

**Thirteenth Annual Report
2003 - 2004**



**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

BANKERS

State Bank of India

AUDITORS

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

REGISTERED OFFICE

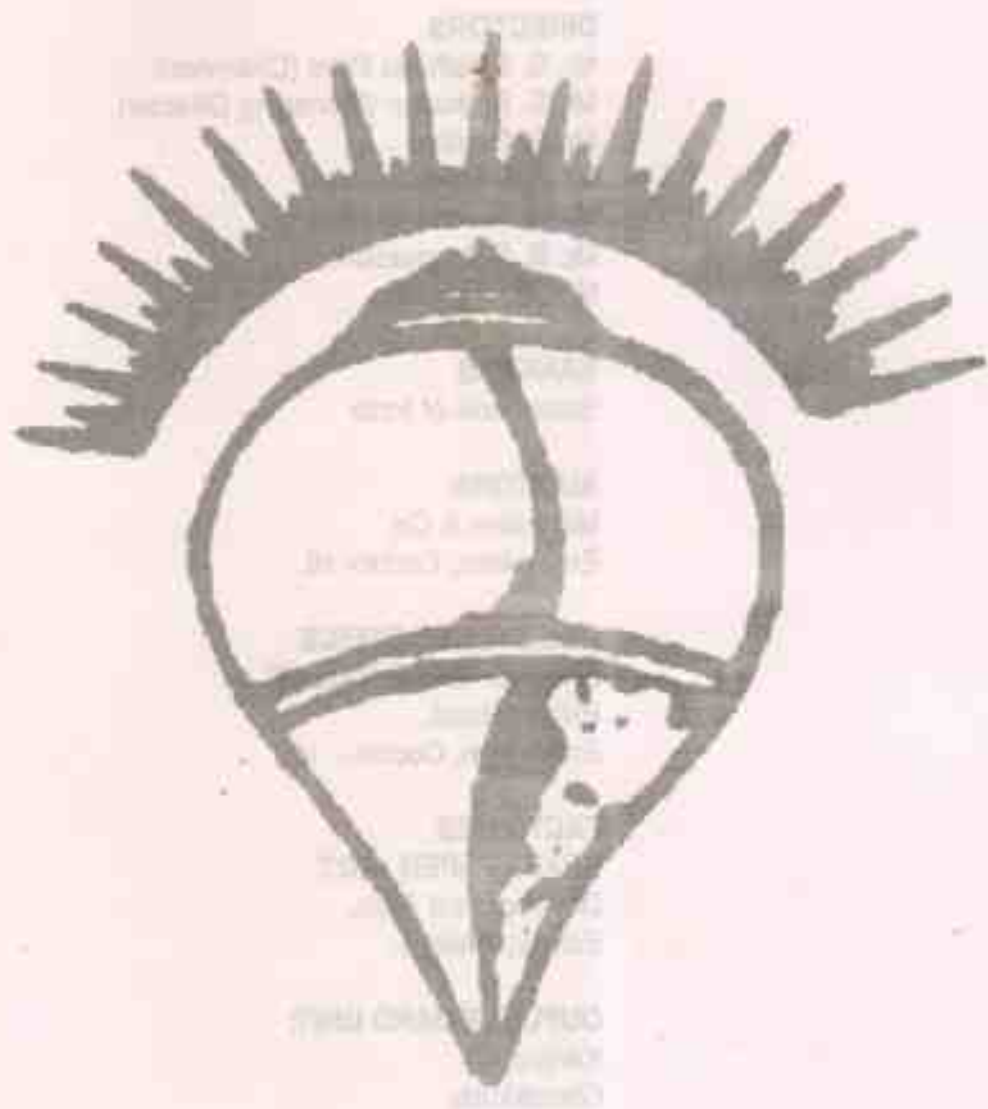
57/2993, "SREE KAILAS"
Palam Road,
Ernakulam, Cochin - 16.

FACTORIES

KRAFT PAPER UNIT:
Development Area,
Edayar, Alwaye.

