

**Twelfth Annual Report
2002 - 2003**



**Sree Sakthi
Paper Mills Limited**

DIRECTORS

Mr. S. Sivatharu Pillai (Chairman)
Mr. S. Rajkumar (Managing Director)
Mr. S. Giridhar
Mr. A.S. Unni
Mr. N. Ravindranathan
Mr. S. Subramaniam
Mrs. E. Kamalam

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 Kallas, 59/2993
Palam Road, Cochin-682 016.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of the Company will be held at 11.30 A.M. on Monday the 1st September 2003 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, 2003 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend
3. To appoint a Director in place of Sri. S. Sivathanu Pillal, 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. 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 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 in super session of resolution/s passed at the Board meeting dated 19th July, 2002 and at the Annual General Meeting held on 29th September, 2002, subject to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to approval of Central Government and other appropriate authorities, the Company hereby accords its approval for the reappointment of Mr. S.Rajkumar as Managing Director of the Company for a period of 5 years from 11th July, 2003 to 10th July, 2008 on the terms and conditions including remuneration and perquisites as approved by the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration committee constituted by the Board) at their meeting held on 11th July, 2003 and accepted by Mr. S. Rajkumar

with liberty to the "Board" to alter and vary the approved terms and conditions as the "Board" 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 reenactment 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 (excluding commission) as above mentioned subject to the ceilings set out under Schedule XIII to the Companies Act, 1956."

By Order of the Board
For Sree Sakthi Paper Mills Limited
Sd/-
R. Fonnambalam
Company Secretary

COCHIN-16

Date: 4th August, 2003

NOTES:

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

- 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) Dividend, if declared, will be paid to those members whose names appear in the Register of Members on 1st September, 2003 or to their mandatees.
- 3) Members are requested to notify their change of address if any
- 4) The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours between 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**

At the Annual General Meeting of the Company held on 28th September, 2002, the appointment/reappointment of Sri. S. Rajkumar as Managing Director of the Company for a period of 5 years w.e.f. 9.9.2002 had been approved with terms and conditions including remuneration. It has been advised that permission of Central Government was necessary for payment of remuneration to Managing Director as per the amended provisions of Schedule XIII, which was overlooked. As permission of Central Government not taken, remuneration to Managing Director not paid or provided. In view of above, in super session of earlier resolution passed on 19th July, 2002, Board of Directors at their meeting held on 11th July, 2003 have re-appointed, subject to necessary approvals, Sri. S. Rajkumar as Managing Director of the Company for a period of 5 years from 11th July, 2003 to 10th July, 2008.

As required under the amended provisions of Schedule XIII of the Companies Act, 1956, the payment of remuneration has been approved by a resolution passed by the Remuneration Committee.

The revised terms and conditions are as below:

1. Sri. S. Rajkumar shall hold office of Managing Director for a period of 5 years from 11th July, 2003 to 10th July, 2008
2. Salary: 75000/- per month
3. 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.
4. Perquisites
 - i) House rent allowance at the rate of 50% (fifty percentage) of the salary
 - ii) Medical expenses incurred for the Managing Director and his family subject to a ceiling of one month's salary in a year or three months salary over a period of three years
 - iii) Personal accident insurance for an amount of the annual premium of which does not exceed Rs. 6000/-
 - iv) Gratuity payable shall not exceed half a month's salary for each completed year of service



v) Provision of car for use on Company business and Telephone at residence
Perquisites shall be evaluated as per Income-tax rules, 1962 wherever applicable

Minimum Remuneration : Same substantive salary and perquisites (excluding commission) as above mentioned subject to the ceiling set out under Schedule XIII of the Companies Act, 1956 as amended

Sri. S. Rajkumar, Sri. S. Sivathanu Pillai, Sri S. Subramaniam, Mrs. E. Kamalam and Sri 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.

