

**Eleventh
Annual Report
2001 - 2002**



**Sree Sakthi
Paper Mills Limited**

DIRECTORS

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

BANKERS

State Bank of India

AUDITORS

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

REGISTERED OFFICE

57/2993
Paliam Road,
Ernakulam, Cochin - 16.

FACTORIES

KRAFT PAPER UNIT:
Development Area,
Edayar, Alwaye.

DUPLEX BOARD UNIT:

Kanjirapilly
Chalakkudy.

SREE SAKTHI PAPER MILLS LIMITED

Regd. Office: Sree Kailas, 59/2993
Pallam Road, Cochin-682 016.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Eleventh Annual General Meeting of the shareholders of the Company will be held at 4.30 pm on Saturday, the 28th September, 2002 at Hotel Abard Plaza, M.G. Road, Cochin 35 to transact the following business:

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 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. Giridhar, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
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 himself for reappointment.
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 reappointment.
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**:

"RESOLVED THAT subject to the provisions of section 196, 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. Rajakumar as Managing Director of the Company for a period of 5 years from 8th September 2002 to 8th Sept. 2007 on the terms and conditions including remuneration and perquisites as approved by the Board of Directors at their meeting held on 19th July, 2002 and accepted by Mr. 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 there under."



"FURTHER RESOLVED that 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 ceilings set out under Schedule XIII to the Companies Act, 1956."

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

RESOLVED that in super session of the Resolution passed at the Annual General Meeting held on 28th November 1994 fixing the borrowing limits of the Company at Rs. 10 crores, the consent of the Company be and is hereby accorded to the Board of Directors under Section 293 (1) (d) of the Companies Act, 1956, to borrow any sum or sums of money from time to time notwithstanding that the money or moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes provided however, the total amount so borrowed shall not exceed Rs. 15 Crores (Rupees Fifteen Crores)."

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

RESOLVED that the Board of Directors of the Company be and is hereby authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of the employees subject to a maximum of Rs. 9,00,000/- (Rupees Nine Lacs only) per annum starting from the Financial year ending 31st March 2002.

COCHIN-16
31/08/2002

By Order of the Board
For Sree Sakthi Paper Mills Limited
Sd/-

R. Ponnambalam
Company Secretary

NOTES:

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No. 6, 7 & 8 of the notice is annexed hereto.

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.
- 3) The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours from 10 a.m. to 1 p.m. at the Registered office of the Company on any working day except Saturdays and Sundays prior to the date of Annual General meeting.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**Item no. 6**

The present tenure of appointment of Mr. S. Rajkumar as Managing Director of the Company will expire by 8th September, 2002.

At the meeting of Board of Directors of the Company held on 19th July, 2002 subject to necessary approvals Sri S. Rajkumar, was reappointed as Managing Director of the Company for a period of 5 years from 8th September 2002 to 8th September, 2007.

Having regard to the sincere efforts and services rendered by Mr. S. Rajkumar as Managing Director right from inception of the Company and managing the affairs of the Company efficiently and considering the increased responsibilities and duties that he will have to shoulder, it is sought to increase remuneration suitably. The revised terms and conditions are as below:

1. Mr. S. RAJKUMAR shall hold office of Managing Director for a period of 5 years from 8th September, 2002 to 8th September, 2007.
2. He shall be paid remuneration including perquisites as follows:
 1. **Salary** Rs. 50,000/- (Rupees Fifty 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. 4000/-.
 - 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.

vi) 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 7-06-2002 of the terms and conditions of the reappointment 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. Sivathani Pillai, Mr. S. Subramaniam, Mrs. E. Kamalan, and Mr. S. Giridhar 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.

Item No. 7

The existing Borrowing limit of the Company as fixed at the Annual General Meeting of the Company held on 28th November, 1994 is Rs. 10 (Ten) crores covering borrowings (apart from temporary loans obtained from Company's Bankers in the ordinary course of business), State Bank of India, Commercial branch Cochin-17 who have advanced for working capital facility are of opinion that Borrowing limits of the Company should cover working capital facility limits also apart from Term loans and have advised the Company to increase the Borrowing limits accordingly.

