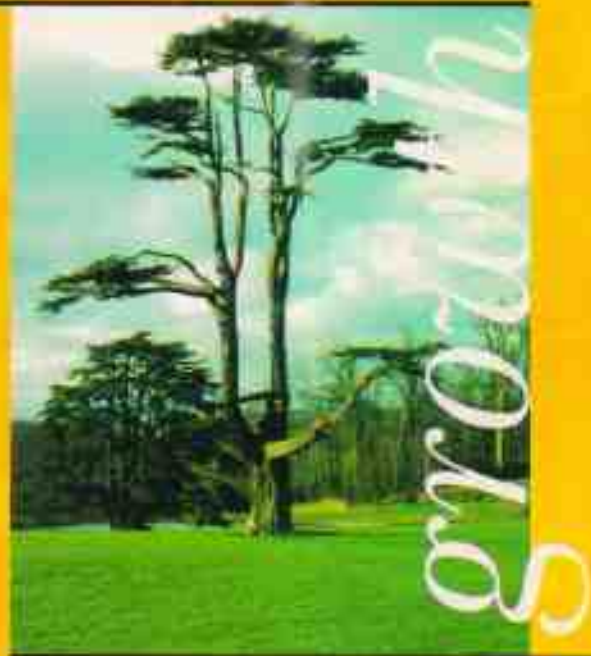


Fourteenth
Annual Report
2004-2005



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. U. Gururaja Bhat

BANKERS

State Bank of India.

AUDITORS

M/s Balan & Co.
Ernakulam, Cochin - 11.

REGISTERED OFFICE

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

FACTORIES

KRAFT PAPER UNIT:
Development Area,
Edayar, Alwaye.

DUPLEX BOARD UNIT:

Kanjirapilly
Chalakkudy.



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**SREE SAKTHI PAPER MILLS LTD.**

Regd. Office : Sree Kailas, 57/2993

Palliam Road, Cochin - 682 016.

NOTICE TO SHARE HOLDERS

Notice is hereby given that the Fourteenth Annual General Meeting of the Share holders of the Company will be held at 3.00 PM on Monday, August 29, 2005 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, 2005 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. 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.
4. To appoint a Director in place of Sri. A. S. Urini, 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 modifications the following resolution as ordinary Resolution.**

RESOLVED THAT Mr. Gururaj Bhatt who was appointed as an Additional Director and who in terms of Section 260 of the Companies Act, 1956 read with Article 82 of the Articles of Association of the Company holds such office till the date of the Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director along with a deposit of Rs. 500/- be and is hereby appointed as a Director of the Company.

7. **To consider and if thought fit to pass, with or without modifications the following resolution as a Special Resolution**

- a) Resolved pursuant to section 94 (1)(a) of the Companies Act, 1956 and Article 3 of the Articles of Association of the Company that the Authorised Share Capital of the Company be and it is hereby increased from Rs. 3,00,00,000/- divided in to 30,00,000 equity shares of Rs. 10/- each to Rs. 20,00,00,000/- divided into 2,00,00,000 equity shares of Rs. 10/- each by creation of 1,70,00,000 equity shares of Rs. 10/- each ranking pari passu with the existing shares.

- b) FURTHER RESOLVED THAT Clause V of the Memorandum of Association of the Company be and is hereby altered in the following manner.

"V. The Authorised Share capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crore Only) divided in to 2,00,00,000/- (Two Crore only) equity shares of Rs. 10/- (Rupees Ten only) each. The Company has power to increase or decrease the Authorised Capital as may be determined from time to time in accordance with law."

8. **To consider and if thought fit to pass, with or without modifications the following resolution as a Special Resolution**

Resolved that the following Articles of Association of the Company be and are hereby altered in the following manner by way of substitution / addition etc.

- 1) **Existing Article 3 be deleted and in its place the following Article 3 be inserted**
3. The Authorised Share capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crore Only) divided in to 2,00,00,000/- (Two Crore) equity shares of Rs. 10/- (Rupees Ten only) each."
- 2) **After the existing Article 14 , the following Article numbered 14A be inserted (before Article 15)**

FURTHER ISSUE OF SHARES

- 14 A. 1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of

shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

- (a) Such further shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the company in proportion as near as circumstances admit to the capital paid up on those shares at that date.
- (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and to notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
- (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) thereof the further shares aforesaid may be offered to any persons (whether or not those persons include the person referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

- (a) If a special resolution to that effect is passed by the company in General Meeting or
- (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any of the Chairman) by the members who, being entitled to do so, vote in person or where proxies are allowed, proxy exceed the votes, if

any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3) Nothing in sub-clause (c) of (1) hereof shall be deemed:

- (a) To extend the time within which the offer should be accepted; or
- (b) To authorise any person to exercise the right to renunciations for a second time on the ground that the person in whose favour the renunciation was first made as declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company.

- (i) To convert such debentures or loans into shares in the company; or
- (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise)

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term;

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf, and
- (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

3. Existing Article 4 (including heading) be deleted and in its place the following Article 4 be inserted

SHARES AT THE DISPOSAL OF THE DIRECTORS

4. Subject to the provisions of section 81 of the Act and these Articles the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or

(Subject to the compliance with the provisions of Section 79 of the Act.) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting."

4. **Existing Article 7 (including heading) be deleted and in its place the following Article 7 be inserted**

LIMITATION OF TIME FOR ISSUE OF CERTIFICATES

7. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division consolidation or renewal of any its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder."
5. **Existing Article 8 (including heading) be deleted and in its place the following Article 8 be inserted**

ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED

- "B. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificate in replacement of those which are old defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the directors shall comply with such Rules or Regulation of requirements of any stock Exchange or the Rules made under Securities Contract (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutates mutatis apply to debentures of the Company."

6. **Existing Article 34 (including heading) be deleted and in its place the following Article 34 be inserted**

DIRECTORS MAY REFUSE TO REGISTER TRANSFER

- "34. Subject to the provisions of Section 111 of the Act, and section 22-A of the securities contracts (Regulation) Act, 1956 the directors may at their own absolute and uncontrolled discretion and by giving reasons decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases the Directors shall within one month from the date on which the instrument of transfer was lodged with the company send to the transferee and the transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused."

7. After the existing Article 37, the following Article numbered 37 A be inserted (before Article 38)

37 A NO FEE ON TRANSFER OR TRANSMISSION:

No fee shall be charges for registration of transfer, transmission, probate succession Certificate and Letters if administration Certificate of Death or marriage, power of Attorney or similar other document.

8. Existing Article 30 (including heading) be deleted and in its place the following Article 30 be inserted.

PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST

30. The Directors may if they think for subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance and so much, thereof as from time to time exceeds the amount of the calls then made upon their shares in respect of which such advances has been made the company may pay interest at such rate as the member that money paid in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The directors may at any time repay the amount so advanced

The members shall not be entitled to any voting rights in respect if the moneys so paid by him until the same would but for such payment become presently payable

The provisions of these Articles shall mutates mutants apply to the calls on debentures of the Company.

9. Existing Article 47 (including heading) be deleted and in its place the following Article 47 be inserted

COMPANY'S LIEN ON SHARE/ DEBENTURE

47. The company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in

any share shall be created except footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonus from time to time declared in respect of such shares /debentures. Unless otherwise agreed the registration of a transfer of shares /debentures shall operate as a waiver of the Company's lien if any on such shares/ debentures. The directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

10. Existing Article 117 (including heading) be deleted and in its place the following Article 117 be inserted

UNPAID OR UNCLAIMED DIVIDEND

117. Where the company has declare a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend the company shall within 7 days from the date of expiry of the said period of 42 days open a special account in that behalf in any scheduled bank called " Unpaid Dividend of Limited and transfer to the said account the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the Share holder to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board."

- 11) After the existing last Article 126, the following Articles numbered 127, 128, and 129 be inserted.

