

Sree Sakthi Paper Mills Limited



Eighth Annual Report
1998-99

**Sree Sakthi Paper
Mills Limited**



Eighth Annual Report
1998-99

SREE SAKTHI PAPER MILLS LIMITED

DIRECTORS

Mr. S. Sivathanu Pillai (Chairman)
Mr. S. Raskumar (Managing Director)
Mr. S. Giridhar (Executive Director)
Mr. A.S. Unni
Mr. N. Ravindranathan
Mr. S. Subramaniam
Mrs. E. Kamaliam
Mr. V. Viswanathan
(KSIDC Nominee)

BANKERS

State Bank of India

AUDITORS

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



REGISTERED OFFICE

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

FACTORIES

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

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SREE SAKTHI PAPER MILLS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of the shareholders of the Company will be held at 4.00 P.M. on Wednesday, the 27th October, 1999 at Hotel Abad Plaza, M.G. Road, Emakulam, Cochin-35 to transact the following business:

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 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.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.
3. 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.
4. To appoint Auditors and fix their remuneration.

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

Cochin-15
1-10-1999

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 Eighth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

	1998-99 (Rs.Lacs)	1997-98 (Rs.Lacs)
Sales (net)	2619.60	2683.26
Operating profit	437.60	463.23
Interest and Finance charges	303.06	290.98
Depreciation	84.82	81.05
Profit before tax	49.72	91.20
Provision for tax	6.00	9.60
Profit after tax	43.72	81.60
Income Tax relating to earlier year	3.97	2.20
Provision for Dividend & Tax		9.07
Written back	-	
Balance of Profit brought forward	51.05	312.58
Amount available for appropriation	90.80	401.05
Appropriation :-		
General Reserve	50.00	350.00
Proposed Dividend & Tax on Dividend	Nil	Nil
Retained Profits carried to Balance sheet	40.80	51.05

REVIEW OF OPERATIONS 1998-1999

During the year under review, though the thrust was to improve the operations through better capacity utilisation with expectation of higher sales realisation, it could not be achieved. Both the the production and sales have come down. While there was a marginal 90MT increase in production at Chalakudy factory, production at Edayar factory fell short by 889 MT as there was stoppage of operations for nearly 32 days for MG grinding and other plant maintenance.

The power supply position in Kerala improved and all raw materials were available at reasonable costs. However, the general show down in economy confronted by recessionary trends in major sectors of the Industry and the sluggish market conditions has resulted in depressed selling prices. There had been no improvement in selling price, the net price realisation in fact declined by 3% on an average. The dull market conditions thus has considerably affected Company's operating results. Added to this, higher incidence of interest and financing cost depressed the net profit.

The Company obtained Electricity duty exemption for a period of 5 years from 29-10-1995 to 28-10-2000 for its Chalakudy factory

AWARDS

Kerala State Pollution Control Board awarded the Company a second place among medium scale industries, in making substantial and sustained effort in pollution control in the year 1998 at our Chalakudy factory and, besides certificate of merit, a cash award of Rs. 10,000/- received.

PROSPECTS FOR 1999- 2000

The performance of the Company for the current year so far has shown some signs of

SREE SAKTHI PAPER MILLS LIMITED

improvement. Both the production and sales have picked up. In the paper industry, there is a turnaround. This is not just a local phenomenon but a global one. Import prices of raw material waste paper have been going up and paper prices will follow suit with a time lag. Paper prices in the local market have been firmed recently. Economic recovery in various other industrial sectors will result in demand for the Company's products. There is a definite customer preference for our Company's paper/paper boards due to quality. The Company expects a reasonable profit margin, as the current production levels are at optimum. The Company expects to further improve efficiency through reduction in variable costs and reduction in working capital.

In spite of this optimistic scenario, the Company will be continuously under pressure due to heavy burden of interest. The Company is negotiating with I.D.B.I. to see whether it is possible to reduce interest costs marginally through a financial restructure of major part of a loan.

Your Directors do hope that the Company will achieve satisfactory performance for the current year.

INDUSTRIAL RELATIONS

With the excellent support and cordial relations extended by the employees at all the Company's units, your Company could achieve satisfactory levels of performance.

DIVIDEND

Considering the lower profits and keeping in view the need for conserving funds to meet the working capital requirements, your Directors do not recommend any dividend.

BOARD OF DIRECTORS

In accordance with Article 83 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. 412.76 Lakhs.