Hence the resolution.

No Director is interested in the resolution.

Item no. 8

In view of good performance by the Company and as part of its obligation to the society and for the welfare of the public in general, it is proposed to make donations to deserving causes as a social obligation upto a limit of Rs. 9,00,000/- (Rupees Nine Lakhs only) per annum starting from the Financial Year ending 31st March, 2002.

No Director is interested in the resolution.

By Order of Board
For Sree Sakthi Paper Mills Ltd

Sd/-
R. Ponnambalam
Company Secretary

Directors Report to the Shareholders

Your Directors have pleasure in presenting the Eleventh Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

	2001-2002 (Rs. Lacs)	2000-2001 (Rs. Lacs)
Sales (Net)	3352.39	3225.48
Operating Profit	345.34	339.30
Interest and finance	154.05	232.81
Depreciation	89.05	90.57
Profit before tax	102.24	15.92
Provision for Tax	12.00	1.35
Profit after tax	90.24	14.57
Income tax relating to earlier year	—	0.07
Balance of profit brought forward	81.63	67.13
Amount available for appropriation	171.87	81.63
Appropriation		
General Reserve	150.00	Nil
Proposed Dividend & Tax on dividend	Nil	Nil
Retained profits carried to Balance Sheet	21.87	81.63

REVIEW OF OPERATIONS 2001-2002

During the year under review, your Company has maintained full capacity utilisation as in last year. Production was 25215 MT as compared to 25024 MT during the previous year. The Company sold 25833 MT during the year as against 24039 MT in previous year representing 7.5% increase in sales but with hardly any improvement in sales realisation rate. Against the background of a very challenging business and economic scenario and sluggish market conditions the company's performance was very commendable in making a net profit of Rs. 90.24 lakhs compared to Rs. 14.50 lakhs in the previous year.

The achievement has been due to the dynamic action taken in adopting effective cost control measures for synergies of productivity and cost efficiency as indicted in last year's report. The results for the year under review show that company is stronger and more efficient with consistent trend towards cost efficiency.

The Company as of now is in a small way exporting to Sri Lanka.

PROSPECTS FOR 2002-2003

The company is likely to perform well in terms of demand during current year as there are signs of improvement in the revival of the economy. Despite lowering of import duties,



the company do not expect any inflow of packaging paper from abroad. As far as company is concerned, production and productivity is at optimum, market and distribution is strong and cost cutting measures are being sustained in an untailing manner, adding strength to your company's competitiveness. All these positive factors should enable the company to look forward to the current year's performance and as well as to the future with optimism.

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

INDUSTRIAL RELATIONS

The industrial relations scenario was peaceful and cordial atmosphere prevailed

DIVIDEND

Despite earning higher profits compared to previous year which has been utilised for repayment of loans, the Company is still having working capital constraint and hard pressed for funds to augment working capital requirements.

In view of the above circumstance, your Directors consider it would be prudent to plough back the entire profits earned to bridge the working capital shortage and therefore, do not propose any dividend.

BOARD OF DIRECTORS

Sri S. Giridhar relinquished his office of Executive Director during the financial year and continued as Director.

In accordance with Article 83 of the Articles of Association of the Company, Sri S. Giridhar, Sri A.S. Unni and Sri N. Ravindranathan, directors of the Company retire on rotation, and 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 exports and earned foreign exchange Rs. 54.79 lakhs during the year. The outgo was mainly for purchase of raw materials amounting to Rs. 539.52 lakhs.

PARTICULARS UNDER SECTION 217

Conservation of Energy, Technology Absorption

Statement of particulars under section 217(1) (e) 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.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956

Directors report that

- 1) In the preparation of the annual accounts for the financial year ended 31st March 2002 the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 2) The directors had selected such accounting policies and applied them consistently and made judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review.
- 3) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- 4) The directors had prepared the Annual Accounts for the financial year ended 31st March 2002 on a "going concern" basis.