Article 127

- i) **Power of Company to Dematerialise and rematerialise**
 ii) Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or hold the securities with a Depository. A person who is the beneficial owner of the securities can at any time opt out of a Depository, provided by the Depositories Act, 1996.

and the Company shall, beneficial owner the required certificates of securities. If a person opts to hold his securities with a Depository, the company shall intimate such Depository the details of allotment of the security, and on receipt of the information the Depository shall enter in its records the name of allottee as the beneficial owner of the security.

iii) **Securities in Depositories in fungible form**

All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Section 153 and 372A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of beneficial owners.

iv) **Rights of Depositories and Beneficial Owner**

Notwithstanding anything to the contrary contained in the Act or these Articles, Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner and shall not have any voting rights or any other rights in respect of securities held by it.

Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respects of his securities, which are held by a Depository.

v) **Service of Documents**

The Depository shall furnish to the company the information of transfer of securities and records of beneficial ownership at such intervals and in such manner as may be stipulated under the provisions of the Depositories Act.

vi) **Transfer of Securities**

Transfer of Securities held in Depository will be governed by the provisions of Depositories Act. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

vii) **Allotment of Securities dealt within a Depository**

Notwithstanding anything containing the Act or these Articles, where securities are dealt in a dematerialized form with a Depository, the Company shall intimate the details thereof to the

Depository immediately on allotment of such securities.

Article 128

Distinctive Numbers

The Register of beneficial owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register of members for the purpose of these Articles.

Article 129

Register of Beneficial Owner

Notwithstanding anything contained in these Articles, the provisions of Depositories Act, relating to dematerialisation of securities (including any modification or re-enactment thereof and Rules / Regulations made there under) shall prevail and apply accordingly.

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

RESOLVED THAT in supersession of the resolution passed at the annual General meeting held on 30th September, 2004 fixing the borrowing limits of the Company at Rs. 25 crores (Rupees Twenty Five 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 of 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. 100 Crores (Rupees One Hundred Crores)

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

RESOLVED THAT pursuant to section 81 and other applicable provisions if any, of the Companies Act, 1956 and subject to the consent of such authorities as may be required and subject to such modifications / alterations as the concerned authorities may direct or impose while granting such consent and which the Board of Directors be and is hereby authorised to agree to if the board considers fit and proper to do so, consent of the members of the Company be and is hereby granted to the board of Directors of the Company to issue



6075000 equity shares of Rs. 10/- each as Bonus issue in the ratio of three (3) Equity shares of Rs. 10/- each for every one (1) Equity shares held of Rs. 10/- each to the existing share holders of the Company whose names will appear in the register of members of the Company on 29.08.2005 being the record date. In this behalf to be fixed by the Board by capitalizing the entire amount of Rs. 37,50,000/- standing to the credit of Share Premium account and Rs. 5,70,00,000/- from the General Reserve account of the Company in terms of Companies Act, 1956.

1. FURTHER RESOLVED THAT the said new equity shares to be allotted as Bonus shares will be allotted subject to the terms of Memorandum and Articles of Association of the Company.
2. The new equity shares shall rank paripassu in all respects with and carry the same right as the existing fully paid up equity shares of the Company and not withstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which the allotment of the new Equity shares pursuant to this resolution is made.
3. No letter of allotment will be issued by the Company in respect of the equity shares. However, the equity share certificates in respect thereof will be ready for delivery to the allottees within 1 (one) month from the date of allotment thereof.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised, to do all such acts, matters and things whatsoever including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue of allotment of Bonus shares.

11. **To consider, and if thought fit to pass, with or without modification the following resolution as a SPECIAL RESOLUTION:**

* RESOLVED THAT in modification of Resolution passed at the Annual General Meeting of the Company held on 1st September, 2003 and in accordance with the provisions of Sections 311, 198, 269 and 309 read with Schedule XIII and all other applicable provisions if any of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, the Company hereby approves the remuneration payable to Sri. S. Rajkumar on his appointment as Managing Director of the Company for a period of 35 months from 11.08.2005 to 10.07.2008 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 5th August, 2005 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 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 (excluding commission) as above mentioned subject to the ceilings set out under Schedule XIII to the Companies Act, 1956."

12. **To consider, and if thought fit to pass, with or without modification the following resolution as a SPECIAL RESOLUTION:**

Pursuant to provisions of Section 81 (A) and other applicable provisions, if any of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company consent to the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred as " Board") and Board be and is hereby authorised, subject to such consents and approvals of concerned authorities prescribed under any statute for the time being which the board is empowered to accept to create and issue not exceeding 84,00,000 (Eighty four lakhs Only) Equity shares of Rs. 10/- each at such premium as may be decided by the board but not exceeding Rs. 30/- per share, to such person or persons as the Board may deem fit and proper, whether or not such person or persons are existing share holders of the Company.

Resolved further that for the purpose of giving effect to this resolution the Board/ committee thereof be and is hereby authorised to do all such other things and acts as may be necessary and to settle any question or difficulty that may arise in connection therewith in such manner as it may deem expedient.

By order of the Board
For Sree Sakthi Paper Mills Ltd

Kochi- 86
06.08.2005

Sd/- R. Ponnambalam
Company Secretary

NOTES:

Explanatory statement Pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 6 to 12 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 to be 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 29th August, 2005 or to their mandates.
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

Sri. Gururaj Bhat was appointed as an Additional Director of the Company with effect from 5th August, 2005 pursuant to section 260 of the Companies act, 1956 read with article of Articles of association of the Company and he will hold office as Director upto the date of this Annual General meeting. The Company received an notice in writing from a shareholder proposing the candidature of Sri. Gururaj Bhat for the office of Director of the Company along with a deposit of Rs. 500/- as required under the Companies act, 1956. Sri. Gururaj Bhat is an expert Consultant on paper industry. He is also a Director of Emami Paper Mills Ltd. Your Directors recommend his appointment as a Director of the Company.

None of the Directors is in any way concerned or interested in this resolution except Sri. Gururaj Bhat.

Item No.7

The Authorised share capital of the Company presently stands at Rs.3 crores divided into 30,00,000 equity shares of Rs. 10/- each. With the growing expansion of the Company's business it is desirable to bring the Authorised Capital of the company in proper correlation with the magnitude of the Company's resources and its size of undertaking. It is therefore considered advisable to increase the Authorised Capital of the

Company from Rs. 3 Crore to Rs. 20 Crores by creation of 17,00,000 equity shares of Rs.10/- each which will rank paripassu in all respect with the existing equity shares in the Company. The proposed increase of the Authorised capital of the Company requires the approval of the members in General meeting. Consequent upon the increase in authorised capital of the Company, its memorandum and articles of association will require alteration so as to reflect the increase in share capital.

The Board recommends that the resolution passed.

None of the Directors of the Company is concerned or interested in the resolution.

Item No.8 (1 to 11)

- 1) The resolution proposed is a consequential resolution to alter Article 3 of the Articles of Association of the Company regarding capital clause subject to passing of the resolution as per item no. 7 of the agenda.

(2 to 11)

The Company intends to list the Company's existing as well as proposed new equity shares with the stock exchange. The proposed resolutions in regard to alteration of some of the Articles of addition of certain clauses in the Articles of Association of the Company is to meet with the listing requirements relating to the provisions to be contained in the Articles of Association of the Company.

Your Directors commend this resolution to the members.

None of the Directors of the Company is concerned or interested in the resolution.

Item No.9

At the General Meeting of the Company held on 30th September, 2004 the Company had accorded its consent under section 293 (1) (d) of the Companies Act, 1956 to the directors borrowing moneys up to a limit of Rs. 25 Crore in excess of the paid up capital and free reserves of the Company, (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) Taking in to account the further requirements of additional finance for the expansion programme for increasing the production capacity by 50% envisaged by the Company a fresh resolution is proposed providing that, in addition to the Company's existing borrowings, the directors may for and on behalf of and for the purpose of the Company borrow further sums of money amounting in the aggregate to a sum of not more than Rs. 75 Crore, thereby raising the total borrowing limit from Rs. 25 Crore to Rs. 100 Crore.



Your Directors commend this resolution to the members.

None of the Directors of the Company is concerned or interested in the resolution.

