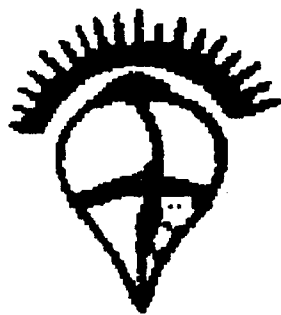


SREE SAKTHI PAPER MILLS LIMITED

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18th ANNUAL REPORT 2008-2009



C O N T E N T S

Board of Directors, etc.	01
Financial Highlights	02
Notice	03
Directors' Report	09
Corporate Governance Report	14
Auditor's Report	22
Balance Sheet	25
Profit & Loss Account	26
Schedules	27
Notes on Accounts	33
Cash Flow Statement	40
Statement pursuant to Section 212(1) (e) of the Companies Act, 1956	41
Balance Sheet Abstract	42
Consolidated Financial Statements	43
Annual Reports of Subsidiary Companies	60

BOARD OF DIRECTORS

Mr.S.Sivathanu Pillai (Chairman)
 Mr.S.Rajkumar (Vice Chairman & Managing Director)
 Mr.A.S.Unni
 Mr.N.Ravindranathan
 Mr.S.Subramoniam
 Mr.S.Giridhar
 Mrs.E.Kamalam
 Mr.U.Gururaja Bhat
 Mr.Deveshwer Kumar Kapila
 Dr.A.R.K.Rao
 Mr.N.Sreekumar
 Mr.A.Padmanabhan (w.e.f.25.06.2009)

COMPANY SECRETARY

Mr.Binu Alex.V

AUDITORS

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

BANKERS

Federal Bank Limited
 Industrial Development Bank of India Limited
 Bank of India

REGISTERED OFFICE

57/2993, "Sree Kailas"
 Paliyam Road, Ernakulam, Cochin-16, Kerala
 Tel : 0484-2373230,2382182
 Fax : 0484-2370395
 Email : secretary@sreekailas.com
 Web : www.sreekailas.com

FACTORIES

Kraft Paper Unit 1 and 2

Industrial Development Area
 Muppathadom, Edayar, Aluva-02
 Tel : 0484-2540622, 2555451

Duplex Board Unit

Kanjirapilly, Pariyaram, Chalakudy, Thrissur-680 721
 Tel : 0480-2746129, 2746229

**FINANCIAL HIGHLIGHTS (7 YEARS)**

(Rs. in Lakhs)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales (Gross)	3870.03	4751.21	4963.80	6390.68	6782.46	11624.81	14416.14
Sales (Net)	3506.65	4219.82	4447.82	5761.54	6116.50	10638.30	13708.63
Total Income	3532.82	4253.7	4554.34	5841.12	6324.94	10729.89	13928.84
Profit before tax	78.00	86.21	187.82	237.53	354.56	456.23	483.66
Profit after tax	65.20	53.20	102.85	170.73	200.10	302.46	331.79
Earnings Per Share (Rs.)	3.22	2.63	5.08	1.04	1.22	1.84	2.02
Dividend Rate (%)	10%	8%	10%	5%	10%	15%	15%
Reserve & Retained Earnings	548.22	606.02	685.96	1822.72	1830.53	1844.55	1887.90
Share Capital	202.50	202.50	202.50	1643.62	1643.62	1643.62	1643.62
Shareholders' Funds	750.72	808.52	888.46	3466.34	3474.15	3488.17	3531.52
Fixed Assets (Gross Block)	2033.16	2181.58	2720.27	2923.57	4992.14	5756.44	6543.26
Fixed Assets (Net Block)	1343.05	1386.95	1811.32	1877.09	3792.04	4293.61	4772.94

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Sree Sakthi Paper Mills Limited will be held on Wednesday, 26th August 2009 at 3.30 p.m. at Hotel Abad Plaza, M.G.Road, Ernakulam, Cochin-35 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2009, and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.Deveshwer Kumar Kapila, 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 Dr.A.R.K.Rao, 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 a Director in place of Mr.S.Subramoniam, who retires by rotation according to Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that M/s. Balan & Co. Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting at remuneration to be determined by the Board exclusive of travel and other out of pocket expenses that may be incurred by them in conducting the audit".