DUPLEX BOARD UNIT:

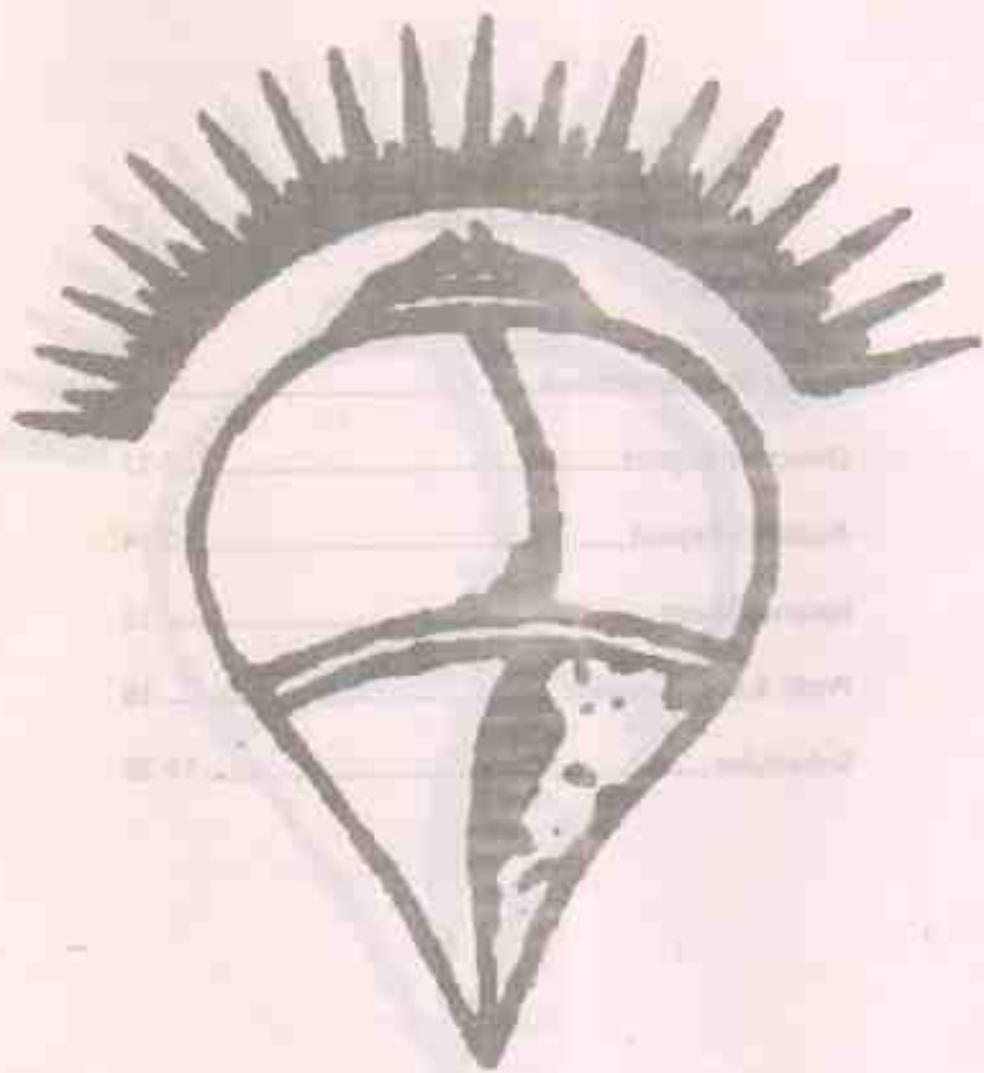
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SREE SAKTHI PAPER MILLS LIMITED

Regd. Office: Sree Kailas, 57/2993
Palam Road, Cochin-682 016.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Thirteenth Annual General Meeting of the shareholders of the Company will be held at 11 A.M on Thursday the 30th September, 2004 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, 2004 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 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 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 re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that in super session of the Resolution passed at the Annual General Meeting held on 28th September 2002 fixing the borrowing limits of the Company at Rs. 15 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 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. 25 Crores (Rupees Twenty five crores)."

By Order of the Board
For Sree Sakthi Paper Mills Limited

COCHIN-16
04-09-2004

Sd/-
R. Ponnambalam
Company Secretary

**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 is 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 lodged at the Registered Office of the company not less than 48 hours before commencement of the meeting.
- 2) Dividend, if declared, will be paid to those members whose names appear in the register of Members on 30th September, 2004 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 am 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 SEC-173(2) OF THE COMPANIES ACT, 1956**Item No.6**

The existing Borrowing limit of the Company as fixed at the Annual General Meeting of the Company held on 28th September, 2002, is Rs.15 (Fifteen) Crores Covering borrowings including working capital facilities. The Company has availed increased working capital facilities. The Company has made arrangements to finance the modernization and expansion plans of Edayar and Chatakudy factories involving borrowing from Banks of Rs. 275 Lakhs. The Company has also availed a Term Loan for improving working capital position. All the above will require enhancement of existing borrowing limit of Rs.15 crores fixed at the Annual General Meeting held on 28th September, 2002.