Item No.10

The present issued and subscribed capital of the Company is Rs. 20250000/- divided into 2025000 Equity shares of Rs. 10/- each. The board of directors of the Company (the board) considers it desirable that in the interest of the Company the issued and subscribed capital should more appropriately be brought into line with the capital employed by the Company in business. The board therefore recommends that a sum of Rs. 3750000/- being the amount standing to the credit of share premium account at a sum of Rs. 57000000/- being part of the undistributed profits standing to the credit of General Reserve of the Company should be capitalized and applied in paying up in full at par 6075000 new equity shares of Rs. 10/- each to be allotted to the equity share holders of the Company who are on the register of members on a date to be determined by the board in the proportion of three new equity shares for every one equity shares held by such shareholders respectively.

The resolution is intended to give effect to the proposed capitalization of the above sum of Rs. 3750000/- being the amount standing to the credit of share premium account and a sum of Rs. 57000000/- being a part of the undistributed profits standing to the credit of General Reserves of the Company and issue of bonus shares to the equity shareholders of the Company in the manner set out therein and explained hereinbefore.

Sri.S.Sivathanu Pillai, Sri.S.Rajkumar, Sri.S.Subramaniam, Smt.E.Kamalam, Sri.S.Giridhar, Sri.A.S.Unni and Sri.N.Ravindranathan Directors of the Company hold equity shares in the Company and accordingly they may be deemed to be interested or concerned in the resolution to the extent of their respective entitlement to the bonus shares that may be allotted to them in terms thereof. No other Directors is interested or concerned.

Item No.11

At the annual General Meeting of the Company held on 1st September, 2003 the appointment/reappointment of Sri.S.Rajkumar as managing Director of the Company for a period of 5 years w.e.f from 11.07.2003 to 10.07.2008 had been approved with terms and conditions including remuneration with necessary approvals.

Since the above appointment, Sri.S.Rajkumar, Managing Director has taken considerable

responsibilities in expanding the capacity of Edayar and Chalakudy factories from 29000 MT To 40000 MT per annum, the benefit of which started accruing from February / March, 2005. Company has now drawn up plans for further expansion of capacity to 60000 MT per annum by mobilizing resources through public issue of shares or otherwise. This has cast heavy responsibility on the Managing Director in implementing the same with dedication and for shouldering this responsibility, the Managing Director has to be suitably remunerated.

The Board of Directors at its meeting held on 5th August, 2005 has fixed revised remuneration of Sri.S.Rajkumar, Managing Director based on the recommendation of the Remuneration committee which is subject to the approval of the members of the Company.

Sri.S.Rajkumar is a Post Graduate in Commerce and has been in the services of the Company as Managing Director since the incorporation of the Company in 1991. He has been instrumental in setting up the Kraft Paper unit at Edayar which commenced commercial production in the year, 1993 and Duplex Board unit at Chalakudy which commence commercial production in the year, 1995 Sri.S.Rajkumar is 47 years old and has wide experience in Marketing, Management and Administration and has in-depth knowledge of paper industry. Over the last 14 years he has steered the Company successfully and consistently made profit every year even when the paper industry in the Country has been facing depressed conditions and hit by cost escalation during the past few years, by adopting cost cutting measures and sustaining the same in an unflinching manner and as an on going process. He has also taken effective steps to increase the production capacity gradually to 29000 MT, Per annum till 2002-03 and to 40000 MT per annum in 2004-05. He has also taken efforts to substitute high cost loan(s) that existed by low cost loan(s) which had the effect of reducing the overhead expenditure considerably.

Considering his experience and the responsibilities cast on him in implementing the future plans of the Company, the revised remuneration proposed to Sri.S.Rajkumar, Managing Director is comparable with the prevailing market rate.

At present Sri.S.Rajkumar is also Director of Sree Kailas Leasing and Commercial Services Ltd., Sree Sakthi Constructions and Infrastructure (P) Ltd., Keragen Technologies (P) Ltd., Synergy Homes Ltd.

The broad particulars of revised remuneration payable to Sri.S.Rajkumar is 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 (as already approved)

**Up to 10.08.05****Proposed Revision****11.08.05 to 10.07.08**

2. Salary:	Rs. 75000/- per month	Rs. 150000/- 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	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	at the rate of 50% (fifty percentage) of the salary
ii) Medical expenses	Medical Expense 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	Medical Expense 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	An amount of the annual Premium of which does not exceed Rs.6000/-	An amount of the annual Premium of which does not exceed Rs.12000/-
iv) Gratuity payable	Not exceed half a month's salary for each completed year of service	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	Same	Same

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

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.

The above may also be treated as an abstract of the terms of disclosure under section 302 of the Companies Act, 1956.

Sri S. Rajkumar, to the extent of remuneration receivable by him and Sri S. Sivathanu Pillai, Sri S. Subramaniam, Mrs. E. Kamaliam and Sri S. Giridhar being related to Mr. S. Rajkumar are interested in the resolution. Save and except the above none of the other Directors is concerned or interested in the resolution.

Item No.12

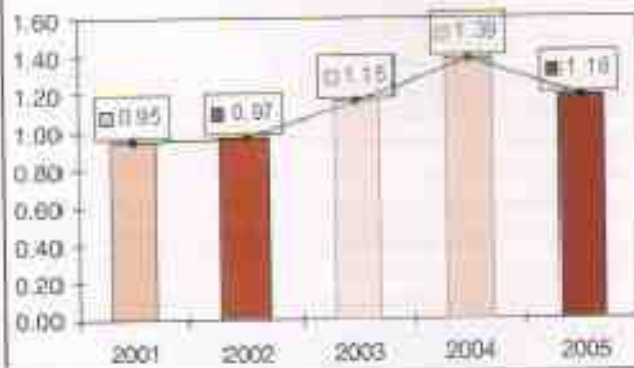
In the view of your directors the industry has high growth potential in particular for value added products of high quality. Your directors therefore propose to make investments of the order of about Rs. 25 Crores towards expansion of the capacity by 50% modernisation quality up gradation, cost reduction, energy conservation and value-addition and as also to augment working capital resources required for expanded capacity. With a view to meet the finance requirement of the company for the expansion/modernisation scheme referred above, it is proposed to raise share capital by way of issue of shares to the public with suitable premium on such terms and conditions as per the guidelines in this behalf issue by SEBI. Since the equity shares may have to be offered / issued to persons other than members of the Company, this would necessary the passing of a special resolution as proposed in this item of the Notice. It is in these circumstances that the Directors recommend the resolution in this item of the notice for approval of the members.

None of the Directors except in the capacity as equity share holders is interested or concerned in the resolution.

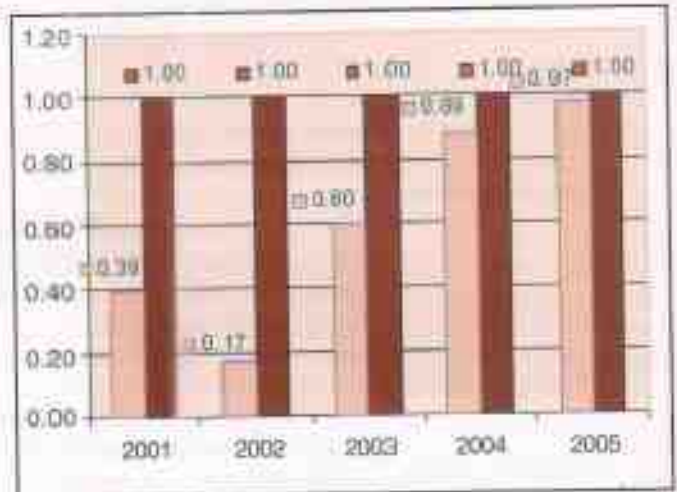
By order
For Sree Sakthi Paper Mills Ltd