By order of Board
For Sree Sakthi Paper Mills Ltd

R. Ponnambalam
Company Secretary



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twelfth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-2003 (Rs. Lacs)	2001-2002 (Rs. Lacs)
Sales (Net)	3535.46	3352.39
Operating Profit	272.28	345.34
Interest and finance	99.89	154.05
Depreciation	94.37	89.05
Profit before tax	78.00	102.24
Provision for Tax	12.80	12.00
Profit after tax	68.45	90.24
Income tax relating to earlier year	(3.25)	--
Balance of profit brought forward	21.87	81.63
Amount available for appropriation	90.32	171.87
Appropriation General Reserve	50.00	150.00
Proposed Dividend & Tax on dividend	22.90	--
Retained profits carried to Balance Sheet	17.42	21.87

REVIEW OF OPERATIONS 2002-2003

During the year under review, your Company has maintained full capacity utilisation as in last year. Production was 25860 MT as compared to 25215 MT during the previous year. The Company sold 25960 MT during the year as against 25833 MT in previous year. Gross turnover increased to Rs. 3870 lakhs compared to Rs. 3787 lakhs in previous year. Export sales accounted for 1.57 per cent of gross turnover. However operating profit (PBDT) decreased during the year. The operating margin factors in gains from higher volumes, high degree of integration and value addition, continued focus on costs, productivity and efficiency has been partially offset by higher cost of raw materials and increase in electricity charges imposed from September, 2002.

Interest expenditure decreased 15.50 per cent caused by repayment, refinancing of higher cost long term debts/working capital loan and ongoing prudent financial and cash flow management. The company successfully refinanced Rupee Term loan and major part of working capital loan by borrowing foreign currency FCNR-B loan at low cost which contributed to compensate to a large extent adverse impact of increased raw material cost and electricity charges and but for this the profits of the Company would have been far below the profits in the previous year.

PROSPECTS FOR 2003-2004

The Company's performance so far in the current year is satisfactory. The overall earnings presently depend on global economic outlook and trends in demand-supply scenario.



The Company continuously works towards honing its competitive strength by adopting appropriate cost control measures, manufacturing practices, HRD policies, and consolidating customer relationships so that the company outpaces competition and remains one amongst most profitable companies.

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

The Directors have recommended a dividend of 10% i.e. Re 1/- per share for the financial year ended 31.03.2003. The dividend pay out for the year under review has been formulated with the Company's policy of striving to pay stable dividend continuously. Your Directors believe this would increase shareholder value.

In accordance with the provisions of the Finance Act, 2003 no tax will be deducted at source on the dividend but your Company will absorb Rs. 2.65 lakhs towards tax on distributed profits.

BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Sri S. Sivathanu Pillai, and Sri S. Subramaniam, 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. 64.95 lakhs during the year. The outgo was mainly for purchase of raw materials amounting to Rs. 521.33 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 17th April, 2002. The details of managerial remuneration under section 198 of the Act are furnished under note B (1) of Schedule 22 forming part of the Accounts.



DIRECTORS RESPONSIBILITY STATEMENT

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

- 5) In the preparation of the annual accounts for the financial year ended 31st March 2003 the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 6) 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.
- 7) 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.
- 8) The directors had prepared the Annual Accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from 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.

You Directors also wish to place on record their deep sense of appreciation for the committed services of the Management and employees of the Company.

By and on behalf of the Board of Directors

Sd/-

S. SIVATHANU PILLAI
CHAIRMAN

Kochi-16

Date: 11-07-2003



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 (31.03.2003)	Previous year (31.03.2002)
1. Electricity		
a. Purchased		
Unit	1,30,35,078	1,33,98,340
Total Amount	4,82,14,580	4,07,97,737
Rate/Unit	3.55	3.05
b. Own Generation		
(1) Through Diesel Generator		
Unit	4,53,370	2,27,300
Unit per Ltr. of diesel oil	3.08	3.09
Cost/Unit	6.77	6.02
(II) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others/Internal generation	-	-

B. Consumption per unit of production

Electricity (kwh)	522	540
Furnance 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: 2392529/2390082.
Fax No: 0484-2393649.
E-mail: balanandoo@sify.com

AUDITOR'S REPORT

We have audited the attached Balance Sheet of M/s Sree Sakthi Paper Mills Ltd as at 31.3.2003 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 overall 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 Central Government in terms of Sub Section (4A) of 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 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 is disqualified as on 31st March 2003 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, 2003 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

Sd/-
A. MOHANAN B.Sc. FCA.
(PARTNER)

Cochin-18
11.07.2003

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. In our opinion and according to the information and explanations given to us, the rates of interest and other terms and conditions on which unsecured loans have been taken from companies listed in the Register maintained under section 301 of the Act, are not prima facie prejudicial to the interest of the company. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to a company on or after the commencement of Companies Amendment Act, 1999.
8. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to a company on or after the commencement of Companies Amendment Act, 1999.
9. The Company has not given any loans and advances in the nature of loans except in one case and 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 reporting system needs to be improved.
 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 generally regular in its depositing Provident Fund and Employees State Insurance dues with the appropriate authorities except in few cases.
 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 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 (c) of Sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 21. In respect of the Company's trading activity, we are informed that there is no damaged stocks.