Hence the resolution
No director is interested in the resolution



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Thirteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2004

FINANCIAL RESULTS

	2003-2004 (Rs. Lacs)	2002-2003 (Rs. Lacs)
Sales (Net)	4184.44	3535.46
Operating Profit	310.48	272.26
Interest and finance	119.76	99.89
Depreciation	104.51	94.37
Profit before tax	86.21	78.00
Provision for tax	33.04	12.80
Profit after tax	53.17	65.20
Add Excess provision for tax relating to earlier year	-	3.25
Dividend provision and tax on dividend in previous year written back	22.91	-
Balance of profit brought forward	17.42	21.87
Amount available for appropriation	93.50	90.32
Appropriation General Reserve	75.00	50.00
Proposed Dividend & Tax on dividend	18.28	22.90
Retained profits carried to Balance Sheet	0.22	17.42

REVIEW OF OPERATIONS 2003-2004

Company's gross turnover for the year ended March 31, 2004 increased to Rs. 4751 lakhs from Rs. 3870 lakhs in the previous year, registering a growth of 22.7%. During the year under review, your Company has achieved higher production of 28354 MT as compared to 25860 MT during the previous year. The Company sold 28421 MT during the year as against 25960 MT in previous year. Export sales accounted for 1.56 percent of gross turnover. The Company's operating profit (PBDT) improved during the year on account of higher volumes and higher product selling prices. Continued focus on costs, productivity and efficiency and the impact during the later part of the year of modernisation and expansion has also contributed in earning increased profits. Interest expenditure increased net by 6.80 per cent caused by additional borrowings for working capital improvement and for project related capital expenditure.

Net profit for the year, however, decreased by 18.5% to Rs. 53.17 lakhs compared to Rs. 65.20 lakhs in the previous year, on account of increased Depreciation and Provision for income tax.

PROSPECTS FOR 2004-2005

The Company's performance so far in the current year is satisfactory. Margins, however, continued to be under pressure reflecting the heightened level of competition.



The Company followed the principle of growth with quality. With the modernization and expansion of Edayar and Chalakudy factories, your Company is well positioned to take advantage of the opportunities in the market and post a satisfactory performance in the immediate coming years.

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

INDUSTRIAL RELATIONS

The Company continues to maintain cordial industrial relations at all locations. The Company has concluded Long Term Wage settlement agreement with the Labour Unions.

DIVIDEND

The Directors have recommended a dividend of 8% i.e. Rs. 0.80 per share for the financial year ended 31.03.2004. 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. 2.08 lakhs towards tax on distributed profits.

BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Smt E. Kamalam, and Sri S. Giridhar, 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.74.26 lakhs during the year. The total outgo was for -

Purchase of raw materials	Rs. 686.47 lakhs.
Interest on FCNR B loan	Rs. 25.25 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 23 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 2004 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 2004 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., State Bank of India, Syndicate Bank, Federal Bank Ltd, SBI Factors and commercial Services Ltd., Kerala State Electricity Board, customers, dealers/Agents and shareholders including SBI Capital Markets Ltd

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

Your Company has a well knit management team at all levels with good team work. Your Directors would like to record their deep appreciation for the contributions made by all the employees at all levels.

By and on behalf of the Board of Directors

Sd/-

S. SIVATHANU PILLAI

CHAIRMAN

Kochi-16

Date: 31-08-2004



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 (31.03.2004)	Previous year (31.03.2003)
1. Electricity		
a. Purchased		
Unit	13576960	1,30,35,078
Total Amount	51348322	4,62,14,580
Rate/Unit	3.78	3.55
b. Own Generation		
(i) Through Diesel Generator		
Unit	484496	4,53,370
Unit per Ltr. of diesel oil	3.16	3.08
Cost/Unit	6.90	6.77
(ii) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others/Internal generation	-	-

B. Consumption per unit of production

Electricity (kwh)	496	522
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
Fax No: 0484-2393649.
E-mail: balanandco@sify.com

AUDITOR'S REPORT

1. We have audited the attached Balance Sheet of M/s Sree Sakthi Paper Mills Ltd., Ernakulam, as at 31st March, 2004 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.
1. 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 estimate 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:
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the 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.
3. Further to our comments in the annexure referred, we report 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 those 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, we report that none of the directors are disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of Sub Section (1) of Section 271 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 accounts read together the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the 'state of affairs' of the company as at 31st March, '04.
 - ii) in the case of the Profit and Loss account, of the profit for the year on that date.