Sd/- R. Ponnambalam
Company Secretary

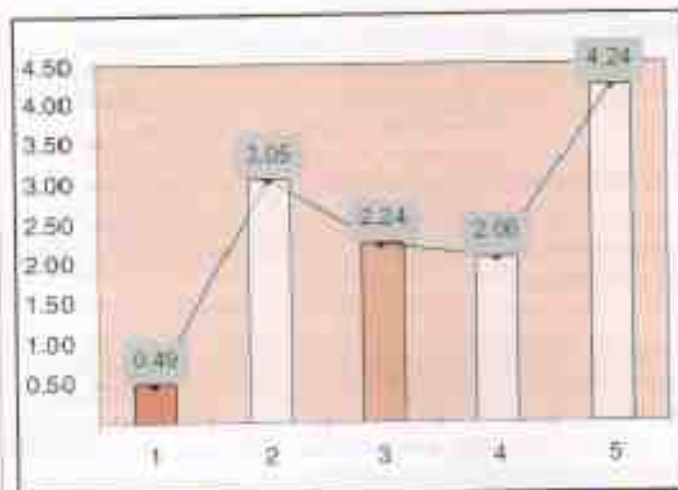
CURRENT RATIO



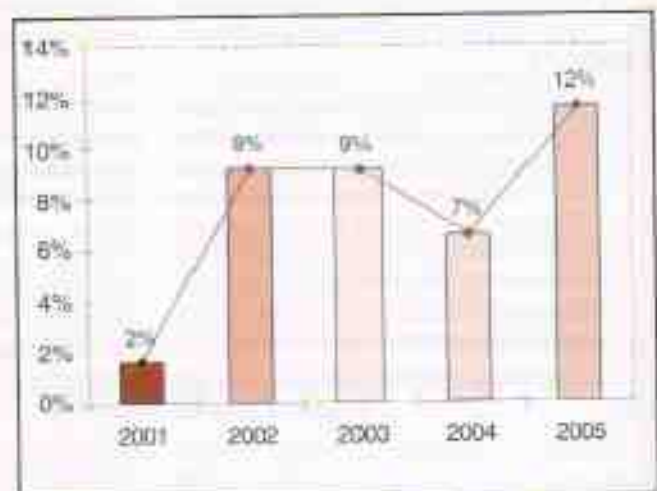
DEBT/EQUITY



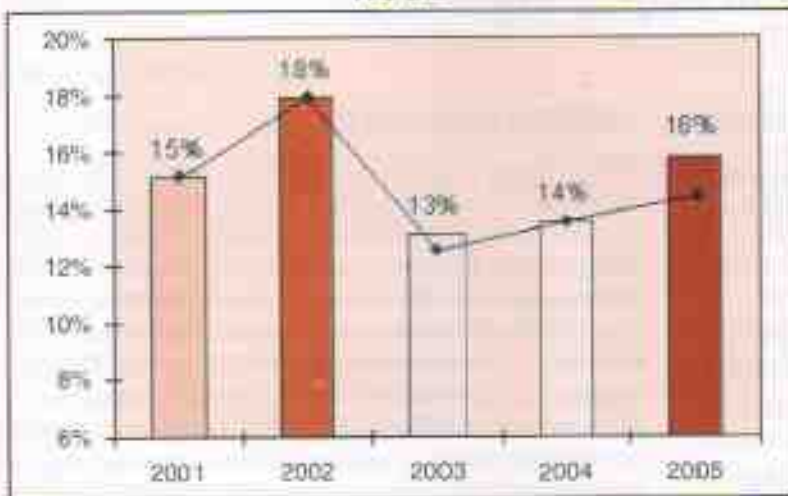
PBT/ SALES



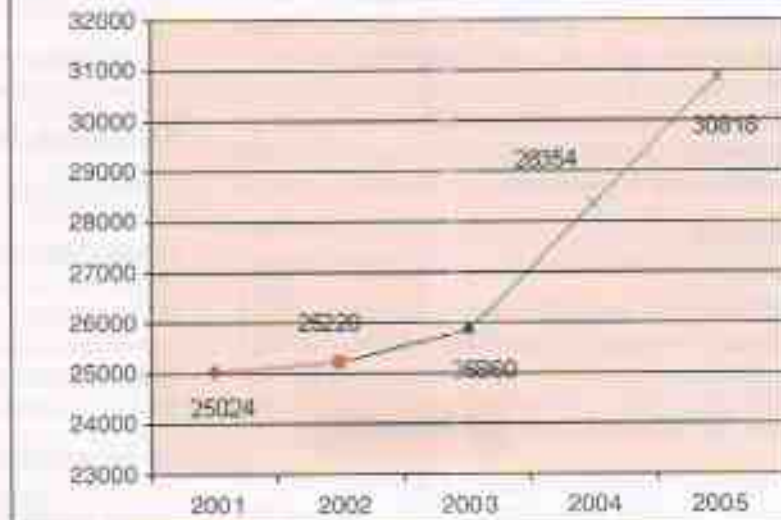
PAT/NETWORTH



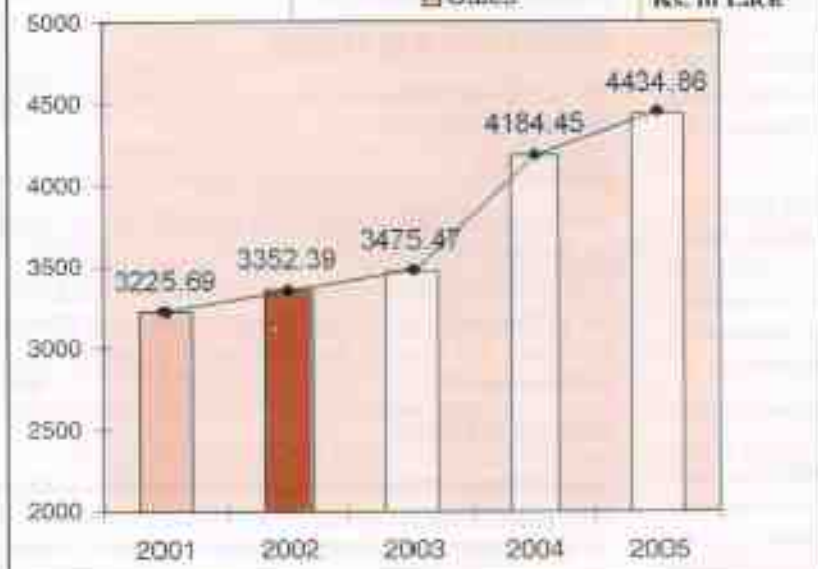
ROCE



Production MT



Sales **Rs. in Lack**





Sree Sakthi Paper Mills Ltd.

Directors Report to the Shareholders

YOUR Directors have pleasure in presenting the Fourteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS

Particulars	2004-2005		2003-2004	
	Rs. Lakhs		Rs. Lakhs	
Sales (Net)	4434.86		4184.44	
Operating Profit	438.01		310.48	
Interest and Finance	136.14		119.76	
Depreciation	114.06		104.51	
Profit before tax	187.81		86.21	
Provision for tax	84.97		33.04	
Profit after tax	102.84		53.17	
Dividend provision and tax on dividend in previous year written back	—		22.91	
Balance of profit brought forward	0.22		17.42	
Amount available for appreciation	103.06		93.50	
Appropriation				
General Reserve	80.00		75.00	
Proposed dividend & tax on dividend	22.90		18.28	
Retained profit carried to Balance sheet	0.16		0.22	

Review of operations 2004-2005

Company's gross turnover for the year ended March 31, 2005 increased to Rs. 4964 lakhs from Rs. 4751 lakhs in the previous year, registering a growth of 4.48%.

During the year under review, your Company has achieved higher production of 30848 MT as compared to 28354 MT during the previous year. The Company sold 30630 MT during the year as against 26421 MT in previous year. There was no export sales during the year under review.

During the year, capital expenditure amounted to Rs. 538 lakhs was incurred on expansion of both the plants. Apart from funding the expansion from internal accruals the Company has availed Rs. 300.00 lakhs term loan from banks. All the repayment and interest commitments were met as per terms of arrangement with institutions and Banks.

The company's operating profit (PBDT) improved during year on account of higher volumes and selling price. Continued focus on costs, productivity and efficiency and the impact during the latter part of the year of modernisation and expansion has also resulted in earning increased profits.

CURRENT PROSPECTS

The Company's performance so far in the current year is satisfactory. The Company followed the principle of Growth in quality and completed modernisation and expansion of Edayar and Chalakudy factories in the last quarter of 2004-2005 raising the production capacity to 40000 MT per annum. After initial teething problems, the near rated output of the expanded capacity of the plants has been established in terms of both quantity and quality. The market response for the additional output has been encouraging and market penetration in terms of new customers and grades continue to improve. With the completion of the current expansion at both the factories, your Company is well positioned to take advantage of the opportunities in the market.