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, State Bank of India, State Bank of Hyderabad, SBI Factors and commercial Services Ltd., Kerala State Electricity Board, customers, dealers/Agents and shareholders including SBI Capital Markets Ltd for their co-operation and support extended to the Company.

The Directors in particular gratefully acknowledge the continued support and assistance given by State Bank of India.

A word of congratulation is due to the Management and employees for their dedication and high order of performance which has helped in ensuring that your company consistently maintain a trend of improvement.

Kochi-16
Date: 27-08-2002

By and on behalf of the Board of Directors
Sd/-
S. Sivathanu Pillai
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

FORM 'A'

(See Rule 2)

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel Consumption

	Current Year (31.03.2002)	Previous year (31.03.2001)
1. Electricity		
a. Purchased		
Unit	1,33,98,340	1,27,91,120
Total Amount	4,07,97,737	1,93,18,442
Rate/Unit	3.05	1.51
b. Own Generation		
(1) Through Diesel Generator		
Unit	2,27,300	7,05,888
Unit per Ltr. of diesel oil	3.09	3.46
Cost/Unit	6.02	5.01
(II) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others/Internal generation	-	-

B. Consumption per unit of production

Electricity (kwh)	540	540
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, 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.



BALAN & CO.,
Chartered Accountants

Power House Extn. Road,
Cochin - 682 018.
Phone: 392529/390082.
Fax No: 0484-303648.
E-mail: mohn@mol.vsnl.net.in

AUDITORS' REPORT

We have audited the attached Balance Sheet of M/S. SREE SAKTHI PAPER MILLS LIMITED, COCHIN-18 as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and we 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 Sub-Section 4 A (Section 227 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) The Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub Section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representation received from directors, and placed before the board meeting, we report that none of the directors are disqualified as on 31st March, 2002 from being appointed as director in terms of clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956.
 - (f) 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, 2002 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
27.8.2002

For **BALAN & CO.**
Chartered Accountants

A. MOHANAN BSc. FCA,
Partner

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. Discrepancies noticed on physical verification of stock with book records have been properly dealt with in the books of accounts of the Company.
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 taken interest free 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, the terms and conditions of which are not prima facie prejudicial to the interest of the company.
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 the purchases of stores, raw materials including components, plant & machinery, equipments and other assets and with regard to the sale of goods.
11. The transactions of purchase of goods and materials and sale of goods made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices and practices for such goods and materials.



12. The company has a system for identifying and providing for losses on account of unserviceable or damaged stores, raw materials or finished goods.
13. The Company has 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 prescribed by the Central Government u/s 209(1) (d) of the Companies Act, 1956.
17. The Company is not 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 (a) of Sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

