. Rajkumar  
Managing Director  
Cochin-16, Dt. 24-09-1998

R. Ponnampan  
Company Secretary

Pradeep K.B.  
C.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  
24-08-1998

**SREE SAKTHI PAPER MILLS LIMITED**

Sch.

No. Schedules annexed to and forming part of the Balance Sheet as at 31-03-98

	31/03/98	31/03/97
	Rupees	Rupees
<b>1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
30,00,000 Equity shares of Rs. 10/- each.	<u>3,00,00,000</u>	<u>3,00,00,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
20,25,000 Equity Shares of Rs. 10/- each (16,50,000 Equity Shares previous Year)	<u>2,02,50,000</u>	<u>1,65,00,000</u>
	<u>2,02,50,000</u>	<u>1,65,00,000</u>
<b>2. RESERVES &amp; SURPLUS</b>		
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. Share Premium	37,50,000	0
4. General Reserve	4,50,00,000	1,00,00,000
5. Profit & Loss Account	51,05,088	3,12,57,520
	<u>5,60,95,088</u>	<u>4,34,97,520</u>



## SREE SAKTHI PAPER MILLS LIMITED

	31/03/98 Rupees	31/03/97 Rupees
<b>3. SECURED LOANS</b>		
<b>(i) Term Loans</b>		
a. Kerala State Industrial Development Corp. Ltd.	44,86,192	60,00,000
b. Kerala Financial Corporation	31,23,620	38,66,820
c. Industrial Development Bank of India	5,00,00,000	5,00,00,000
d. State Bank of Hyderabad	60,00,000	75,00,000
e. Interest Accrued and Due	2,54,833	7,54,175
<b>(ii) Equipment Finance Loans</b>		
a. For Wind Mill from I.D.B.I	17,60,000	26,97,500
b. For Coating Plant from IDBI	1,32,10,609	1,50,00,000
c. For DG Set from KSIDC	15,28,817	0
<b>(iii) Cash Credit Loan from State Bank of India</b>	5,09,98,745	5,83,48,420
	13,73,62,816	14,41,65,915
1. Term Loans as per (i) above, is 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.		
2. Equipment Finance Term Loan (ii) (a) above is secured by exclusive charge over Wind Mill, (ii) (b) by exclusive charge over coating plant and other assets acquired under the assistance and (ii) (c) by exclusive charge over the DG Set acquired under the assistance.		
3. Cash Credit Loan from State Bank of India is secured by first charge on the entire stock of raw materials, work-in-process, finished goods and receivables and further secured by 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.		
4. Loans under (i) a and b are further personally guaranteed by three directors of the Company and loans under (i) c and d and under (ii) a and b are personally guaranteed by Managing Director.		
<b>4. UNSECURED LOANS</b>		
From Directors	57,000	12,24,903
From Others	30,00,000	0
	30,57,000	12,24,903

**SHREE SAKTHI PAPER MILLS LIMITED**

**5. FIXED ASSETS**

(Figures in Rupees)

Sl. No	PARTICULARS	COST BLOCK		DEPRECIATION BLOCK			NET BLOCK			
		Bal. as on 31-03-87	Addition during the year	Eliminated during year	Total on 31-03-88	Upto 31-03-87	For the year	Total on 31-03-88	As on 31-03-88	As on 31-03-89
1.	Land	42,81,946	0	0	42,81,946	0	0	42,81,946	42,81,946	42,81,946
2.	Buildings	2,40,89,146	23,37,945	0	2,73,07,091	19,04,133	7,77,692	26,81,825	2,30,85,013	2,46,35,208
3.	Furniture & Fixtures	8,56,520	83,698	0	9,40,218	2,93,583	68,953	3,62,536	5,82,937	5,77,650
4.	Plant & Machinery	12,88,38,700	97,80,250	13,08,250	13,71,20,700	1,44,03,442	71,94,376	2,15,57,818	11,44,35,258	11,57,22,882
5.	Office Equipments	9,36,959	1,26,498	7,400	10,56,057	2,36,082	63,787	2,69,869	7,20,877	7,06,178
	Total	15,98,83,271	1,23,38,649	13,15,950	17,09,06,170	1,68,07,240	81,04,805	2,49,12,048	14,30,76,031	14,59,94,122
	Figures for the Previous year	14,91,08,182	1,10,79,537	3,04,448	15,98,83,271	90,94,382	77,12,858	1,68,07,240	14,01,13,800	14,30,76,031

