



**SREE SAKTHI PAPER
MILLS LIMITED**

SIXTH ANNUAL REPORT
1996-97

SREE SAKTHI PAPER MILLS LIMITED

DIRECTORS

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

BANKERS

State Bank of India

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AUDITORS

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



REGISTERED OFFICE

39/2724 A,
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 LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 50th Annual General Meeting of the shareholders of the Company will be held at 12.05 P.M. on Friday, the 31st October, 1997 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, 1997 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.

2. To declare dividend

3. To appoint a Director in place of Sri S. Subramaniam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.

4. 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.

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 :

SREE SAKTHI PAPER MILLS LIMITED

"RESOLVED THAT subject to the provisions of Section 195, 269, 309, 310, Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals, if any, the Company hereby accords its approval for the appointment of Mr. S.Rajkumar as Managing Director of the Company again for a period of 5 years from 9th September, 1997 to 8th September, 2002 on the terms and conditions including remuneration and perquisites as approved by the Board of Directors at their meeting held on 9th September, 1997 and accepted by Sri S.Rajkumar with liberty to the Board of Directors to alter and vary the approved terms and conditions as the Board of Directors may consider necessary and as may be agreed to by Mr.S.Rajkumar within the overall limits as specified in Schedule XIII to the Companies Act, 1956 for the time being in force or any statutory modification or re-enactment thereof and / or any rules or regulations framed thereunder."

"FURTHER RESOLVED wherein in any Financial year, the Company has no profit or if profits are inadequate the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites as above mentioned subject to the ceiling set out under Schedule XIII to the Companies Act, 1956."

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

R.Ponnambalam
Company Secretary

Cochin-16
6.10.1997

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. Proxies in order to be effective must be lodged at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 21st October, 1997 to 31st October, 1997 (both days inclusive).
3. Dividend, if declared, will be paid to those members whose names appear in the Register of Members on 31st October, 1997 or to their mandatees.
4. Members are requested to notify any change of address, if any.
5. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no.6 of the notice is annexed hereto.

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EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

At the meeting of Board of Directors of the Company held on 9th September, 1997 Mr. S.Rajkumar, who was First Managing Director of the Company for a period of 5 years, was appointed as Managing Director of the Company again for a period of 5 years from 9th September, 1997 on the following terms and conditions, which are the same as existed before.

I Mr.S.Rajkumar shall hold office of Managing Director for a period of 5 years from 9th September, 1997 to 8th September, 2002.

II. He shall be paid remuneration including perquisites as follows:

- 1) Salary: Rs.30,000/- (Rupees Thirty Thousand only) per month.
- 2) Commission One percent of net profit for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956
- 3) Perquisites:
 - i) House Rent Allowance at the rate of Fifty Percentage of the salary.
 - ii) Medical expenses incurred for the Managing Director and his family subject to a ceiling of one months salary in a year or three months salary over a period of three years.
 - iii) Leave Travel concession for the Managing Director and his family once in a year incurred in accordance with the rules of the Company.
 - iv) Fees of Clubs subject to a maximum of two clubs.
 - v) Personal accident insurance for an amount the annual premium of which does not exceed Rs.2500/-
 - vi) Contribution to Provident Fund, Superannuation and Annuity Fund in accordance with the rules specified by the Company. Gratuity payable shall not exceed half a months salary for each completed year of service.
 - vii) Encashment of leave at the end of the tenure.
 - viii) Provision of car for use on Company's business and Telephone at residence.

Perquisites shall be evaluated as per the Income-tax Rules, 1962 wherever applicable.

Minimum Remuneration:- Same substantive salary and perquisites subject to ceiling set out under Schedule XIII to the Companies Act, 1956

Notice dated 26.9.97 of the terms and conditions of the appointment of Mr. S.Rajkumar have been sent to all the members of the Company pursuant to Section 302 of the Companies Act, 1956.

Mr.S.Rajkumar, Mr.S.Sivathanu Pillai, S.Subramaniam, Mrs.E.Kamalam and Mr.S.Girdhar are interested in the resolution as they are related to each other. Save and except the above none of the Directors is concerned or interested in the resolution.