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:

"Resolved that Mr.A.Padmanabhan, an additional director of the company who holds office upto the date of this meeting in terms of Section 260 of the Companies Act, 1956 and Article 82 of the Articles of Association of the Company, be and is hereby appointed as a director of the Company."

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

"Resolved that pursuant to the provisions of sections 198,269,309,311 read with Schedule XIII of the Companies Act, 1956 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 Appointment of Mr.A.Padmanabhan as Whole Time Director - Operations of the company for a period of 3 years from 01.07.2009 to 30.06.2012 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 20th July 2009 and accepted by Mr.A.Padmanabhan 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.A.Padmanabhan 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 that wherein in any financial year, the company has no profit or profits are inadequate, the minimum remuneration payable to the Whole Time Director - Operations 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.

By Order of the Board
For Sree Sakthi Paper Mills Limited

Sd/-

Binu Alex.V
(Company Secretary)

Place : Cochin-16
Date : 20.07.2009



NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 concerning special business is annexed hereto
4. Register of Members and Share Transfer Books of the Company will remain closed from 21st August 2009 to 26th August 2009 (both days inclusive).
5. The dividend when declared will be payable to those members of the Company whose names appear on the Register of Members of the Company on 26th August 2009. In respect of the shares held in dematerialized form, the dividend will be paid on the basis of the beneficial ownership as per details to be furnished for this purpose by the Depositories.
6. For payment of dividend through ECS, (a) Members holding shares in physical form are advised to submit particulars of their bank account viz, Name and address of the branch of the Bank, 9 digit MICR Code of the Branch, type of account and account number latest by 20th August 2009 to the Company's Registrar and Share Transfer Agents and (b) Members holding shares in demat are advised to inform their particulars to their respective Depository Participants.
7. There are no unclaimed/unpaid dividend requiring to be transferred to the Investor Education and Protection Fund of the Central Government.
8. All the Members are requested to forward the share transfers deed(s) and other communications directly to Registrar and Share Transfer Agents of the Company in the following address;

M/s. Bigshare Services Private Limited, E/2, Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (E), Mumbai -400 072, Tel .022-28470652, Fax.022-28475207".
9. Members holding shares in physical form are requested to notify, promptly, any change in their address, to the Registrar and Share Transfer Agents of the Company, M/s Bigshare Services Private Limited, Mumbai, quoting their Membership Number, besides changes, if any, in the Dividend Mandates given by them and those holding shares in Electronic Form, may communicate the above information to their respective Depository Participants.
10. Members may avail nomination facility as provided under section 109A of the Companies Act, 1956.
11. Members attending the meeting are requested to bring the attendance slip as well as their copy of the Annual Report. Members holding shares in DEMAT form are requested to incorporate the DP ID Number and Client ID Number in the Attendance Slip / Proxy Form, for easy identification of attendance at the meeting
12. Members desirous of obtaining any information concerning accounts of the Company are requested to address their questions to the Company, so as to reach at least 7 days before the date of the meeting, to enable the information required to be made available at the meeting.
13. The Company is having agreements with NSDL & CDSL and Bigshare Services Private Limited (for connectivity with NSDL & CDSL) to enable the shareholders to have the option of holding and dealing in the shares of the Company in electronic form.

The ISIN of the equity shares of the Company is INE266H01014.

Members who are holding shares in physical segment are requested to dematerialize the same considering the advantages in eliminating several problems involved in the scrip based systems viz., bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates etc.
14. As per requirement of Clause 49 of the Listing Agreement on Corporate Governance for appointment of the Directors/ re-appointment of the retiring Directors, a statement containing details of the concerned Directors are given below;