**SREE SAKTHI PAPER MILLS LIMITED**

	31/03/98 Rupees	31/03/97 Rupees
<b>6. INVESTMENTS - AT COST</b>		
<b>Quoted</b>		
State Bank of India Bonds (Market value as on 31-03-98 Rs. 1,20,000/-)	1,00,000	1,00,000
Equity shares in I.D.B.I (Market value as on 31-3-98 Rs. 1,10,830/-)	1,69,000	1,69,000
	<u>2,69,000</u>	<u>2,69,000</u>
<b>7. INVENTORIES</b>		
1. Raw Materials & Packing Materials	96,63,428	94,64,175
2. Work-in-Process	6,35,042	78,42,888
3. Finished Goods	40,96,515	87,55,871
4. Stock in transit	0	3,39,076
5. Stores, Spares & Fuel	86,49,357	95,27,360
	<u>1,90,34,942</u>	<u>3,59,29,348</u>
<b>8. CASH AND BANK BALANCES</b>		
1. In Current Account with Scheduled Banks	95,516	12,538
2. T.T. in Transit	4,25,000	0
3. Cash on Hand	13,94,005	11,83,146
4. F.D./R.D with S.B.I	19,86,500	8,41,975
	<u>38,01,021</u>	<u>20,37,659</u>
<b>9. SUNDRY DEBTORS</b>		
<b>OVER SIX MONTHS</b>		
Unsecured Considered Good	39,39,203	25,02,641
<b>OTHER DEBTS</b>		
Unsecured Considered Good	7,32,40,454	5,76,01,190
	<u>7,71,79,657</u>	<u>6,01,03,831</u>

Out of the above Rs. Nil (previous year Rs. 3,48,897/-) 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. 2,03,779 (previous year Rs. 3,91,897)

**SREE SAKTHI PAPER MILLS LIMITED**

	31/03/98	31/03/97
	Rupees	Rupees
<b>10. LOANS AND ADVANCES (Unsecured Considered Good)</b>		
1. Prepaid Expenses	9,49,881	29,89,080
2. Deposits	19,11,849	16,80,589
3. Other Advances	66,75,318	59,59,286
	<u>95,38,028</u>	<u>1,06,08,935</u>

**11. CURRENT LIABILITIES & PROVISIONS**

a) CURRENT LIABILITIES

1. Sundry Creditors for		
a) Supplies	2,49,18,509	3,19,27,677
b) Expenses	20,67,143	14,85,704
c) Stores & Spares	34,00,617	44,35,442
d) Capital Purchases	2,84,515	19,35,325
2. Interest accrued but not due on loans	33,82,150	35,61,064
3. Other Liabilities	50,23,594	40,48,549
	<u>3,90,76,539</u>	<u>4,68,03,761</u>

b) PROVISIONS

Income Tax	9,60,000	9,50,259
Proposed Dividend	0	8,25,000
Gratuity	2,04,027	1,90,385
	<u>11,64,027</u>	<u>19,65,644</u>

## SREE SAKTHI PAPER MILLS LIMITED

Schedules annexed to & forming part of Profit & Loss Account for the year ended 31-03-98

	31/3/98 Rupees	31/3/97 Rupees
<b>12. SALES</b>		
Sales	30,60,29,667	29,67,55,513
Less: Discount	45,28,215	88,40,980
	30,14,01,352	28,99,14,533
<b>13. OTHER INCOME</b>		
Interest Received (TDS 7665/-)	1,31,943	57,711
Insurance Claim Received	16,90,702	0
Dividend Received	13,382	1,801
Prompt Payment Rebate received	56,680	0
Others	8,28,506	7,83,394
	27,01,413	8,42,906
<b>14. INCREASE / (DECREASE) IN STOCK</b>		
Closing Stock		
Finished Goods	40,86,515	87,55,871
Work in Progress	6,35,842	78,42,866
Less: Opening Stock		
Finished goods	87,55,871	57,18,454
Work in progress	78,42,866	16,83,044
	(1,18,75,580)	91,97,239

