Tenth Annual Report 2000 - 2001

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. V. Viswanathan
(KSIDC Nominee)

BANKERS

State Bank of India

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.

SREE SAKTHI PAPER MILLS LIMITED

Regd. Office: Sree Kailas, 39/2724 - A,
Pallam Road, Cochin-682 016.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Tenth Annual General Meeting of the shareholders of the Company will be held at 4.30 p.m. on Saturday the 29th September 2001 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, 2001 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. Subramaniam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt. E. Kamalam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers herself for reappointment.
4. To appoint Auditors and fix their remuneration.

Cochin-16,
01.09.2001.

By order of the Board
For Sree Sakthi Paper Mills Limited.

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 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.
3. The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours from 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 the Annual General Meeting.

Directors Report to the Shareholders

Your Directors have pleasure in presenting the Tenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

	2000-2001 Rs. Lakhs	1999-2000 Rs. Lakhs
Sales (Net)	3225.48	3054.99
Operating Profit	339.30	406.63
Interest and finance	232.81	227.18
Depreciation	90.57	86.55
Profit before tax	15.92	92.90
Provision for Tax	1.35	10.00
Profit after tax	14.57	82.90
Income tax relating to earlier year	0.07	1.86
Balance of profit brought forward	67.13	40.80
Amount available for appropriation	81.63	121.84
Appropriation		
General Reserve	-----	30.00
Proposed Dividend & Tax on dividend	-----	24.71
Retained profits carried to Balance Sheet	81.63	67.13

REVIEW OF OPERATIONS 2000-2001

During the year under review, your Company has achieved 4.5% production growth. Production was 25024 MT as compared to 23930 MT during the previous year. The Company sold 24348 MT during the year as against 24040 MT in previous year representing 1.3% increase in sales. However, despite performing well by adopting measures to control manufacturing, administrative and selling expenses, the operating profits have substantially dropped. This was mainly due to the steep increase in imported raw material prices which went up to US$215 from US$125 causing nearly 37.5% increase in consumption rate of imported raw materials. Though the average sales realisation has improved over the previous financial year, the increase in sale rate growth was only 4.2% which had not fully compensated the increase in cost of raw material input, resulting in dwindling of profits and causing working capital strain. Although there is reduction in Interest on Term loans, the gain on this account has been negated by the increase in Financing charges, due to working capital shortage.

Your Company, therefore, achieved only a net profit of Rs.15.92 lakhs compared to Rs.92.90 lakhs in previous year, due to reasons explained above.

Your Directors are pleased to report that the Edayar unit of the Company has also been awarded ISO 9002 certificate.

PROSPECTS FOR 2001-2002

The current year's performance so far is satisfactory and with the fall in prices of imported raw materials and by taking effective measures to cut down costs in order to remain competitive, achievement of satisfactory results by way of reasonable profits is envisaged. However, the steep hike in Excise duty imposed in Union Budget 2000 on paper and paper products (increased to 16% from 8%) is continued in 2001 Budget also jeopardizing better sales realization rate. The 25% increase in Electricity charges recently imposed by State Government could have adverse impact on the profits margins of the Company.

INDUSTRIAL RELATIONS

With the excellent support and cordial relations extended by the employees at all the Company's units, your company could achieve satisfactory levels of performance.

DIVIDEND

In view of extreme financial strain now faced by the Company, there is utmost necessity to augment working capital requirements of the Company. Under the circumstances, your Directors feel it would be prudent to plough back the meagre profits earned by the Company fully to meet working capital shortage and therefore, do not propose any dividend.

BOARD OF DIRECTORS

In accordance with Article 83 of the Articles of Association of the Company, Sri S. Subramaniam and Smt. E. Karnalam directors of the Company retire on rotation, and they being eligible offer themselves for re-appointment.

AUDITORS

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

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had no exports and no foreign exchange earnings during the year. The outgo was solely for purchase of raw materials amounting to Rs.541-25 lakhs.

PARTICULARS UNDER SECTION 217

Conservation of Energy, Technology Absorption

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

Particulars of Employees

None of the employees of the Company is coming under the purview of Section 217(2A) of the Companies Act, 1956 as amended per Notification dated 12th March, 1999. The details of managerial remuneration under section 198 of the Act are furnished under note B (1) of Schedule 20 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 2001 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 2001 on a 'going concern' basis.

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, SBI Factors and Commercial Services Ltd., Kerala State Electricity Board, customers, dealers/Agents and share holders including SBI Capital Markets Ltd for their co-operation and support extended to the Company.

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

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

Kochi-16
Date 27-08-2001

By and on behalf of the Board of Directors
Sd/-
S. Sivathanu Pillai
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

FORM 'A'

(See Rule 2)

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year	Previous year
A. Power and Fuel Consumption		
1. Electricity		
a. Purchased		
Unit	1,27,91,120	1,27,82,160
Total Amount	1,93,18,442	1,81,11,538
Rate/Unit	1.51	1.42
b. Own Generation		
(1) Through Diesel Generator		
Unit	7,05,886	9,15,798
Unit per Ltr. of diesel oil	3.46	3.35
Cost/Unit	5.01	4.05
(II) Through steam turbine/generator	-	-
2. Coal	-	-
3. Furnace Oil	-	-
4. Others/Internal generation	-	-
B. Consumption per unit of production		
Electricity (kwh)	540	573
Furnace Oil	-	-
Coal	-	-
Others	-	-