Cochin-18
27.8.2002

For BALAN & CO.
Chartered Accountants

A. MOHANAN BSc. FCA.
Partner

**BALANCE SHEET AS AT 31ST MARCH 2002**

Particulars	No.	31.3.2002 Rupees	31.03.2001 Rupees
SOURCES OF FUNDS			
(1) Share Holders' Funds:			
(a) Capital	1	20250000.00	20250000.00
(b) Reserves & Surplus	2	77605693.31	68403078.72
		<u>97855693.31</u>	<u>88653078.72</u>
(2) Loan Funds:			
(a) Secured Loans	3	85825133.88	100443871.91
(b) Unsecured Loans	4	8358120.00	3973118.00
		<u>95183253.88</u>	<u>104416989.91</u>
TOTAL		<u>193038947.19</u>	<u>193070068.63</u>
APPLICATION OF FUNDS			
(1) Fixed Assets:	5		
(a) Gross Block		185455493.32	183122768.13
(b) Less: Depreciation		59574780.32	50670100.52
		<u>125880713.00</u>	<u>132452667.61</u>
(c) Capital work in progress		2159051.30	1964529.00
(d) Net Block		<u>128039764.30</u>	<u>134417196.61</u>
(2) Investments:	6	35230.00	35230.00
(3) Current Assets, Loans & Advances:			
(a) Inventories	7	47213412.05	47558367.00
(b) Cash & Bank balances	8	8836814.24	11250007.96
(c) Sundry Debtors	9	71281120.55	56288184.10
(d) Loans & Advances	10	12851060.73	8550133.81
		<u>140182407.57</u>	<u>123646692.89</u>
Less: Current Liabilities and Provisions:	11		
(a) Current Liabilities		71202265.68	62540646.87
(b) Provisions		4016169.00	2488404.00
Net Current Assets		<u>64963952.89</u>	<u>58617642.02</u>
TOTAL		<u>193038947.19</u>	<u>193070068.63</u>

Accounting policies & Notes on accounts 20

By order of the Board

S. Sivathanu Pillai
ChairmanA.S. Unni,
DirectorS. Rajkumar
Managing Director

Cochin-16, Dt. 27.08.2002.

R. Pohnambalam
Company Secretary

Subject to our report of even date

For Balan & Co.
Chartered AccountantsA. Mohanan B.Sc., F.C.A.
PartnerCochin-16
Dt. 27.08.2002


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002.

	No.	31.3.2002 Rupees	31.03.2001 Rupees
INCOME			
Sales	12	372491749.52	358087006.48
Other Income	13	1332488.47	1193462.59
Increase / Decrease in Stock	14	-7482090.88	8286700.00
Total		<u>365341647.11</u>	<u>367567169.17</u>
EXPENDITURE			
Manufacturing Expenses	15	243190571.28	249168081.72
Excise Duty		37252135.00	35518192.70
Payments to & Provision for Employees	16	27746946.09	27234530.60
Administrative Expenses	17	18700885.58	19806990.32
Selling & Distribution Expenses	18	4480236.84	6586481.53
Interest & Finance Charges	19	15404806.33	16604003.31
Loss on sale of Fixed Asset		428893.00	0.00
Total		<u>347212474.12</u>	<u>356918156.18</u>
Profit before Tax and Depreciation		19129172.99	10648980.99
Depreciation		8904679.80	9057334.41
Profit before Tax		<u>10224493.19</u>	<u>1591646.58</u>
Provision for Taxation		1200000.00	130000.00
Profit after Tax		<u>9024493.19</u>	<u>1456646.58</u>
Less: Income Tax relating to earlier year		0.00	7029.00
		<u>9024493.19</u>	<u>1449617.58</u>
Add: Balance brought forward from previous year		<u>8163078.72</u>	<u>6713461.28</u>
		<u>17187571.91</u>	<u>8163078.86</u>
APPROPRIATIONS			
Proposed Dividend		0.00	0.00
Corporate Dividend tax		0.00	0.00
Transfer to General Reserve		<u>15000000.00</u>	<u>0.00</u>
Balance carried to Balance Sheet		<u>2187571.91</u>	<u>8163078.86</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-16, Dt: 27.08.2002.

Subject to our report of even date

For Balan & Co.
Chartered AccountantsA. Mchanan B.Sc., F.C.A.
PartnerCochin-16
Dt. 27.08.2002R. Ponnambalam
Company Secretary