PARTICULARS UNDER SECTION 217

Conservation of Energy, Technology Absorption

Statement of particulars under section 217 (1)(a) of the Companies Act, 1956 are annexed.

Particulars of Employees

None of the employees of the Company is coming under the purview of Section 217 (2A) of the Companies Act, 1956 as amended per Notification dated 12th March, 1999. The details of managerial remuneration under section 198 of the Act are furnished under note B (1) of Schedule 20 forming part of the Accounts.

SREE SAKTHI PAPER MILLS LIMITED

Y2K COMPLIANCE

None of the Plant & Machinery installed in Company's factories is operating with computer system/computer environment. Hence question of Y2K compliance does not arise. In case of few auxiliary equipment embedded with computer system like weighing scales etc., Equipment suppliers have certified that the capacity of such equipment to operate will not be affected by Y2K problem. In respect of Financial accounting system which is computerised, already a new Financial Accounting Package system installed which takes care of Y2K compliant.

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, SBI Factors and commercial Services Ltd., 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

Thiruvananthapuram -14
Date: 29-09-1999

S. Sivathanu Pillai
CHAIRMAN

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	1,05,81,000	79,85,073
Total amount	1,16,17,440	64,18,374
Rate/Unit	1.10	0.80
b. Own Generation		
(i) Through Diesel Generator		
Unit	14,75,526	42,01,322
Unit per litr. of diesel oil	3.43	3.34
Cost /Unit	3.24	3.13
(ii) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace oil	-	-
4. Others/internal generation	-	-
B. Consumption per unit of production		
Electricity (kwh)	580*	564
Furnace oil	-	-
Coal	-	-
Others	-	-

* Difference is due to production of high quality paper during the year

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 : NA

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

BALAN & CO.

Chartered Accountants

1st Floor
43/143E, Dhanya Nivas
Power House Extn. Road
Cochin - 682-018
Phone: 352529/393649
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, 1999 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 the Balance Sheet and Profit and Loss Account are complied with the accounting standards prescribed by the Institute of Chartered Accountants of India.
 - e) 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, 1999 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

Thiruvananthapuram -14
29-09-1999

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 mostly 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 (0) of Subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

Thiruvananthapuram -14
29-09-1999

A. MOHANAN B.Sc. FCA
Partner

SREE SAKTHI PAPER MILLS LIMITED

BALANCE SHEET AS AT 31ST MARCH 1999

Particulars	Sch No	31/03/99 Rupees	31/03/98 Rupees
I SOURCES OF FUNDS			
(1) Share Holders' Funds:			
a) Capital	1	2,02,50,000	2,02,50,000
b) Reserves & Surplus	2	5,13,19,737	5,60,95,088
		<u>8,15,69,737</u>	<u>7,63,45,088</u>
(2) Loan Funds:			
a) Secured Loans	3	13,30,34,980	13,73,62,816
b) Unsecured Loans	4	81,26,137	30,57,000
		<u>14,11,61,117</u>	<u>14,04,19,816</u>
Total		<u><u>22,27,30,854</u></u>	<u><u>21,67,64,904</u></u>
II APPLICATION OF FUNDS			
(1) Fixed Assets:	5		
a) Gross Block		17,52,50,013	17,09,06,170
b) Less: Depreciation		3,33,94,104	2,49,12,048
		<u>14,18,55,909</u>	<u>14,59,94,122</u>
c) Capital Work-in-progress		9,06,497	10,88,700
d) Net Block		<u>14,27,62,406</u>	<u>14,70,82,822</u>
(2) Investments:	6	1,69,000	2,69,000
(3) Current Assets, Loans & Advances:			
a) Inventories	7	2,41,69,541	1,90,34,942
b) Cash & Bank balances	8	60,76,352	39,01,021
c) Sundry Debtors	9	8,27,26,842	7,71,79,657
d) Loans & Advances	10	1,00,14,768	95,38,028
		<u>12,29,87,303</u>	<u>10,96,53,648</u>
Less: Current Liabilities and Provisions:	11		
a) Current Liabilities		4,20,91,766	3,90,76,539
b) Provisions		10,96,069	11,64,027
Net Current Assets		<u>7,97,99,448</u>	<u>6,94,13,082</u>
Total		<u><u>22,27,30,854</u></u>	<u><u>21,67,64,904</u></u>