For BALAN & CO.
CHARTERED ACCOUNTANTS

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

Cochin-18
31.03.2004

**Re: M/s. SREE SAKTHI PAPER MILLS LIMITED, COCHIN-16**

Annexure referred to in paragraph 3 of our report of even date.

- (i) (a) Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) No substantial part of the fixed assets were disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has taken loan from one person covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved was Rs. 20,000/- and the year-end balance is also Rs. 20,000/-. The Company has not granted any loans.
- (b) In our opinion, the terms and conditions on which this interest free loan has been taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) No repayment has been specified for the loan taken and no demand for repayment was made during the year.
- (d) There is no overdue amount of loans taken.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and nature of its business for the purchase of inventory and fixed asset and for sale of goods. There is no continuing failure to correct any major weaknesses in internal control.
- (v) (a) In our opinion and according to the explanations given to us, all transactions that need to be entered in the register in pursuance of Section 301 of the Act has been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5 lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has accepted deposits from the Public which are not in contravention of the provisions of section 58A/58AA of the Companies Act, 1956 and the rule framed there under.
- (vii) On the basis of test checks conducted by us and as per the explanation given to us the Company has an internal audit system commensurate with its size and nature of its business though there is need to extend its area of coverage and improve the reporting system.
- (viii) We have broadly reviewed the books and records maintained by the company pursuant to the order of the Central Government u/s 201 (1) (d) of the Companies Act, 1956 and are of the opinion that prima-facie the prescribed accounts and records have been maintained. We have however not made a detailed examination of the records with a view to determining whether these records are accurate or complete.



- (ix) (a) According to the information given to us and on the basis of the checks conducted by us we report that the company has been generally regular in depositing undisputed statutory dues including Provident fund, Employees state Insurance, Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise Duty, Cess and any other statutory dues with appropriate authorities during the year.
- (b) According to the information and explanations given to us, except undisputed income tax arrears relating to the year ending 31.03.03 amounting to Rs. 7.67 lakhs and two instalments of advance tax for the year ended 31.03.04 amounting to Rs. 1.0 lakhs, no other amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cets were in arrears as at 31.03.2004 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us there is no disputed statutory dues which have not been deposited as at 31st March, 2004.
- (x) The Company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us the Company has not defaulted in repayment of dues of financial institutions and banks.
- (xii) The Company has not granted loan and advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi or a mutual benefit fund/Society. Therefore, provisions of clause (xiii) of the Companies Auditors Report Order 2003 are not applicable to the company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, provisions of clause (xiv) of the Companies Auditors Report Order 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us the company has not given any guarantee for loan taken by others from banks or financial institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that, the term loans availed by the company were prima-facie applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the company has not raised any funds on short term basis. Funds raised on long term basis have been used for financing long term working capital.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company has not issued any debentures.
- (xx) The Company has not raised any money by public issues.
- (xix) To the best of our knowledge and belief and according to the information given to us no fraud on or by the company was noticed or reported during the year.

For BALAN & CO.
CHARTERED ACCOUNTANTS

Cochin-18
31.08.2004

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



BALANCE SHEET AS AT 31ST MARCH 2004

Particulars	No.	31.3.2004 Rupees	31.03.2003 Rupees
I. SOURCES OF FUNDS			
1) Share Holders' Funds:			
(a) Capital	1	20250000	20250000
(b) Reserves & Surplus	2	60601940	54822248
		<u>80851940</u>	<u>75072248</u>
(2) Deferred tax liability			
(a) Deferred tax liability	3	28367914	27417899
		<u>109219854</u>	<u>102490147</u>
(3) Loan Funds:			
(a) Secured Loans	4	118120968	108097343
(b) Unsecured Loans	5	2779000	5679000
		<u>120899968</u>	<u>113776343</u>
TOTAL		<u>230119822</u>	<u>216266490</u>
II. APPLICATION OF FUNDS			
(1) Fixed Assets:	6		
(a) Gross Block		218158411	203316167
(b) Less: Depreciation		<u>79463117</u>	<u>69011633</u>
		138695294	134304534
(c) Capital work in progress		0	0
(d) Net Block		<u>138695294</u>	<u>134304534</u>
(2) Investments:	7	35230	35230
(3) Intangible Assets	8	53165	0
(4) Current Assets, Loans & Advances			
(a) Inventories	9	50397511	36459621
(b) Cash & Bank balances	10	7756352	8630899
(c) Sundry Debtors	11	78923749	79797292
(d) Loans & Advances	12	24017869	20413755
		<u>161095481</u>	<u>145301567</u>
Less: Current Liabilities and Provisions:	13		
(a) Current Liabilities		59922692	55980230
(b) Provisions		<u>838656</u>	<u>7394611</u>
Net Current Assets		<u>91336133</u>	<u>81826726</u>
TOTAL		<u>230119822</u>	<u>216266490</u>
Accounting policies & Notes on accounts	23		