(in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Date of Birth	Date of Appointment	Qualification	Experience	Share holding in the Company (Nos)
Mr.Deveshwer Kumar Kapila	03.05.51	02.02.06	Chartered Accountant	More than 30 years experience in the field of attestation, audit, accounting and financial management. He was central government nominee Director in Bank of India from 2002 to 2005. He was also associated with various study groups of the ICAI. He was former Honorary Treasurer of Indian Institute of Public Administration (IIPA) Delhi Regional Branch.	50
Dr.A.R.K.Rao	10.01.41	29.06.06	Bachelor of Technology and Masters of Engineering and Ph.D in Chemical Engineering	He had been the Chairman of "Paper and its products (excluding packaging materials), sectional committee of Bureau of Indian Standards of Government of India from 1991 to 2001 and during these period he had also functioned as Chairman of Hindustan Newsprint Limited, Kerala and The Mandya National Paper Mills Limited, Karnataka. He had been the Director (Operations) of The Mysore Paper Mills Limited during 1993 to 1996. He had also functioned in various key posts in Seshasayee Paper and Boards Limited during the year 1981 to 1993. As part of professional activities, he was the President of Indian Pulp and Paper Technical Association for the years 1998 and 1999 and was the Vice- Chairman for the years 1996 and 1997 and also he was the President of Indian Newsprint Manufacturers Association for the years 1998 and 1999.	100
Mr.S.Subramoniam	28.05.57	03.08.95	Graduation	More than 20 years experience in cement and transport business. He was director of the company since 1995.	333944
Mr.A.Padmanabhan	09.11.72	25.06.09	Bachelor of Engineering	He had been in the business of trading of paper and paper boards for more than 15 years. From July 2006, he was working as President Operations of the Company in charge of production and sales. During his tenure he contributed to improve the plant efficiency and improvement in the operations and enabled the company to improve the production considerably to achieve the targets.	1303470



Details of other Directorship and relationship between directors inter-se

Name of Director	Details of Directorship in other companies	Status in other Board Committees of the company	Relationships between directors inter-se
Mr.Deveshwer Kumar Kapila	Allahabad Bank, National Insurance Co. Ltd., Nepa Ltd., J.K.Cotton Spg. & Wvg. Mills Co. Ltd., Canara Robeco Asset Management Co. Ltd.	Audit Committee (Member)	Not related to any other directors of the company
Dr.A.R.K.Rao	Nil	Nil	Not related to any other directors of the company
Mr.S.Subramoniam	Sree Sakthi Construction and Infrastructure (P) Ltd.	Nil	Son of Mr. S. Sivathanupillai & Mrs. E.Kamalam and brother of Mr. S. Rajkumar and Mr.S. Giridhar, Directors of the Company
Mr.A.Padmanabhan	Sree Sakthi Construction and Infrastructure (P) Ltd and Sree Kailas Leasing and Commercial Carriers Ltd	Nil	His sister's husband, Mr. S. Rajkumar is the Managing Director of the Company.

Explanatory statement as required under Section 173(2) of the Companies Act, 1956. and details as required under Listing Agreement**Item No.7**

With a view to professionalize and broad base the Board and having regard to his working experience and knowledge in the paper industry, Mr.A.Padmanabhan was co-opted as an additional director of the company by Board at their meeting held on 25.06.2009 .In accordance with the provisions of Section 260 of the Companies Act,1956 and Article 82 of the Articles of Association of the Company, he would hold office till the date of this Annual General Meeting. He is a qualified engineer possessing B E degree.

At present he was holding Directorship in the M/s Sree Sakthi Construction and Infrastructure (P) Ltd and M/s. Sree Kailas Leasing and Commercial Carriers Ltd.

In order to broad base the Board it has been considered desirable that Company should avail itself of his service. Hence this resolution is proposed for your approval.

The Board recommends the resolution for approval. None of the Directors except Mr.A.Padmanabhan is in any way concerned or interested in this resolution.

Item No.8

Mr.A.Padmanabhan was co-opted as an additional director on 25.06.2009. He was appointed as Whole Time Director – Operations of the Company for a period of 3 years w.e.f

01.07.2009 to 30.06.2012 at the board meeting held on 20.07.2009. His remuneration had also been fixed by the Remuneration committee.