Accounting Policies & Notes on Accounts 20

By order of the Board
S. Sivathani P/B
Chairman

R. Potanambulan
Company Secretary

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

A.S. Umes
Director
S. Rajkumar
Managing Director
Thiruvananthapuram -14, Dt. 29.3.1999

Raghurasad PV
Manager- Finance & Accounts

A. Mohanan B.Sc., F.C.A.
Partner
Thiruvananthapuram -14
29.3.1999

SREE SAKTHI PAPER MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1999

Particulars	Sch No.	31/03/99 Rupees	31/03/98 Rupees
INCOME			
Sales	12	27,68,23,109	30,34,01,352
Miscellaneous Income	13	10,06,655	27,01,413
Increase / (Decrease) in Stock	14	20,95,617	(1,18,76,580)
Total		<u>27,99,27,382</u>	<u>29,42,26,185</u>
EXPENDITURE			
Manufacturing Expenses	15	18,46,31,649	20,07,56,381
Excise Duty		1,48,63,171	1,50,75,117
Payments to & Provision for Employees	16	2,05,48,909	1,80,69,379
Administrative Expenses	17	1,40,81,716	1,26,15,993
Selling & Distribution Expenses	18	20,41,334	13,87,099
Interest & Finance Charges	19	3,03,06,410	2,90,97,612
Total		<u>26,64,73,189</u>	<u>27,70,01,581</u>
Profit before Tax and Depreciation		1,34,54,193	1,72,24,604
Depreciation		<u>84,82,056</u>	<u>81,04,808</u>
Profit before Tax		49,72,137	91,19,796
Provision for Taxation		<u>5,00,000</u>	<u>9,50,000</u>
Profit after Tax		43,72,137	81,59,796
Less: Income Tax relating to prior year		<u>3,97,488</u>	<u>2,19,728</u>
		39,74,649	79,40,068
Add: Provision for Dividend & Tax written back		0	9,07,500
Add: Balance brought forward from previous year		<u>51,05,088</u>	<u>3,12,57,520</u>
		<u>90,79,737</u>	<u>4,01,05,088</u>
APPROPRIATIONS			
Transfer to General Reserve		50,00,000	3,50,00,000
Balance carried forward to Balance Sheet		<u>40,79,737</u>	<u>51,05,088</u>
Accounting Policies & Notes on Accounts	20		

By order of the Board
S. Sivathani Pillai
Chairman

A.S. Unni
Director
S. Rajkumar
Managing Director
Thiruvananthapuram -14, Dt. 29-3-1999

R. Ponnambalam
Company Secretary

Raghuprasad P.V.
Manager - Finance & Accounts

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

A. Mohanan B.Sc., F.C.A.
Partner
Thiruvananthapuram -14,
Dt. 29-3-1999

SREE SAKTHI PAPER MILLS LIMITED

Sch.

No. Schedules annexed to and forming part of the Balance Sheet as at 31-03-99

	31/03/99 Rupees	31/03/98 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		
20,25,000 Equity Shares of Rs. 10/- each (20,25,000 Equity Shares Previous Year)	2,02,50,000	2,02,50,000
	<u>2,02,50,000</u>	<u>2,02,50,000</u>
2. RESERVES & SURPLUS		
i) Capital Reserve		
a. Kerala State Govt. Investment Subsidy	27,50,000	15,00,000
b. Tamil Nadu State Govt. Subsidy	7,40,000	7,40,000
ii) Share Premium Account	37,50,000	37,50,000
iii) General Reserve	5,00,00,000	4,50,00,000
iv) Profit & Loss Account	40,79,737	51,05,088
	<u>6,13,19,737</u>	<u>5,60,95,088</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/03/99 Rupees	31/03/98 Rupees
3. SECURED LOANS		
(i) Term Loans		
a. Kerala State Industrial Development Corp. Ltd.	30,00,000	44,86,192
b. Kerala Financial Corporation	23,81,420	31,23,620
c. Industrial Development Bank of India	4,99,52,609	5,00,00,000
d. State Bank of Hyderabad	45,00,000	60,00,000
(ii) Equipment Finance Loans		
a. For Wind Mill from I.D.B.I	11,35,000	17,60,000
b. For Coating Plant from IDBI	1,12,50,000	1,32,10,609
c. For DG Set from KSIDC	10,20,000	15,28,817
(iii) Interest accrued and due on above loans	28,35,494	2,54,833
(iv) S.B.I Factors and Commercial Services Ltd	8,50,406	0
(v) Cash Credit Loan from State Bank of India	5,61,10,051	5,69,98,745
	<u>13,30,34,980</u>	<u>13,73,62,816</u>

- 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 4 below.
- 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.
- Loan under item (iv) above is secured by second charge on book debts.
- 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.
- 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.