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: 31.08.2004.Sd/-
R. Ponnambalam, B.Com., A.C.A., A.C.S.
Company SecretarySd/-
R. Satheshkumar, B.Com., A.C.A.
Manager (Finance & Accounts)Cochin-18
Dt: 31.08.2004


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2004

	No.	31.3.2004 Rupees	31.03.2003 Rupees
INCOME			
Sales	14	471584179	383884373
Miscellaneous Income	15	3213107	1995436
Increase / (Decrease) in Stock	16	175704	621558
Total		474972990	386501365
EXPENDITURE			
Cost of Goods sold	17	13034484	11404027
Manufacturing Expenses	18	323129468	263263125
Excise Duty		53139832	36337748
Payments to & Provision for Employees	19	31436999	27095406
Administrative Expenses	20	19656291	14977743
Selling & Distribution Expenses	21	3499476	4940538
Interest & Finance Charges	22	11975663	11209772
Loss on sale of Fixed Asset		28561	35918
Total		455900774	389264277
Profit before Tax and Depreciation		19072216	17237088
Depreciation		10451484	9436853
Profit before Tax		8620732	7800235
Provision for Taxation		2350000	1200000
Profit after Tax		6270732	6600235
Less Deferred Tax Liability		950015	80165
Profit After Tax		5320717	6520070
Less Incometax relating to earlier years		4243	0
		5316474	6520070
Add: Provision for Proposed Dividend & Div. Tax no more required written back		2290781	0
Add: Excess tax provision for the year 2001-02		0	325000
Add: Balance brought forward from previous year		1741861	2187572
		9349116	9032642
APPROPRIATIONS			
Proposed Dividend @ 8%		1620000	2025000
Corporate Dividend tax		207563	265781
Transfer to General Reserve		7500000	5000000
Balance carried to Balance Sheet		21553	1741861
Accounting policies & Notes on accounts	23		

By order of the Board

Subject to our report of even date

Sd/-
S. Sivatharan 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: 31.08.2004.

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

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

Cochin-18,
Dt: 31.08.2004

**SCHEDULES ANNEXED TO AND FORMING PART OF THE
BALANCE SHEET AS AT 31ST MARCH 2004**

Sch. No.	Particulars	31.3.2004 Rupees	31.3.2003 Rupees
1. SHARE CAPITAL			
AUTHORISED			
	30,00,000 Equity shares of Rs. 10/- each	<u>30000000</u>	<u>30000000</u>
ISSUED, SUBSCRIBED AND PAID UP			
	20,25,000 Equity Shares of Rs. 10/- each (20,25,000 Equity Shares previous year)	<u>20250000</u>	<u>20250000</u>
		<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	53162266	45662266
iv)	Profit & Loss Account	21553	1741861
		<u>80601940</u>	<u>54822248</u>
3. DEFERRED TAX LIABILITY			
	Deferred tax liability	31127707	30085542
	Less: Deferred tax asset	<u>2759793</u>	<u>2667643</u>
		<u>28367914</u>	<u>27417899</u>
4. SECURED LOANS			
(i)	Term Loans		
a.	Car loan from ICICI	211776	0
b.	Car Loan from HDFC	1210050	2334443
c.	State Bank of India-FCNRB I	37844000	38596000
d.	State Bank of India-FCNRB II	27766498	39747750
e.	State Bank of India-FCNRB II	40000000	
f.	Foreign exchange premium reserve	531898	1220539
(ii)	Equipment Finance Loan		
a.	For Boiler from KSIDC	155650	780650
b.	Term loan from KSIDC EFS II	1782000	2257200
(iii)	Interest accrued and due on above loans	457921	0
(iv)	S.B.I Factors and Comm.Ser.Ltd - Factoring Facility	4220353	1376405
(v)	Cash Credit Loan from State Bank of India	3940822	21784356
		<u>118120968</u>	<u>108097343</u>



1. FCNRB Loans from State Bank of India are 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 Bank & ICICI Bank 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 loans from ICICI Bank & HDFC Bank are on hire purchase basis.
3. Equipment Finance Term Loans from KSIDC is secured by exclusive charge over the Boiler and the balancing equipments under the assistance.
4. Loan under item(iiv) 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.
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 Second charge by way of Equitable mortgage by deposit of the title deeds of the company's property as covered under item 1 above.
6. FCNRB loans and Cash Credit Loan from State Bank of India are further personally guaranteed by three Directors of the Company.

