

# ***Sree Sakthi Paper Mills Limited***

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***Seventh Annual Report  
1997-98***

## SREE SAKTHI PAPER MILLS LIMITED

### DIRECTORS

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

### BANKERS

State Bank of India

### AUDITORS

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



### REGISTERED OFFICE

39/2724 A,  
Palam 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 Seventh Annual General Meeting of the shareholders of the Company will be held at 4.00 PM on Saturday, the 26th September, 1998 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, 1998 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri S. Sivathanu Pillai, 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.
3. To appoint a Director in place of Sri. A.S. Unni, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Sri N. Ravindranathan, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

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

Cochin-16  
1-9-1998

R.Ponnambalam  
Company Secretary

#### **Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. Proxies in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Members are requested to notify their change of address, if any



## SREE SAKTHI PAPER MILLS LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the seventh Annual Report and the Audited Accounts of the Company for the year ended 31st March, 1998.

#### FINANCIAL RESULTS

	1997-98	1996-97
	(Rs.Lacs)	(Rs.Lacs)
Sales (net)	2883.25	2726.98
Operating profit	463.23	422.77
Interest and Finance charges	290.98	281.15
Depreciation	81.05	77.13
Profit before tax	91.20	64.49
Provision for tax	9.60	9.08
Profit after tax	81.60	55.43
Income Tax relating to earlier year	2.20	0.20
Provision for Dividend & Tax		
Written back	9.07	16.05
Balance of Profit brought forward	312.58	259.37
Amount available for appropriation	401.05	331.65
Appropriation :-		
General Reserve	350.00	10.00
Proposed Dividend & Tax on Dividend	Nil	9.07
Retained Profits carried to Balance sheet	51.05	312.58

#### REVIEW OF OPERATIONS 1997-1998

During the year under review, operations at Edayar factory and Chalakudy factory has been steady and overall there was slender volume growth. While the production at Edayar factory dropped by 7.5% over previous year's production, there was marked increase in production by 25.5% after stabilisation of operation at Chalakudy factory. But this phenomenon of volume growth has not seen in values as the unit realisation of different varieties of paper, paper board, duplex board was less owing to trade recession which persisted throughout the year. Further the sale of kraft paper met with stiff competition from a few newly started mills. Operating profits of the Company, however, have improved compared to previous year. This was made possible by introduction of different varieties of paper board and special thrust on product mix backed up by efficient marketing and by undertaking effective steps in cost cutting operation-wise. Profits would have been still higher but for the impact of increased interest and financing charges. There was no easing of power cut restrictions during the year thereby necessitating continued usage of Diesel generated power causing escalation in power cost.

#### AWARDS

The Board is also happy to inform that an amount to Rs. 23.10 lakhs has been spent on Pollution control Equipment at Edayar factory and it was inaugurated by Prof. A.D. Damodaran, Ph.D. (Leeds), Chairman Science, Technology and Environment Committee and Ex-officio Secretary, S.T.E. Department, Govt. of Kerala, Trivandrum on 4-12-1997. Subsequently after inspection of the Edayar Factory by Kerala State Pollution Control Board authorities, our Company was adjudged for the First place in the State

## SREE SAKTHI PAPER MILLS LIMITED

Pollution control award 1998 amongst medium scale industries. Cash award of Rs. 15,000/- was received along with Certificate of merit and revolving trophy.

### PROSPECTS FOR 1998-99

The current year's performance so far is satisfactory and after the annual maintenance of plant it has been planned to achieve rated capacity production for the rest of the year. It is unlikely that the Company will gain from the improvement in production since ill effects of sluggish economy and depressed market conditions still persist and this phenomenon is likely to continue for the remaining part of the year. In line with the recessionary conditions pervading the economy, the outlook for improvement in selling price and margin of profit seem bleak. Depreciation of rupee against dollar and the recent budget proposal to levy additional non-modifiable import duty have put the Company in tight spot by way of increased raw material input cost. Again the recent change introduced by Kerala State Electricity Board in withdrawing the payment of power charges at concessional rate and charging the normal tariff on industries eligible for concessional tariff and to claim subsidy amount direct from Industries Department have imposed severe strain on the constrained finances which the Company is already facing.

Company's hopes hinges on cost rationalisation and a shake out in recession and possible price hike in volume sales owing to reduced imports into the country on account of budget levy and depreciating rupee value against dollar, to maintain stable profit in the current scenario.

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

### INDUSTRIAL RELATIONS

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

### DIVIDEND

In view of critical financial strain presently faced by the Company there is extreme necessity to improve the working capital position of the Company. Your Directors feel it would be prudent to plough back the entire profits earned to augment the working capital resources of the Company and therefore, do not recommend any Dividend.

### BOARD OF DIRECTORS

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

### AUDITORS

M/s Basim & 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



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outgo was solely for purchase of raw materials amounting to Rs.305.15 Lakhs.

### 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

Cochin-16  
Date: 24-08-1998

S. Sivathanu Pillai  
CHAIRMAN

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# SREE SAKTHI PAPER MILLS LIMITED

## 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	79,85,073	81,43,704
Total amount	84,18,374	80,18,152
Rate/Unit	0.80	0.98
b. Own Generation		
(i) Through Diesel Generator		
Unit	42,01,322	47,01,545
Unit per liter of diesel oil	3.34	3.49
Cost /Unit	3.13	2.45
(ii) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace oil	-	-
4. Others/internal generation	-	-
B. Consumption per unit of production		
Electricity (kwh)	564	632
Furnace oil	-	-
Coal	-	-
Others	-	-



**SREE SAKTHI PAPER MILLS LIMITED**

**ANNEXURE TO THE DIRECTORS' REPORT**

**FORM "B"**

(See Rule 2)

**DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

**A. RESEARCH AND DEVELOPMENT (R & D)**

1. Specific areas in which (R & D) Carried out by the Company : Nil
2. Benefit derived as a result of the above R & D : Nil
3. Future plan of action : The Company would undertake appropriate R & D activities depending upon future requirements
4. Expenditure on R & D : N.A

**B. TECHNOLOGY ABSORPTION  
ADAPTION AND 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