Remuneration Committee constituted by the Board had met on 20.07.2009 and approved and recommended the remuneration package of Mr.A.Padmanabhan for the tenure of office , in accordance with Schedule XIII to the Companies Act,1956.

As per the amended provisions of Schedule XIII , based on the effective capital of the Company where in any financial year during the currency of tenure of the Managerial person , a company has no profits or its profits are inadequate, it may pay remuneration by way of salary, perquisites and any other allowances provided (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee, (ii) the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person ,(iii) a special resolution has been passed at the general meeting of the company for the payment of remuneration for a period not exceeding three years ; and (iv) a statement along with notice calling the General Meeting given to the shareholders containing certain information as specified in the Schedule XIII of the Companies Act,1956.



The remuneration committee of the Board of Directors has recommended remuneration of Mr.A.Padmanabhan as set out below;

1. Salary : Rs. 1,50,000/- (Rupees One lakh fifty thousand only) per month from 01st July 2009 to 30th June 2012.
2. Perquisites
 - a) House rent allowance - Rs. 40,000/- per month
 - b) Personal accident insurance for an amount of the annual premium which does not exceed Rs. 12,000/-
 - c) Gratuity payable shall not exceed half month's salary for each completed year of service
 - d) Provision for car for use on company business and telephone at residence.
3. Perquisites shall be evaluated as per Income Tax Rules 1962 wherever applicable
4. Wherein any financial year, the company has no profits or profits are inadequate the minimum remuneration payable to the Whole Time Director – Operations shall be the same substantive salary and perquisites as above mentioned subject to the ceiling set out under Schedule XIII of the Companies Act, 1956 as amended.

None of the Directors except Mr.A.Padmanabhan is in any way concerned or interested in this resolution.

The above may also be considered as an abstract of the terms of the appointment of Mr. A.Padmanabhan as the Whole Time Director –Operations of the Company and a memorandum of concern or interest in the said appointment in accordance with the provisions of Section 302 of the Companies Act, 1956.

Information required to be disclosed in terms of Schedule XIII to the Companies Act, 1956

I. General information

1. Nature of industry
Paper industry – The company is engaged in manufacture and trading (including exports) of kraft paper and duplex board
2. Date or expected date of commencement of commercial production
It is an established company and commercial production at its Edayar plant commenced in 1993
3. In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus.
Not Applicable

4. Financial Performance

Particulars	(Rs./Lakhs)		
	2006-07	2007-08	2008-09
Gross Sales	6782.46	11624.81	14416.14
Net Sales	6116.50	10638.30	13708.63
Profit before tax and Depreciation	508.18	718.96	791.15
Profit before tax	354.56	456.23	483.66
Profit after tax	200.10	302.46	331.79
Earnings per share (Rs)	1.22	1.84	2.02
Rate of Dividend (%)	10%	15%	15%
			(Proposed)

The effective capital of the company based on the Audited Accounts for the Year ended 31.03.2009 is Rs. 39.86 crores.

The Company has not made any default in the repayment of its dues or interest payments thereon. The Company has not issued any debentures or not accepted any public deposits.

5. Export performance and net foreign exchange collaboration

Financial Year	Export Turn Over (Rs.Lakhs)
2006-07	270.57
2007-08	1532.60
2008-09	1764.87

The Company does not have any Foreign Exchange Collaboration.

6. Foreign investments or collaborations, if any. : The company does not have any foreign investments or collaborations.

II. Information about the appointee: Mr.A.Padmanabhan

I. Background details

Mr.A.Padmanabhan is a qualified engineer possessing BE degree. He had been in the business of trading of paper and paper boards for more than 15 years. Subsequently since July 2006 , he was working as President Operations of the Company in charge of production and sales. During his tenure he contributed to improve the plant efficiency and improvement in the operations and enabled the company to improve the production considerably to achieve the targets.

At present he was holding Directorship in the M/s Sree Sakthi Construction and Infrastructure (P) Ltd and M/s. Sree Kailas Leasing and Commercial Carriers Ltd.

**2. Past remuneration:**

He was working as President Operations of the Company since July 2006 and he has drawn a salary of Rs.1.25 lakhs per month till the appointment date as Whole time Director – Operations.