	31.3.2004 Rupees	31.03.2003 Rupees
5. UNSECURED LOANS		
1. From Directors	29000	179000
2. From Others	2750000	5500000
	<u>2779000</u>	<u>5679000</u>
7. INVESTMENTS - AT COST		
1. 2080 Equity shares in IDBI	35230	35230
(Market value as on 31.03.04 - Rs. 1,20,640/-)	<u>35230</u>	<u>35230</u>
8. INTANGIBLE ASSETS		
<u>Computer Software</u>		
Cost of Acquisition	66456	0
Less: amortisation (1/5)	<u>13291</u>	<u>0</u>
	53165	
9. INVENTORIES		
1. Raw Materials & Packing Materials	30763265	16326372
2. Work-in-Process	1612241	1182803
3. Finished Goods	4412631	4866365
4. Stock in transit	1226577	1187767
5. Stores, Spares & Fuel	<u>12382797</u>	<u>13096314</u>
	50397511	36459621
10. CASH AND BANK BALANCES		
1. In Current Account with Scheduled banks	606469	58810
2. Cash on Hand	1954408	1567914
3. F.D. with State Bank of India	<u>5195475</u>	<u>7004175</u>
	7756352	8630899



FIXED ASSETS

(Figures in Rupees)

6

Sl. No.	Particulars	COST BLOCK				DEPRECIATION BLOCK			NET BLOCK	
		Balance on 31.03.2003	Additions during the year	Deletions during the year	Total on 31.03.2004	Up to 31.03.2003	For the year	Total on 31.03.2004	As on 31.03.2004	As on 31.03.2004
1	Land	4160068	0	0	4160068	0	0	0	4160068	4160068
2	Buildings	29548979	1150180	0	30700139	5823119	867318	7690437	22726659	29019712
3	Furniture & Fixtures	1683943	18638	0	1701681	782588	103304	885892	919455	835789
4	Plant & Machinery	166208890	13575414	181217	179995521	60780074	9063331	70175406	105417816	109426681
5	Office Equipments	1714188	346809	88561	1992438	633882	97500	731382	1088336	1261054
	Total	200316187	15822021	249778	218138411	69011633	10451484	79463117	134304534	138685254
	Figures for the pre. year	185455404	17918892	55918	203518188	5874781	9478853	6811654	125887113	134004534



Sch. No.	Particulars	31.3.2004 Rupees	31.3.2003 Rupees
11.	SUNDRY DEBTORS		
	Over Six months	9418475	7584044
	Unsecured Considered Good	-	0
	Other Debts	73665346	76944574
		<u>83083821</u>	<u>84528618</u>
	Less: Provision for doubtful debts	4160072	4731326
		<u>78923749</u>	<u>79797292</u>
12.	LOANS AND ADVANCES		
	(Unsecured considered good)		
	1. Prepaid Expenses	1181263	1182236
	2. Deposits	5058522	5000341
	3. Other Advances	17778084	14231178
		<u>24017869</u>	<u>20413755</u>
13.	CURRENT LIABILITIES & PROVISIONS		
	(a) CURRENT LIABILITIES		
	1. Sundry Creditors		
	Amount due to SSI units	84623	30330
	M/s. Sree Narayana Industries :		
	M/s. Ashly Bonds :		
	Other than SSI units		
	(a) Supplies	36244250	36724545
	(b) Expenses	2297769	1806684
	(c) Stores & Spares	3562218	3572117
	(d) Capital Purchases	0	638680
	2. Interest accrued but not due on Loans	0	0
	3. Other Liabilities	15733832	11207874
		<u>59922692</u>	<u>55980230</u>
	b) PROVISIONS		
	Provision for Income Tax	5560000	3210000
	for Dividend and corporate dividend tax	1327563	2290781
	Provision for Gratuity	2449093	1893830
		<u>9836656</u>	<u>7394611</u>

Schedules annexed to & forming part of Profit & Loss Account for the year ended 31.03.2004