**SCHEDULE ANNEXED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH 2002**

Sch. No.	Particulars	31.3.2002 Rupees	31.3.2001 Rupees
1. SHARE CAPITAL			
AUTHORISED			
	30,00,000 Equity shares of Rs. 10/- each	<u>30000000.00</u>	<u>30000000.00</u>
ISSUED, SUBSCRIBED AND PAID UP			
	20,25,000 Equity Shares of Rs. 10/- each (20,25,000 Equity Shares previous year)	<u>20250000.00</u>	<u>20250000.00</u>
		<u>20250000.00</u>	<u>20250000.00</u>
2. RESERVES & SURPLUS			
(i)	Capital Reserve		
a.	Kerala State Govt. Investment Subsidy	2750000.00	2750000.00
b.	Tamil Nadu State Govt. Subsidy	740000.00	740000.00
c.	Profit on sale of land	178121.40	0.00
(ii)	Share Premium Account	3750000.00	3750000.00
(iii)	General Reserve	68000000.00	53000000.00
(iv)	Profit & Loss Account	2187571.91	8163078.72
		<u>77605693.31</u>	<u>68403078.72</u>
3. SECURED LOANS			
(i)	Term Loans		
a.	Kerala Financial Corporation	0.00	759462.00
b.	State Bank of Hyderabad	0.00	1875000.00
c.	State Bank of India	12155168.82	29100000.00
d.	Car loan from HDFC	3300000.00	0.00
(ii)	Equipment Finance Loan		
a.	For Boiler from KSIDC	1405550.00	2033127.00
(iii)	Interest accrued and due on above loans	94382.00	1336929.53
(iv)	S.B.I Factors and Commercial Service Ltd	9635289.07	8974532.01
(v)	Cash Credit Loan from State Bank of India	60234643.99	56384821.37
		<u>86825133.88</u>	<u>100443871.91</u>



1. Term Loan from State Bank of India is secured by first charge on the fixed assets of the company by an Equitable Mortgage by deposit of the title deeds of the company's property and hypothecation of all the movable assets of the company, both present and future.
2. Car loan from HDFC on hire purchase agreement.
3. Equipment Finance Term Loan for KSIDC by exclusive charge over the Boiler under the assistance.
4. Loan under item (iv) above is secured by second charge on book debts and all other movable assets of the company which have been hypothecated by way of first charge in favour of State Bank of India.
5. 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.
6. Term loan and Cash Credit Loan from State Bank of India are further personally guaranteed by three Directors of the Company.

	31.3.2002 Rupees	31.03.2001 Rupees
4. UNSECURED LOANS		
1. From Directors	1758120.00	1205618.00
2. From Others	6600000.00	1750000.00
3. Short term loan from KSIDC	0.00	1017500.00
	<u>8358120.00</u>	<u>3973118.00</u>
6. INVESTMENTS - AT COST		
Quoted		
1. Equity shares in IDBI (Value as on 31.3.02-Rs. 28/ Per share)	35230.00	35230.00
	<u>35230.00</u>	<u>35230.00</u>
7. INVENTORIES		
1. Raw Materials & Packing Materials	30393972.40	23967432.00
2. Work-in-Process	284194.84	197359.00
3. Finished Goods	4943417.28	12512314.00
4. Stores, Spares & Fuel	11591827.53	10881232.00
	<u>47213412.05</u>	<u>47558367.00</u>
8. CASH AND BANK BALANCES		
1. In Current Account with Scheduled banks	67556.96	34031.61
2. Cash on Hand	1188978.01	1228913.25
3. T.T. in Transit	0.00	1790000.00
4. F.D. / R.D. with State Bank of India	7580279.27	8197063.12
	<u>8836814.24</u>	<u>11250007.98</u>

FIXED ASSETS

(Figures in Rupees)