4. UNSECURED LOANS

From Directors	57,000	57,000
From Others	60,00,000	30,00,000
From Loan from KSIDC	69,137	0
Short term loan from KSIDC	20,00,000	0
	<u>81,26,137</u>	<u>30,57,000</u>

SREE SAKTHI PAPER MILLS LIMITED

5. FIXED ASSETS

(Figures in Rupees)

Sl. No.	PARTICULARS	COST BLOCK		DEPRECIATION BLOCK			NET BLOCK			
		Bal. as on 31-03-98	Addition during the year	Saved/Ad during year	Total on 31-03-99	Up to 31-03-98	For the year	Total on 31-03-99	As on 31-03-98	As on 31-03-99
1.	Land	42,81,946	0	0	42,81,946	0	0	42,81,946	42,81,946	42,81,946
2.	Buildings	2,73,07,091	0	0	2,73,07,091	26,81,825	8,21,710	35,03,535	2,46,25,266	2,38,03,556
3.	Furniture & Fixtures	9,40,386	60,831	0	10,01,217	3,62,536	70,556	4,33,092	5,77,650	5,88,125
4.	Plant & Machinery	13,73,20,700	42,77,147	0	14,15,97,847	2,15,97,818	75,40,895	2,91,38,513	11,57,22,882	11,24,59,334
5.	Office Equipments	10,58,047	5,855	0	10,63,902	2,69,869	49,095	3,18,964	7,86,178	7,42,948
	Total	17,09,06,170	43,43,843	0	17,52,50,013	2,49,12,048	84,82,056	3,33,94,104	14,59,94,122	14,18,55,909
	Figures for the Previous year	15,98,83,271	1,23,38,549	13,15,650	17,09,06,170	1,68,07,240	81,04,906	2,49,12,048	14,30,76,031	14,59,94,122

SREE SAKTHI PAPER MILLS LIMITED

	31/03/99 Rupees	31/03/98 Rupees
6. INVESTMENTS - AT COST		
Quoted		
S.B.I Bonds at Cost	0	1,00,000
Equity shares in I.D.B.I (Market value as on 31-3-99 Rs. 1,16,155/-)	1,69,000	1,69,000
	<u>1,69,000</u>	<u>2,69,000</u>
7. INVENTORIES		
1. Raw Materials & Packing Materials	75,18,786	58,63,428
Less: Modvat receivable	60,503	0
	<u>74,58,283</u>	<u>58,63,428</u>
2. Work-in-Process	12,16,698	8,35,642
3. Finished Goods	56,01,076	40,86,515
4. Stock in transit	4,08,351	0
5. Stores, Spares & Fuel	94,85,133	86,49,357
	<u>2,41,69,541</u>	<u>1,90,34,942</u>
8. CASH AND BANK BALANCES		
1. In Current Account with Scheduled Banks	32,683	95,516
2. Cash on Hand	12,95,428	13,94,005
3. T.T. in Transit	8,00,000	4,25,000
4. F.D./R.D with S.B.I	39,48,241	19,86,500
	<u>60,76,352</u>	<u>39,01,021</u>
9. SUNDRY DEBTORS		
OVER SIX MONTHS		
Unsecured Considered Good	1,19,30,532	39,39,203
OTHER DEBTS		
Unsecured Considered Good	7,07,96,110	7,32,40,454
	<u>8,27,26,642</u>	<u>7,71,79,657</u>

Out of the above Rs. Nil was due by directors/ firms in which directors are partners or directors. The maximum amount due by the above parties at any time during the year was Rs. Nil (previous year Rs. 2,03,779)

SREE SAKTHI PAPER MILLS LIMITED

	31/03/99 Rupees	31/03/98 Rupees
10. LOANS AND ADVANCES		
(Unsecured Considered Good)		
1. Prepaid Expenses	6,57,001	9,49,861
2. Deposits	22,10,569	19,11,849
3. Other Advances	71,47,198	66,76,318
	<u>1,00,14,768</u>	<u>95,38,028</u>