SREE SAKTHI PAPER MILLS LIMITED

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the sixth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	1996-97 (Rs.Lacs)	1995-96 (Rs.Lacs)
Sales (net)	2726.98	1662.99
Operating profit	422.77	311.42
Interest and Finance charges	281.15	148.20
Depreciation	77.43	51.12
Profit before tax	64.49	112.11
Provision for tax	8.26	Nil
Profit after tax	56.23	112.11
Balance of Profit brought forward	275.42	211.55
Amount available for appropriation	331.65	323.66
Appropriation :-		
General Reserve	10.00	40.20
Proposed Dividend	8.25	24.09
Corporate Dividend Tax	0.82	Nil
Retained Profits carried to Balance sheet	312.58	259.37

REVIEW OF OPERATIONS 1996-1997

Despite severe powercut and related load restrictions which continued throughout the year, at Edayar factory a production of 11,870 MT Kraft paper was achieved as against 11,955 MT in the previous year. At Chalakudy factory

production operations which commenced in the previous year from September 1995, have since been stabilised and the plant has achieved a production of 8,470 MT paper board. The above production at both the Factories was sustained by captive power generation which increased power cost considerably.

Although the production performance during the year is reasonably satisfactory, the profit before tax has declined to Rs. 64.49 Lacs due to increased operation costs especially on power front. The recession in paper industry which set in in the latter half of last year, further aggravated during the year under review. Sluggish market conditions also had its impact on the sales realisation and on profits. On account of these factors your company faced severe working capital constraints which in turn resulted in increased finance cost and lower profits.

PROSPECTS FOR 1997-98

The trade depression still persists and chances of improvement in trading conditions and firming up of prices in the near future are dim. The operations during the current year have also been affected by powercut at varying percentages introduced by Kerala State Electricity Board. In the circumstances the Company had to depend on captive power generation which made inroad to the otherwise meagre-profit margin of the company. However, depending on a favourable monsoon the power supply position is expected to improve as otherwise the situation will continue to be difficult. Further, competition is expected from a few paper mills which have been commissioned recently. The competition is likely to result in downward trend of sales price and availability of raw material - waste paper - critical and costly. Because of cash crunch, the

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company is finding it extremely difficult to reduce finance cost in tough market conditions. As the company's products are already well-known and carved a market, taking an overall view of stabilisation of production at Edayar and Chalakudy units, improved operational efficiencies, better materials and working capital management, and aggressive marketing and subject to reasonable availability of power from Kerala State Electricity Board, current year's operations are expected to yield satisfactory results.

INDUSTRIAL RELATIONS

The Company continues to maintain cordial industrial relations at all locations.

DIVIDEND

Although there is need to conserve the entire profits earned to augment the working capital requirements of the Company, to keep the track record of dividend payment, your Directors recommend a Dividend of 5 per cent, as was paid last year, for the year ended 31st March, 1997 subject to necessary approvals. In accordance with the provisions of the Finance Act, 1997, no tax will be deducted at source on the dividend, but your Company will absorb Rs.82,500 towards tax on distributed profits.

BOARD OF DIRECTORS

In accordance with Article 63 of the Articles of Association of the Company, Sri S. Subramaniam and Smt.E.Kamalam retire on rotation, they being eligible offer themselves for re-appointment.

AUDITORS

M/s Balan & Co. Chartered Accountants, the present Auditors of the Company retire and are eligible for re-appointment. Necessary certificate has been obtained from the Auditors

as per section 224(1) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had no exports and no foreign exchange earnings during the year. The outgo was solely for purchase of raw materials amounting to Rs.154.88 Lacs.

PARTICULARS UNDER SECTION 217

Statement of particulars under section 217 (1)(e) and particulars of employees under section 217(2A) of the Companies Act, 1956 are annexed.

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to the State and Central Governments, Kerala State Industrial Development Corporation Ltd., Kerala Financial Corporation, Industrial Development Bank of India, State Bank of India, State Bank of Hyderabad, Kerala State Electricity Board and customers, dealers / Agents and shareholders including S.B.I. Capital Markets Ltd. for their continued co-operation and support.

Your Directors also wish to express their appreciation of the services of all the employees for their valued co-operation, dedication and loyalty.

By and on behalf of the
Board of Directors

S. Sivathanu Pillai

CHAIRMAN

Cochin-16
Date: 6/10/97

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ANNEXURE TO THE DIRECTORS' REPORT

FORM "A"

(See Rule 2)

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel consumption

Current year

Previous year

1. Electricity

a. Purchased

Unit	81,43,704	58,41,428
Total amount	80,18,152	45,30,810
Rate/Unit	0.98	0.78

b. Own Generation

(i) Through Diesel Generator

Unit	47,01,545	12,25,805
Unit per liter of diesel oil	3.49	4.43
Cost /Unit	2.45	1.76

(ii) Through steam turbine/generator

2. Coal	-	-
3. Furnace oil	-	-
4. Others/internal generation	-	-

B. Consumption per unit of production

Electricity (kwh)	632	515
Furnace oil	-	-
Coal	-	-
Others	-	-