Sl. No.	Particulars	COST BLOCK				DEPRECIATION BLOCK			NET BLOCK	
		Balance on 31.03.2001	Additions during the year	Deletions during the year	Total on 31.03.2002	Upto 31.03.2001	For the year	Total on 31.03.2002	As on 31.03.2001	As on 31.03.2002
1	Land	4281945.00	0.00	121078.00	4900023.00	0.00	0.00	0.00	4281945.00	4180045.00
2	Buildings	27571658.00	1624095.00	20075.00	29246828.00	514555.50	624042.30	3870998.33	22924913.00	23355553.07
3	Furniture & Fixtures	116005.77	16000.00	0.00	1163476.77	609163.77	88691.56	67785.33	537713.06	486711.44
4	Plant & Machinery	14632630.05	513008.79	4479876.00	14623333.74	4447111.95	793453.95	52405671.30	104151408.00	98897928.00
5	Office Equipments	1089495.21	102113.00	0.00	1571578.21	442669.20	71475.36	520344.56	946596.00	1051233.05
	Total	112122758.13	6953476.79	4650771.00	185455493.32	50670100.52	8704676.00	38574760.32	120452827.29	125597713.00
	Figures for the pre. year	178975620.00	3147745.00	0.00	165102755.00	41612752.00	8657335.00	50670101.00	138921551.00	152452667.00



Sch. No.	Particulars	31.3.2002 Rupees	31.3.2001 Rupees
9. SUNDRY DEBTORS			
	Over Six months		
	Unsecured Considered Good	9777361.82	12262476.00
	Other Debts		
	Unsecured Considered Good	66235084.95	48757032.32
		76012446.77	61019510.32
	Less : Provision for bad debts	4731326.22	4731326.22
		<u>71281120.55</u>	<u>56288184.10</u>
10. LOANS AND ADVANCES (Unsecured considered good)			
	1. Prepaid Expenses	639028.00	302925.00
	2. Deposits	3818867.00	2875148.33
	3. Advances	8193165.73	5312060.48
		<u>12851060.73</u>	<u>8550133.81</u>
11. CURRENT LIABILITIES & PROVISIONS			
(a) CURRENT LIABILITIES			
	1. Sundry Creditors		
	Amount due to SSI units	102652.60	64815.90
	Other than SSI units		
	(a) Supplies	44662557.55	40936171.44
	(b) Expenses	2896182.06	3111941.43
	(c) Stores & Spares	4520288.05	4521702.57
	(d) Capital Purchases	286520.00	286520.00
	2. Interest accrued but not due on Loans	0.00	44800.00
	3. Other Liabilities	18734085.42	13674695.53
		<u>71202285.63</u>	<u>62540646.67</u>
b) PROVISIONS			
	Income Tax	2335000.00	1135000.00
	Gratuity	1681169.00	1353404.00
		<u>4016169.00</u>	<u>2488404.00</u>



Schedules annexed to & forming part of Profit & Loss Account for the year ended 31.03.2002

Sch. No.	Particulars	31.3.2002 Rupees	31.3.2001 Rupees
12. SALES			
	SALES - Kraft paper	246696483.00	246879296.66
	- Paper & Paper Boards	130852947.00	114738172.14
	Electricity	1149376.00	1068508.00
		<u>378698806.00</u>	<u>362685977.00</u>
	Less: Discount	6207556.48	4596970.52
		<u>372491249.52</u>	<u>358087006.48</u>
13 OTHER INCOME			
	Interest Received gross (TDS Ra. 45313/-)	428339.60	676057.36
	Dividend Received	9360.00	5850.00
	Others	894788.87	512655.31
		<u>1332488.47</u>	<u>1193462.69</u>
14. INCREASE IN STOCK			
	Closing Stock		
	Finished Goods	4943417.28	12512314.00
	Work in Progress	284194.84	197389.00
	Less: Opening Stock		
	Finished goods	12512314.00	4139992.00
	Work in progress	197389.00	263011.00
		<u>-7482090.88</u>	<u>8266700.00</u>
15. MANUFACTURING EXPENSES			
	Raw Materials consumed	157311610.51	180967793.91
	Packing Materials consumed	4175515.16	4427495.16
	Power & Fuel consumed	53643186.97	31821886.21
	Stores, Spares and Consumables	11138717.29	14932176.36
	Freight Inwards	8932882.00	10012708.97
	Repairs and Maintenance - Plant & Machinery	1903701.17	2292077.00
	Repairs and Maintenance - Building	913779.97	741456.50
	Insurance Expenses - Works	746720.00	423889.00
	Factory Expenses	141890.21	187298.30
	Coolie charges	3441590.00	3261300.31
	Purchase tax	840978.00	0.00
		<u>243190571.28</u>	<u>249168081.72</u>