**SREE SAKTHI PAPER MILLS LIMITED**

	31/3/98	31/3/97
	Rupees	Rupees
<b>15. MANUFACTURING EXPENSES</b>		
Raw Materials consumed	12,92,02,220	13,89,66,041
Packing Materials consumed	49,48,267	49,55,648
Power & Fuel consumed	3,45,22,922	3,35,25,586
Stores and spares consumables	1,42,62,234	1,50,26,716
Freight Inwards	1,12,87,539	1,31,85,716
Repairs and Maintenance - Plant & Machinery	14,77,010	12,19,792
Repairs and Maintenance - Building	6,49,127	8,42,237
Insurance Expenses - Works	13,00,651	10,33,662
Factory Expenses	2,29,093	1,56,677
Coolie charges	28,76,716	33,92,685
	<u>20,07,56,381</u>	<u>21,23,06,760</u>

**16. PAYMENTS TO AND PROVISION FOR EMPLOYEES**

Salaries, Wages & Allowances	1,44,30,540	1,14,95,415
Stipend & Exgratia	52,318	76,956
Bonus	9,54,321	6,20,182
Gratuity	13,642	1,90,385
Staff Welfare Expenses	16,14,588	12,67,941
Medical Expenses to staff	1,56,215	1,54,085
Employer's contribution to P.F.	5,50,045	4,42,638
Employer's contribution to E.S.I	2,87,710	1,85,062
	<u>1,80,69,379</u>	<u>1,44,32,664</u>

**SREE SAKTHI PAPER MILLS LIMITED**

	31/3/98 Rupees	31/3/97 Rupees
<b>17. ADMINISTRATIVE EXPENSES</b>		
Office & General expenses	2,50,155	2,04,250
Traveling expenses - Directors	4,18,510	6,50,744
Travelling expenses - Others	35,91,051	32,55,443
Remuneration to Whole Time Directors	8,27,000	5,96,903
Vehicle Maintenance	5,30,753	5,23,594
Rent	5,34,164	7,14,103
Professional Service Charges	9,43,876	14,04,025
Pooja Expenses	4,21,535	2,54,599
Printing and Stationery	8,06,595	4,33,912
Telephone, Postage and Telegram	21,99,998	24,85,827
Hire charges	8,87,742	3,75,726
Repairs and Maintenance - others	5,93,219	4,64,753
Books and Periodicals	14,247	11,795
Recruitment Expenses	8,200	12,472
Insurance Premium	74,689	1,50,545
Auditors Remuneration		
for Audit	75,000	75,000
for Tax Audit & Sales Tax Audit	12,500	10,000
for Certification	3,000	2,000
for Taxation matters	5,500	0
for Out of Pocket expenses	15,200	14,838
Rates and Taxes	2,26,050	1,84,145
Donation	1,95,081	2,76,156
Sitting Fee to Directors	56,000	56,000
Subscription and Membership	39,420	3,429
Entertainment Expenses	60,666	68,280
Advertisement Charges	1,37,862	1,24,345
	<u>1,26,15,993</u>	<u>1,23,52,865</u>

**SREE SAKTHI PAPER MILLS LIMITED**

	31/3/98 Rupees	31/3/97 Rupees
<b>18. SELLING AND DISTRIBUTION EXPENSES</b>		
Freight Outwards	2,93,094	76,410
Cash Discount	7,33,506	4,50,465
Sales promotion expenses	3,60,499	6,41,533
	<u>13,87,099</u>	<u>13,68,408</u>
<b>19. INTEREST AND FINANCE CHARGES</b>		
Interest - Term Loans	1,49,75,954	1,54,72,893
Interest - Others	1,25,44,828	1,07,93,110
Finance Charges	21,448	2,94,736
Lease Expenses	15,54,384	15,54,384
	<u>2,90,97,612</u>	<u>2,81,15,123</u>



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:

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, 1958. 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.

4. Investments:

Investments are stated at cost.

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, whenever applicable, proportionate direct cost.

## SREE SAKTHI PAPER MILLS LIMITED

### 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. Liability in respect of foreign exchange transactions outstanding as at the end of the year is stated at the exchange rate prevailing on that date.

### 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:

- (i) Contingent Liabilities are not provided for and are disclosed in notes to the accounts.
- (ii) Gratuity liability is worked out based on last drawn salary and number of years service of employees and not based on actuarial valuation.