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

FUTURE PLANS

To mitigate the threat arising out of imports under liberalized economy, the Company is contemplating to maximize synergy optimization in both the plants. As a part of the above, the Company has drawn up two prolonged strategy of (1) expanding the production capacity to 60000 MT per annum and installation of a co-generation plant of 2 MW capacity for its captive requirements to reduce significantly the power and fuel cost.

For implementing the scheme, the company is proposing to mobilize necessary funds from various sources including capital structuring by way of issue of shares to public complying SEBI regulations.

INDUSTRIAL RELATIONS

The Company's industrial relations remained smooth and cordial to all locations.

DIVIDEND

The Directors have recommended a dividend of 10% i.e. Rs. 1/- per share for the financial year ended 31.03.2005. 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.

BONUS SHARES

Your directors have recommended for issue of bonus shares in the ratio Equity shares for one Equity share presently held subject to approval of the members in General Meeting.

Your directors believe that this would increase shareholder value and eventually lead to a higher return threshold.

BOARD OF DIRECTORS

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

Sri. Gururaj Bhatt was appointed as an Additional Director at the meeting of Board of Directors of the Company held on 5th August, 2005. In accordance with the provisions of companies Act, 1956 he would hold office of Director upto the ensuing Annual General meeting. The Company has received notice from a shareholder of the Company proposing his appointment as Director along with a deposit of Rs. 500/- as required under the Companies Act, 1956 and accordingly proposal has been placed for your approval by Special Resolution.

AUDITORS

M/s Balan & Co. Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment. Necessary certificate has been obtained from the Auditors as per section 224(1) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had no exports during the year under review. The total outgo was for purchase of raw materials Rs. 534.73 Lakhs. Interest on FCNRB loan Rs. 51.34 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 196 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 2005 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 2005 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

Kochin-16

Date : 05.08.2005

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 31.03.2005	Previous Year 31.03.2004
1	Electricity		
a	Purchased Unit	14714710	13576960
	Total Amount	57092750	51348322
	Rate / Unit	3.88	3.78
b	Own Generation		
(i)	Through Diesel Generator		
	Unit	588787	484496
	Unit per Ltr. of diesel oil	3.27	3.16
	Cost/Unit	8.09	6.90
(ii)	Through steam turbine/generator	—	—
2	Coal	—	—
3	Furnace Oil	—	—
4	Others / Internal generation	—	—
B	Consumption per unit of production		
	Electricity (kwh)	496	496
	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	: Several special application have been developed and successfully introduced during the year to cater customer specific requirements
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

39/181 D, Anantha, Mahakavi 'G' Road,
Karikkamuri, Kochi - 682 011

Phone: 0484 - 2360663

2360773

Fax: 2360773

A. Mohanan: 3950630

E-mail: balanandco@sify.com

AUDITOR'S REPORT

To the Members

M/s. Sree Sakthi Paper Mills Limited, Ernakulam

1. We have audited the attached Balance Sheet of M/s. Sree Sakthi Paper Mills Limited, Ernakulam, as at 31st March, 2005 and also 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.
2. 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:
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Government of India 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.
4. Further to our comments in the Annexure referred above, 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 (3 C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representation received from the directors, and placed before the Board, we report that none of the Directors is disqualified as on 31st March 2005 from being appointed as a Director in terms of clause (g) of subsection (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 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:
 1. In the case of the Balance Sheet, of the 'state of affairs' of the company as at 31st March '05.
 2. In the case of the Profit and Loss account, of the profit of the company for the year on that date.
 3. In the case of cash flow statement, of the cash flows for the year ended on that date.

For Balan & Co.

Chartered Accountants

Sc/-

A. Mohanan B.Sc.FCA,
Partner (M. No. 20627)

Kochi - 11

5.8.2005

M/S. SREE SAKTHI PAPER MILLS LIMITED, ERNAKULAM (2004-2005)

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 was 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 properly dealt in the books of account.
- (iii) (a) The Company has not granted to persons covered in the register maintained under section 301 of the Companies Act, 1956. Except advances in the ordinary course of business.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (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 particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained in that section.
- (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 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 or any other relevant provisions of the Act and the rules framed there under.
- (vii) On the basis of the test checks conducted by us and as per the explanations given to us the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books and records maintained by the company pursuant to the order of the Central Government u/s 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima - facie the prescribed accounts and records have been made and 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, Service Tax, Sales Tax, Customs duty and Excise Duty, Cess and any other statutory dues with appropriate authorities during the year.

Except undisputed income tax arrears relating to the year ending 31.03.02 amounting to Rs. 6.58 lakhs and installments of advance tax for the year ended 31.03.05 amounting to Rs. 17.84 lakhs, no other amounts payable in respect of income tax, wealth tax, service tax, sales tax, custody duty, excise duty and cess are in arrears as at 31.03.2005 for a period of more than six months from the date they became payable.



Except for a sum of Rs. 3.41 lacks being disputed Income Tax (MAT) relating to A.Y.2001-2002 pending in appeal before the Income Tax Appellate Tribunal, no other dues of Sales tax / Income Tax/ Custom Duty/ Services Tax/Excises Duty / Cess remains not deposited on account of any disputes.

- (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 to 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 4 (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.
- (xviii) 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 issue.
- (xxi) 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

Kochi - 11

5-8-2005

A. Mohanan, B.Sc., FCA
Partner (M. No. 20627)

SREE SAKTHI PAPER MILLS LTD.
Cochin 16
BALANCE SHEET AS AT 31ST MARCH 2005

	Sch No.	31.03.2005 Rupees	31.03.2004 Rupees
SOURCES OF FUNDS			
(1) Share Holders' Funds:			
(a) Capital	1	20250000	20250000
(b) Reserves & Surplus	2	68596885	60601940
		<u>88846885</u>	<u>80851940</u>
(2) Deferred Tax Liability	3	33856088	28367914
		<u>122702973</u>	<u>109219854</u>
(3) Loan Funds:			
(a) Secured Loans	4	154292606	118120968
(b) Unsecured Loans	5	29000	2779000
		<u>154321606</u>	<u>120899968</u>
TOTAL		<u>277024579</u>	<u>230119822</u>
APPLICATION OF FUNDS			
(1) Fixed Assets:			
(a) Gross Block	6	271961042	218158411
(b) Less: Depreciation		90868877	79463117
(c) Net Block		<u>181092165</u>	<u>138695294</u>
(2) Intangible Asset	7	39874	53165
(3) Investments	8	35230	35230
(4) Current Assets, Loans & Advances			
(a) Inventories	9	51858693	50397511
(b) Cash & Bank balances	10	9231568	7756352
(c) Sundry Debtors	11	97775927	78923749
(d) Loans & Advances	12	27468498	24017869
		<u>186334686</u>	<u>161095481</u>
Less: Current Liabilities and Provisions:	13		
(a) Current Liabilities		76442080	59922692
(b) Provisions		14035296	9636656
Net Current Assets		<u>95857310</u>	<u>91336133</u>
TOTAL		<u>277024579</u>	<u>230119822</u>
Accounting Policies & Notes on accounts	23		

By order of the Board

S.Sivathanu Pillai
ChairmanA.S.Unni
DirectorS.Rajkumar
Managing Director
Cochin - 16
05/08/2005R.Ponnambalam B.Com,A.C.A, A.C.S
Company SecretaryR.Satheeshkumar B.Com,A.C.A
D.G.M (Finance & Accounts)Subject to our report of even date
For Balan & Co
Chartered AccountantsA.Mohanan B.Sc,FCA
Memb No:20627
Partner
Cochin-11
05/08/2005