Sch. No.	Particulars	31.3.2002 Rupees	31.3.2001 Rupees
16. PAYMENTS TO AND PROVISION FOR EMPLOYEES			
	Salaries, Wages & Allowances	20844929.45	21207128.53
	Stipend & Exgratia	39801.00	6400.00
	Bonus	1827707.00	1898060.00
	Gratuity	351335.00	482014.00
	Staff Welfare Expenses:	2602445.14	1529340.80
	Medical Expenses	108000.00	123638.50
	Employer's contribution to P.F.	1139820.80	1081601.00
	Employer's contribution to E.S.I.	753575.70	648347.77
	EDLI premium	79332.00	0.00
		<u>27746946.09</u>	<u>27234530.60</u>
17. ADMINISTRATIVE EXPENSES			
	Office & General Expenses	294313.09	390149.79
	Travelling expenses	4001852.15	3755418.18
	Remuneration to Whole Time Directors	864000.00	864000.00
	Vehicle Maintenance	647893.62	652859.16
	Rent	361793.00	346700.00
	Professional Service Charges	1287202.60	1445448.61
	Pooja Expenses	413021.75	679281.25
	Printing and Stationery	509847.55	419695.70
	Telephone, Postage and Telegram	1457373.64	1605964.61
	Hire charges	2076130.00	1589052.00
	Repairs and Maintenance - others	1285711.61	1857452.56
	Bank Charges and Commission	4075133.57	4077220.26
	Books and Periodicals	22207.00	13350.00
	Insurance Premium	113395.00	177058.00
	Auditors Remuneration:		
	for Audit	85000.00	85000.00
	for Tax and Sales Tax Audit	17500.00	17500.00
	for Other matters and Out of pocket exps.	19150.00	2100.00
	Rates and Taxes	382647.00	393096.00
	Donation	498968.00	488820.00
	Sitting Fee	58000.00	62000.00
	Subscription and Membership	99451.00	192313.00
	Entertainment Expenses	130295.00	89420.00
		<u>18700885.58</u>	<u>19906899.32</u>



Sch. No.	Particulars	31.3.2002 Rupees	31.3.2001 Rupees
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18 SELLING AND DISTRIBUTION EXPENSES

Freight Outwards	736495.70	441042.30
Cash Discount	1974949.77	1529442.89
Sales promotion expenses	1559435.73	1921115.97
Bad debts written off	0.00	2566688.00
Marine Insurance export	21016.00	0.00
Advertisement Charges	196339.64	128192.98
	<u>4488236.84</u>	<u>6586481.53</u>

19 INTEREST AND FINANCE CHARGES

Interest on Term Loans	3024088.29	6838507.39
Interest - Other Loans	9410412.94	8696343.92
Other interest	2970305.10	3069151.00
	<u>15404806.33</u>	<u>18604002.31</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 & 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 of MODVAT has been taken.

4. Investments:

Investments are stated at cost or market price whichever is less.

5. Inventory:

Inventory of raw materials and consumables are valued at cost under FIFO method. 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, labour and other direct overheads. 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. 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. Borrowing Costs:

Borrowing costs are capitalised when it is probable that they will result in future economic benefits to the enterprise.

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 actuarial valuation.