Sch. No.	Particulars	31.3.2004 Rupees	31.3.2003 Rupees
14. SALES			
	- KRAFT PAPER	266542152	230332654
	- PAPER BOARDS	208579336	147670559
		<u>475121488</u>	<u>387003213</u>
	Less : Discount	3537309	3118840
		<u>471584179</u>	<u>383884373</u>
15. MISCELLANEOUS INCOME			
	Interest Received gross	286607	459036
	Insurance Claim Received	60555	0
	Gain on Exchange rate fluctuation	1630594	0
	Dividend Received	3120	3120
	Others	1232231	1533280
		<u>3213107</u>	<u>1995436</u>
16. INCREASE IN STOCK			
	Closing Stock		
	Finished Goods	4412631	4666365
	Work in Progress	1612241	1182803
	Less : Opening Stock		
	Finished goods	4666365	4943417
	Work in progress	1182803	284195
		<u>175704</u>	<u>621556</u>
17. COST OF GOODS SOLD		<u>13034484</u>	<u>11404027</u>
		<u>13034484</u>	<u>11404027</u>
18. MANUFACTURING EXPENSES			
	Raw Materials consumed	216253339	175701157
	Packing Materials consumed	4606399	4400229
	Power & Fuel consumed	72292887	60903540
	Stores, Spares and Consumables	13726722	8062665
	Freight Inwards	4588974	3576792
	Repairs and Maintenance - Plant & Machinery	2159165	2407558
	Repairs and Maintenance - Building	134830	227971
	Insurance Expenses - Works	1035466	947974
	Hire Charges	2709712	2625549
	Factory Expenses	118054	153815
	Coolie charges	4736900	3676221
	Purchase Tax	767020	579654
		<u>323129468</u>	<u>263263125</u>



Sch. No.	Particulars	31.3.2004 Rupees	31.3.2003 Rupees
19. PAYMENTS TO AND PROVISION FOR EMPLOYEES			
	Salaries, Wages & Allowances	23413643	20705060
	Stipend & Exgratia	71647	77706
	Bonus	2578609	1714008
	Gratuity	682967	328661
	V.R.S. payment	40000	
	Staff Welfare Expenses:	2135610	2160021
	C.L. A Rent	132000	83000
	Medical Expenses	233784	112746
	Employer's contribution to P.F.	1232971	1122630
	Employer's contribution to E.S.I.	872914	749768
	EDLI premium	42374	41331
	Prof. Tax	460	475
		<u>31436999</u>	<u>27095406</u>

20. ADMINISTRATIVE EXPENSES

Office & General Expenses	445555	210568
Travelling expenses	5599492	3431781
Lighting Charges	320792	0
Remuneration to Whole Time Directors	978210	237000
Vehicle Maintenance	604250	494101
Rent	459900	370775
Professional Service Charges	2334823	1834736
Pooja Expenses	546589	512256
Printing and Stationery	300054	329551
Telephone, Postage and Telegram	1219677	1119426
Repairs and Maintance - others	1188578	699134
Bank Charges and Commission	3606304	3976112
Books and Periodicals	31253	26996
Insurance Premium	71632	69004
Auditors Remuneration		
for Audit	108321	100000
for Tax and Sales Tax Audit	16900	17500
for Taxation matters and Out of pocket exps.	10959	25900
Rates and Taxes	778082	579351
Donation	867909	762017
Sitting Fee	86000	58000
Subscription and Membership	32849	29020
Entertainment Expenses	14871	64515
Amortisation of Computer software	13291	0
	<u>19656291</u>	<u>14977743</u>

Sch. No.	Particulars	31.3.2004 Rupees	31.3.2003 Rupees
21. SELLING AND DISTRIBUTION EXPENSES			
	Freight Outwards	342570	866654
	Freight Outwards-Export	790025	699917
	Cash Discount	534549	586227
	Sales promotion expenses	1401579	1199162
	Liquidity Damages	0	85000
	Marine Insurance	14822	28648
	Advertisement Charges	186197	195688
	Bad debts Written off	229734	0
	Dealership commission	0	1279242
		<u>3499476</u>	<u>4940538</u>
22. INTEREST AND FINANCE CHARGES			
	Interest - Loans	3288018	1798297
	Interest - Other Loans	2916063	6257679
	Interest - Other	1504884	288840
	Finance Charges	915385	1598436
	Forward Cover Premium	1436331	1220539
	Forward cover cancellation charges	1914982	0
	Lease Expenses	0	45981
		<u>11975663</u>	<u>11209772</u>

**NOTES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT****SCHEDULE No. 23****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 prorata 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 for 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 rawmaterial 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. Intangible Assets:

Intangible asset, viz, computer software is stated at cost of acquisition less accumulated amortisation. Computer software is amortised over a period of 5 Years.