For BALAN & CO.
CHARTERED ACCOUNTANTS

Sd/-
A. MOHANAN B.Sc. FCA.
PARTNER

Cochin-18
11.07.2003

**BALANCE SHEET AS AT 31ST MARCH 2003**

Particulars	No.	31.3.2003 Rupees	31.03.2002 Rupees
I. SOURCES OF FUNDS			
1) Share Holders' Funds:			
(a) Capital	1	20250000	20250000
(b) Reserves & Surplus	2	54822248	77605693
		<u>75072248</u>	<u>97855693</u>
(2) Deferred tax liability			
(a) Deferred tax liability	3	27417899	0
		<u>102490147</u>	<u>97855693</u>
(3) Loan Funds:			
(a) Secured Loans	4	108097343	86625134
(b) Unsecured Loans	5	5679000	8358120
		<u>113776343</u>	<u>95183254</u>
TOTAL		<u>216266490</u>	<u>193038947</u>
II. APPLICATION OF FUNDS			
(1) Fixed Assets:	6		
(a) Gross Block		203316167	185455493
(b) Less: Depreciation		69011633	59574780
		<u>134304534</u>	<u>125880713</u>
(c) Capital work in progress		0	2159051
(d) Net Block		<u>134304534</u>	<u>128039764</u>
(2) Investments:	7	35230	35230
(3) Current Assets, Loans & Advances			
(a) Inventories	8	36459621	47213412
(b) Cash & Bank balances	9	8630899	8836814
(c) Sundry Debtors	10	79797292	71261121
(d) Loans & Advances	11	20413755	12851061
		<u>145301567</u>	<u>140182406</u>
Less: Current Liabilities and Provisions:	12		
(a) Current Liabilities		55980230	71202286
(b) Provisions		7394611	4016189
Net Current Assets		<u>61926726</u>	<u>64963953</u>
TOTAL		<u>216266490</u>	<u>193038947</u>
Accounting policies & Notes on accounts	22		

By order of the Board

Subject to our report of even date

Sd/-
S. Sivathanu Pillai
ChairmanSd/-
A.S. Unni
DirectorSd/-
S. Rajkumar
Managing DirectorFor Balan & Co.
Chartered AccountantsSd/
A. Mohanan B.Sc., F.C.A.
PartnerCochin-16,
Dt: 11.07.2003.Sd/-
R. Ponnambalam, B.Com, A.C.A., A.C.S.
Company SecretarySd/-
R. Satheshekumar, B.Com., A.C.A.
Manager (Finance & Accounts)Cochin-18
Dt: 11.07.2003


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

	No.	31.3.2003 Rupees	31.03.2002 Rupees
INCOME			
Sales	13	383884373	372491250
Miscellaneous Income	14	1995436	1332488
Increase / (Decrease) in Stock	15	621556	-7482091
Total		<u>386501365</u>	<u>366341647</u>
EXPENDITURE			
Cost of Goods sold	16	11404027	0
Manufacturing Expenses	17	260637576	243190571
Excise Duty		36337748	37252135
Payments to & Provision for Employees	18	27095406	27746948
Administrative Expenses	19	18823831	18700888
Selling & Distribution Expenses	20	4940538	4488237
Interest & Finance Charges	21	9989233	15404800
Loss on sale of Fixed Asset		35918	428893
Total		<u>369254277</u>	<u>347212474</u>
Profit before Tax and Depreciation		17237088	19129173
Depreciation		9436853	8904680
Profit before Tax		7800235	10224493
Provision for Taxation		1200000	1200000
Less Deferred tax liability		80165	0
Profit after Tax		6520070	9024493
Add Excess tax provision for the year 2001-02		325000	0
		6845070	9024493
Add: Balance brought forward from previous year		2187572	8163079
		<u>9032642</u>	<u>17187572</u>
APPROPRIATIONS			
Proposed Dividend @ 10%		2025000	0
Corporate Dividend tax		265781	0
Transfer to General Reserve		5000000	15000000
Balance carried to Balance Sheet		1741861	2187572
Accounting policies & Notes on accounts	22		