11. CURRENT LIABILITIES & PROVISIONS

a) CURRENT LIABILITIES

1. Sundry Creditors		
Amount due to SSI Units *	2,06,146	0
Other than SSI Units		
a) Supplies	2,45,55,368	2,49,18,509
b) Expenses	32,89,407	20,67,143
c) Stores & Spares	32,71,164	34,00,617
d) Capital Purchases	6,80,534	2,84,516
2. Interest accrued but not due on loans	33,81,386	33,82,160
3. Other Liabilities	67,07,761	50,23,594
	<u>4,20,91,766</u>	<u>3,90,76,539</u>

*Due to SSI units for the year ended 31-03 1998 are not ascertainable

b) PROVISIONS

Provision for Income Tax	6,20,763	9,60,000
Provision for Gratuity	4,75,326	2,04,027
	<u>10,96,089</u>	<u>11,64,027</u>

SREE SAKTHI PAPER MILLS LIMITED

Schedules annexed to & forming part of Profit & Loss Account for the year ended 31-03-99

	31/3/99 Rupees	31/3/98 Rupees
12. SALES		
Sales	28,20,16,845	30,80,29,557
Less: Discount	51,93,736	45,28,215
	<u>27,68,23,109</u>	<u>30,34,01,352</u>
13. MISCELLANEOUS INCOME		
Interest Received (TDS1912/-)	4,59,127	1,31,943
Insurance Claim Received	0	16,90,702
Dividend Received	5,850	13,382
Others	5,43,679	8,65,386
	<u>10,08,656</u>	<u>27,01,413</u>
14. INCREASE IN STOCK		
Closing Stock		
Finished Goods	56,01,076	40,86,515
Work in Progress	12,16,698	6,35,642
Less : Opening Stock		
Finished goods	40,86,515	87,55,671
Work in progress	6,35,642	78,42,866
	<u>20,95,617</u>	<u>(1,18,76,580)</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/3/99 Rupees	31/3/98 Rupees
15. MANUFACTURING EXPENSES		
Raw Materials consumed	12,34,41,492	12,92,02,220
Packing Materials consumed	42,73,865	49,48,257
Power & Fuel consumed	2,85,15,312	3,45,22,922
Stores and spares consumables	1,33,21,544	1,42,62,234
Freight Inwards	62,07,294	1,12,87,538
Repairs and Maintenance - Plant & Machinery	22,83,395	14,77,010
Repairs and Maintenance - Building	4,53,075	6,49,127
Insurance Expenses - Works	11,46,553	13,00,651
Factory Expenses	2,10,256	2,29,693
Coolie charges	27,68,853	28,76,718
	<u>18,46,31,649</u>	<u>20,07,56,381</u>

16. PAYMENTS TO AND PROVISION FOR EMPLOYEES

Salaries, Wages & Allowances	1,57,23,579	1,44,30,540
Stipend & Exgratia	58,007	52,318
Bonus	12,78,577	9,64,321
Gratuity	3,82,925	13,642
Staff Welfare Expenses	18,93,502	16,14,588
EDLI Premium	15,692	0
Medical Expenses to staff	1,37,882	1,56,215
Employer's contribution to P.F.	6,23,158	5,50,045
Employer's contribution to E.S.I	4,35,587	2,87,710
	<u>2,05,48,909</u>	<u>1,80,69,379</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/3/99 Rupees	31/3/98 Rupees
17. ADMINISTRATIVE EXPENSES		
Office & General expenses	2,67,148	2,50,155
Travelling expenses	31,65,684	40,15,761
Remuneration to Whole Time Directors	8,64,000	8,27,000
Vehicle Maintenance	5,90,311	5,30,753
Rent	4,63,740	5,94,164
Professional Service Charges	13,23,733	9,43,876
Pooja Expenses	3,03,692	4,21,535
Printing and Stationery	4,42,669	6,06,595
Telephone, Postage and Telegram	26,61,349	21,99,998
Hire charges	13,31,742	8,87,742
Repairs and Maintenance - others	14,17,503	5,93,219
Books and Periodicals	17,483	14,247
Insurance Premium	1,71,281	94,669
Auditors Remuneration		
for Audit	75,000	75,000
for Tax Audit & Sales Tax Audit	17,500	12,500
for Certification	0	3,000
for Taxation matters Out of Pocket expenses	11,235	20,700
Rates and Taxes	2,93,540	2,26,050
Donation	2,92,368	1,95,081
Sitting Fee	59,000	66,000
Subscription and Membership	63,547	39,420
Entertainment Expenses	26,813	60,666
Advertisement Charges	2,02,378	1,37,862
	<u>1,40,81,716</u>	<u>1,26,15,993</u>