## B. NOTES ON ACCOUNTS

### 1. Managerial Remuneration :

	Managing Director	Executive Director
Salary	Rs. 1,81,800	Rs. 2,16,000
House Rent Allowance	Rs. 1,21,200	Rs. 1,08,000
<b>Total</b>	<b>Rs. 3,03,000</b>	<b>Rs. 3,24,000</b>

2. Value of Imports on C.I.F. basis during the year amounted to Rs.358.96 Lacs (Previous Year Rs. 193.04 Lacs)

## SREE SAKTHI PAPER MILLS LIMITED

### 3. Raw Materials consumed

	Quantity Tonnes	Value Rs. Lacs
Imported Waste Paper	7123.148 (3241.782)	397.57 (242.71)
Indigenous Waste Paper	17815.318 (20791.755)	771.78 (1012.84)
Chemicals	1546.412 (1428.758)	122.67 (149.71)

### 4. Finished Goods

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs. Lacs
Opening Stock	674.674 (407.549)	87.58 (57.19)
Production	21869.048 (20340.168)	3024.41 (3009.83)
Sales	21973.908 (20073.043)	3071.117 (2979.46)
Closing Stock	369.814 (674.674)	40.88 (87.56)

Sale of Electricity 3,97,363 Units Rs. 9.18 Lacs  
(Previous Year 3,95,476 Units Rs. 8.09 Lacs)

### 5. Work-in-Progress

	Quantity Tonnes	Value Rs. Lacs
Opening	615.618 (117.10)	78.43 (16.83)
Closing	72.81 (615.618)	6.36 (78.43)

**SREE SAKTHI PAPER MILLS LIMITED**

**6. Percentage of consumption of Raw Materials**

	Rs. Lacs	Percentage to total
Imported	397.57 (242.711)	30.77% (17.27%)
Indigenous	894.45 (1162.579)	69.23% (82.73%)

7. Sales are inclusive of Excise Duty & Cass.

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

- Unexpired Contracts for Capital Expenditure Rs. 5.00 Lacs. (Previous year Rs. 3.57 Lacs).
- Claims against the company not acknowledged as debts Rs. 4,96,601/- (previous year Rs. 1,91,349/- Lacs).
- Usance Letter of Credits remaining unpaid as on 31-3-98 amounts to Rs. 29.61 Lacs (previous year Nil)

12. Capacity

	Paper & Paper Boards (MT)	Electricity
Licensed Capacity (Registered with S. I. A)	18,900 (18,900)	Not Reqd.
Installed Capacity	19,800 (19,800)	250 KW 250 KW
Actual Production	21,669 (20,340)	3,97,363 Units (3,95,476) Units

## SREE SAKTHI PAPER MILLS LIMITED

13. Professional service charges include Rs. 38,000/- to a director (Previous Year Rs. 38,000/-).
14. Provision has not been made for the diminution in value of quoted investments.
15. Machines costing Rs. 48.42 Lacs (Previous Year Rs. 48.42 Lacs) were acquired and held under Lease from M/s Kerala State Industrial Development Corporation Ltd., Trivandrum as on 31-3-98. Future liability towards Lease Rent as on 31-3-98 amounts to Rs. 30.88 Lacs.
16. Consequent to share holders not approving a dividend as against 5% proposed by the board, provision for dividend relating to 96-97 has been written back.
17. A sum of Rs. 54,434.09 being excess depreciation relating to earlier years has been deducted from current year depreciation.
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 1998

b) Capital raised during the year (Amount in '000)

Public Issue	Nil
Right Issue	Nil
Bonus Issue	Nil
Private Placement	3750

c) Position of Mobilisation and Deployment of Funds (Amount in '000)

	31.03.1998
	Rupees
Total Liabilities	216765
Total Assets	216765

**SREE SAKTHI PAPER MILLS LIMITED**

Sources of funds

Paid-up Capital	20250
Reserves & Surplus	56095
Secured Loans	137383
Unsecured Loans	3057
Deferred payment Credit	Nil

Application of funds

Net Fixed Assets	147083
Investments	269
Net Current Assets	69413
Miscellaneous Expenditure	Nil

d) Performance of the Company

Turn over (including other income)	306102
Total Expenditure	296983
Profit before Tax	9119
Profit after Tax	8159
Earnings per share	4.02
Dividend rate percentage	-

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

ITC Code No.

1     6413

Description

Kraft Paper from Non-Conventional raw materials like waste paper Kraft cuttings

2     48101209

Paper Board coated with china clay using Unconventional raw materials

## SREE SAKTHI PAPER MILLS LIMITED

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.Mohanam, B.Sc., F.C.A.  
Partner  
Cochin - 18  
24-08-1998

A.S.Urmi  
Director

S.Rajkumar  
Managing Director

R.Ponnambalam  
Company Secretary

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

Cochin - 18  
24-08-1998