By order of the Board

Subject to our report of even date

Sd/-
S. Sivathianu Pillai
Chairman

Sd/-
A.S. Unni
Director

Sd/-
S. Rajkumar
Managing Director

For Balan & Co.
Chartered Accountants

Sd/
A. Mohan B.Sc., F.C.A.
Partner

Cochin-16
Dt: 11.07.2003.

Sd/-
R. Ponnambalam, B.Com., A.C.A., A.C.S.
Company Secretary

Sd/-
R. Satheshtumar, B.Com., A.C.A.
Manager (Finance & Accounts)

Cochin-18
Dt: 11.07.2003

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH 2003**

Sch. No.	Particulars	31.3.2003 Rupees	31.3.2002 Rupees
1.	SHARE CAPITAL		
	AUTHORISED		
	30,00,000 Equity shares of Rs. 10/- each	30000000	30000000
	ISSUED, SUBSCRIBED AND PAID UP		
	20,25,000 Equity Shares of Rs. 10/- each (20,25,000 Equity Shares previous year)	20250000	20250000
		<u>20250000</u>	<u>20250000</u>
2.	RESERVES & SURPLUS		
i)	Capital Reserve		
	a. Kerala State Govt. Investment Subsidy	2750000	2750000
	b. Tamil Nadu State Govt. Subsidy	740000	740000
	c. Profit on sale of Fixed Asset	178121	178121
ii)	Share Premium Account	3750000	3750000
iii)	General Reserve	45602266	68000000
iv)	Profit & Loss Account	1741861	2187572
		<u>54822248</u>	<u>77805693</u>
3.	DEFERRED TAX LIABILITY		
	Deferred tax liability		0
	Arising on account of timing difference in -----Depreciation-----	30085542	0
	Total (A)	<u>30085542</u>	<u>0</u>
	Less: Deferred tax asset		
	Arising on account of timing difference in -----Provision for bad debt-----	1689083	0
	-----Provision for gratuity-----	678330	0
	-----Provision for leave encashment-----	300230	0
	Total (B)	<u>2667643</u>	<u>0</u>
	Net A-B	<u>27417899</u>	<u>0</u>
4.	SECURED LOANS		
(i)	Term Loans		
	a. State Bank of India	0	12155169
	b. Car loan from HDFC	2334443	3300000
	c. State Bank of India-FCNRR	38596000	0



d. State Bank of India-FCNRB II	39747750	0
e. Foreign exchange premium reserve	1220539	0
(ii) Equipment Finance Loan		
a. Term loan from KSIDC Ltd-I	780650	1405650
b. Term loan from KSIDC Ltd - II	2257200	0
(iii) Interest accrued and due on above loans	0	94382
(iv) S.B.I Factors and Commercial Service Ltd	1376405	9635289
(v) Cash Credit Loan from State Bank of India	21784356	60234644
	<u>108097343</u>	<u>86825134</u>

- FCNRB Loans from State Bank of India is secured by first charge on the entire fixed assets of the company, except those specifically charged to KSIDC Ltd. for the EFS loans and to HDFC 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.
- Car loan from HDFC is on hire purchase agreement.
- Equipment Finance Term Loans for KSIDC by exclusive charge over the Boiler and the balancing equipments under the assistance.
- 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 and are further guaranteed by three directors of the company.
- 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.
- Term loan and Cash Credit Loan from State Bank of India are further personally guaranteed by three Directors of the Company.