SREE SAKTHI PAPER MILLS LIMITED

	31/3/99 Rupees	31/3/98 Rupees
18. SELLING AND DISTRIBUTION EXPENSES		
Freight Outwards	3,06,054	2,93,094
Cash Discount	10,04,400	7,33,506
Sales promotion expenses	7,30,880	3,60,499
	<u>20,41,334</u>	<u>13,87,099</u>
19. INTEREST AND FINANCE CHARGES		
Interest - Term Loans	1,48,42,177	1,49,76,954
Interest - Others	1,39,40,648	1,25,44,826
Finance Charges	49,655	21,448
Lease Expenses	14,73,930	15,54,384
	<u>3,03,06,410</u>	<u>2,90,97,612</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, 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.

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 including Excise Duty. Stock-in-process is valued at raw material cost plus, wherever 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 goods not cleared is provided for and 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. 3,60,000	Rs. 2,16,000
House Rent Allowance	Rs. 1,80,000	Rs. 1,08,000
Total	Rs. 5,40,000	Rs. 3,24,000

2. Value of imports on C.I.F. basis during the year amounted to Rs. 462.48 Lacs (Previous Year Rs. 358.98 Lacs)

SREE SAKTHI PAPER MILLS LIMITED

3. Raw Materials consumed

	Quantity Tonnes	Value Rs.Lacs
Imported Waste Paper	9808.130 (7123.148)	428.07 (397.57)
Indigenous Waste Paper	3811.588 (17815.318)	617.05 (771.78)
Chemicals	1682.126 (1546.412)	102.38 (122.67)

4. Finished Goods

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs.Lacs
Opening Stock	369.814 (674.674)	40.86 (87.56)
Production	20805.866 (21669.048)	2825.56 (3024.41)
Sales	20681.711 (21973.908)	2810.41 (3071.117)
Closing Stock	493.969 (369.814)	56.01 (40.86)

Sale of Electricity 4,04,846 Units Rs. 9.75 Lacs
(Previous Year 3,97,363 Units Rs. 9.18 Lacs)

5. Work-in-Progress

	Quantity Tonnes	Value Rs.Lacs
Opening	72.81 (615.618)	8.36 (78.43)
Closing	105.35 (72.81)	12.17 (6.36)

SREE SAKTHI PAPER MILLS LIMITED

6. Percentage of consumption of Raw Materials

	Rs. Lacs	Percentage to total
Imported	428.07 (397.57)	37.20% (30.77%)
Indigenous	719.43 (694.45)	62.80% (69.23%)

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. 2 Lacs. (Previous year Rs. 5.00 Lacs).

b. Claims against the company not acknowledged as debts Rs. 5.54 Lacs.

c. Usance Letter of Credit remaining unpaid as on 31.03.99 amounts to Rs. 139.95 Lacs (previous year Rs. 29.51 Lacs)

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	20,806 (21,669)	4,04,846 Units (3,97,363) Units

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.

SREE SAKTHI PAPER MILLS LIMITED

15. Machines costing Rs. 46.42 Lacs (Previous Year Rs. 46.42 Lacs) were acquired and held under Lease from M/s Kerala State Industrial Development Corporation Ltd., Trivandrum as on 31-3-99.
16. 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 1999

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)

	31.03.1999
	Rupees
Total Liabilities	222730
Total Assets	222730
Sources of funds	
Paid-up Capital	20250
Reserves & Surplus	61319
Secured Loans	133035
Unsecured Loans	8126
Deferred payment Credit	Nil
Application of funds	
Net Fixed Assets	142762
Investments	169
Net Current Assets	79799
Miscellaneous Expenditure	Nil

SREE SAKTHI PAPER MILLS LIMITED

d) Performance of the Company	
Turn over (including other income)	277832
Total Expenditure	272860
Profit before Tax	4972
Profit after Tax	4372
Earnings per share	2.16
Dividend rate percentage	N.A.

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 18 :

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
Thiruvananthapuram -14
29-9-1999

A.S.Unni
Director

S.Rajkumar
Managing Director

Reghuprasad P.V.
Manager -Finance & Accounts

R. Ponnambalam
Company Secretary

Thiruvananthapuram -14
29-9-1999