3. Recognition or awards : Nil**4. Job Profile and his suitability :** As given in the point II (1) above**5. Remuneration proposed :** As mentioned in the Explanatory statement of Item No 8. Considering his vast experience and the services rendered as President Operations of the Company since July 2006, the remuneration proposed to Mr.A.Padmanabhan, Whole Time Director – Operations is comparable with the prevailing market rates.**6. Pecuniary Relationship :** Mr.A.Padmanabhan to the extent of remuneration received / receivable and shares held by him.

minimum remuneration clause is incorporated in the resolution to cover any eventuality in future.

Disclosures as required under Schedule XIII of the Companies Act, 1956 has incorporated in the Directors Report and Corporate Governance Report, as the case may be forming part of the Annual Report.

Mr.A.Padmanabhan to the extent of remuneration received / receivable by him is interested in the resolution mentioned in Item No 8 of the Notice.

None of the other directors of the company is in any way concerned or interested in the resolution mentioned in Item No 8 of the Notice.

Your directors recommend this resolution for approval.

By Order of the Board
For Sree Sakthi Paper Mills Limited

Sd/-

Binu Alex.V
(Company Secretary)

III. Other information:

The company has so far running in profits only. The

Place : Cochin-16
Date : 20.07.2009





DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

YOUR Directors have pleasure in presenting the 18th Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March 2009.

1. INDUSTRIAL OVERVIEW

The Paper Industry is considered as one of the high priority Industry and considered as an important Industry Sector because of its having the very deep impact on the Socio economic development of the country. The Industry is broadly divided into paper, paperboards, and newsprint.

The government has been following policy for reducing import tariff for paper each year and pursuing encouraging policy to stir the momentum for boosting the demand for paper and for the growth of this industry.

The Paper Industry has been completely globalised, in that Government has delicensed the paper industry since 1997. The Paper industry is a priority sector for foreign collaboration and foreign equity participation up to 100%, receives automatic approval by Reserve Bank of India.

The demand for paper is closely aligned with economic growth. In the past the growth in the paper industry was on an average of 6% to 7%. However, the global slow down of the economy from September / October 2008 has caused wide recession in all sectors of the economy and India's export steeply declined. The Indian economy is now passing through a recessionary conditions and when it would be over is a matter of speculation.

Indian economy has ability to recover from the recession and it is now generally felt that there will be some what lower growth in 2010, after recovery of economy within next 6 to 8 months. Paper industry has therefore to operate in stalemate economy depending upon its linkage with the growth prospects. This is also applicable to other industrial sectors.

2. REVIEW OF OPERATIONS 2008-2009

During the financial year under review gross sales have increased from Rs.11624 lakhs to Rs.14416 lakhs on account of improving the production volume, productivity and the average sales realization improved by 15% and net profit after tax improved by 10%.

Company has achieved higher production of 68692 MT as compared to 63077 MT during the previous year.

Export sales continued to make good strides till the 3rd quarter of the financial year when the slowdown of global economy set in with sales increasing from Rs. 1532.60 lakhs to Rs.1764.87 lakhs, registering a growth of 15%. In the last quarter of the year under review there was complete fall in exports due to the recessionary conditions caused by deep global economic crisis. However, despite fall in exports, the company could make up sales in the domestic market.

	2008-09	2007-08	Growth %
Production (Qty in Mt)	68692	63077	9%
Sales (Qty in Mt)	68743	63816	8%
Gross Sales			
Domestic (Rs./Lakhs)	12651.27	10092.21	25%
Export (Rs./Lakhs)	1764.87	1532.60	15%
Total Sales (Rs./Lakhs)	14416.14	11624.81	24%

Capital Expenditure incurred by the Company during the year under review was Rs.786.82 lakhs. This included a capital expenditure outlay of Rs.408 Lakhs towards modernization scheme implemented at Duplex Board unit at Chalakudy to facilitate production of value added varieties of paper/ paper board.

All the repayment and interest commitments were met as per terms of arrangement with Financial Institutions and Banks.