**B. NOTES ON ACCOUNTS****1. Managerial Remuneration:**

	Managing Director	Executive Director
Salary	Rs. 3,60,000	2,16,000
House Rent Allowance	Rs. 1,80,000	1,08,000
Total	Rs. 5,40,000	3,24,000

2. Value of Imports on C.I.F. basis during the year amounted to Rs. 618.57 lacs (Previous Year Rs. 708.58 Lacs)

3. **Expenditure in Foreign Currency:**
Export sale commission - Rs. 56070/-

4. **Earnings in Foreign Exchange:**
FOB value of Export - Rs. 54,78,863/-

5. Raw Materials consumed

	Quantity Tonnes	Value Rs. Lacs
Imported Waste Paper	10640.939 (8642.428)	691.26 (752.75)
Indigenous Waste Paper	18685.672 (19907.090)	768.35 (959.93)
Chemicals	1818.366 (1531.979)	111.88 (96.98)

6. Finished Goods

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs. Lacs
Opening Stock	1060.214 (384.255)	124.69 (41.19)
Production	25215.673 (25024.013)	3539.94 (3899.67)
Sales	25833.326 (24348.054)	3775.48 (3616.17)
Closing Stock	442.561 (1060.214)	49.43 (124.69)

Sale of Electricity 4,49,028 Units Rs. 11.49 Lacs (Previous Year 4,30,020 Units Rs. 10.68 Lacs)



7. Work-in-Process	Quantity Tonnes	Value Rs. Lacs
Opening	28.11	1.97
	(36.40)	(2.83)
Closing	31.79	2.84
	(26.11)	(1.97)

8. Percentage of consumption of Raw Materials	Rs. Lacs	Percentage to total
Imported	891.26	43.96%
	(752.75)	(41.60%)
Indigenous	880.23	58.02%
	(1056.92)	(58.40%)

9. Sales are inclusive of Excise Duty & Cess.

10. Some of the Balances of Sundry Debtors, Sundry Creditors, Advances and Loans are subject to confirmation.

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

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

13. Contingent Liabilities not provided for

a. Unexpired Contracts for Capital expenditure Rs. 2.60 Lacs.
(Previous year Rs. 2.00 Lacs).

b. Claims against the company not acknowledged as debts Nil
(previous year = Rs. 1 Lacs)

c. Usance Letter of Credit remaining unpaid as on 31.03.2002 amounts to Rs. 349.01 Lacs
(previous year 264.11 Lacs) and bills / cheques discounted Rs. 58.77 Lacs.
(previous year - 75.47 Lacs)

14. Capacity	Paper & Paper Boards (MT)	Electricity
Licensed Capacity (Registered with S.I.A)	22,500 (22,500)	Not required
Installed Capacity	28,800 (28,800)	250 KW 250 KW
Actual Production	25,220 (25,024)	4,49,028 Units (4,30,020) Units



15. Professional service charges include Rs. 36,000/- to a director (Previous Year Rs. 36,000/-)
16. Machines costing Rs. 48.42 Lacs (Previous year 48.42 Lacs) were acquired and held under Lease from M/s. Kerala State Industrial Development Corporation Ltd. Trivandrum as on 31.3.2002.
17. Borrowing costs capitalised during this year - Nil
18. Insurance charges include Rs. 39,764/- paid to LIC towards EDLI premium relating to earlier years.
19. 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 2002

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)

	31.03.2002
	Rupees
Total Liabilities	1,93,038
Total Assets	1,93,038
Sources of Funds	
Paid-up Capital	20,250
Reserves & Surplus	77,605
Secured Loans	86,825
Unsecured Loans	8,358
Deferred Payment Credit	Nil
Application of Funds	
Net Fixed Assets	1,28,040
Investments	35
Net Current Assets	64,963
Miscellaneous Expenditure	Nil



d) Performance of the Company	
Turnover (including other income)	3,73,823
Total Expenditure	3,63,599
Profit before Tax	10,224
Profit after Tax	9,024
Earnings per share	4.45
Dividend rate percentage (proposed)	-

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

S. Sivathanu Pillai
Chairman

A.S. Unni
Director

S. Rajkumar
Managing Director

Cochin-18
Dt. 27.08.2002

Ponnambalam R.
Company Secretary

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

A. Mohanan, B.Sc., F.C.A.
Partner
Cochin-18
Dt. 27.08.2002