	31.3.2003 Rupees	31.03.2002 Rupees
5. UNSECURED LOANS		
1. From Directors	179000	1758120
2. From Others	5500000	6600000
	<u>5679000</u>	<u>8358120</u>
7. INVESTMENTS - AT COST		
1. 2080 Equity shares in IDBI (Market value as on 31.03.03 - Rs. 34840/-)	35230	35230
	<u>35230</u>	<u>35230</u>
8. INVENTORIES		
1. Raw Materials & Packing Materials	16326372	30393972
2. Work-in-Process	1182803	284195
3. Finished Goods	4666365	4943417
3. Stock in transit	1187767	0
4. Stores, Spares & Fuel	13096314	11591828
	<u>36459621</u>	<u>47213412</u>
9. CASH AND BANK BALANCES		
1. In Current Account with Scheduled banks	58810	67557
2. Cash on Hand	1567914	1188976
3. F.D. with State Bank of India	7004175	7580279
	<u>8630899</u>	<u>8836814</u>

FIXED ASSETS

(Figures in Rupees)

6

Sl. No.	Particulars	COST BLOCK			DEPRECIATION BLOCK			NET BLOCK		
		Balance on 31.03.2002	Additions during the year	Deletions during the year	Total on 31.03.2003	Up to 31.03.2002	For the year	Total on 31.03.2003	As on 31.03.2002	As on 31.03.2003
1	Land	4160068	0	0	4160068	0	0	4160068	4160068	4160068
2	Buildings	20266881	363090	0	20630970	5670059	452121	16231130	22256039	22729038
3	Furniture & Fixtures	1153477	518668	0	1672145	677765	64822	762587	485711	919456
4	Plant & Machinery	44923483	16915419	0	61838902	52455672	6306403	60792075	96807810	105477018
5	Office Equipments	1571578	196527	52516	1714107	520345	113507	633852	1051234	1094334
	Total	185455494	17916322	52516	203316188	56574761	9436683	69011634	122680713	134304534
	Figures for the period year	183122,768	6283497	4650772	185453483	50570101	8904680	5654780	132452967	135880773



Sch. No.	Particulars	31.3.2003 Rupees	31.3.2002 Rupees
10.	SUNDRY DEBTORS		
	(Unsecured Considered Good)		
	Over Six months	7584044	9777362
	Other Debts	76944574	66235085
		<u>84528618</u>	<u>76012447</u>
	Less : Provision for bad debts	4731326	4731326
		<u>79797292</u>	<u>71281121</u>
11.	LOANS AND ADVANCES		
	(Unsecured considered good)		
	1. Prepaid Expenses	1182236	839028
	2. Deposits	5000341	3818867
	3. Other Advances	14231176	8193166
		<u>20413755</u>	<u>12851061</u>
12.	CURRENT LIABILITIES & PROVISIONS		
	(a) CURRENT LIABILITIES		
	1. Sundry Creditors		
	Amount due to SSI units:	30330	102653
	M/s. Sree Narayana Industries : Rs. 22,492.80		
	M/s. Ashly Bonds : Rs. 7,837.00		
	Other than SSI units		
	(a) Supplies	38724545	44662558
	(b) Expenses	1806684	2896182
	(c) Stores & Spares	3572117	4520286
	(d) Capital Purchases	638680	286520
	2. Other Liabilities	11207874	18734085
		<u>55980230</u>	<u>71202286</u>
	b) PROVISIONS		
	Income Tax	3210000	2335000
	Dividend and corporate dividend tax	2290781	0
	Gratuity	1893830	1681160
		<u>7394611</u>	<u>4016169</u>

Schedules annexed to & forming part of Profit & Loss Account for the year ended 31.03.2003

Sch. No.	Particulars	31.3.2003 Rupees	31.3.2002 Rupees
13. SALES			
- KRAFT PAPER		239332654	246696483
- Paper Boards		147670559	130852947
Electricity		0	1149376
		<u>387003213</u>	<u>376696806</u>
Less : Discount		3118840	6207556
		<u>383884373</u>	<u>372491250</u>
14 MISCELLANEOUS INCOME			
Interest Received gross (TDS Rs. 82,288/-)		459036	428340
Dividend Received (TDS Rs. 328/-)		3120	9360
Others		1533280	894788
		<u>1995436</u>	<u>1332488</u>
15. INCREASE IN STOCK			
Closing Stock			
Finished Goods		4666365	4943417
Work in Progress		1182803	284195
Less : Opening Stock			
Finished goods		4943417	12512314
Work in progress		284195	197389
		<u>621556</u>	<u>-7482091</u>
16. COST OF GOODS SOLD		<u>11404027</u>	<u>0</u>
		<u>11404027</u>	<u>0</u>
17. MANUFACTURING EXPENSES			
Raw Materials consumed		175701157	157311611
Packing Materials consumed		4400229	4175515
Power & Fuel consumed		60903540	53643187
Stores, Spares and Consumables		8062665	11138717
Freight Inwards		3576792	8932882
Repairs and Maintenance - Plant & Machinery		2407558	1903701
Repairs and Maintenance - Building		227971	913780
Insurance Expenses - Works		947974	746720
Factory Expenses		153815	141890
Coolie charges		3676221	3441590
Purchase Tax		579654	840978
		<u>260637576</u>	<u>243190571</u>