**SREE SAKTHI PAPER MILLS LTD.**

Cochin 16

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	No.	Year ended 31.03.2005 Rupees	Year ended 31.03.04 Rupees
INCOME			
Sales	14	495064154	471584179
Miscellaneous Income	15	7218555	3213107
Increase / (Decrease) in Stock	16	3433417	175704
Total		<u>505736126</u>	<u>474972990</u>
EXPENDITURE			
Cost of Goods Sold	17	473462	13034484
Manufacturing Expenses	18	355811910	323129468
Excise Duty		51598251	53139832
Payments to & Provision for Employees	19	33361963	31436999
Administrative Expenses	20	17696288	18049987
Selling & Distribution Expenses	21	2992533	3499476
Interest & Finance Charges	22	13614410	15581967
Loss on Sale of fixed assets		0	28561
Total		<u>475548817</u>	<u>455900774</u>
Profit before Tax and Depreciation		30187309	19072216
Depreciation		11405760	10451484
Profit before Tax		18781549	8620732
Provision for Taxation - Current		2350000	2350000
- Deferred		5488174	950015
Profit after Tax		10943375	5320717
Less: Income Tax relating to earlier year		658788	4243
Profit After Tax		10284587	5316474
Add: Provision for Proposed Dividend & Div. Tax no more required written back		0	2290781
Add: Balance brought forward from previous year		21553	1741861
		<u>10306140</u>	<u>9349116</u>
APPROPRIATIONS			
Proposed Dividend		2025000	1620000
Corporate Dividend tax		264642	207563
Transfer to General Reserve		8000000	7500000
Balance carried to Balance Sheet		16498	21553
Accounting Policies & Notes on accounts	23		

By order of the Board

Subject to our report of even date
For Balan & Co.
Chartered AccountantsS.Sivathanu Pillai
ChairmanA.S.Unni
DirectorR.Ponnambalam B.Com.A.C.A, A.C.S
Company SecretaryA.Mohanam B.Sc.F.C.A
Memb No:20627S.Rajkumar
Managing Director
Cochin -16
05/08/2005R.Satheeshkumar B.Com.A.C.A
D.G.M (Finance & Accounts)Partner
Cochin-11
05/08/2005



SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2005

	31.3.2005 Rupees	31.3.2004 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 fully paid up (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 assets	178121	178121
(ii) Share Premium Account	3750000	3750000
(iii) General Reserve	61162266	53162266
(iv) Profit & Loss Account	16498	21553
	<u>68596885</u>	<u>60601940</u>
3 DEFERRED TAX LIABILITY		
Deferred Tax liability	36735991	31127707
Less: Deferred Tax Asset	<u>2879903</u>	<u>2759793</u>
	<u>33856088</u>	<u>28367914</u>
4 SECURED LOANS		
(i) Term Loans from:		
a. ICICI Bank Ltd.	21479	211776
b. H D F C Bank Ltd.	578772	1210050
c. State Bank of India-FCNRB	54299600	67766498
d. State Bank of India-FCNRB - Working Capital	35032000	37844000
e. Syndicate Bank Ltd.	14994921	0
f. Federal Bank Ltd.	15140765	0
(ii) Equipment Finance Loan - KSIDC Ltd.	1295770	1937650
(iii) Interest accrued and due on above loans.	144469	457921
(iv) S.B.I. Factors and Commercial Services Ltd - factoring facility	0	4220353
(v) Cash Credit Loan from State Bank of India	32784830	3040822
(vi) Foreign Exchange Premium Reserve	0	531898
	<u>154292606</u>	<u>118120968</u>

- FCNRB Loans from State Bank of India and term loans from Syndicate Bank and Federal Bank Ltd are secured on a pari passu basis by first charge on the entire fixed assets of the company, both present and future, except those specifically charged to KSIDC Ltd, HDFC Bank Ltd, and ICICI Bank Ltd.
- Loans from ICICI Bank Ltd. and HDFC Bank Ltd. are secured by hire purchase of vehicles.
- Equipment Finance Loan from KSIDC Ltd. is secured by exclusive charge over the equipments under the assistance.
- Cash Credit Loan from State Bank of India is secured by first charge on the entire inventories and receivables and further secured by Second charge of the entire fixed assets of the Company.
- FCNRB Loans and Cash Credit loans from State Bank of India and Term Loans from Syndicate Bank Ltd, and Federal Bank Ltd. totally amounting to Rs. 15.20 Crores are further personally guaranteed by three of the Directors of the Company.

6 FIXED ASSETS

(Figures in Rupees)

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION BLOCK		NET BLOCK	
		Bal. at on 31.03.2004	Additions during the year	Sale during the year 31.03.2005	Up to 31.03.2004	For the year 31.03.2005	As on 31.03.2004	As on 31.03.2005
1	LAND	4160068	0	0	0	0	4160068	4160068
2	BUILDINGS	30700139	805543	0	7690437	898079	23009701	22917167
3	FURNITURE & FIXTURES	1701681	62619	0	865892	87465	835789	810943
4	PLANT & MACHINERY	179604087	52977707	236834	70175406	10310647	109428681	151858908
5	OFFICE EQUIPMENTS	1992436	193596	0	731382	109569	1261054	1345081
	TOTAL	218158412	54039465	236834	79463117	11403760	138695294	181092165
	Figures for the pre-year	203,316,167	15,092,021	249778	69011633	10451484	134304534	138695294

	31.3.2005 Rupees	31.3.2004 Rupees
5 UNSECURED LOANS		
1. From Directors	29000	29000
2. From Others	0	2750000
	<u>29000</u>	<u>2779000</u>
7 INTANGIBLE ASSETS		
Computer Software		
Cost of Acquisition	53165	66456
Less: Amortisation (1/5)	13291	13291
	<u>39874</u>	<u>53165</u>
8 INVESTMENTS - AT COST		
Quoted		
Long Term, non trade		
2080 Equity shares of I.D.B.L.Ltd.	35230	35230
(Market Value as on 31.03.05 - Rs.1,31,560/-)		
	<u>35230</u>	<u>35230</u>
9 INVENTORIES		
1. Raw Materials & Packing Materials	23564220	30763265
2. Stock-in-Process	1631857	1612241
3. Finished Goods	7826432	4412631
4. Stock in Transit	5244689	1226577
5. Stores, Spares & Fuel	13591495	12382797
	<u>51858693</u>	<u>50397511</u>
10 CASH AND BANK BALANCES		
1. In Current Account with Scheduled banks	781883	606469
2. Cash in Hand	951731	1054408
3. Fixed Deposits with Banks	7497954	5195475
(Refer Note No. 18 of Schedule 23)		
	<u>9231568</u>	<u>7756352</u>
11 SUNDRY DEBTORS		
(Unsecured, considered good)		
More than six months	8617414	9418475
Other debts	93329193	73665346
	<u>101946607</u>	<u>83083821</u>
Less: Provision for doubtful debts	4170680	4160072
	<u>97775927</u>	<u>78923749</u>
12 LOANS AND ADVANCES		
(Unsecured, considered good)		
1. Prepaid Expenses	1566691	1181263
2. Deposits	5973792	5058522
3. Other Advances	19928015	17778084
	<u>27468498</u>	<u>24017869</u>



13 CURRENT LIABILITIES & PROVISIONS		31.3.2005	31.3.2004
		Rupees	Rupees
a) <u>CURRENT LIABILITIES</u>			
1. Sundry Creditors			
Amount due to SSI Units		11453	84623
M/s. Sree Narayana Inds - Rs.11,453/-			
Other than SSI Units			
(a) - Supplies		50918547	38244250
(b) - Expenses		3000689	2297769
(c) - Stores & Spares		8032088	3562218
2. Other Liabilities		14479303	15733832
		<u>76442080</u>	<u>59922692</u>
b) <u>PROVISIONS</u>			
Income Tax		8568788	5560000
Dividend and Corporate Dividend Tax		2289642	1827563
Gratuity		3176866	2449093
		<u>14035296</u>	<u>9836656</u>

Schedules annexed to & forming part of Profit & Loss Account for the year ended 31.03.2005

SALES

14 SALES - KRAFT PAPER		290046387	266542152
- PAPER BOARDS		206334081	208579336
Less: Discount		496380468	475121488
		1296314	3537309
		<u>495084154</u>	<u>471584179</u>

15 MISCELLANEOUS INCOME

Interest Received gross (TDS - Rs.68,022/-)		339194	286607
Insurance Claim received		221984	60555
Gain on Exchange Rate Fluctuation		4202876	1630594
Dividend Received		3120	3,20
Profit on Sale of Investments - Quoted Trade		195804	0
Profit on Sale of Fixed Assets		26666	0
Others		2228911	1232231
		<u>7218555</u>	<u>3213107</u>