**9. 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
Salary	Rs. 6,50,806
House Rent Allowance	Rs. 3,25,406
Medical Expenses	Rs. 53,984
Gratuity	Rs. 28,846
Total	Rs. 10,59,042

2. Value of Imports on C.I.F. basis during the year amounted to Rs. 647.80 Lacs (Previous Year Rs. 523.94 Lacs)

3. **Expenditure in Foreign Currency:**
 Rs. 25.25 Lakhs (Previous year - Nil)

4. **Earnings in Foreign Exchange:**
 Export of good - Rs. 74,26,361/-
 (Previous year - Rs. 64,95,207/-)

5. Deferred Tax Liability:

Arising on account of timing difference in:	Current Year	Upto 31.3.03
Depreciation	1042165/-	3,00,85,542/-

6. Deferred tax Asset

Arising on account of timing difference in		
Provision for bad debts	(-) 1,96,658/-	16,89,083/-
Provision for Gratuity	2,00,282/-	6,78,330/-
Provision for leave encashment	88,525/-	3,00,229/-

7. Raw Materials consumed

	Quantity Tonnes	Value Rs. Lacs
Imported Waste Paper	7694.704 (8932.538)	646.43 (674.73)
Indigenous Waste Paper	24864.585 (22579.268)	1362.37 (964.05)
Chemicals	1976.56 (1664.98)	153.57 (116.27)

**8. Finished Goods**

Particulars of Paper & Paper Boards	Quantity Tonnes	Gross Value Rs. Lacs
Opening Stock	342.318	46.66
	(442.561)	(49.43)
Production & Purchases	29548.472	4710.84
	(26835.231)	(3836.07)
Sales	29554.587	4715.84
	(26935.475)	(3836.84)
Closing Stock	336.203	44.12
	(342.318)	(46.66)

9. Work-in-Process

	Quantity Tonnes	Value Rs. Lacs
Opening	98.00	11.83
	(31.79)	(2.84)
Closing	115.81	16.12
	(98.00)	(11.83)

10. Percentage of consumption of Raw Materials

	Rs. Lacs	Percentage to total
Imported	646.43	32.18%
	(674.73)	(41.18%)
Indigenous	1362.37	67.82%
	(964.05)	(58.82%)

11. Sales are inclusive of Excise Duty & Cess.

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

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

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

15. Contingent Liabilities not provided for

a. Unexpired Contracts for Capital expenditure Rs. 151.46 Lacs.
(Previous year Rs. 62.51 Lacs).

b. Claims against the company not acknowledged as debts Nil
(Previous year = Nil)

c. Usance Letter of Credit remaining unpaid as on 31.03.2004 amounts to Rs. 298.78 Lacs (previous year 388.85 Lacs) and bills / cheques discounted Rs. 96.43 Lacs. (previous year - 70.07 Lacs)



d. Bank guarantee given Rs. 28.24 Lacs (Previous year - Rs. 35.39 Lacs)

e. Amount of Incometax disputed in appeal Rs. 7.03 lakhs

16. Capacity:	Paper & Paper Boards (MT)
Licensed Capacity (Registered with S.I.A)	22,500 (22,500)
Installed Capacity	33,600 (28,800)
Actual Production	28,354 (25,880)

17. Professional service charges include Rs. 36,000/- to a director (Previous Year Rs. 36,000/-)

18. Borrowing costs capitalised during this year - Nil

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 2004

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)

	31.03.2004
	Rupees
Total Liabilities	2,30,119
Total Assets	2,30,119
Sources of Funds	
Paid-up Capital	20,250
Reserves & Surplus	88,968
Secured Loans	1,18,120
Unsecured Loans	2,779
Deferred payment Credit	Nil



Application of Funds	
Net Fixed Assets	1,38,695
Investments	35
Intangible Asset	53
Net Current Assets	91,336
Miscellaneous Expenditure	Nil

d) Performance of the Company	
Turnover (Including other income)	4,74,973
Total Expenditure	4,66,353
Profit before Tax	8,620
Profit after Tax	5,317
Earnings per share	2.63
Dividend rate percentage (proposed)	8%

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 23:

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

By order of the Board

Subject to our report of even date

Sd/-
S. Sivathani Pillai
Chairman

Sd/-
A.S. Unni
Director

Sd/-
S. Rajkumar
Managing Director

For Balan & Co.
Chartered Accountants

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

Cochin-16,
Dt: 31.08.2004.

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

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

Cochin-18
Dt: 31.08.2004