Sch. No.	Particulars	31.3.2003 Rupees	31.3.2002 Rupees
18. PAYMENTS TO AND PROVISION FOR EMPLOYEES			
	Salaries, Wages & Allowances	20705060	20544929
	Stipend & Exgratia	77706	39801
	Bonus	1714008	1827707
	Gratuity	328661	351335
	Staff Welfare Expenses	2160021	2502445
	Medical Expenses	112746	109000
	CLA Rent	83000	0
	Employer's contribution to P.F.	1122630	1139821
	Employer's contribution to E.S.I.	749768	753576
	EDLI premium	41331	79332
	Prof. Tax	475	0
		<u>27095406</u>	<u>27746946</u>
19. ADMINISTRATIVE EXPENSES			
	Office & General Expenses	210568	294313
	Travelling expenses	3431781	4001852
	Remuneration to Whole Time Directors	237000	864000
	Vehicle Maintenance	494101	647894
	Rent	370775	361793
	Professional Service Charges	1834736	1287203
	Pooja Expenses	512256	413022
	Printing and Stationery	329551	509847
	Telephone, Postage and Telegram	1119426	1457374
	Hire charges	2625549	2078130
	Repairs and Maintenance - others	699134	1285712
	Bank Charges and Commission	3976112	4075134
	Forward cover premium	1220539	0
	Books and Periodicals	26996	22207
	Insurance Premium	69004	113395
	Auditors out of pocket exps	20650	19150
	Auditors Remuneration		
	for Audit	100000	85000
	for Tax and Sales Tax Audit	17500	17500
	for Taxation Matters	5250	0
	Rates and Taxes	579351	382546
	Donation	792017	498968
	Sitting Fee	58000	58000
	Subscription and Membership	29020	99451
	Entertainment Expenses	64515	130295
		<u>18823831</u>	<u>18700886</u>



Sch. No.	Particulars	31.3.2003 Rupees	31.3.2002 Rupees
20 SELLING AND DISTRIBUTION EXPENSES			
	Freight Outwards	666654	736496
	Freight Outwards-Export	699917	0
	Cash Discount	586227	1974950
	Sales promotion expenses	1199162	1471668
	Liquidity Damages	85000	0
	Marine Insurance	28648	21016
	Advertisement Charges	195688	196339
	Dealership commision	1279242	67768
		<u>4940538</u>	<u>4488237</u>
21 INTEREST AND FINANCE CHARGES			
	Interest - Loans	1788297	3024088
	Interest - Other Loans	6257679	9410413
	Interest - Other	288840	2970305
	Finance charges	1588436	0
	Lease Expenses	45981	0
		<u>9989233</u>	<u>15404606</u>

**NOTES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****SCHEDULE No. 22****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting:**

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

2. Revenue Recognition:

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

- Interest & delayed payment charges on overdue bills pending as on Balance Sheet date.
- Insurance and other claims.
- 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 CENVAT in cases where credit of CENVAT 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 net realisable value 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 where forward cover is not made is stated at the exchange rate prevailing on that date.

7. Deferred tax:

Deferred tax is accounted for, by computing the tax effect of timing differences.

8. Others:

- Contingent Liabilities are not provided for and are disclosed in notes to the accounts.
- Gratuity liability is worked out based on actuarial valuation.