16 INCREASE IN STOCK

Closing Stock			
Finished Goods		7826432	4412631
Stock In Process		1631857	1612241
Less: Opening Stock			
Finished Goods		4412631	4666365
Stock In Process		1612241	1182803
		<u>3433417</u>	<u>175704</u>

	31.3.2005 Rupees	31.3.2004 Rupees
17 COST OF GOODS SOLD		
Opening Stock	0	0
Add: Purchases	473462	13034484
Less: Closing Stock	0	0
	<u>473462</u>	<u>13034484</u>
18 MANUFACTURING EXPENSES		
Raw Materials consumed	238209127	216253339
Packing Materials consumed	5378184	4606399
Power & Fuel consumed	85325392	72292887
Stores, Spares and Consumables	10472808	13726722
Freight Inwards	5655378	4586974
Repairs and Maintenance - Plant & Machinery	1595076	2159165
Repairs and Maintenance - Building	200636	134830
Insurance Expenses - Works	1104500	1035466
Hire Charges	2951287	2709712
Factory Expenses	371107	118054
Coolie Charges	3977375	4736900
Purchase Commission	26250	0
Purchase Tax	544790	767020
	<u>355811910</u>	<u>323129468</u>
19 PAYMENTS TO AND PROVISION FOR EMPLOYEES		
Salaries, Wages & Allowances	25714585	23413643
Stipend & Exgratia	10900	71647
Bonus	1801547	2578409
Gratuity	874611	682967
V.R.S Payment	0	40000
Staff Welfare Expenses	2544365	2135610
C.L. A Rent	123000	132000
Medical Expenses	120717	233784
Employer's contribution to P.F.	1297498	1232971
Employer's contribution to E.S.I.	824744	872914
EDLI Premium	49996	42374
Professional Tax	0	480
	<u>33361963</u>	<u>31436999</u>



	31.3.2005	31.3.2004
	Rupees	Rupees
20 ADMINISTRATIVE EXPENSES		
Office & General Expenses	369083	445555
Travelling Expenses	5560705	5599492
Lighting Charges	239758	320792
Remuneration to Whole Time Directors	1350000	976210
Keyman Insurance	750000	0
Vehicle Maintenance	659644	604250
Rent	716213	459900
Professional Service Charges	2591217	2334823
Pooja Expenses	771709	546589
Printing and Stationery	320213	300054
Telephone, Postage and Telegram	1297008	1219677
Repairs and Maintenance	1072217	1188578
Books and Periodicals	19766	31253
Insurance Premium	81170	71632
Auditors Remuneration		
for Audit	100000	108321
for Tax and Sales Tax Audit	19285	18900
for Taxation matters and Out of pocket exps.	11100	10959
Rates and Taxes	702508	778082
Donation	800194	887909
Sitting Fee	81000	86000
Subscription and Membership	25952	32849
Entertainment Expenses	140425	14871
Amortisation of Computer Software	13291	13291
Loss on Sale of Investments	3830	0
	<u>17696288</u>	<u>16049987</u>
21 SELLING AND DISTRIBUTION EXPENSES		
Freight Outwards	544185	1132595
Cash Discount	417230	534549
Sales Promotion Expenses	1619056	1401579
Bad Debts Written Off	261715	229734
Marine Insurance	20579	14822
Advertisement Charges	129768	186197
	<u>2992533</u>	<u>3499476</u>
22 INTEREST AND FINANCE CHARGES		
Interest - Term Loans	6540153	3288018
Interest - Other loans	3214884	2916063
Interest - Others	99306	1504884
Finance Charges	1363365	915385
Forward Cover Premium	0	1436331
Bank Charges & Commission	2396702	5521286
	<u>13614410</u>	<u>15581967</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 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 availed.

4. Investments:

Long term Investments are stated at cost.

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 is stated at the exchange rate prevailing on that date.

7. Forward Contracts :

Premium or discount arising at the inception of forward contracts is recognised as expense or income based on the rate movement on the translation date. Any profit or loss arising on cancellation or renewal of

forward contract is recognised as income or expense in the Profit & Loss A/c.

8. Deferred tax

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

9. 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.

10. Borrowing Costs.

Borrowing Costs charged to Profit & Loss Account include interest on short and long term bank borrowings. Borrowing costs attributable to qualifying assets upto the date of capitalisation are capitalised as cost of the asset.

11. Others:

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

B. Notes on Accounts

1. Managerial Remuneration:

Managing Director	
Salary	Rs. 9,00,000
House Rent Allowance	Rs. 4,50,000
Medical Expenses	Rs. 33,294
Gratuity	Rs. 37,500
	Rs. 14,20,794/-

2. Value of Imports calculated on C.I.F. basis during the year amounted to Rs.628.72 Lacs (Previous Year Rs. 647.80 Lacs)

3. Expenditure in Foreign Currency:
Rs.51.34 Lakhs (Previous Year - 25.25 Lakhs)

4. Earnings in Foreign Exchange:
Export of goods - Nil (Previous year - Rs.74.26 Lakhs)

5. Deferred Tax Liability:

	Current Year	Upto 31.03.04
Arising on account of timing difference in:		
Depreciation	\$6,08,284/-	3,11,27,707/-

6. Deferred tax Asset Arising on account of timing difference in		
Provision for bad and doubtful debt	33,731/-	14,92,425/-
Provision for gratuity	2,83,883/-	8,78,612/-
Provision for leave encashment	(-) 1,97,503/-	3,88,755/-

7. Raw Materials consumed		
	Quantity	Value
	Tonnes	Rs.Lacs
Imported Waste Paper	9214.214	778.54
	(7694.704)	(646.43)
Indigenous Waste Paper	24284.578	1361.02
	(24864.585)	(1362.37)
Chemicals	2651.021	242.53
	(1976.56)	(153.57)

8. Finished Goods		
Particulars of Paper & Paper Boards	Quantity	Gross Value
	Tonnes	Rs.Lacs
Opening Stock	336.203	44.12
	(342.318)	(46.66)
Production & Purchases	30848.465	4984.98
	(29548.472)	(4710.84)
Sales	30629.741	4950.84
	(29554.587)	(4715.84)
Closing Stock	544.926	78.26
	(336.203)	(44.12)

9. Stock-in-Process		
	Quantity	Value
	Tonnes	Rs.Lacs
Opening	115.81	16.12
	(98.00)	(11.83)
Closing	146.61	16.32
	(115.81)	(16.12)

10. Percentage consumption of Raw Materials		
	Rs. Lacs	Percentage to total
Imported	778.54	36.38%
	(646.43)	(32.18%)
Indigenous	1361.02	63.62%
	(1362.37)	(67.82%)

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. Capacity	Paper & Paper Boards (MT)
Licensed Capacity	22,500
(Registered with S.I.A.)	(22,500)
Installed Capacity	41,600
	(33,600)
Actual Production	30,818
	(28,354)

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

17. Borrowing costs capitalised during this year - Rs.15.27 Lakhs (Previous Year - Nil)

18. Fixed deposits amounting to Rs.67.97 Lakhs is subject to lien created in favour of State Bank of India to secure the L/C Limit sanctioned by them.

19. Since Accounting Standards 3,17,18 and 29 are applicable to the Company for the first time, previous year figures are not shown.

