

Twelfth Annual Report 2002 - 2003



**Sree Sakthi
Paper Mills Limited**



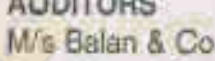
DIRECTORS

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

BANKERS

State Bank of India

AUDITORS

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

REGISTERED OFFICE

57/2993
Paliam 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 Kallas, 59/2993
Palam Road, Cochin-682 016.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of the Company will be held at 11.30 A.M. on Monday the 1st September 2003 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, 2003 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. 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 reappointment.
4. 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.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit to pass, with or without modification the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT in super session of resolution/s passed at the Board meeting dated 19th July, 2002 and at the Annual General Meeting held on 29th September, 2002, subject to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to approval of Central Government and other appropriate authorities, the Company hereby accords its approval for the reappointment of Mr. S.Rajkumar as Managing Director of the Company for a period of 5 years from 11th July, 2003 to 10th July, 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 11th July, 2003 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 reenactment thereof and/or any rules or regulations framed thereunder."

"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."

By Order of the Board
For Sree Sakthi Paper Mills Limited
Sd/-
R. Fonnambalam
Company Secretary

COCHIN-16

Date: 4th August, 2003

NOTES:

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 6 of the notice is annexed hereto.

- 1) A member 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) Dividend, if declared, will be paid to those members whose names appear in the Register of Members on 1st September, 2003 or to their mandatees.
- 3) Members are requested to notify their change of address if any
- 4) The accounts, the reports and all other documents required under the law to be annexed thereto will be available for inspection during working hours between 10 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**

At the Annual General Meeting of the Company held on 28th September, 2002, the appointment/reappointment of Sri. S. Rajkumar as Managing Director of the Company for a period of 5 years w.e.f. 9.9.2002 had been approved with terms and conditions including remuneration. It has been advised that permission of Central Government was necessary for payment of remuneration to Managing Director as per the amended provisions of Schedule XIII, which was overlooked. As permission of Central Government not taken, remuneration to Managing Director not paid or provided. In view of above, in super session of earlier resolution passed on 19th July, 2002, Board of Directors at their meeting held on 11th July, 2003 have re-appointed, subject to necessary approvals, Sri. S. Rajkumar as Managing Director of the Company for a period of 5 years from 11th July, 2003 to 10th July, 2008.

As required under the amended provisions of Schedule XIII of the Companies Act, 1956, the payment of remuneration has been approved by a resolution passed by the Remuneration Committee.

The revised terms and conditions are 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
2. Salary: 75000/- 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.
4. Perquisites
 - i) House rent allowance at the rate of 50% (fifty percentage) of the salary
 - ii) Medical expenses 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 for an amount of the annual premium of which does not exceed Rs. 6000/-
 - iv) Gratuity payable shall 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
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

Sri. S. Rajkumar, Sri. S. Sivathanu Pillai, Sri S. Subramaniam, Mrs. E. Kamalam and Sri S. Giridhar 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.

By order of Board
For Sree Sakthi Paper Mills Ltd

R. Ponnambalam
Company Secretary

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Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twelfth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-2003 (Rs. Lacs)	2001-2002 (Rs. Lacs)
Sales (Net)	3535.46	3352.39
Operating Profit	272.28	345.34
Interest and finance	99.89	154.05
Depreciation	94.37	89.05
Profit before tax	78.00	102.24
Provision for Tax	12.80	12.00
Profit after tax	68.45	90.24
Income tax relating to earlier year	(3.25)	--
Balance of profit brought forward	21.87	81.63
Amount available for appropriation	90.32	171.87
Appropriation General Reserve	50.00	150.00
Proposed Dividend & Tax on dividend	22.90	--
Retained profits carried to Balance Sheet	17.42	21.87

REVIEW OF OPERATIONS 2002-2003

During the year under review, your Company has maintained full capacity utilisation as in last year. Production was 25860 MT as compared to 25215 MT during the previous year. The Company sold 25960 MT during the year as against 25833 MT in previous year. Gross turnover increased to Rs. 3870 lakhs compared to Rs. 3787 lakhs in previous year. Export sales accounted for 1.57 per cent of gross turnover. However operating profit (PBDT) decreased during the year. The operating margin factors in gains from higher volumes, high degree of integration and value addition, continued focus on costs, productivity and efficiency has been partially offset by higher cost of raw materials and increase in electricity charges imposed from September, 2002.

Interest expenditure decreased 15.50 per cent caused by repayment, refinancing of higher cost long term debts/working capital loan and ongoing prudent financial and cash flow management. The company successfully refinanced Rupee Term loan and major part of working capital loan by borrowing foreign currency FCNR-B loan at low cost which contributed to compensate to a large extent adverse impact of increased raw material cost and electricity charges and but for this the profits of the Company would have been far below the profits in the previous year.

PROSPECTS FOR 2003-2004

The Company's performance so far in the current year is satisfactory. The overall earnings presently depend on global economic outlook and trends in demand-supply scenario.



The Company continuously works towards honing its competitive strength by adopting appropriate cost control measures, manufacturing practices, HRD policies, and consolidating customer relationships so that the company outpaces competition and remains one amongst most profitable companies.

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

INDUSTRIAL RELATIONS

The industrial relations scenario was peaceful and cordial atmosphere prevailed.

DIVIDEND

The Directors have recommended a dividend of 10% i.e. Re 1/- per share for the financial year ended 31.03.2003. The dividend pay out for the year under review has been formulated with the Company's policy of striving to pay stable dividend continuously. Your Directors believe this would increase shareholder value.

In accordance with the provisions of the Finance Act, 2003 no tax will be deducted at source on the dividend but your Company will absorb Rs. 2.65 lakhs towards tax on distributed profits.

BOARD OF DIRECTORS

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

AUDITORS

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

FOREIGN EXCHANGE EARNINGS AND OUT-GO

The Company had exports and earned foreign exchange Rs. 64.95 lakhs during the year. The outgo was mainly for purchase of raw materials amounting to Rs. 521.33 lakhs.

PARTICULARS UNDER SECTION 217

Conservation of Energy, Technology Absorption

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

Particulars of Employees

None of the employees of the Company is coming under the purview of Section 217(2A) of the Companies Act, 1956 as amended per Notification dated 17th April, 2002. The details of managerial remuneration under section 198 of the Act are furnished under note B (1) of Schedule 22 forming part of the Accounts.