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

	Managing Director
Salary	Rs. 1,58,000
House Rent Allowance	Rs. 79,000
Total	<u>Rs. 2,37,000</u>

2. Value of Imports on C.I.F. basis during the year amounted to Rs. 523.94 Lacs
(Previous Year Rs. 618.57 Lacs)

3. Expenditure in Foreign Currency:

Nil (Previous year - Rs. 56,070/-)

4. Earnings in Foreign Exchange:

Export of good - Rs. 64,95,207/-

5. Deferred Tax Liability:

Arising on account of timing difference in:	Current Year	Upto 31.3.02
Depreciation	2,23,650/-	2,96,61,892/-
Less: Deferred tax asset		
Arising on account of timing difference in		
Provision for bad debts		16,89,083/-
Provision for Gratuity	76,153/-	6,00,177/-
Provision for leave encashment	65,332/-	2,34,897/-

6. Raw Materials consumed

	Quantity Tonnes	Value Rs. Lacs
Imported Waste Paper	8932.536 (10640.939)	674.73 (681.26)
Indigenous Waste Paper	22579.268 (16885.672)	964.05 (768.35)
Chemicals	1664.98 (1618.366)	116.27 (111.88)

7. Finished Goods

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs. Lacs
Opening Stock	442.561 (1060.214)	49.43 (124.69)
Production & Purchases	26835.231 (25215.673)	3836.07 (3539.94)
Sales	26935.475 (25833.326)	3838.84 (3775.48)
Closing Stock	342.318 (442.561)	46.66 (49.43)

Sale of Electricity - Nil (Previous Year 4,49,026 Units Rs. 11.49 Lacs)



8. Work-in-Process	Quantity Tonnes	Value Rs. Lacs
Opening	31.79 (28.11)	2.84 (1.97)
Closing	98.00 (31.79)	11.83 (2.84)
9. Percentage of consumption of Raw Materials		
	Rs. Lacs	Percentage to total
Imported	674.73 (691.26)	41.18% (43.98%)
Indigenous	964.05 (680.23)	58.82% (55.02%)
10. Sales are inclusive of Excise Duty & Cass.		
11. Some of the Balances of Sundry Debtors, Sundry Creditors, Advances and Loans are subject to confirmation.		
12. Previous year figures have been rearranged / regrouped wherever necessary.		
13. Assets, Loans and advances are in realisable state in the ordinary course of business.		
14. Contingent Liabilities not provided for		
a. Unexpired Contracts for Capital expenditure Rs. 62.51 Lacs. (Previous year Rs. 2.60 Lacs).		
b. Claims against the company not acknowledged as debts Nil (previous year = Nil)		
c. Usage Letter of Credit remaining unpaid as on 31/03/2003 amounts to Rs. 388.85 Lacs (previous year 349.01 Lacs) and bills / cheques discounted Rs. 70.07 Lacs. (previous year - 58.77 Lacs)		
d. Bank guarantee given Rs. 35.39 Lacs (Previous year - Rs. 4.45 Lacs)		
15. 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
Actual Production	25,660 (25,220)	Nil (4,49,028) Units

16. Professional service charges include Rs. 36,000/- to a director (Previous Year Rs. 36,000/-)
17. Borrowing costs capitalised during this year - Nil
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	06
Balance Sheet date	31st March 2003
b) Capital raised during the year	
Public Issue	(Amount in '000)
Right Issue	Nil
Bonus Issue	Nil
Private Placement	Nil
c) Position of Mobilisation and Deployment of Funds (Amount in '000)	
	31.03.2003
	Rupees
Total Liabilities	2,16,266
Total Assets	2,16,266
Sources of Funds	
Paid-up Capital	20,250
Reserves & Surplus	54,822
Secured Loans	1,08,097
Unsecured Loans	5,679
Deferred Tax Credit	27,417
Application of Funds	
Net Fixed Assets	1,34,304
Investments	35
Net Current Assets	81,926
Miscellaneous Expenditure	Nil
d) Performance of the Company	
Turnover (including other income)	3,85,879
Total Expenditure	3,78,079
Profit before Tax	7,800
Profit after Tax	6,520
Earnings per share	3.22
Dividend rate percentage (proposed)	10%



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 22:

By order of the Board

Subject to our report of even date

Sd/-
S. Sivatharan Pillai
Chairman

Sd/-
A.S. Urmi
Director

Sd/-
S. Rajkumar
Managing Director

For Balan & Co.
Chartered Accountants

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

Cochin-16,
Dt. 11.07.2003.

Sd/-
R. Ponnambalam, B.Com, A.C.A., A.C.S.
Company Secretary

Sd/-
R. Sathesankumar, B.Com., A.C.A.
Manager (Finance & Accounts)

Cochin-16
Dt. 11.07.2003