20. Contingent Liabilities not provided for

a. Unexpired Contracts for Capital Expenditure: Nil (Previous year Rs. 151.46 Lacs)

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

c. Usance Letter of credit remaining unpaid as on 31.03.2005 amounts to Rs.433.50 Lacs (Previous year - Rs.298.78 Lacs) and bills / cheques discounted Rs.36.04 Lacs (Previous year - 96.43 Lacs) Inland L/C's negotiated Rs.14.67 Lacs (Previous year Rs. 8.56 Lacs)

d. Guarantee given by bank on behalf of the Company Rs.44.84 Lakhs (Previous year - Rs. 28.24 Lakhs)

e. Amount of Income tax disputed in appeal Rs.3.41 lakhs (Previous year 7.03 Lakhs)

Details of Provisions Pursuant to Accounting Standard - 29 - Provisions, Contingent Liabilities And Contingent Assets

	Opening Balance	Provision made during the year	Utilised during the year	Closing Balance
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Sundry Debtors	4160072	250000	239392	4170680
Income tax	5560000	3008788	0	8568788
Proposed Dividend	1620000	2025000	1620000	2025000
Corporate Dividend tax	207563	264642	207563	264642
Gratuity	2449093	874611	146838	3176866

21. Details in respect of related parties pursuant to AS 18

i. List of related parties

- a. Associates - Nil
 b. Key Management Personnel - S.Rajkumar
 c. Relative of Key Management Personnel - Rajee Rajkumar
 S.Sivathanu Pillai
 S.Giridhar
 S.Subramaniam
 E.Kamalam

d. Enterprises over which any person described in (b) or (c) above is able to exercise significant influence

- 1) Sree Kailas Leasing and Commercial Carriers Ltd.
 2) Sree Giri Packagings (P) Ltd.
 3) Sree Sakthi Constructions and Infrastructure (P) Ltd.
 4) Cartopacks*
 5) Sree Kailas Packagings*
 6) Sree Sakthi Ganapathy Packagings (P) Ltd.
 7) Keragen Technologies (P) Ltd.*
 8) Synergy Homes Ltd.*

* No Transactions during the year.

II Details of Transactions

Sl.No.	Nature of Transactions	With Key Management Personnel	With Enterprises/ Relatives of Key Management Personnel
		Amount(Rs.)	Amount(Rs.)
1.	Purchase of goods	Nil	7777695
2.	Freight Expenses	Nil	3608918
3.	Advance given	Nil	4241589
4.	Sitting fees	Nil	46000
5.	Guarantee Commission paid	453495	606990
6.	Advance Received Back	Nil	4241589
7.	Remuneration & Allowances	1420794	Nil
8.	Rent Paid	246000	Nil
9.	Interest received	Nil	17588

Amount Outstanding: Creditors for Expenses - Rs.1,89,171/-, Advances - Rs.11,35,864/-

Guarantee Commission - Rs.96,299/-



22. Segment Information

Geographical segmentation

	Amount
I Segment Revenue	
Edayar Plant	Rs. 19,84,66,950/-
Chalakyady Plant	Rs. 29,66,17,204/-
Total	Rs. 49,50,84,154/-
II Segment Results	
Edayar Plant	Rs. 2,10,65,123/-
Chalakyady Plant	Rs. 2,79,48,058/-
Total	Rs. 4,89,13,181/-
Unallocated Corporate Expenditure	Rs. 1,65,20,342/-
Operating Profit	Rs. 3,23,92,839/-
Interest	Rs. 1,36,14,410/-
Dividend Income	Rs. 3,120/-
Provision for taxation	Rs. 79,46,962/-
Profit after tax	Rs. 1,08,34,587/-
III Other Information	
(a) Segment Assets	
Edayar Plant	Rs. 12,64,01,194/-
Chalakyady Plant	Rs. 21,55,32,444/-
Total	Rs. 34,19,33,638/-
Unallocated Corporate Assets	Rs. 2,57,62,049/-
Total	Rs. 36,76,95,687/-
(b) Segment Liabilities	
Edayar Plant	Rs. 5,26,39,806/-
Chalakyady Plant	Rs. 5,24,23,773/-
Total	Rs. 10,50,63,579/-
Unallocated Corporate Liabilities	Rs. 13,93,76,135/-
Total	Rs. 2,44,439,714/-
(c) Capital Expenditure	
Edayar Plant	Rs. 3,02,16,909/-
Chalakyady Plant	Rs. 2,34,26,408/-
Total	Rs. 5,36,43,317/-
Unallocated capital Expenditure	Rs. 3,96,147/-
Total	Rs. 5,40,39,464/-

Accounting Policies

Segment accounting policies are in line with the accounting policies of the Company.

However the following specific accounting policies have been followed for segment reporting:

- Segment revenue includes sales and other income directly identifiable with or allocable to Segment.
- Expenses that are directly identifiable with / allocable to segments are considered for segment result. The expenses, which relates to the Company as a whole and mainly of administrative, selling and distribution expenses which are not allocable to segment is included under "other unallocable expenditure"
- Income which relates to the Company as a whole and not allocable to segments is included in "Unallocable Corporate Income"
- Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities relate to the Company as a whole and not allocable to any segment.

23. 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 2005
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)
	31.03.2005
	Rupees
Total Liabilities	2,77,024
Total Assets	2,77,024
Sources of funds	
Paid-up Capital	20,250
Reserves & Surplus	1,02,452
Secured Loans	1,54,293
Unsecured Loans	29
Deferred payment Credit	Nil
Application of funds	
Net Fixed Assets	1,81,092
Investments	35
Intangible Asset	40
Net Current Assets	95,857
Miscellaneous Expenditure	Nil
d) Performance of the Company	
Turn over	
(Including other income)	5,05,736
Total Expenditure	4,86,955
Profit before Tax	18,781
Profit after Tax	10,284
Earnings per share	5.07
Dividend rate percentage	10%
e) Generic names of three principle products of the Company:	
ITC Code No.	Description
1 64T3	Kraft Paper from Non-Conventional raw materials like waste paper
2 48101209	Kraft cuttings Paper Board coated with china clay using Unconventional raw materials

Signatories to Schedules 1 to 23 :

By order of the Board Subject to our report of even date

S.Sivathanu Pillai
Chairman

For Balan & Co
Chartered Accountants

A.S.Unni
Director

R.Ponnambalam B.Com.A.C.A. A.C.S
Company Secretary

A.Mohanan B.Sc.F.C.A
Memb No:20627

S.Rajkumar
Managing Director
Cochin - 14
05/08/2005

R.Satheshkumar B.Com.A.C.A
D.G.M (Finance & Accounts)

Partner
Cochin-11
05/08/2005

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

In terms of AS - 3 on Cash Flow Statement under indirect Method

A. Cash Flow from Operating activities

Net profit Before Taxation			18781549
Adjustment for:	Add:	Deduct:	
Depreciation	11405760		
Amortisation of Computer software	13291		
Interest on Borrowings	11962877		
Unrealised gain on exchange rate fluctuation		2530500	
Dividend income		3120	
Rebate received on loan repayment		11030	
Profit on sale of investments		195804	
Profit on sale of fixed assets		26660	
	23381928	2867120	20514808
Operating profit before working capital changes			39296337
Increase in Sundry Debtors		18852178	
Decrease in Loans & Advances	221883		
Increase in Inventories		1461182	
Increase in Sundry Creditors & Other liabilities	17437893		
	17659776	20313360	-2653584
Cash from operations			36642773
Incometax paid			3863244
Net cash from operating activities			32779529

B. Cash flow from Investing Activities

Purchase of Fixed assets		54039465	
Purchase of Investments		2650000	
Add			
Proceeds from sale of Fixed assets	263500		
Dividend received	3120		
Proceeds from sale of investments	2845804		
Net cash from investing activities	3112424	56689465	-53577041

C. Cash flow from financing activities

Proceeds from Long term Borrowings	30836230		
Rebate received on loan repayment	11030		
Repayment of Long term Borrowings		17578295	
Proceeds from Short term Borrowings	23107655		
Interest on borrowings		12276329	
Dividend paid		1827563	
	53954915	31682187	22272728
Net Cash flow from Financing Activities			1475216
Net Increase/Decrease in Cash & cash equivalents			7756352
Cash & Cash Equivalents as on 31/3/04			9231568
Cash & Cash Equivalents as on 31/3/05			9231568

By order of the Board

S.Sivathanu Pillai
ChairmanA.S.Urmi
DirectorS.Rajkumar
Managing Director
Cochin -16
05/08/2005R.Ponnambalam, B.Com, A.C.A, A.C.S
Company SecretaryR.Satheeshkumar, B.Com, A.C.A
D.G.M (Finance & Accounts)Subject to our report of even date
For Balan & Co
Chartered AccountantsA.Muhanan B.Sc.F.C.A
Memb No:20627
Partner
Cochin-11

05/08/2005



Sree Sakthi
paper mills limited

Registered Office: 57/2993, "SREE KAILAS", Pallam Road, Ernakulam, Cochin -10
Factories: KRAFT PAPER UNIT, Development Area, Edayar, Alwaye.
Duplex Board Unit: Kanjirapilly, Chalakkudy.